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EDITORIAL

As We See It

We have always been certain that the Employment Act of 1946 was unwise; we now demand its repeal.

We have always been certain that the country would be much better off without the President's Council of Economic Advisers; we now demand its elimination.

We have often stated our reasons for believing that both are unfortunate outgrowths of the totalitarian philosophies of the day; we shall now re-state the case with words taken from the mouth of the President's Council. If the reader will turn to Part 2 (page 849 et seq.) of "Monetary Policy and the Management of the Public Debt, their Role in Achieving Price Stability and High-Level Employment" just published by the Joint Committee on the Economic Report, and containing replies to questions recently submitted to the Council and others, these sentences from the Council's reply will be found:

"The fact that the President does not have the same supervisory function with respect to the Federal Reserve System that he has with respect to other government agencies should, however, not be confused with the question of whether the President is ultimately responsible for monetary as well as all other fiscal and economic policies of the government. . . .

"The President scarcely could discharge his general constitutional responsibilities as Chief Executive, and certainly could not discharge his specific responsibilities under the Employment Act of 1946, if monetary policy was not regarded as one of the 'functions and resources' of the government to be coordinated and used in pro-

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Is Inflation Still a Threat?

By SUMNER H. SLICHTER*

Lamont University Professor of Economics, Harvard University

Professor Slichter lists as deflationary forces: (1) drop in consumer goods expenditure; (2) decline in business inventory outlays; (3) slow increase in defense spending; and (4) very gradual rise in personal incomes. Advocates as steps to prevent further inflation: (1) limit non-essential government spending; (2) increase industrial efficiency; (3) postpone non-defense plant outlays; and (4) keep down rate of defense costs. Urges wage rises limited to productivity, and more personal savings.

I

Is there any longer a serious danger of inflation? Since March, 1951, the wholesale price level has dropped about 5% and the consumer price index has risen only 2.5%. The last year has been one of the most stable periods in the country's history.

Prof. S. H. Slichter

Within the last month deflationary influences seem to have been gaining strength. The consumer price index, which had been rising slowly up to December, has ceased to advance. There was no increase between December and January. Between the middle of January and the middle of February the retail food index dropped 2.1%. Since food has a weight of almost a third in the consumer price index, the February consumer price index is almost certain to be below the December and January figures. Both steel and aluminum, two of the scarcest commodities, have recently become more plentiful. Allotments of structural steel for general commercial construction in the second quarter of 1952 are about 70% above the

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*An address by Professor Slichter before the Providence League of Women Voters, Providence, R. I., March 3, 1952.

A Sham Defense

Reaction of Investment Bankers Association and New York Stock Exchange to Title V of Independent Offices Appropriation Act and SEC proposal thereunder. Tax features attacked. Commission's defense examined. Pending amendment re Brokers and Dealers.

The crusade against Title V of the Independent Offices Appropriation Act and the release of the Securities and Exchange Commission attempting to implement it, gives promise of success because of the volume of public opinion which has been aroused in opposition to these measures.

This inveighing against Title V is not limited to the securities industry. Business in general, appreciating the dangers, is becoming articulate.

Thus the Northwest Mining Association passed an opposing resolution.

The President of the Salt Lake Stock Exchange in a letter addressed to Senators Watkins and Bennett and Representatives Granger and Bosone had this to say in part: "We feel so strongly on this subject that it is our intention to take this matter not only to the Press but also to the stockholders of the publicly financed corporations, which number over 30,000 alone on the corporations listed on the Salt Lake Stock Exchange, and this is only a fraction of the total number in the State of Utah. We therefore feel we should have an expression of your feeling in this matter and what you believe you will be able to do to prevent this extremely objectionable and arbitrary action by the Securities and Exchange Commission."

Since the power to tax is also the power to destroy, the taxing features of the SEC proposal have met with particular antipathy.

In a circular letter to members of the Investment Bankers Association of America, signed by

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SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 41.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Morris & Essex RR. 1st & Refunding 3⅛s of D. L. & W.—George A. Bailey, partner, George A. Bailey & Co., Philadelphia, Pa. (Page 2)

Taylor Instrument Companies — W. H. Holly, Sage, Rutty & Co., Inc., Rochester, N. Y. (Page 2)

GEORGE A. BAILEY

Partner, George A. Bailey & Co., Philadelphia, Pa.

Morris & Essex RR. 1st & Refunding 3½s of D. L. & W.

The Security I Like Best must combine the following qualities: It must be fairly well secured. It must be paying a return regularly, at least 6% under present conditions. It must have a steadily increasing equity and at the same time, it must offer possibilities for enhancement in price. These attributes may be found in the **Morris & Essex RR. First & Refunding 3½s, due 2000.** This issue is well secured by a first lien on the entire properties, wharves, water rights, etc., of the railroad. In 1943 the ICC placed a valuation of $93,235,469 before depreciation, while there are but $35,000,000 of these bonds outstanding.

George A. Bailey

Early in 1945 the Delaware, Lackawanna & Western merged the Morris & Essex and assumed payment of both principal and interest of the Morris & Essex 3½s. Separate financial statements are not available. The DL&W has been steadily strengthening its capital structure in that its fixed charges have been reduced from $8,320,801 in 1932 to about $4,878,110 at the end of 1951 or approximately 41%. Based on the present annual fixed charges of about $4,900,000, the net income available to meet these requirements would have been earned on an average of about 1.65 times in the past 20 years. In 1951 fixed charges were earned about 2.43 times, indicating a good margin of safety.

Further adding to the road's efficiency is the dieselization program. During the year 1951 an average of 91.82% of gross tonmiles was handled by diesel power. This compares with 66.13% in 1949.

Through the sinking fund operations, the funded debt is reduced annually, thereby steadily increasing the equity back of these bonds. During 1951 the DL&W purchased bonds and leased-line stocks amounting to $2,033,800. It has bought in over $21,792,380 face amount of its debt and leased-line stocks since 1940. Since 1940 the company has paid about $24,000,000 to the credit of its overall tax obligations.

Another factor in the development of this company's future, is the acquisition of 66,000 (split 5-for-1) now 330,000 shares of common stock of the New York, Chicago & St. Louis Railroad (Nickel Plate). This is the first step in the "eventual merger" of the two roads which have had a working agreement for some time. By buying into the Nickel Plate, the Lackawanna gains a voice in the management of the Wheeling & Lake Erie Railway Company, as well as the Lorain & West Virginia Railway Company. The merger of the two would create a direct East-West system extending from Hoboken, N. J., opposite New York City, to Chicago. The miles of track operated at the close of the year 1951 by the Nickel Plate was 3,971.78, and by the Lackawanna 2,393.55, a total of 6,365.33. than 40 points under par.

This bond is available in registered as well as coupon form. The registered bonds sell over-the-counter. Free of the Personal Property tax in Pennsylvania, this first mortgage bond is in a stronger position today than anytime in the company's history. The property is indispensable to the operations of the Lackawanna system. The company is now in the best financial position in many years and the prospects for still further improvement are increased through the "eventual merger" of the Nickel Plate. Nevertheless, this well-secured first mortgage issue continues to sell at more than 40 points under par.

W. H. HOLLY

Sage, Rutty & Co., Inc., Rochester, N. Y.

Taylor Instrument Companies

One hundred years ago a business was founded which is today known as the Taylor Instrument Companies. The entire line in 1851 consisted of a few tin-case thermometers, hand-carved wood-case thermometers, a water weather glass, and a few mercury barometers. Today Taylor is the World's most diversified manufacturer of process control instruments.

W. H. Holly

In most of the medicine cabinets in the homes here in the United States you will find a Taylor fever thermometer, and at the Atomic project plant at Oak Ridge, Tennessee, you will find 43 carloads of Taylor instruments so perfectly synchronized that they require only 20 operators to the mile. At the present time the Company has a Multi-Million Dollar contract from the Federal Government to supply instruments at the new $300 million plant at Paducah, Kentucky.

The business of the Company is normally classified into its commercial line and industrial line. Sales of its products in the industrial line account for more than two-thirds of the Company's total dollar volume of business.

The Company's commercial line includes fever thermometers, laboratory thermometers, wall and standing thermometers, maximum and minimum registering thermometers, bath thermometers, candy and domestic cooking thermometers, and other special purpose thermometers; hygrometers; altimeters; aneroid barometers; blood pressure instruments; compasses; rain gauges; and anemometers. Approximately 60% of the Company's commercial products are sold to hardware, drug and surgical supply trade, and the balance to miscellaneous customers such as optical stores, scientific supply houses, department stores, mail-order houses, and jewelry stores.

The Company's industrial line consists of instruments, used in industrial processing, which measure, indicate, record, indicate and control, and record and control temperature, pressure, flow of fluids, liquid level, load and humidity. The indicating and recording control instruments are sold under the trade name "Fulscope." These instruments are available with a wide variety of automatic control mechanisms.

The Company's industrial products are sold to practically all industries. The principal industries served are the chemical, dairy and petroleum industries, together constituting about 45% of the Company's total industrial sales; other important customers being the rubber, canning and food processing, textile, air conditioning, refrigeration, public utility and pulp and paper industries. No one industrial customer, however, normally purchases as much as 4% of the Company's total sales. Practically all of the Company's sales of industrial products are made direct to industrial customers, industrial equipment manufacturers, jobbers and contracting engineers.

For the fiscal year ended July 31, 1951, Taylor reported earnings amounting to $6.67 per share. For the first quarter, ended Oct. 31, 1951, earnings were in the amount of $1.72 per share. There are 180,440 shares of common stock outstanding. The Company has no bonded debt, bank loans or preferred stock. They have just completed the construction of an additional building at a cost of around $600,000 without resorting to borrowing.

The book value of the stock is about $52 per share. Dividends paid last year amounted to $1.60 per share, and dividends for the past five years have averaged $1.44 per share. The common stock is traded over-the-counter around 35½.

If you are looking for growth and romance in a common stock, you have it here by the bucketful, and you are buying into a good sound Company at less than 5½ times last year's earnings.

NY Bond Club to Hear Sen. O'Conor

The Hon. Herbert R. O'Conor, United States Senator from Maryland, will be guest of honor and speaker at the annual dinner of The Bond Club of New York, on Thursday, March 20, James J. Lee, President of the club announced today. The subject of Senator O'Conor's address will be "America at the Crossroads." The dinner will be held at the Starlight Roof of the Waldorf-Astoria.

Three With A. M. Kidder

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Richard M. Campau, John W. East and Edward W. Wojtan are now affiliated with A. M. Kidder & Co., 600 Griswold Street.

Joins J. M. Dain

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — James C. Morken has become affiliated with J. M. Dain & Co., 110 South Sixth Street.

Brown, Madeira Open

J. P. Brown and D. L. Madeira have formed Brown, Madeira & Co. with offices at 1 Wall Street, New York City, to engage in the securities business.

Action of Congress Favors Carothers' Views on UMT

Following Dr. Neil Carothers' article in the "Chronicle" of Feb. 21, in which he set forth reasons for his belief that adoption of Universal Military Training would be a tragic mistake, Congress has refused to act on Administration's measure. The "Chronicle" however, deems it in public interest to continue to publish comments elicited by Dr. Carothers' article.

On March 4, the House of Representatives, following previous similar action by the Senate, voted by 236 to 162 to refer back to the Armed Services Committee the Administration Bill to inaugurate Universal Military Training. This virtually prevents any action on the measure in the current session of Congress, since Rep. Carl Vinson of Georgia, Chairman of the House Armed Services Committee, has stated that he would not ask the Committee to consider the question again this session. The "Chronicle," which published in its Feb. 21 issue an article by Dr. Neil Carothers, entitled "U.M.T.—Why It is a Mistake," has been receiving letters commenting on the views expressed by the author. Some of these were published in last week's issue; others are given below.

HON. DANIEL A. REED
U. S. Congressman from New York

It will interest you to know, I am sure, that I thought so highly of Dr. Carothers' remarks that I have inserted them in the Congressional Record.

P. BLAIR LEE
President, The Western Saving Fund Society of Philadelphia

As I am strongly in favor of UMT and have been urging my friends to join me in indicating to their Congressmen and Senators their support of this proposal, I was naturally very disappointed to see that your organ is carrying prominently the views of one who is opposed to the matter.

No one can deny the necessity for greater and more intensive scientific and engineering training, plus greater industrial capacity, in the interest of the national defense. However, with all due respect to Dr. Carothers, these developments unless backed by ample and trained reserves will not, in my opinion, do the job of protecting the democracies of the world against Communism.

The infantry still wins the battles, to put it briefly, and Dr. Carothers should know this. The only decent and proper way for the necessary reserves to be supplied is through some system whereby every young man contributes his share to the undertaking.

HON. O. K. ARMSTRONG
U. S. Congressman from Missouri

Today I took part in the debate on this matter [UMT] and did what I could to point out the disservice this measure would do our country. Your material, added to the material I had already gathered on the matter, gave me an even greater conviction that this measure should not pass.

HON. EDWIN C. JOHNSON
U. S. Senator from Colorado

Dr. Carothers' article is an excellent statement, and I will make good use of it.

HON. PAT SUTTON
U. S. Congressman from Tenn.

This is to advise that I agree with Dr. Carothers 100%. Be assured that I am grateful for the views contained in his article.

HON. JOHN J. WILLIAMS
U. S. Senator from Delaware

I voted against the inclusion of the Universal Military Training Program as a part of the existing draft law on the basis that our decision on this most important question should be decided on its own merits in separate legislation. I am not certain but that such a program might not later be forced upon us; however, I am most reluctant to see our country's youth permanently placed under military control in time of peace.

HON. RUTH THOMPSON
U. S. Congresswoman from Michigan

I agree 100% with the views expressed by Dr. Carothers and intend to vote against this program.

THEODORE ROKAHR
President, First Bank & Trust Co., Utica, N. Y.

The "Chronicle" has rendered a real public service in publishing Dr. Carothers' article. It is refreshing to read this "antidote" to the "eyewash" we have been reading and hearing about UMT. I am sending the article to my Congressman.

J. B. JESSUP
President, Equitable Trust Company, Wilmington, Delaware

I have the highest regard for Dr. Carothers and his status as a clear thinking economist is well known. However, I do not follow some of his arguments and reasoning. For example, he attacks Senator Morse's four basic reasons in a very inconclusive way. To my mind, points one and two are unquestionably correct. I do not consider them "empty generalities."

While many of the arguments are convincing, I must admit that I am still in favor of UMT for this country.

HON. JOHN C. STENNIS
U. S. Senator from Mississippi

I am supporting the UMT program mainly for the following reasons:

(1) I have felt that we are going to live in a time of tension and uncertainty for many years to come and we cannot meet the

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Economic Prospects for 1952

By ROY L. REIERSON

Vice-President, Bankers Trust Company, New York

Bank economist discusses course our economy is taking in current year and concludes 1952 will see production, employment, incomes, and consumer spending making new records. Predicts no general shortages of consumer goods, though certain items may be exception. Stresses importance of government spending in economic outlook, and foresees increased defense outlays and higher inventories, along with heavy new plant investment. Looks for further declines in corporate profits and some increase in commodity prices.

The course of our economy in 1952 will probably be determined in large part by developments in the international field. Unfortunately, no basis exists for reliable forecasting in this area. A further deterioration of world affairs, even though still short of all-out war, would doubtless mean a speedup in defense production, more drastic cutbacks in the supplies of raw materials available for the civilian economy, and renewed efforts by consumers and business to anticipate future requirements. While the inflationary flare-up might not be as strong as that which followed the outbreak of war in Korea in 1950, it seems reasonably clear that a worsening of conditions abroad would contribute to some resurgence of inflation and to rising business activity. Progress toward a real peace may be regarded as the less likely probability. This leaves a continued troubled international situation as a reasonable assumption on which to weigh economic prospects for the current year.

Roy L. Reierson

Defense Spending

In appraising the economic outlook for 1952, perhaps the most important single consideration is the prospective level of government spending on national defense. The recent messages of the President have set forth the pattern of thought now underlying government policy and planning in this field. Outlays on national security (broadly defined to include expenditures for the military establishments, for atomic energy and stockpiling, and for foreign military and economic aid) are expected to pass through three phases. The first phase is a continuing increase in spending into, and perhaps almost to the end of, the calendar year 1953. The annual rate of spending is expected to rise during 1952 by about $20 billion, from an annual rate of some $45 billion in the latter part of 1951 to a rate of nearly $65 billion in the closing months of 1952. Incidentally, the increase contemplated for this year alone is somewhat larger than the total level of such spending at the outbreak of the Korean war. The second phase of the national security program would be a plateau of spending lasting for a year or longer, depending upon international developments. During this period, extending into 1954 or beyond, spending on national security would be at an annual rate of perhaps $65 to $70 billion. The third phase would involve a reduction in this spending to a "maintenance" level. This decline apparently is not expected to occur before 1954 at the earliest. Based on the military and atomic energy establishments currently planned, the maintenance level of spending has been estimated at $40 to $50 billion a year.

It is apparent that this spending program is based upon a "middle-of-the-road" appraisal of the international outlook. It is far less than an all-out war budget and yet substantially larger than could be justified if real progress were to be achieved in the direction of international goodwill. However, unless there is a further obvious deterioration in international conditions, defense spending may not rise quite as rapidly as envisaged by the President. There is likely to be continued emphasis upon improvement of military designs, upon modification of existing models, upon research and development, upon the building of industrial capacity, and upon the production of modern equipment rather than obsolescent models—all of which will help hold down production and expenditures to some extent. Consequently, the rise in defense outlays may be somewhat less than the $20 billion a year planned by the government, but unless positive action is taken to moderate the increase in military spending, the annual increase is still likely to be perhaps $15 billion or more.

For 1952, the prospective increase in spending on national security is not far different from the $20 billion expansion of 1951. However, of the increase in 1951, it is estimated that only about 60% went for the procurement of military hard goods and for military construction. Looking ahead, it appears that nearly all the increase in 1952 will go for these purposes. This means that the drain of the defense program on scarce metals is likely to be greater this year than it was in 1951. This, together with the gradual inroads made upon accumulated inventories of metals, explains why the military program will bite in larger measure into the production of consumer durable goods and into less essential construction in 1952, and why the interferences with the civilian economy are likely to become somewhat greater in the months ahead. At the outbreak of the Korean war, national security outlays accounted for some 7% of the gross national product. By the fourth quarter of 1951 this percentage had increased to 14%. By the end of this year, it is expected to approximate 18%.

The effects of rising expenditures for national security will be experienced by the economy in a substantial way during the first half of 1952, and perhaps somewhat longer. By the closing months of the year, if spending proceeds as expected, most of the aggregate economic effects of rising expenditures will already have made themselves felt in the economy. The increase in spending in 1953 apparently is planned to be of fairly modest proportions; furthermore, most effects of defense production on the economy will be apparent before the outlays reach their peak. However, some long-range procurement programs, such as those for new aircraft, guided missiles, and complex electronic gear probably will have a greater impact in 1953 than in 1952.

Business Spending on Plant and Equipment

A second key factor in the business outlook is business spending on plant and equipment. Such outlays in 1951 were more than $23 billion and thereby established a new record some 15% above the previous peak year 1948. In the early months of 1952, in spite of forced cutbacks in spending for less essential purposes, such as commercial building, and some lags in programs due to lack of materials or equipment, plant and equipment spending apparently will be at a rate 15 to 20% above the comparable months of last year. The general expectation at present seems to be that plant expenditures during the current year will continue at about the rate indicated for the first quarter.

In recent months, the view has gained currency that plant spending is near its peak and that a decline of some significance is in prospect after 1952. The magnitude and duration of the postwar capital goods boom has raised industrial capacity substantially, and further significant increases are in prospect; as the year moves along, some business managements may well take progressively less sanguine views of the desirability of initiating further large plant programs. It is indicative that the sharp rise in business plant spending over the past 18 months has in part at least been the result of "war psychology" and the fear of a prolonged period during which plant programs would be drastically curbed. Furthermore, if our basic assumption on international conditions proves correct, management thinking will be affected by the prospect that the big increase in defense spending and the consequent stimulation of the economy by rapidly rising government outlays will be largely achieved in 1952.

Other considerations are that the squeeze on profit margins and the heavy corporate tax burden have significantly reduced the supply of funds available for corporate expansion out of reinvested profits, which are estimated at around $8½ billion for 1951, or one-third below the average of the preceding four years. Also, the tax squeeze has made it more difficult for new capital investment to show a satisfactory return. Finally, shortages of structural steel and machinery may continue to hold down the level of plant expansion.

While business spending on plant and equipment thus appears to be at or near its peak, and may decline next year, it is difficult to foresee any significant reduction in the more immediate months ahead. In fact, expenditures may be about as large in the second half of 1952 as in the first half of the year. Most plant programs extend over fairly long periods; the large volume of unfilled orders of manufacturers of industrial equipment presages a continued high rate of activity beyond the end of this year at least. Tax amortization certificates have been issued covering about $12¼ billion of plant programs; as yet probably less than one-half of the work on these projects has been completed. Industrial expansion programs receiving government assistance are expected to average 10% higher in 1952-53 than in 1951. There has been some postponement of construction programs, especially of commercial properties, and it is not improbable that some rebound might occur in this area should the supply of construction materials improve. On balance, therefore, while the trend of plant and equipment spending may be moderately downward late in 1952, the year as a whole is likely to establish a new peak.

Construction

A more conservative view must be taken of the outlook for private building and construction other than plant expansion. With an estimate of close to $30 billion of construction put in place, 1951 was a record year, showing an increase of some 7% over the previous peak in 1950. Public construction rose by about $1.9 billion, or more than 25%; private construction in 1951 aggregated about the same as in the previous year, with residential and commercial building showing declines and public utility and industrial plant evidencing sizable increases. Public construction showed an almost steady upward trend during 1951; the private category sagged noticeably beginning in the second quarter.

While 1952 is likely to be a good year, total construction put in place may well decline somewhat from the peak levels of last year. Assisted by defense and defense-related construction, the public category is almost certain to exceed last year's total, but private activity, on the other hand, is equally certain to show a decrease. The materials situation will continue to curtail commercial building, for the time being at least.

The outlook for residential building is of special significance because of its direct and indirect impact upon the economy. Starts in 1951 totaled about 1.1 million in comparison with a record of 1.4 million in 1950. Part of the decline in building may have been due to the tightening of real estate credit and to the reduced availability of real estate mortgage funds following the unpegging of government bonds in March, 1951. However, the number of starts in 1951 was substantially higher than predicted, and well above the official goals of 800 to 850 thousand announced early last year.

Shortages of building materials last year were not an important factor. Diverse opinions prevail with reference to the building materials outlook for 1952. There is some Washington opinion to the effect that shortages of critical metals will limit residential building to 600 to 650 thousand starts this year. On the other hand, other government and industry representatives take the position that materials will be available for 800 to 850 thousand starts.

Midwinter is not a good time to appraise the intentions of builders and, at best, such forecasts are not too reliable. However, even the more optimistic estimates of the materials situation indicate a decline of 20 to 25% in the number of starts in 1952. While expanding defense activities and the resulting migration of workers will require substantial amounts of additional building, there is some question whether the market will absorb more than the number of new houses likely to be permitted by available materials, assuming no relaxation of financing terms. The housing situation is easing in a number of localities and the national trend of family formation is downward. There is good reason to believe that the cyclical peak of residential building was reached in 1950 and that lower levels may be in prospect for 1952 and beyond.

Business Inventories

The business inventory situation, one of the most volatile of the factors affecting business activity, is not likely to precipitate a downturn in business in 1952; in fact, the inventory situation is probably better today than it was six months ago. A tremendous wave of inventory accumulation started in the last quarter of 1950 and reached its peak in the sec-

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The State of Trade and Industry

Steel Production
Electric Output
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Business Failures

Total industrial effort the past week registered some slight improvement for the nation as a whole, but showed no perceptible change from the high level of the comparable period a year ago. It was noted that declines in the output of many consumers' goods were countered by rises in the production of materials for defense.

The national employment situation in the week ended Feb. 9, reflected improvement. In that period, latest figures reveal that initial claims for unemployment insurance benefits dropped 2% to a point 8% below that of a year ago, or the first yearly decline in 1952, while continued claims dipped 3% to a point 44% higher than a year past.

Last week steel ingot production advanced to the highest level, since the all-time record reached in December last; at 100.9% of capacity it was only fractionally below the peak. Steel ingot output at 101.3% for the current week is scheduled to attain the highest weekly record in the history of the steel industry.

This week, according to "The Iron Age," National Metal Workers Weekly, each new sign of softening steel market adds to the embarrassment of controls officials in Washington. Even now they realize what industry has been howling about for some time —that some civilian steel users were cut back too soon and too sharply.

To deepen their embarrassment, the terrific rate of steel production widens the gap between supply and permitted use of some products every day. Many consumers (including auto makers) haven't been using all the Controlled Materials Plan tickets allotted them. They are not interested in getting more steel sheets if they can't also get more copper and aluminum which are also essential.

In the past few weeks this trade magazine points out, controls officials have practically reversed their appraisal of the steel market. They have revoked second quarter cutbacks for some consumers and have boosted some second quarter allotments for civilian use. They have also eased construction restrictions.

They have reached a definite decision to decontrol secondary mill products, though formal announcement is being withheld pending agreement on what constitutes a secondary product. In addition, they have lifted chrome-stainless steels out of CMP.

The pressure for decontrol is fast growing to the explosion point, says this national metal authority. Some mills that would like to sell more to frustrated customers who lack tickets are advising them to hurry to Washington to make controls officials aware of the situation.

In its latest summary of the steel trade, "The Iron Age" states that the amount that controls have been relaxed is hardly a drop in the bucket to what some industry sources recommend. While it was to be expected that controls officials would be reluctant to relax their grip on distribution, the delay in the steel wage price settlement is causing them to drag their feet even more.

Despite the apparent weakening of demand for some products, it will be some time before steel production generally exceeds demand—provided controls are relaxed enough to let demand assert itself, this trade paper asserts. A check of major producers shows that they are fully booked on most products through the second quarter.

Producers expect to have to do some selling to fill their third quarter books and some of them wouldn't be surprised if the ingot rate declined a little, especially since new capacity will keep coming in so fast.

Scrap, which has been one of the steel industry's biggest problems, is getting easier, concludes "The Iron Age."

It was learned the current week that the rapidly improving materials situation may permit a "bonus" of 70,000 cars to be built in March, "Ward's Automotive Reports" stated.

Additional units would be assigned to those makers well abreast of National Production Authority levels who would face closedown near the end of March because of the completion of their permitted share of first quarter car production, it adds.

Steel Output Attains Highest Weekly Tonnage on Record

The latter part of the second quarter looms as the testing period for steel, says "Steel," the weekly magazine of metalworking. Unless the downtrend in demand for certain products, such as sheets and strip, is reversed by that time you can expect some slackening in steel-making operations. That's the way the steel men view the outlook today, it adds. This is particularly

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Morgan Stanley Group Underwrites American Tobacco Offerings

Morgan Stanley & Co. heads a nationwide group of investment firms which is offering for public sale today (March 6) a new issue of $50,000,000 of the American Tobacco Co. 25-year 3¼% debentures due Feb. 1, 1977. The debentures are priced at 99% plus accrued interest to yield about 3.31% to maturity. At the same time, the company is offering to the holders of its common stock rights to subscribe at $52 per share for 1,075,685 shares of common stock at the rate of one share for each five shares held of record at the close of business on March 5, 1952. The subscription offer will expire at 3 p.m. (EST) on March 24, 1952. This offering is being underwritten by Morgan Stanley & Co. and associates.

The combined offerings, involving approximately $105,435,620, represent one of the larger industrial financing operations undertaken in recent years. Proceeds from the sale of the debentures and the additional common stock will be used to reduce the company's bank loans which at Feb. 21, 1951, totaled $157,000,000. According to the company, the need for the funds represented by the bank borrowings arises principally through the higher average price of leaf tobacco and the larger tobacco inventory, both in cost and quantity, carried by the company and its subsidiaries.

It is calculated that the entire $50,000,000 issue of debentures will be retired at or prior to maturity through the operation of a cumulative annual sinking fund, beginning in 1953. The sinking fund redemption price is 100% and the optional redemption prices range from 102¼% if redeemed to and including Feb. 1, 1955, and thereafter at prices scaling down to 100% if redeemed after Feb. 1, 1975.

The company, incorporated in New Jersey in 1904, and its subsidiaries are engaged in the business of manufacturing and selling cigarettes, cigars, and smoking and chewing tobaccos. In 1951, the net sales of the company and its consolidated subsidiaries (including $435,063,911 in Federal revenue stamps affixed to the products) were $942,552,034, of which cigarettes made up 94.34%.

The principal product of the company is Lucky Strike cigarettes, the sales of which constitute the major portion of total sales. American Cigarette and Cigar Co., a consolidated subsidiary, sells under a brand leased from the company Pall Mall cigarettes manufactured by the company. The four chief manufacturing plants of the company are at Richmond, Va.; Durham and Reidsville, N. C., and Louisville, Ky.

For the year ended Dec. 31, 1951, the company reported net income of $33,109,369, equal to $5.57 per share on the common stock outstanding.

William P. Byrne Joins Morfeld, Moss & Hartnett

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—William P. Byrne has become associated with Morfeld, Moss & Hartnett, 721 Olive Street, members of the Midwest Stock Exchange. He was formerly associated with R. Emmet Byrne & Co.

A. G. Edwards Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Leonard J. Nick is associated with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

Observations . . .

By A. WILFRED MAY

On Paying the Corporate Executive

The St. Louis Cardinals' recent difficulty in slipping through a deserved raise to their hard-swatting "Stan the Man" Musial, the imminence of the compensation-baiting stockholder Spring "meeting season," and the approach of the March 15 tax deadline, are all enlivening the lay as well as expert public's interest in upper-stratum pay workings, and particularly for all those concerned with investment is light on executive remuneration in its various phases now most timely.

A. Wilfred May

The compensation element, even where some abuse does exist, actually is not of major importance to the shareholder's pocketbook. The nation's top management group, which is now contributing to 3½ times the dividends, 12 times the taxes, and three times the wage bill of 1939, has suffered a slash of 59% in real income—contrasted with deterioration of 40% by the "middle-management" echelon and only 13% by the foremen group—according to an analysis by Arch Patton in the March issue of the *Harvard Business Review*.

Nevertheless, determination of top-management's compensation is broadly bound up with the basic structure of American corporation finance. Nearly every problem involved in the fixing of executives' pay, both as to amount and form, stem from that characteristic running through our corporate system: the separation of ownership and control in our publicly-held companies.

Perennially Difficult

Over the long-term the various compensation questions have persistently remained the most intriguing and difficult of logical solution for a wide variety of the community; including the company official, the corporate director, the banker, the public shareholder, the regulatory bodies, as well as the disinterested student.

In the Securities and Exchange Commission's functioning in behalf of the investor, it seems that on questions of executive compensation it has been forced to leave the investor's protection to the process of *publicity*.

And seemingly the courts too have found it most difficult to find a usable legal formula for calculating an individual's worth to his company.

To all the above-cited interested categories, the difficulties in "pricing" an executive lie in finding a market rate, a scientific gauge, or a statistical yardstick. Just one of the specific difficulties in making company-to-company comparisons is the misleading nature of executive titles (the responsibilities of "vice-president," etc. varying from company to company).

And the Commission's jurisdiction over the various types of special compensation which are now being added to the basic salary, such as profit sharing, stock options and retirement pay, is also almost wholly confined to disclosure.

A considerable part of the void of the broad and highly ramified field has been recently filled by a new book *Compensating the Corporate Executive* by *George Thomas Washington* and *V. Henry Rothschild, II* (the Ronald Press, New York, 586 pp., $12). The book is authored by a judge and a lawyer, classmates in the Yale Law School, class of 1932, and subsequently New York corporation lawyers. Ten years ago Judge Washington, then a Cornell law professor wrote a volume, *Corporate Executives' Compensation*, covering corporate, government, and legal practices involving management compensation. The instant revision of the earlier work was begun two years ago, before his appointment to a circuit-court judgeship, in collaboration with his friend V. Henry Rothschild, II. Last June Mr. Rothschild was appointed as a member and chief counsel of the Salary Stabilization Board.

The authors view the compensation-abuse problem as stemming from the status of corporate control; specifically, the rela-

Continued on page 35

Chemical Industry as Investment Opportunity

By RICHARD B. SCHNEIDER*

Assistant Vice-President of Chemical Development Department, W. R. Grace & Co., New York City

Stressing rapid growth of chemical industry, equal to 10% annually, as contrasted with average of 3% for all industries, Mr. Schneider predicts still further expansion and more profitable results from chemical research. Cites success of large chemical concerns, and concludes there is constant challenge to the chemical companies themselves to improve products, lower costs, and create new products and that this should demonstrate to prudent investors that chemical industry offers good opportunities.

Most of you will agree, I believe, that my topic today surely does not suggest a unique discovery. Although it has been discussed by others, we here might consider briefly a few of the factors inherent in the chemical industry to which more profitable attention could be given by those in investment work. To reestablish perspective, a few figures may be helpful in indicating the present size of the industry and its growth prospects, which should emphasize the significance of chemicals in domestic and world markets. These figures are from a recent talk of Dr. Raymond H. Ewell of Stamford Research Institute, Pasadena, California.

By 1976, sales of chemicals of $30 billion a year will be reached, based on the recorded sales of the industry during the past quarter-century. These projections did not include "internal" sales; that is, transactions between one chemical company and another. Total sales by the chemical industry during 1950 were $7 billion, of which $1.5 billion were internal sales.

Further, according to Dr. Ewell, plastics will lead chemical sales 25 years hence with estimated external sales of $7.5 billion. Sales of plastics in 1950 totaled $910 million. Sales of fibers are expected to be $4.5 billion by 1976, an increase of 375% over 1950.

During the past quarter-century, the average rate of growth of the chemical industry has been 10% a year compared with a 3% average for all U. S. industry, Dr. Ewell said.

It is clear from these figures and from the company and product interrelationships they imply that more than the usual criteria must be applied in assessing the potential of both large and moderate sized participants. That the chemical industry serves all other industries and mankind generally has been adequately defined by others.

*An address by Mr. Schneider before the Fourth Session of the 33rd Mid-Winter Trust Conference sponsored by Trust Division of the American Bankers Association, New York City, Feb. 5, 1952.

Distinctive Characteristics of Chemical Industry

Let us consider now some of the ways in which the chemical industry differs from others, such as iron and steel, railroads and communications, as both guide and caution to those appraising companies from an investment standpoint.

(1) The chemical industry basically is in competition with itself—its own research obsoletes its own products frequently, more rapidly, we might add, than in almost any other industry. For example new types of plastics continually are being developed which open new applications, but which concurrently necessitate revision of the end-use-pattern of existing materials. Again, new synthetic fibers, such as Dacron and Orlon, and new types of rayon, to say nothing of improved forms of existing fibers, are being introduced and commercialized as rapidly as plants can be constructed.

(2) Within the chemical industry, identical products can be made, starting with different raw materials — sometimes using the same process—and these can be directly competitive costwise. Familiar examples here are ammonia, methyl alcohol, and other alcohols—marketed in major tonnages — which can and do use natural gas, coke, or the by-product hydrogen from other operations, as the basic raw material. Another instance is the production of industrial ethyl alcohol from petroleum refinery gas—specifically ethylene—and the production of an identical material from molasses by fermentation.

(3) Companies in the chemical industry can be large or can be either highly integrated or relatively nonintegrated. Aside from the obviously important factor of size of capital investment, there is the opportunity of selecting the product field; basic raw materials can be purchased and intermediates produced which in turn become the building blocks for final products. An example is acrylonitrile — essential for producing such newer synthetic fibers as Orlon and Acrilan. Suppose we consider acrylonitrile for a moment in regard to Acrilan, the Chemstrand Corp. product. As you know, Chemstrand Corp. is owned jointly by Monsanto and American Viscose. Monsanto will make the needed basic raw materials at Texas City; as you know, acetylene, a principal starting point, will be produced from natural gas. The company will have its own tonnage oxygen plant as a part of the installation. American Viscose will then manufacture and market Acrilan using the Monsanto-produced chemical intermediates to form the final product.

As the chemical industry becomes more complex, the problem of degree of integration within any single company correspondingly becomes more serious. DuPont is a good example. Should it, like Monsanto, become a major producer of acrylonitrile for its Orlon fiber operation? Should it greatly increase its output of ethylene glycol (best known as Zerex or Prestone permanent-type antifreeze) so as to supply the requirements of this chemical for Dacron synthesis? These examples are likely multiplied many-fold within duPont and to a lesser degree in all aggressive chemical companies, thus emphasizing the significance of the fourth point.

(4) It is necessary that management be alert to the need for frequent changes to improve or even to revamp completely existing processes to enable constant product improvement. This requires plowing money back into the business, as well as outside financing, depending upon the scope of the changes. There is concurrently in the chemical industry the need for substantial capital investment in new plants to take advantage of the results of research.

(5) There is the need for "patient money," as it has been so aptly called, for sponsoring both the long range or fundamental research, which culminates in a nylon, a cortisone, a synthetic rubber, and the like; and applied research, which is shorter range in nature but which effectuates the findings of the fundamental work. A good illustration of the magnitude of the calculated risks within the chemical industry is duPont's nylon. It has been stated publicly that basic research leading to the development of nylon was begun by duPont in 1928 but that it was not until 1940 after the expenditure of about $27 million that the company was able to sell the first pound made in a commercial unit. Indicative of the strides in the newer synthetic fibers, however, is a recent statement by Carl Setterstrom of Carbide and Carbon Chemicals Co. that the current market for products of this type approximates $300 million, accounted for chiefly by nylon, although inroads will be made increasingly by Orlon, Dynel, and other similar products.

Problem of Investment Analysis

Because of the points just enumerated—and these are not all inclusive—it is obviously impracticable in investment analysis involving the chemical industry to consider any one company entirely apart from others. Adequate appraisal must embody consideration of each company's place in its own sphere of activity and in the light of new competitors outside. The inherent attractiveness of the chemical and related process industries such as drugs and pharmaceuticals offers a challenge to farsighted companies not now active in the field. From the investment standpoint, this will mean a more careful scrutiny not only of moderate sized organizations which can grow rather quickly because of the impact of a product of major significance — witness the effect of Terramycin on Chas. Pfizer & Co.—but of larger companies which decide to broaden their horizons.

Let us go back again to the topic; namely, the chemical industry as an investment opportunity. Recently, Mr. Grace prepared a most illuminating report on chemical investment in which he utilized various source material; with his permission I am using the following excerpt as especially pertinent. Suppose we were to make a table showing the relative size of the chemical industry vs. all U. S. industry year by year for 25 years, starting each of these two entities with a figure of 100 at the beginning of the first year. The figures show that two companies of precisely the same size starting off together, one growing at the rate of 10% per annum—viz., the average rate of growth of the chemical industry as we noted earlier—and the other growing at the rate of 3% per annum—viz., the average rate of growth for all U. S. industry—would have extraordinary difference in relative sizes after a few years.

For instance, at the end of 10 years, the chemical company would be 80% larger than the other company, which itself would have been growing at the rate of 3% per annum. At the end of 20 years, the chemical company would be 248% larger, and at the end of 25 years, 380% larger.

Suppose we assume that both of our hypothetical companies started off with $10 million in sales (assuming that sales would follow physical production). At the end of 10 years, the chemical company would have sales of $23,570,000, while the other company would have sales of $13,060,000. At the end of 20 years, the chemical company would have sales of $61,140,000, while the other company would have sales of $17,550,000. At the end of 25 years, the chemical company would have sales approximating $100 million, i.e., $98,470,000, while the other company would have just topped $20 million with sales of $20,350,000.

Although the accomplishments of our hypothetical companies would be influenced by many factors, the demonstrated results of leaders in the chemical field are adequate testimony to the inherent growth opportunities.

Suitable stewardship of invested funds leading to both good earnings and long range growth is relatively certain in sound companies in the chemical field The total annual dollar expenditures for research and development are still increasing, and the environment for producing tangible results from these expenditures is continually improving. One has only to visit the fine new research centers of companies like duPont, Hercules, Monsanto, Commercial Solvents—and of the oil companies like Standard of Jersey, Indiana, and California — to have this adequately proved. But research achievements become largely academic without the vision, leadership, and willingness to take calculated risks of alert management. Only where these are present can the transition from laboratory to commercial plant be accomplished with the optimum timing and the satisfying results that have become the hallmark of the industry's top performers.

While greater care than ever must be taken by company heads to be as fully informed as possible, not only on the technical aspects of new developments, but on the marketing side as well, the momentum of the chemical industry is still substantial and the rewards are high. This constant challenge to the chemical companies themselves to improve existing products, lower costs, and create new products should concurrently demonstrate to prudent investors that the chemical industry and investment opportunity are closely interrelated.

Rapid Growth Of Industry in Pacific Nor'west

By ROGER W. BABSON

Mr. Babson cites development of Pacific Northwest from a purely raw material area to a manufacturing region as due to enterprise and courage of its business leaders. Says this experience proves that brightest opportunities occur where prospects seem uninviting.

A few years ago, the Pacific Northwest was suffering a most difficult readjustment. Unprecedented wartime expansion seemed likely to end in complete collapse. Unemployment had reached serious proportions. Active shipyards, giant aircraft factories and war fabricating plants shut down.

Roger W. Babson

In these weekly articles I seldom single out any one section for specific mention. Our American economy is interrelated to so great an extent, that every section is largely dependent on other sections. However, I think that there is a lesson for all sections to learn based upon the recent statistics and experiences of the Pacific Northwest.

Prewar Situation

Prior to 1940, the region was almost entirely dependent for its prosperity on selling its raw materials. Its products were mostly shipped eastward in a raw state for processing and distribution to more profitable mass markets.

Here was an important lumber district, but all its lumber was shipped East in the raw state. Rich Northwest farm lands supplied a large part of America's fruit and grain, but often at a loss. Copper, zinc, lead, silver, gold and antimony were scooped from its mines and shipped elsewhere for refining and fabricating. Fishing, especially for salmon, was big business. *But, manufacturing industries were badly needed for lasting strength.*

Wartime Experience

Expansion for war needs stimulated manufacturing industries temporarily. Aircraft factories mushroomed overnight. A full-blown aluminum industry sprang up, and there was a new plutonium plant at Hanford. Ferro-alloy and other electro-process war industries were started. Huge power requirements pushed ahead hydro-utility construction. Population growth kept pace with industrial expansion. People rushed in from adjoining sections to get employment. There could have been a very bad slump when the war ended.

There were no established peacetime products or markets to which the industries and workers could return. However, instead of a slump, the area has forged ahead to new heights, due to the enterprise and courage of its business leaders. Labor today is even scarce in some lines and net migration into the area has continued high.

Postwar Events

Aided by extensive research and these few businessmen, their raw materials are now going into finished goods. Prewar, no aluminum was produced in the Pacific Northwest; today nearly half of all our aluminum comes from this area. Food processing has been emphasized to take advantage of the area's growing output of agricultural products. Its hustling businessmen are making it the center of the new frozen foods industry. They are starting new flour mills, new canning plants, and other industries to employ nearly twice as many workers as in prewar 1939. This proves again that every community depends upon the ability and courage of about 5% of its people.

Furniture production has become a big industry utilizing the region's lumber resources. Paper and pulp industries have expanded 50% since 1940, while the chemical industry is being doubled. Other industries have been induced to move into the region to decentralize operations, and be closer to raw material supplies. Electric power output, despite tremendous growth, is being further increased.

Important Lesson

New stores, laundries, filling stations and restaurants have been financed by forward looking citizens before they were really needed. This has all occurred in an area which seemed on the brink of a depression only some five years ago. Don't let any community, where this column is printed, get discouraged under any conditions.

No one examining the situation in 1947 would have been willing to forecast such a rate of growth. Today, similarly, there are other regions, as well as inventions and ideas, which stand on the threshold of most rapid growth. Our frontiers never really pass; the experience of the Pacific Northwest shows that the brightest opportunities often lie where the prospects seem least promising.

With Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Edward L. Jacques is now with Hornblower & Weeks, Penobscot Building. He was previously with Bradley Higbie & Co.

Lewis D. Thill Opens Office in Milwaukee

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Lewis D. Thill is engaging in the securities business from offices at 208 East Wisconsin Avenue. Mr. Thill has recently been associated with Adolph G. Thorsen and Paine, Webber, Jackson & Curtis. In the past he served in the Congress of the United States.

L. John Gable With Stifel, Nicolaus

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—L. John Gable, Calvin Ainsworth and Kenneth L. Gable have become associated with Stifel, Nicolaus & Co., Inc., 314 North Broadway, members of the Midwest Stock Exchange. Mr. Gable was formerly manager of the trading department for Taussig, Day & Co., Inc.

Brandi Director

Frederic H. Brandi

Frederic H. Brandi, President of Dillon, Read & Co. Inc., has been elected a director of C.I.T. Financial Corp.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Leland R. Miller has become associated with Walston, Hoffman & Goodwin, 550 South Spring Street.

Dealer-Broker Investment Recommendations and Literature

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

Canadian Oil Stocks—Analysis—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Chemonomics—Newsletter on the financial, commercial and technical aspects of the chemical process industries—R. S. Aries & Associates, 400 Madison Avenue, New York 17, N. Y.

Cigarette Company Shares—Analysis—F. P. Ristine & Company, 15 Broad Street, New York 5, N. Y.

City of Philadelphia and Philadelphia School District Bonds—Semi-annual appraisal—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa. Also available is a semi-annual appraisal of **Equipment Trust Certificates.**

Dow Jones Industrial Average Stocks—Tabulation—Laidlaw & Co., 25 Broad Street, New York 4, N. Y.

Graphic Stocks—New March issue with over 1001 charts, showing monthly highs, lows, earnings, dividends, etc. on virtually every active stock listed on New York Stock and Curb Exchanges covering nearly 12 years to March 1, 1952—Single copy, $10; yearly (six revised books) $50—To new subscribers only, a copy of "Profits in Charting Stock," by L. Balagur with the new March issue—F. W. Stephens, 15 William Street, New York 5, N. Y.

Insurance Stocks — Preliminary operating results — Geyer & Co., Inc., 63 Wall Street, New York 5, N. Y.

Low Priced Rails—Review—Ira Haupt & Co., 111 Broadway, New York 6, 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.

Prudent Investing—Booklet on mutual funds—Kidder, Peabody & Co., 10 East 45th Street, New York 17, N. Y.

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

Selected Securities—Lists, with sample portfolios—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Value Selections—March issue—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

Wealth Underground—Natural Gas Producers—Bache & Co., 36 Wall Street, New York 5, N. Y.

* * *

Affiliated Gas Equipment—Memorandum—Paul H. Davis & Co., 10 South La Salle Street, Chicago 3, Ill.

Albuquerque Associated Oil Co.—Circular—Edelmann & Capper, 29 Broadway, New York 6, N. Y.

American Encaustic Tiling Company—Annual report—American Encaustic Tiling Company, Inc., Landsdale, Pa.

American Phenolic Corp.—Memorandum—Lester, Ryons & Co., 623 South Hope Street, Los Angeles 17, Calif.

American Steel Foundries—Memorandum—Talmage & Co., 115 Broadway, New York 6, N. Y.

Anchor Hocking Glass Corp.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **Elliott Co.**, and **Firestone Tire & Rubber Co.**

Associated Dry Goods—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York City. In the same issue are data on **International Telephone & Telegraph** and **New York Central** and a list of low priced stocks with high yields.

Bank of America — Analysis — Dempsey-Tegeler & Co., 210 West Seventh Street, Los Angeles 14, Calif. Also available is an analysis of **National Fire Insurance Company.**

California Bank—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif. Also available are analyses of **W. R. Grace & Co.** and **Transcontinental Gas Pipe Line Corp.**

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

Central Electric & Gas Co.—Memorandum—Rogers & Tracy, 120 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **Central Telephone Co.**

Continental National Bank & Trust Co. of Chicago—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Detroit Edison Co. — Memorandum — Auchincloss, Parker & Redpath, 52 Wall Street, New York City. Also available are memoranda on **Doehler-Jarvis Corp.** and **St. Regis Paper Co.**

Eastern Corporation—Annual report for 1951—Eastern Corporation, Bangor, Maine.

Emhart Manufacturing Co.—New analysis—Eddy Brothers & Co., 33 Lewis Street, Hartford 3, Conn.

Emhart Manufacturing Company — Analysis — Mr. R. F. Sprang, Investment Research Department, Wagenseller & Durst, Inc., 626 South Spring Street, Los Angeles 14, Calif. Also available is a report on **Rheem Manufacturing Company.**

Foremost Dairies—Report—Joseph Mayr & Company, 50 Broad Street, New York 4, N. Y.

International Telephone & Telegraph Corp.—Analysis—Filor Bullard & Smyth, 39 Broadway, New York 6, N. Y.

Glenn L. Martin Company—Review—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

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

McDonnell Aircraft Corporation — Analysis — Cohu & Co., 1 Wall Street, New York 5, N. Y.

Norfolk Southern Railway Company—Analysis—Amott, Baker & Co., Inc., 150 Broadway, New York 38, N. Y.

Northern New England Company—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Penton Publishing Co.—Memorandum—Fulton, Reid & Co., Union Commerce Building, Cleveland 14, Ohio.

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

Pullman, Inc. — Bulletin — Friedman, Brokaw & Co., 711 St. Charles Street, St. Louis 1, Mo.

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.

Skiles Oil Corporation—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

Southern Railway—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Sunray Oil Corporation—Report—Eastman, Dillon & Co., 15 Broad Streeet, New York 5, N. Y.

Texas Utilities—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y.

Title Guarantee & Trust Company—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Elected Directors

American & Foreign Power Co. Inc. has announced the election to its Board of Directors of Enos Curtin of the Graham Paige Corp., Prof. Jacob Viner of Princeton University and Grant Hylander of Ebasco International Corp.

Mr. Curtin for many years was engaged in the underwriting of securities in New York, having been identified with Guaranty Trust Co. of New York, Jackson & Curtis, Boettcher-Newton & Co. and Hemphill Noyes & Co. From 1942 to 1944, Mr. Curtin served as Lieutenant-Colonel in the United States Army in England, Africa and Italy. Following the war, he served as Vice-President of Blair & Co. until 1949, when he became Consultant to the Director of Operations of ECA and Deputy Assistant Administrator of Operations. Mr. Curtin has traveled extensively and has many business contacts in South America.

Joins Hayden, Miller

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Roland J. Saranpa has joined the staff of Hayden, Miller & Co., Union Commerce Building, members of the Midwest Stock Exchange.

With Harris, Upham

(Special to The Financial Chronicle)

SAN RAFAEL, Calif.—Joseph P. Ferriter has become associated with Harris, Upham & Co., 1010 B Street. He was formerly local manager for Davies & Co.

COMING EVENTS

In Investment Field

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.

March 20, 1952 (N. Y. City)
Bond Club of New York Annual Dinner at the Waldorf-Astoria.

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 16-17, 1952 (Detroit, Mich.)
Bond Club of Detroit-Security Traders Association of Detroit & Michigan joint summer outing—June 16 at the Detroit Boat Club; June 17 at the Lochmoor Country Club.

June 18, 1952 (Minneapolis, Minn.)
Twin City Bond Club annual picnic at the White Bear Yacht Club.

June 20-22, 1952 (Minneapolis, Minn.)
Twin City Security Traders Association annual summer outing "Operation Fishbite" at Grandview Lodge on Gull Lake.

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

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

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

With L. W. Simon Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Harold E. Kibbe has become associated with L. W. Simon Company, Union Commerce Building. He was formerly with Saunders, Stiver & Co.

Two With Marache Sims

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Jerry L. Pecht and Milton Toboco are with Marache Sims & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

From Washington Ahead of the News

By CARLISLE BARGERON

A probable indication of what is to come next November is the fact that 18 members of the House, exclusive of those who are running for Governor or the Senate, have announced their retirement within the next few months or at the end of the present Congress. Most of them give as the reason the high cost of living and their inability to make both ends meet on their Congressional salaries. What is more likely is that the 11 Democrats, some with good committee chairmanships and others with sufficient service behind them to give them a standing in the legislative branch, see the end of the long Democratic or Fair Deal reign in sight, and the seven Republicans feel they are going to get caught in the general dissatisfaction against the government.

Carlisle Bargeron

Something like this, an unrest among the members and turnovers in the primaries, always precedes a turnover in the November elections. That there was nothing of the sort in early 1948 seems to have entirely escaped the Dewey managers and the Republicans generally. The false polls of the time completely lulled them to sleep. We have not had any Congressional primaries so far this year so we have nothing to go on in that respect. But when they do get underway they will be good things to watch. And you can put it in your pipe and smoke it that, unless a pronounced number of incumbents regardless of their party affiliations are defeated, there isn't likely to be any overturn in November.

It is in the primaries that dissatisfaction with the government on the part of the voters is first manifested. It is their first opportunity to get a whack at the "ins" and there is a tendency for them to go about it rather blindly. It is not unusual for a Representative or Senator who has been just as critical of the Administration as the voters to get knocked off.

What has happened so far in the expressed intention on the part of 18 members to retire is a feeling on their part that a turnover is coming. If there are several defeats of incumbents in the forthcoming primaries you can bet your boots that a turnover is coming.

Most of these members are getting better jobs in industry and therein lies the basis for the explanation they are retiring for economic reasons. But these better paying jobs are almost always available to members of the ruling party; it is when the handwriting on the wall has appeared that they begin to grab them up.

The Democrats among them may be acting a little too hasty, too, because there is plenty of evidence that the Republicans may tear themselves to pieces, which, however, is to be most assuredly offset by what is happening among the Democrats. But what I have mostly in mind is the gradual development of an ingenious defense which the Administration is working up against the corruption in their midst.

It is that this corruption has been a relatively healthy thing because it has all been done in a way which could be exposed and the voters could understand. It has been neither as sinister nor as extensive as what goes on under the Republicans and which it is difficult for the voters to perceive as corruption.

The high tariff of past years, we are to be told, was corruption in its worst form and it was ten times more destructive of government because it was accomplished by the robber barons in a legalized way. Here is something that you and I had thought all these years was a national policy, good or bad, but a national policy, nevertheless. Not so, we are going to learn in the forthcoming campaign. It was a ganging up of the "interests" and the "reactionaries" of Congress to milk the rank and file, the unprotected plain people of America. Undoubtedly, we are going to hear that the martyred McKinley was the greatest corruptionist of them all.

And the tariff is not to be the only form of corruption to be charged against the Republicans. How about those land grants to the railroads in the early days of the West, the giving away of timber lands, mineral rights?

I know this campaign theme is coming up because the brilliant young minds of the Administration have been trying it out on me.

The corruption in the Administration that has been revealed, I am being told, is in the first place, not a candlelight to what has gone on under Republicans in the past, and justification can be found for the corruption and the corruptionists from the fact that the people running our government now are the plain people, the rugged people who go about things in a forthright way. They are not educated or trained in the finer duplicities of the Republicans. Theirs is an honest simplicity. When they see something they want they just walk in and take it, such as the taxpayers' cash lying on the table.

The Republicans in their swallow tails and starched white shirts—are they as open and candid? No, with a profession of high morality, they just write the laws to fit their cloth. Whereas, these poor untrained, unskilled little Democrats have dabbled in millions, the stuffed-shirt Republicans have run off with whole domains, all very legal.

It is fascinating to have these fellows work on you with this theme. They are completely wrapped up in it and heaven help me, I believe they are sincere. The mind of man has been convulsed in recent years.

Pennsylvania Brevities

PHILADELPHIA — Any doubt as to the attitude of Philadelphia's new Democratic city administration toward Philadelphia Transportation Co.'s current effort to increase fares was dissipated with a loud report over last week-end.

On Feb. 29, a majority of the transit company's board of directors overrode the solid dissent of its five city members and voted to file proposed new schedules with the Pennsylvania Public Utility Commission. Principal change sought is abolition of the 3-for-40 cents token rate, thus establishing the present flat 15-cent cash fare as basic. Unless deferred by the PUC, the new schedules will become effective April 1.

Repercussions were immediate and pyrotechnic. Retaliatory measures proposed by Mayor Joseph S. Clark, Jr., included threats to refuse to permit the collection of higher fares on the high-speed lines owned by the city and leased to PTC; to consider the lease agreements existing between the company and the city, and which run to 1957, to be abrogated; to take back the city-owned facilities and acquire and operate sufficient city-owned buses to constitute a complete system; to require PTC to repave all streets over which it operates with modern materials from curb to curb, and to hike bus license fees to compensate for wear and tear on city streets.

This string of Chinese firecrackers made noise and headlines. More sober-minded observers are of the opinion that to attempt to put all or any of such punitive measures into effect could involve both parties in legal entanglements that would take on the aspects of a 100-years war.

Management's standard rejoinder to such opposition is "poverty," spelled out in terms of increased operational, material and wage costs and underscored by higher taxes and diminishing patronage. According to President Charles E. Ebert, operational losses amounted to $150,000 in January and a further loss was incurred in February. Under its contract with the Transport Workers Union, Mr. Ebert said, the company has met two cost-of-living wage increases since the previous fare rise, and faces another which will become effective in June.

The city representatives are frankly unimpressed with the company's alleged financial dilemma, pointing out that cash dividends aggregating $1,325,000 were paid out to PTC stockholders five weeks ago.

* * *

Toot, Toot, Tootsie—Goodbye

On March 31 at 9:10 a.m., a ferryboat will leave its Philadelphia slip and head across the Delaware River to Camden. At the same time, another ferry will start in the opposite direction from the New Jersey shore. They will pause in midstream, exchange salutes by whistle and proceed to their respective and final dockings. That will be all for the 264-year-old service operated by the Pennsylvania Railroad between the two cities.

* * *

What Price Wash Rooms!

This one is loaded. Even shielded from the irrepressible bombardment of self-suggesting quips and wisecracks, the facts themselves are quite sprightly, standing alone.

Erwin Lodge, special assistant U. S. Attorney, has filed suit in the U. S. District Court in Philadelphia seeking treble damages in the amount of $385,244.82 against the Pennsylvania Railroad. It is alleged that the carrier raised its rates on private toilet facilities from 5 cents to 10 cents and its charges for soap, towel and comb from 10 cents to 25 cents in violation of price ceilings established in a base period from Dec. 19, 1950, to Jan. 25, 1951. Moreover, Mr. Lodge asserts, the damages sought will go even higher since the violations are still in effect.

To be specific, these carriage-trade prices are to be found posted in railroad stations located in Harrisburg, Lancaster, Coatesville, York, Norristown, Bryn Mawr, Philadelphia, Wilmington, Del., and Trenton, N. J.

Now these are pretty serious charges, striking as they do at what might be termed human rights and fundamentals, and of sufficient immediacy not to be lightly tossed aside.

The railroad contends that it is exempt from Office of Price Stabilization jurisdiction under a section of the Defense Production Act which removes rate regulation from the purview of OPS and places it under the Interstate Commerce Commission. Mr. Lodge counters that such exemption applies only to freight and passenger rates and to other matters subject to ICC approval—certainly not to rest room fees.

Those interested in further pursuing the diverting potentialities presented may attend a hearing before Federal Judge Thomas J. Clary scheduled for March 31.

* * *

Telephone Rates Assailed

PHILADELPHIA — When it comes to dropping coins into a telephone pay-station box, splitting the nickel presents almost as tough a problem as splitting the atom. If 5 cents a call is too little, 10 cents is too much, avers the city of Philadelphia in filing a protest against higher telephone rates scheduled to be put into effect by the Bell Telephone Co. of Pennsylvania on March 7.

The city's complaint, placed before the Pennsylvania Public Utility Commission, asserts that the new rates will add $30,000 in 1952 to the cost of service to the municipal government, and to Philadelphia generally by more than $4,500,000.

On a state-wide basis, the complaint continues, the telephone company will receive additional annual revenues of $30,000,000 before income taxes, resulting in net operating revenues, after taxes, of more than $36,000,000, which sum will constitute more than an allowable return on the fair value of the company's property.

* * *

American Viscose Suspends

The Marcus Hook, Pa., plant of American Viscose Corp. will close about April 1 for a period of two or three weeks, according to an announcement by a company official. The temporary shutdown in production will affect some 1,700 hourly-rated employees. In order to minimize loss of earnings, vacation periods will be scheduled so far as possible to coincide with the "holiday."

The plant, one of six operated by the company, has been working at less than capacity since last October.

* * *

TV for Stockholders

Stockholders attending the annual meeting of Foote Mineral Co. at Exton, Pa., last week were treated to an unique television presentation of the company's operations at its local 88-acre plant. By arrangement with the Radio Corp. of America, a special closed circuit was set up, bringing an armchair tour to viewers at 12 receiving sets placed in the company's cafeteria.

H. C. Meyer, company President, reported that sales for 1951 increased 48% over 1950, reaching an all-time high of $8,000,000. Following the prevalent pattern, however, heavier taxes are expected to reduce net to about $400,000, compared with $540,000 realized in the preceding year.

Stockholders approved an increase in authorized common from 300,000 to 500,000 shares, although it was stated that the company has no immediate plans for additional financing.

The company is a producer of rare metals and minerals, notably zircomium, titanium, lithium and silicon. Many of its products go to the Atomic Energy Commission for use in atomic furnaces. The company owns extensive ore reserves at Kings Mountain, N. C., and has purchased the output of mines located in southwest Africa.

* * *

This Time They Mean It

PHILADELPHIA — The "Chinese Wall," an architectural monstrosity that has marked and marred Philadelphia's central-city area west from City Hall to the Schuylkill River for more than 70 years, is actually coming down. And with it, Pennsylvania Railroad's equally venerable Broad Street Station. Unmourned casualties of progress, the facilities to be removed will make available some 22 acres of property the modern development of which will be worked out by the city and the railroad.

* * *

Sales Increase; Net Profits Decline

The pattern of 1951 corporate returns has assumed an almost unvarying similiarity. Measured in terms of production and sales, reports are, on the whole, excellent. Higher material and labor costs, plus the vicious "bite" taken by increased taxes, are reducing net income to levels generally lower than 1950.

Last week, **Budd Co.** reported 1951 sales of $317,664,486, compared with 1950 figure of $290,409,538. Net profit, however, declined from $18,425,800 to $10,882,613, or from $5.10 to $2.89 per common share.

For the 40 weeks ended Feb. 2, sales of **Food Fair Stores** increased 26% to a record of $192,439,662, but net declined from $3,875,389 to $3,272,220.

Lukens Steel Co., for three months ended Jan. 19, the first quarter of fiscal 1952, reported a rise in sales to $19,533,427 from $17,245,313 in the like period a year ago, but a dip in net from $927,978 to $765,040.

Is European Aid Inflationary ?

By EDWARD EWING PRATT*

Professor of Foreign Trade, New York University

Answering question "Are we aiding Europe or inflicting added injuries?" Professor Pratt criticizes use made by European nations of U. S. loans and grants. Says give-away program has become essentially inflationary, and has caused labor scarcity, high wages and high prices and wasteful spending. Contends ECA is administered by amateurs, and Europe may suffer greater losses through the inflation caused by our aid than those sustained in World War II.

I would like to address myself to two basic questions in respect to our aid to Europe, which are:

(A) To what extent has our "aid" to Europe been inflationary?

(B) To what extent is future "aid" likely to be inflationary?

Dr. Eward E. Pratt

My views are based:

(a) On a series of country studies of the effects of ECA made by my graduate students; and

(b) On my own observations on three trips in the last three years to the United Kingdom, France, Germany, Austria, Switzerland, and Italy. Let me pause for these allotted 15 minutes to take stock of our accomplishments.

I don't pretend to have all the dope or even any considerable part of it. That's one of the difficulties with our octopus government. No citizen or group of citizens can find out what's going on. This is particularly true when the only available information is from sources that are trying to put as favorable a face on the situation as possible.

In this particular case, the officials or ex-officials of ECA are understandably anxious to justify their use of billions of dollars of the taxpayer's money.

We cannot therefore regard their conclusions except as highly prejudiced testimony.

The initial objectives of the European Recovery Program were:

(1) First, to rebuild the economies of the ravaged countries, or at least to tide them over the reconstruction period; and,

(2) Second, to repel the advance of communism into Western Europe.

Hardly any of us will disagree with these aims. Most of us will agree that to accomplish these objectives will strengthen and benefit the world economy in general and ourselves in particular.

Most of us were and are willing to go a step further: (a) to prevent starvation and undernourishment in the affected countries; and (b) to put those countries on a self-supporting basis.

The Record

The proof of the pudding is in the eating; let us look at the record:

During the last four years we have taken almost $20 billion out of our economy and poured it into Western Europe. Almost $8 billion went into the United Kingdom alone. With what effects:

First, what effects on the U. S.? I doubt if anyone would seriously argue that the effect on the U. S. was **not** inflationary. Just how can $10-$12 billion be spent for basic raw materials and foodstuffs in this market in as short a period as four years and **not** be inflationary?

At least a part of our high prices of grains, cotton, fertilizers, metals, chemicals and others are directly due to ECA purchases.

I recognize but merely mention here the overwhelming influence that the United States exercises on the economy of the rest of the world,—as our price level goes, so goes the world price level.

Second, what effects on the beneficiary countries?

(1) The United Kingdom to which we have made the heaviest contribution is worse off than in 1946;

(2) In practically every continental country there is slowly spiraling inflation; and,

(3) The only country which is apparently "normal" is Switzerland, which has accepted no aid.

These results certainly raise basic questions as to what we are doing, — they raise the question **"are we aiding Europe" or are we inflicting added injuries?**

I suppose you know that our "aid," has taken two forms: Grants, and Loans.

"Grant" is a more palatable word for "gift" or "relief," but it's all the same; we give it and we get back and expect to get back nothing.

"Loans" are slightly different. We may ultimately, if we are extremely fortunate, get back 10%-

*An address by Prof. Pratt before the Foreign Credit Interchange Bureau, New York City, Feb. 21, 1952.

12%; meanwhile the "loans" converted into the currencies of the countries form the basis for the so-called counterpart funds.

Obviously if we donate money for the purchase of consumables such as food, the effect must be inflationary. If carried out moderately and wisely and over a comparatively short period of time, the effects will not be too enervating or habit-forming. It is like a small dose of paper money; or devaluation.

The Chief Culprit

The chief culprit in the European situation is the counterpart funds, which are supposed to have been spent to build up the means of production, to add to a country's producing capacity.

If they were so spent, and particularly, if they were spent upon the means to produce exportable products, they would have helped to reestablish permanently viable economies. If they were spent in such a way as to make these countries self-supporting, then we could applaud. If they were spent so as to raise the productive capacity of the lower-income groups, we could see the creation of some stable force to resist the inroads of communism.

It may be seriously doubted if these funds have been spent for these objectives. And the reports of ECA carefully refrain, unfortunately, from supplying specific informative facts.

Now we have to turn to personal observations, hearsay and inferences based on the meager official reports.

As an example, let us take Italy, a country with a national income of about $10 billion, but less in 1948 and 1949. Italy's total income from 1948 to 1951, inclusive may have been $30 billion. Into this limited economy we have poured $1.3 billion in grants and loans.

Here are some of the things I saw in Italy:

(1) In Rome, a great, modern monumental railway station, a mile long, into which you could put Penn. Station, Grand Central Station, Cleveland Union Station, and all the railroad stations of Chicago and have a few acres left over.

(2) In Rovigo, a town of 40,000 between Venice and Bologna, there is another tremendous railroad station that would dwarf our stations in Albany, Rochester and Syracuse; with private offices for everybody from station master to lamp lighter.

And whose money built these white elephants? And what are they expected to produce?

(3) In Milan I saw one of the most beautiful buildings in Italy—a new hotel, 10 stories, pure white, balconies that gave every room a veranda; I went inside—the whole place was air-conditioned; the interior decorations were sumptuous; I asked the reception clerk the rates for double rooms, "with or without bath,"—"Oh, we have no rooms without bath" he said. I visited the lovely roof-garden and its fine restaurant.

(4) On Capri I saw the luxurious Hotel Caesar Augustus perched high and remote. I saw older, less luxurious and presumably less expensive hotels, boarded up, empty.

And whose money built these palaces and whose money will support them?

(5) In the outskirts of Milan, Rome and Naples, are literally hundreds of new apartment houses that would put Park Avenue apartments to shame. The rents seem to be approximately $25 per room.

Whose money built these apartment houses? And I suppose Italian laborers are going to live in them?

(6) ECA is supposed to have sent thousands of tractors to Italy. Agriculture was to be revolutionized and production increased. I

Continued on page 39

Foreign Trade Driven Into Abnormal Channels

By A. M. STRONG*

Vice-President, American National Bank & Trust Co., Chicago

Foreign Trade specialist, asserting foreign trade is no longer a free enterprise, but a difficult business, cites our own and foreign regulations as making the business a complicated and hazardous venture, and also driving it into abnormal channels. Deplores government interference with the "three corner" exchange system.

Foreign trade has now become a complicated and hazardous venture. It is no longer a free enterprise but a difficult business, subject to government controls, quotas, clearance agreements and other restrictions. Trade barriers have been revived and intensified all over the world and the restrictions are aimed particularly at American goods. One of the most potent barriers is the restriction against buying for United States dollars and remitting dollar payments. It is a technique which destroys markets developed and cultivated over a period of years by American enterprises.

A. M. Strong

As a result of foreign exchange prohibitions, many countries have created special types of moneys—transferable sterling, bilateral sterling, clearance agreement currencies, European Payment Union currencies, internal francs, blocked marks and a multitude of others. Each designation is an intricate, bemuddled arrangement which confuses even the government originators and enforcers.

International commerce, as you know, is not an artificial undertaking developed by government planners. It has been in existence since the early days of our civilization and throughout the ages nations exchanged goods and services. Government controls cannot stem the flow of foreign trade just as a mud pile cannot stem the flow of a mighty river. Exporters and importers all over the world now stymied by government controls and restrictions are finding ways to continue their legimate trade even though their business has to be conducted in round-about ways by exporting and importing through third countries.

American exporters obtain payment for merchandise shipped to countries which restrict imports for United States dollars by arranging for payment in some other currency which is promptly converted into dollars. American importers buy over-priced foreign goods through intermediary countries by using bilateral or other currencies which are obtainable at a substantial discount. For example, Indian and South African goods are being imported through Holland by the use of Dutch transferable sterling; Brazilian coffee, casings, textiles and a variety of other goods are being imported through third countries at a discount.

American exporters sell goods in Latin America for transferable sterling or some other currency and promptly obtain payment in dollars. These transactions are subject to license by the respective governments but the licenses are freely given. A substantial export and import business is now being conducted on this basis in Latin America, Europe, Near East, Africa and other areas. The press recently reported a transaction by one of the leading American oil companies involving a deal between Aruba, Holland and Argentina. By using guilders, Argentine pesos and dollars, the oil company was able to purchase oil from the big Aruba refinery. Such deals are consummated daily in millions of dollars.

This new business which appears complicated is really quite simple. There are a number of reputable concerns in the United States and abroad that specialize in this business and attend to all the details of the transaction. The American trader sells or buys his goods in the usual manner and pays or receives payment in dollars through the intermediary company. Eastern exporters and importers have been taking advantage of third country arrangements and many Chicago concerns are now becoming interested in these new methods of doing foreign business. It is regrettable that government interference in foreign trade is driving this business into abnormal channels which involve unnecessary shipments, currency deals and special intermediaries.

Illinois is doing a substantial foreign trade. It is estimated that more than a fifth of the 12,000 manufacturing firms in Chicago and Northern Illinois engage in exports. Our industries import a variety of raw materials, semi-manufactured products, food stuffs and other commodities.

Chicago maintains all the facilities required in foreign trade. Our banks, insurance companies, customs brokers and freight forwarders provide the services needed in export and import. A number of steamship lines operate during the summer months through the Port of Chicago and their ships sail directly between Chicago and many foreign ports.

The Through Railroad Bill of Lading would materially assist Illinois exporters and facilitate Midwestern exports. However, Eastern railroads have persistently declined to adopt this instrument for shipments to Atlantic seaports although shipments via Pacific ports can be made on a Through Railroad Bill of Lading.

*An address by Mr. Strong at the International Trade Forum of the Illinois Manufacturer's Association, Chicago, Ill., Feb. 28, 1952.

Two With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—George W. Ladam and Gerson G. Levin have been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 301 Montgomery Street.

Morgan Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Walton L. Greiner has become affiliated with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Greiner was formerly with Fewel & Co.

Fred M. Walker Joins Chesley & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Fred M. Walker has become associated with Chesley & Co., 105 South La Salle Street. He was formerly with J. P. O'Rourke & Co., specializing in special assessment bonds.

Fred M. Walker

Draper, Sears Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Thomas J. Starr is now with Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges. He was formerly with J. Arthur Warner & Co., Inc.

Joins Formula Plan

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — James A. Lennon has become associated with Formula Plan Investment Management Corporation, 53 State Street. He was formerly with Coburn & Middlebrook, Inc.

Too Much Bearishness

By ERNEST JELLINEK

Partner, Gilchrist, Bliss & Co., Members N. Y. Stock Exchange

Mr. Jellinek maintains current expectations of business recession and market break are unwarranted. As market offsets to disappearing shortages and overproduction he cites armament activity to maintain a permanent standing army, continuing inflation, and reasonable stock prices related to book values and replacement costs. Lists some favorably-situated issues.

Undoubtedly there has been more bearishness around in Wall Street for the last few weeks than has been experienced for a long time, influenced mostly by very poor reports from that part of business which is not occupied with armament. With shortages of steel, metals and rubber disappearing, there are many opinions predicting overproduction, business recessions and possibly serious breaks in the market. These opinions are offered by some of the accepted authorities in Wall Street and it would be foolish and irresponsible not to consider these arguments. However, with industry expanding probably at the rate of between $20 and $22 billion in 1952 and additional expansion expected in 1953 and 1954, I cannot agree with the bearish outlook. As a matter of fact, guardians of big fortunes, managers of portfolios of investment trusts, insurance companies, banks, unions, pension funds, etc., are well experienced to foresee economic and political developments; they would be miles ahead of these pessimists and by now be out of the market or at least have their holdings reduced considerably. Figures published for the year-end show a different picture. Until now the stock market gives a reassuring answer: prices are holding in a very narrow trading range in spite of occasional bear-raids (created through interpretations of news items or rumors) which often touch off stop loss orders. As a matter of fact, as soon as the "favorites" are down a couple of points, in comes investment buying.

Ernest Jellinek

Interlocking Domestic and International Events

In a true sense, the stock market usually anticipates domestic and international events, both of which are so interlocked these days that it is hard to say which are more important. In our domestic setup there is the colossal defense program and industrial expansion resulting in full employment (there are less than two million unemployed). In the international field the Communist danger requires a standing army, navy and air force; a situation our country has never before experienced. This means continuous production of arms replacing quickly outmoded weapons and reequipment of military personnel. You may be a convinced pacifist, as this writer has been all his life, but you must face this new situation.

The democratic Western World is in a better position today to call the bluffs and face aggressions of autocrats, than in 1914 and 1939. Undoubtedly the firm stand of the United Nations in Korea, answering force with force, has prevented a full-sized World War III. The recent conferences in Washington between leading statesmen of Great Britain and the U. S. have resulted in joint international planning and action, demonstrated by the firm stand in the Mediterranean.

The old motto, *Si vis pacem para bellum* (Armament is the best preventive of war) will have to be the guide for any Administration in Washington, Democratic or Republican, in the conduct of our foreign policy; as a matter of fact, any understanding or agreement between East and West must be based on this principle. Consequently, for a long time to come, business activity will be doubletracked: armament production and civilian business, with a fully employed working force of 65 to 70 million in years to come, and probable shortage of skilled workers. The present dislocations due to changeover and retooling, are only temporary.

Needed Tax Receipts Necessitate Good Business

In view of the anticipated full-steam production and total employment over the next few years, I cannot get bearish on future business. The very necessity to swing monster budgets as much as possible out of taxes, requires substantial corporation and individual earnings which can only result out of good business. Besides, it will be necessary to go into red figures to cover government expenditures, which will be inflationary. Conservative economic experts are so convinced of the permanency of inflation, that they consider a yearly devaluation of the dollar by 5 or 6% as normal. Is it then surprising that smart investors prefer buying and holding bluechips still yielding between 6-8% and in that way participate in the expanding economy of the richest country in the world, and at the same time preserve their equity?

It is true, historically stocks look higher; however, they are still low compared to book values and even lower compared to replacement costs. Today book values of D.-J. averages stocks are about twice as high as ten years ago. As a matter of fact the value of the stock market dollar seems to be distorted, compared to dollar measurements in the total U. S. economy, as shown by the following comparison:

	End of 1940 (in billion $)	End of 1951 (est.) (in billion $)
Gross National Product	101.4	326
Gross National Income	81.3	276
Disposable Income	75,7	222
Corporate Income	6.4	18.4
Savings by individuals	15.2	52.4
Wages & Salaries	49.6	168
Govt. int. bearing debt	44.5	257.1
Total Deposits	76	178.2
Cost of Living Index	100.2	185.6

Of course markets rarely move in straight lines, fluctuations are unpredictable, and **reactions are ways possible.** However, due to the forces, facts and figures exposed above, these could be only temporary, **and present a good opportunity for buying rather than selling.**

Favorable Situations

I believe that the market has receded enough and this seems to be a good buying spot. I would like to mention a few special situations which could work out favorably over the next few months. **Cities Service,** after selling at 120, looks deflated at the present level. The company is one of the largest holders of natural gas, is also active in the Williston Basin and in Saskatchewan; there is a possibility of a stock-split, also spin-off of its natural gas properties. **Phillips Petroleum** is becoming one of the favorites of the industry. It is not only a leader in the oil industry, but is also leading in the petrochemical industry, has long distance pipelines, is pioneering in liquefied petroleum gas and has large natural gas holdings. **Standard Oil of Indiana** is also owner of large gas holdings, actively drilling in the Williston Basin, expects construction of a refinery there, is actively engaged in oil search in Saskatchewan. It has a large portfolio of Standard Oil of N. J., distributing holdings gradually to the stockholders and is also a split candidate. **Tide Water Associated Oil** has an extensive development program on the West Coast, also in Saskatchewan jointly with Atlantic Refining, Ohio Oil, Columbian Carbon. Recent intentions of the management of a 100% stock dividend may be in preparation of a big merger of Tide Water holdings of the Mission Corp., Mission Development and Pacific Western Oil. The last three stocks present a possibility of acquiring Tide Water at a discount. **Sunray Oil,** through merger of various crude producers, especially Barnsdall Oil, has large crude reserves in the United States and is prospecting in Alberta together with Pacific Petroleum and Canadian Atlantic. **Canadian Pacific Railroad** has grown beyond the stage of a railroad; it is actually a holding company controlling the largest mining company on the continent (Consolidated Mining and Smelting), radio, telegraph, hotels, shipping, airlines; and the most valuable possessions are in the state of development: 12,000,000 acres on which the leading oil companies are drilling for oil.

In the search for precious metals which is now being conducted by our top-flight companies, **Anaconda Copper** seems to be leading. They, together with American Smelting, are building a converter in Grants, N. M., where they will develop a uranium industry. The uranium ore will come from nearby properties of the Santa Fe and the New Mexico and Arizona Land & Exploration, which is controlled by the St. Louis-San Francisco Railroad. **Kennecott Copper** is not only owner of very large ore reserves, but is leading in modern research. They are developing Titanium production in Canada and are also actively engaged in gold production in the Union of South Africa. The company recently decided to follow the search for precious ores in the mountains of the northwest U. S. **Aluminum Ltd.** is one of the few companies with very little competition. Their leading pioneering in the field gave them the commanding position in the trade and there is a continuous talk of a possible split. **Texas Gulf Sulphur:** with a world shortage of sulphur this company can figure on limitless production and sale of their product.

Scherck, Richter Co. Adds Four to Staff

ST. LOUIS, Mo. — Scherck, Richter Co., 320 North Fourth Street, members of the Midwest Stock Exchange, announce that they have recently added Milton C. Brittain to their Dealer Service Department; Joseph Bronemeier to their Trading Department; W. G. Thornborough, Jr., and William C. Herbert to their Statistical Department.

Joseph Bronemeier

Mr. Bronemeier has more than 20 years' experience in the investment business, and was formerly in the trading department of Semple, Jacobs & Co., and prior thereto was trading manager for Smith, Moore & Co.

M. C. (Pete) Brittain is well known in brokerage circles on the West Coast. He left the Naval Academy in 1934 and worked for Bateman, Eichler & Co. as manager of their trading department until 1942, when he re-entered the Navy and served until 1946 and came out of the service as a Commander in the U. S. Navy. From 1946 to date he has worked for Cruttenden & Co. and Shearson Hamill & Co. in Los Angeles. He will now be the dealer representative of Scherck, Richter Co., operating out of St. Louis.

Wm. G. Thornborough, Jr., recently associated with Scherck, Richter Co. in their statistical department, has had broad academic training in the fields of economics and business administration. He received his A.B. and M.A. degrees from Ohio State University and has since completed extensive additional graduate work in economics, finance and business administration. His practical experience consists of several years teaching economics and business administration, and various research studies for the Federal Government in economics, money and banking. While in the U. S. Army as a Captain, 18 months of his tour of active duty was performed as an economic analyst for the Civilian Supply Branch, International Division, Headquarters Army Service Forces, Pentagon Bldg., Washington, D. C.

Wm. C. Herbert, who entered Scherck, Richter's statistical department in 1951, brought a background of advertising and journalistic experience. He graduated from Washington University (St. Louis) School of Business Administration in June, 1947, and a 2½-year period of military service, part of which was in the ETO. During a part of his schooling, he was a reporter for both of the St. Louis daily newspapers and handled athletic publicity for Washington University. Since graduation he was a contact man for two advertising agencies and the advertising department of a brewery. At one of the advertising agencies, an important part of his work was idea conception and copywriting.

Four With Southern Inv.

(Special to THE FINANCIAL CHRONICLE)

BOYNTON BEACH, Fla.—Vincent T. Cortina, E. Austin Nelson, D. Oliver Stabily and Elsie G. Wilson are now with First Southern Investors Corporation, 524 Jasmine Street.

With A. M. Kidder Co.

(Special to THE FINANCIAL CHRONICLE)

CLEARWATER, Fla.—Harold L. Adair is now with A. M. Kidder & Co., 405 South Garden Avenue.

Healthy Stocks

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Touching upon the progress and profitability of certain enterprises devoting their energies to maintaining or restoring the health of man.

In the Feb. 25 issue of "Time," there appeared a full page ad of a distinguished pharmaceutical organization, Parke, Davis & Co. It fascinated me on two separate counts. The top half of the ad was a picture of a paid-up mortgage, an annuity contract, a savings bank book, an insurance company income check, a social security card, and a fishing license—all financial tools for that sunset period from retirement to interment. Left out of the picture, however, were bonds, government or otherwise, and stock certificates of leading companies, which often spell the difference between subsistence and full enjoyment of leisure-laden later years. As an apostle of private enterprise, and a plumper for universal stock ownership, I regret this omission.

Ira U. Cobleigh

The main point of the ad, however, was well made, and serves nicely to introduce my topic for today. Its powerful message was that whether or not your retirement turns out as you hope and dream it will, depends importantly on "your continued good health." Good health is one of the priceless goals of man everywhere, and, for that reason, leading medicinal drug companies, blow-torching their research on that objective, will never lack markets for their products.

Just pause to consider that today roughly 25% of all medical patients are being treated with some "wonder drug" or anti-biotic unknown a decade ago. It's no wonder that, in that short period, companies like Pfizer, Merck and Searle have increased their sales by as much as 1,000%. It's no wonder that their newest laboratory creations make front page headlines; and their earnings statements make golden copy for the financial page. First the sulphas, and vitamins, then penicillin; and new ones with each passing year.

Let's take a quick look at the current crop. Cortisone worked miracles in arthritis; and now the more effective Hydrocortizone or Compound F, until recently obtainable only from human glands, is being produced synthetically by Parke Davis, Upjohn, Ciba and Merck. Where cortisone failed in limbering up stiff arthritic joints, Compound F is believed to offer new hope.

Smith, Kline and French of Philadelphia have a drug with 20 syllables — an appetite reducer. It's a golden boon to those frantically trying to slough off unpleasingly plump pounds of adipose tissue. The general idea of this one is that you won't stuff yourself because it will make you unhungry! They've called it, I believe, Aptrol for short.

Upjohn Co. of Kalamazoo, Michigan, recently announced a test-tube sex hormone that may double the output of lambs, and hop up milk and pork production. It's called estriadiol cyclopentypropionate, in case you're interested!

If you happen to have any hydrangea bushes around the place, they may be more valuable now, since Lederle Laboratories (American Cyanamid Co. division) has found a way to treat malaria by processing the roots of same. Three thousand years ago, the Chinese made a malaria-curing drug out of the roots of some obscure bush, and the hydrangea seems to be the nearest thing to it.

Pfizer has come along with "Terralac," a synthetic sow's milk laced with terromycin that makes little pigs grow prodigiously; and get to market just that much faster! Junior pig is shilled into this diet routine by recordings of a mother pig's grunt, leading him to a row of nursing bottles. I guess this will put a lot of old fashioned hog callers out of business!

Recent Developments

Only within the past 10 days your eyes have been arrested by headlined new treatment for TB. At the Hoffman-La Roche laboratories in Nutley, N. J. "marsalid" and "rimifon" were developed and tried out on TB patients at Trudeau, N. Y., with most encouraging results. E. R. Squibb and Sons, in a parallel research, have come up with a similar product, Nydrazid, now being tested by doctors at New York Hospital; and being administered to Navajo Indians in Arizona. If preliminary results are, in due course, confirmed, then another important conquest over a major disease afflicting mankind may be recorded in the history books.

Norwich Pharmacal Co. had been delving into a field of drugs known as nitro-furans—synthetics derived from corn cobs, with the virtues of anti-biotics. One of Norwich's products from this source is Furacin ointment, to prevent infection in wounds; another is a crystal used to subdue a lethal disease among chickens.

The foregoing gives you a kaleidoscopic view of dynamic growth in this medicinal drug field—a growth that has lured investors, in increasing numbers, into the shares of established companies. You invest in Lederle by buying American Cyanamid; Upjohn common is occasionally available over-the-counter at a lordly $450 a share. Hoffman-La Roche is privately owned. Of the others, Merck, Pfizer and Searle were given consideration in an earlier article in these columns entitled "Drugs on the Market" (July 12, 1951).

Parke, Davis Co.

Today, let's look briefly into two more. The first is Parke, Davis & Co., which hiked its net sales up from $105 million in 1950 to over $130 million in 1951. A leading domestic manufacturer of ethical drugs, offering over 1,400 items, it pioneered in Chloromycetin, and has recently emerged with Kutrol, for peptic ulcers, and surital sodium, a swift anaesthetic. No newcomer, PDC has paid dividends since 1878 and presently earns about $3.75 on its 4,893,360 shares of common—the sole capitalization. 1951 dividends of $1.95 could be supplemented this year.

Parke Davis has about everything you could ask for in first rate investment-quality stock, — earnings, stability, prestige, competent management, effective research—a solid balance sheet containing $40 million of net quick assets, and an impressive record of growth. At 55½, roughly 15 times earnings, PDC does not appear over-priced; and if we should have a sharp sell-off, you'd probably see some pretty impressive buying in this one at the 50 level.

E. R. Squibb & Co.

For more leverage, the common of E. R. Squibb is suggested. Here's another big progressive medicinal chemical, with a lot of earnings from trade mark items like Squibb's toothpaste, and the Lentheric line of perfume and cosmetics. Some 370 items from anti-biotics to vitamins. Excluding Lentheric, foreign sales, principally in Latin America, account for more than 50% of net profits. Referred to above was Squibb's new TB drug; but the company also has brought along some new Vitamin B12 specialties, Tolserol, a muscle relaxant, and a high powered new vitamin. Net sales for year ended June 30, 1951 were over $100 million.

ERS common, split 2 for 1 last June, now sells around 28, and pays at rate of $1.00 a year (about 40% of net). In comparison with other medicinal drugs, Squibb, selling at 12 times earnings, appears relatively low priced. The emergence of more new research gems like the TB remedy, might well give ERS some further forward motion on the Exchange.

Schering Corporation

These two are medicinals of merit; but perhaps you should also be on the lookout for some 440,000 shares of Schering Corporation, a German war-impounded enterprise which has nestled in the hands of the Office of Alien Property for a decade. This issue is scheduled for public bidding on March 6th (the date of this issue of the "Chronicle"). Since 1941, net sales have grown from $3,400,000 to over $16 million; and Schering is identified with important development and production in the fields of hormones, anti-histamines, sulfas, anti-biotics and a non-barbiturate hypnotic. It also owns valuable patents and licenses. Only time will tell whether the underwriting and offering of Schering shares to the public will duplicate the G. D. Searle flotation success of two years ago; but perusal of a prospectus may suggest to you the virtues of becoming a stockholder here if the price is pleasing.

The shares of curative chemicals are fascinating and glamorous equities. Once you accept the tradition of lower cash dividend yields in this field, of high price-earnings ratios, of heavy earnings plowbacks, then you may, through patience, be in a position to enjoy the opportunity for capital gains, and stock dividends which are also in the best tradition of the "healthy" stocks.

McCarley Incorporates

ASHEVILLE, N. C.—McCarley & Company, Vanderbilt Hotel, a proprietorship since 1945, became incorporated effective Feb. 25, 1952. Officers of the corporation are J. Nathan McCarley, Jr., President and Treasurer; Harold C. McCarley, James F. Clardy, and E. Capers Powers, Vice-Presidents, and Richard L. Page, Secretary. The firm has offices in Asheville and Charlotte, N. C., and Columbia and Greenville, S. C.

CORRECTION

In an item in the "Chronicle" of Feb. 28th referring to the fact that Milton Jacobson had become associated with Bache & Co., it was indicated that he wrote for public distribution a primer entitled "What Do You Know About the Stock Market and Your Investment Dealer."

We find now that Mr. Jacobson was not the sole author but a co-author with Joseph Mayr of this booklet.

The booklet was distributed by Joseph Mayr & Company, 50 Broad Street, New York 4, N. Y.

Frank Wallace Joins Peat, Marwick Firm

Frank Wallace

Frank Wallace has joined Peat, Marwick, Mitchell & Co., Certified Public Accountants, as partner in charge of the management controls practice of the firm, according to William M. Black, senior partner of the firm. Prior to joining Peat, Marwick, Mitchell & Co., Mr. Wallace was a principal in McKinsey & Company, management consultants.

United-Canadian Oil Common Stock Offered

Aigeltinger & Co. are offering to the public 1,000,000 shares of United-Canadian Oil Corp. common stock (par 10 cents) at $1 per share.

The net proceeds will be added to the general funds of the company to be used primarily for the completion of Quaich Well No. 2, for acquiring and holding reservations and leases, for exploration and drilling and for other operations and expenses of the company as and when required.

Upon completion of the financing there will be outstanding 1,815,000 shares out of an authorized issue of 3,000,000 shares.

The Outlook for Money Rates

By MARCUS NADLER*
Professor of Finance, New York University

Dr. Nadler pictures a confused outlook for business activity, prices, and money rates, due to many domestic and international uncertainties. Concludes recent increase in level of money rates is temporary in character, brought about by inflationary forces generated by Korean War, and, when these forces taper off, money rates will again decline and Federal Reserve will again aim at keeping business at high level through lower interest charges.

The outlook for money rates must be considered in conjunction with the level of business activity, the movement of commodity prices, and the position of the Treasury. All of the latter factors have an impact on the demand and supply of credit and capital and on the policies of the Reserve authorities. With the exception of the needs of the Treasury, both business activity and commodity prices now seem to be in balance. Business activity has remained fairly stable during the last nine months; and during the same period, the inflationary forces which were so pronounced during the early part of 1951 have materially subsided. The prime question to consider is whether this relative stability reflects a longer term trend or whether it is merely the calm before the storm.


Marcus Nadler

There are conflicting views and developments which cloud the vision and make prediction hazardous. On the one hand, government officials in public announcements have expressed the view that the inflationary pressures are bound to increase in the near future, that the danger period is not yet over and hence the existing controls over the economy of the country must be maintained. On the other hand, merchants and manufacturers, particularly those not connected directly or indirectly with the defense effort, complain of poor business, declining prices, and reduced profit margins. While employment remained satisfactory in some sections of the country, unemployment has increased. Thus while government officials seem to be fearful about the danger of inflation, many business leaders are more concerned with the prospects of deflation and a decline in business activity.

The confused outlook for business activity, prices, and money rates is further aggravated by the following uncertainties:

(1) What effect will a truce in Korea have on the buying habits of the people? Will they continue their present habits of saving more and spending less in the expectation that no shortages will develop and that commodity prices will decrease? By the same token, the question arises what effect would renewed fighting in Korea and particularly a spreading of hostilities have on the buying habits of the people.

(2) How will the people react to the outlook for the forthcoming elections? Will they believe that a change in administration will occur which will bring in its wake a change in economic policies? This too is bound to have an effect on their buying habits.

(3) What effect will the increase in interest payments by mutual savings banks as well as commercial banks have on the movement of money rates and on the investment policies of the various institutions?

(4) What will be the consequences of the passage of a bill in the state of New York granting savings banks the power to buy certain types of equities?

(5) Will the commercial banks, particularly those which operate to a large extent with savings deposits, raise the rate of interest on savings deposits; and, if so, how will this affect their investment policies and the prices of high grade bonds?

(6) How will the Treasury finance its deficits, and how large will they be?

These are some of the questions which will have to be considered before one can appraise the outlook for money rates. Some lend themselves to careful evaluation while the answers to the others are still hidden in the dark.

Stability Versus a Renewal of the Forces of Inflation During the Next Twelve Months

Eliminating unforeseen events, one may reach the conclusion that the present economic stability is likely to prevail for the remainder of the year. The inflationary forces emanate primarily from the inflation bias which is so pronounced in Washington, and from the demands of labor for higher wages and fringe benefits. However, these are to a very large extent counteracted by the deflationary forces emanating primarily from the increased productive capacity of the country and rising productivity of machinery, equipment, and labor; the large supply of inventories; and consumer resistance. Because of the increase in wages that will be granted to the steel workers and to members of other unions, a moderate increase in the commodity price level is quite possible. However, any increase in prices of commodities is not likely to be on the scale that occurred during the first nine months after the outbreak of the Korean War.

If business activity and commodity prices remain relatively stable, it is possible to appraise the credit policies of the Reserve authorities. In all likelihood, the policies of the Reserve authorities will remain passive as during the last few months; active measures will be adopted only in certain periods to enable the Treasury to carry out successfully its refunding operations. By the same token, the Treasury in offering new securities will comply with the wishes of the Reserve authorities as they did early in February of this year. The Reserve authorities will continue to place emphasis on the accessibility to Reserve Bank credit, which implies not only greater fluctuations in government obligations, particularly short term, but also a reduced liquidity of long term government obligations. This latter obviously has a bearing on the ability or willingness of institutional investors to sell long term government obligations and invest the proceeds in other securities or mortgages. If, as was indicated above, the relative stability in business activity as well as in commodity prices continues to prevail, no measures from the Reserve authorities can be expected which could upset the money market and hence interest rates on the up or down side.

Increase in Interest Rates by Savings Banks and Others

This development is bound to have the following consequences:

(1) It will reduce the tax pressure on mutual savings banks.

(2) It will lead to a further increase in savings deposits.

(3) It will increase the demand for mortgages; and if the bill enabling savings banks to buy certain types of equities is passed, it will at least initially increase the demand for preferred stocks, thus reducing the pressure of demand for mortgages.

If commercial banks, particularly those operating to a large extent with savings deposits, also increase their rates on savings deposits, the consequences are bound to be as follows:

(1) It will increase the demand for mortgages, particularly FHA-insured mortgages and VA-guaranteed mortgages.

(2) Some commercial banks, particularly those whose ratio of capital resources to risk assets is already strained, will lengthen maturities of their government portfolio since the latter are not considered as risk assets.

If, on the other hand, commercial banks do not follow the example set by the mutual savings banks but maintain their present rate of interest on savings deposits, the consequences will be as follows:

(1) A loss in savings deposits. However, this loss will not be as great as generally feared since the general trend of savings deposits seems to be upward.

(2) Liquidation of government securities in order to meet the withdrawal of deposits.

(3) The shift in savings deposits from commercial banks to savings banks may force the latter to buy longer term government securities.

Advisability of Increasing Interest Rates by Commercial Banks

Many commercial banks operating to a large extent with savings deposits have given careful thought whether to follow the example of the mutual savings banks and increase their own rates. The answer can be given only by the individual institution after a careful analysis of its own position, the costs involved, and whether the bank can afford the increased rates. However, the following principles are pertinent to this discussion:

(1) Commercial banks as a general rule cannot compete with savings banks in the payment of interest rates. Their investment policies are based on entirely different principles than those of mutual savings banks.

(2) It would be highly undesirable, particularly at present, to permit a deterioration of the assets of commercial banks. While it is quite possible that commercial banks which don't raise the rate of interest will lose some deposits, the decline will not be material; and it seems that the following of a sound investment policy is more important than preventing a loss of savings deposits.

The Supply of and Demand for Investment Funds

The supply of funds seeking an outlet in mortgages and in long-term bonds will increase. As was indicated earlier, the trend of savings deposits is upward. Employment is satisfactory, wages are high, and the people at present prefer to save rather than spend. The higher interest rate on savings deposits will also lead to an increase in savings. The volume of premiums paid to life insurance companies will remain high, and the total volume of new insurance sold will also continue at a high level. The same also applies to pension funds. Because of the expected decline in the output of durable consumers' goods, one may expect a decline in the total volume of instalment loans, which in turn may induce some banks to seek outlets for their funds in long term obligations. The demand for investments will be marked by the following characteristics:

(1) The supply of mortgages will decline because of the reduction in home construction.

(2) The total volume of new tax-exempt securities offered will also be smaller than in 1951 because of shortages of certain metals and other materials.

(3) There is bound to be an increase in the capital requirements of corporations, and the Treasury during the next fiscal year will be operating with a larger cash deficit than during the present fiscal year ending June 30, 1952. On the whole, however, the supply of and demand for investment funds outside of the possible needs of the Treasury will be pretty well balanced. If the federal deficit is smaller than now anticipated and particularly if capital expenditures by corporations during the second half of 1952 should be somewhat smaller than now envisaged, it is possible that long term money rates might be somewhat lower toward the end of the year than at present.

Above all, one should bear in mind that the recent increase in money rates does not indicate a long term trend. It must be considered rather as a temporary situation. Once capital expenditures by corporations begin to decline and military expenditures by the Federal Government to taper off, business activity will witness a decline thus not only leading to a reduction in the demand for credit and capital but also to a change in the credit policies of the Reserve authorities.

Conclusion

(1) The prime question today is whether the relative stability in business and in the movement of commodity prices will continue or whether under the pressure of increased government expenditures and the demands of labor the spiral between prices and wages will be renewed.

(2) Eliminating unforeseen events, evidence is accumulating that the relative stability in business activity and commodity prices will prevail and that any increase in prices from the present levels is bound to be only moderate in character.

(3) So long as this relative stability prevails, the credit policies of the Reserve authorities will remain passive. Fluctuations will continue primarily in the short term rates, and the liquidity of long term government securities will remain reduced.

(4) Crisscross movements in investments will develop as a result of the increased dividend payments by savings banks and by the policies adopted by commercial banks operating with savings deposits toward the raising of interest rates on such deposits. If the mutual savings banks of the State of New York are permitted to buy certain types of equities, one may assume that they will be substantial buyers of preferred stocks. This will reduce their demand for mortgages as well as for tax-exempt securities.

(5) The supply of and the private demand for long term funds seem now to be pretty much in balance. Toward the end of the year if the deficit of the Federal Government is smaller and capital expenditures by corporations are pared down, long term rates ought to be somewhat lower than at present.

(6) Finally, in considering the long range outlook, one should bear in mind that the recent increase in the level of money rates is only temporary in character brought about by the inflationary forces generated by the Korean War. Once these forces begin to taper off, money rates will again begin to decline, and the credit policies of the Reserve authorities will again be directed toward keeping business activity at a high level.

*Summary of an address by Dr. Nadler before the Fiftieth Anniversary Savings and Mortgage Conference sponsored by the Savings and Mortgage Division of the American Bankers Association, New York City, March 5, 1952.

John J. Bohrer Joins Chiles, Huey, Schutz

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—John J. Bohrer has become associated with Chiles, Huey, Schutz Co., Omaha National Bank Building, members of the Midwest Stock Exchange. He was formerly Omaha representative for H. M. Byllesby and Co., Incorporated.

Reviving Role of Interest Rates

By GEORGE B. ROBERTS*

Vice-President, The National City Bank of New York

Hailing decline of the "cheap money" cult, which prevailed following the depression of the 30's, Mr. Roberts calls attention to recent increases in interest rates, both long-term and commercial. Reviews shifts to higher interest rates in various countries, and points out this development gives more incentive to save and invest, reduces forces leading to further inflation.

The question of interest rates is much in the minds of all of us in the lending business these days. We all know that interest rates are firming. We see it in the commercial bank prime lending rate, in the market prices of government and other high-grade bonds, in the mortgage market, and recently in the lifting of the savings bank rate to 2½%.

George B. Roberts

These developments touch us very close to home. In attempting, however, to appraise their significance, we shall, I feel, fail to read the signs adequately unless we relate them to what has been happening to interest rates the world over. In my judgment, what has been taking place is basic and far-reaching—a returning recognition of the role of interest rates and credit policy in the economy.

When the Bank of England last November raised its discount rate from 2% to 2½%, in conjunction with certain other steps to tighten money, it signaled, I suggest, the end of an era of monetary philosophy. At that time, the London "Economist" said:

"Very wisely, the new Chancellor has lost no time in enlisting, for his attack upon inflation, the almost forgotten technique of orthodox monetary policy. He has raised Bank rate—a rate kept unchanged and wholly ineffective for so long that it had come to be regarded by some people as a kind of museum exhibit from an obsolete system."

That British action was, to be sure, only one of a series of steps in different countries indicating a change in the thinking about interest rates and credit policy. Our own Federal Reserve action last March in unpegging the government bond market was an earlier step of great importance. But the falling in line by the Bank of England—one of the last of the important holdouts for cheap money—came as the culminating evidence of the trend back towards monetary orthodoxy. It marked the end of the era of faith in the doctrine of cheap money as—like the old patent medicines—always good for what ails you.

Cheap Money Cult

This cheap money cult was, like many other new theories, an outgrowth of the depression. Before that time, no one questioned the idea of fluctuating interest rates. People expected interest rates to rise, as a matter of course, in boom times and to fall in times of depression. The successful operation for so many years of the old international gold standard depended on interest rate flexibility; the Bank of England managed the system very largely by raising or lowering its discount rate.

The long and difficult years of the depression, however, left their imprint upon monetary thinking. Not content with the natural easing of money to promote economic recovery, Keynes and his followers were preaching aggressive pursuit of cheap money policies by the central banks, along with pump-priming expenditures by government. Then, before we were well out of the woods of the depression, World War II was upon us, with its emphasis upon low interest rates for war financing.

Thus, by the time the war ended, this and other countries had experienced almost fifteen years of continuously cheap money. A new generation grew up accustomed to thinking of low interest rates as part of the normal state of affairs. Cheap money was extolled, not merely as a cure for depression, but as a blessing to be enjoyed in all times, good as well as bad. As indicated by the "Economist," many people began to regard the discount rate as little more than an interesting relic of a bygone age.

This, then, was the dominant monetary philosophy of the early postwar years.

But there were, even then, some exceptions. Dr. Per Jacobsson, distinguished economist for the Bank for International Settlements, gives us an illuminating review of European postwar credit policies in a paper presented to the International Credit Conference at Rome last fall. As he points out, both Switzerland and Belgium have pursued flexible interest rate policies since the war. While the discount rate of the Swiss National Bank remained unchanged, reflecting the extreme liquidity of the commercial banks, the long-term interest rate was allowed to fluctuate. In Belgium, the monetary authorities have taken prompt action to raise the discount rate whenever necessary. This, in conjunction with the stiff bank reserve requirements imposed just after the close of the war, has been an effective brake on inflation. Both countries have been leaders in European recovery. While it is sometimes argued that these two countries were in a favored position, in that Switzerland was a neutral during the war and Belgium suffered less war damage than some other countries, it should be noted that Sweden was also a neutral and suffered no war damage. Yet Sweden, which followed the cheap money philosophy and laxer credit policies than the other two, lost most of her gold and foreign exchange reserves. Thus, as Dr. Jacobsson comments in his paper, it would appear to have been less the basic advantages, and more the policies pursued, that determined the experience of the three countries.

Gradually faith in the cheap money gospel began to wane. Already in 1947 there were departures from the "party line."

Move Toward Higher Money Rates

In the autumn of that year, Italy, under the leadership of Professor Einaudi, Governor of the Banca d'Italia and Finance Minister, instituted a program of financial reconstruction, involving a higher discount rate along with other credit restrictions. Long-term interest rates were permitted to find their own level, going as high as 7% to 8%. Thanks to these and other measures, inflation was arrested and prices even brought down somewhat. All this was notwithstanding the necessity of the Treasury to finance a substantial budget deficit.

Also in the autumn of 1947, the Bank of France increased its discount rate in conjunction with other restrictive credit measures. This was followed by still firmer measures the ensuing year. There, as in Italy, the long-term interest rate rose to around 7%.

It was likewise in the autumn of '47 that the British financial authorities abandoned the attempt to keep the long-term interest rate at 2½%. While allowing the long rate to fluctuate, they continued to peg the short-term rate at low levels. In this respect, the British policy differed from that followed until recently in this country, which was to permit the short rate to rise, but to peg the long.

In Sweden, there was growing controversy during 1948 over the government's policy of supporting its own bonds through Riksbank purchases. The policy was opposed by the Riksbank's governor, Mr. Ivar Rooth, who eventually resigned in protest. It was not, however, until July, 1950—after Korea—that the policy was modified.

It remained for the outburst of inflation following Korea to speed the movement towards higher interest rates. The inflationary process generated pressures making it more and more difficult to hold interest rates in check. Like King Canute of old, the money managers found themselves dealing with tides beyond their powers to command.

For, in the first place, inflation eats up capital. With inflation, it takes more money to finance current business and capital improvements. The saved dollar, or pound sterling, or franc no longer buys what it used to. This consumption of capital tends to express itself in higher interest rates.

Secondly, inflation artificially multiplies demand, creating powerful upward thrusts on interest rates—the price of money—just as it does on wages and commodity prices.

Thus one country after another discovered the impracticability of trying to contain these tremendous forces while at the same time feeding inflation with continuous doses of credit in the effort to hold down interest rates. They found themselves having to choose whether to allow credit inflation to proceed full blast and keep money cheap, or to apply some measure of credit restraint and see interest rates rise.

The answer came in such actions as the Bank of England's discount rate rise and our own unpegging of government bonds. Altogether, as far as I have been able to learn, 16 countries increased their official discount rates after Korea. They are Britain, Belgium, France, Germany, Austria, The Netherlands, Denmark, Sweden, Finland, Chile, Bolivia, India, South Africa, Japan, Canada, and the United States. Three countries — Denmark, The Netherlands, and France — increased their rates twice. Subsequently, Belgium, The Netherlands, and Finland were able to post reductions as inflationary pressures eased in the latter part of 1951 and early in 1952. This is in accord with the principle of rate flexibility—to raise rates promptly when restraint is desirable and to lower them as promptly when the need for restraint passes.

Adjustments in Long-Term Rates

Along with the trend towards higher discount rates have come further adjustments in long term rates in many countries. I have already referred to the unpegging of government bonds in this country. In England, the British Government 2½% bonds are now selling close to 60 to yield over 4%, against prices at par during the peak of the cheap money drive shortly after the close of the war. In Canada, the long term government bond market, which was first permitted by the Bank of Canada to break par in December 1950, has been allowed to decline intermittently ever since. Now the 3s of 1966 are selling under 95. In Australia last summer, the rate offered on government bonds was advanced from 3⅛% to 3¾%. In both Australia and New Zealand, prices of outstanding government bonds have been unpegged, and representative issues have dropped from 5 to 10 points.

Clearly, those who disparaged the policy of flexible interest rates in coping with economic fluctuations were in the wrong. Those countries which have permitted interest rates to rise have not done so in deference to mere theory, but because as a practical matter they found other means inadequate for dealing with inflationary pressures.

This is not to say that reliance can or should be placed wholly on flexible interest rates. Direct limitations upon credit volume, voluntary credit restraint on the part of lending institutions, and non-monetary controls such as rationing and price and wage regulations may all play a part. What has been demonstrated both here and abroad is that, in a strong inflationary environment, these methods are not enough. Except when supplemented by policies permitting changes in interest rates, they leave a wideopen hole in the inflation defenses. The control of inflation and the pegging

Continued on page 20

*An address by Mr. Roberts before the Fiftieth Anniversary Savings and Mortgages Conference sponsored by the Savings and Mortgage Division of the American Bankers Association, New York City, March 4, 1952.

Continued from page 3

Action of Congress Favors Carothers' Views on UMT

challenge of world-wide Communism with force alone, but we must have considerable military strength to back up our decisions and policies. These Communists are a determined group, are fast taking over Asia and are stirring up unrest in Africa, and are scheduled to strike in South America next.

(2) As to UMT, it is not a question of choosing between UMT and no military program. It is a certainty, as I see it, that we must have strong military forces; and the question is whether or not we shall continue to have large standing armies where so many men will have to serve for two or more years, or whether we shall try to build up an effective Reserve, whereby men will not be kept away from home so long and we shall not have to have such large standing forces. The injustices of having World War II veterans called back for service when they had already fought in one war, merely because we had failed to build up a proper reserve system and train the men who became military age after World War II, clearly points out the situation.

(3) It is said we won two World Wars within a generation with no UMT. I have seen much evidence since I became a member of the Senate Armed Services Committee which indicates that we would have won much earlier in each of those wars and with much less loss of life, had we been better prepared. Our losses on account of lack of preparation were terrific.

HON F. ERTEL CARLYLE
U. S. Congressman from North Carolina

The Universal Military Training Bill is now being considered in Congress and I have been reliably advised that there will be many amendments offered. For this reason, it is impossible to know at this time what the final provisions of the bill will be when we are called upon to cast our vote. Of course, the paramount consideration is the strong defense of our country.

I shall continue to follow this legislation closely and to give it my best thoughts and study.

LOUIS M. FABIAN
President, Fabian & Company, Beverly Hills, Calif.

With reference to "UMT—Why It is a Mistake," by Neil Carothers, which I have just finished, I would like to present the opposite point of view—"Why it would be a mistake not to have UMT."

There is much merit to many of the eminent dean's arguments and far be it from me to take the issue with him on his economics as he is an authority in that field. However, as is true so often, when one ventures an opinion in a field foreign unto his own he can really get out on a limb. Theory and reality can be very far apart.

The American people are faced with one of the gravest crises in our history — Capitalism versus Communism. The die is cast and no one knows when the conflagration might break out. It is very doubtful that the leaders in the Kremlin will ever understand any language but **Force.** At least to date, it would appear so. If this premise is accepted than we must prepare. **"A Good Defense Is the Best Offense."** Would it not be good insurance to have an adequate pool of trained manpower ready to meet the emergency if and when it appears? It will be too late to attempt training after the shooting starts. Let us not repeat the mistakes of former wars.

The dean is completely in error that wars are not won by pre-war training. Thank God, we have always had enough men who were trained to tide us over until others could be trained. This has in most cases resulted in losses that would have not occurred had we had sufficient manpower at the start. We have had to fight delaying actions until our forces were adequate. Equipment does not in itself win wars. Men—trained men—must operate this equipment. And let us not delude ourselves into believing that the foot soldier has been supplanted. It is he who always has to decide the issue in cooperation with his team mates in the air and on the sea.

Let us not be carried away with the idea that any new weapon will completely supplant all previous types. The transition is slow—methods change in degree. History shows conclusively that counter measures have been developed for every new weapon presented even though it might have taken time.

We must have a balanced team made up of the air, ground and sea forces, industry and science all working together so that we are so strong that no foe will dare attack us but should he be so foolish, we will be ready to resist him speedily with success and protect our way of life.

I would be remiss did I not defend those who have dedicated their lives to the protection of our Country. They are humans with varying degrees of ability as is true in civilian life. No one can question their patriotism. Perhaps they do have a rigidity of mind—that has been peculiar of the military down through history, —but they also have a rigidity of purpose—that our Country be protected at all costs. In the last analysis, if we lose our Country we lose all.

When the shooting starts military discipline is vital for success and unfortunately most civilians do not fully appreciate this. They do when they are being shot at and it is a matter of their lives.

No, I shall defend our military and naval officers to the bitter end even though they make mistakes like all of us. So far, at least, they manage to come through with victories in spite of tremendous odds against them. They, as a group, hate war more than anyone else because they are the ones who get shot at.

Let us never again send boys to battle after having 30 or 60 days training as we did in World War II. Had they been properly trained many lives would have been saved, the war shortened, and billions of dollars saved.

Our young manpower must be trained properly for any future emergency it might be called to meet. It is too late to buy a fire insurance policy after the fire starts. That is why I feel it would be a mistake not to have UMT.

Editor's Note: The following information regarding his background accompanied Mr. Fabian's letter:

Graduated U. S. Naval Academy June 1923.

Resigned Commission as an Ensign U. S. N. October, 1924 after service U. S. S. Tennessee Battle Fleet.

In securities business, various capacities, with William R. Staats Co., Los Angeles. 1926-1940.

1940-1942 Executive Vice-President and Director, Bank America Company (Investment Securities).

1942-1946 Commander U. S. N. R. Amphibious Forces Pacific, Squadron Beachmaster assault on Tarawa with Second Marine Division, Command two fleet oilers. Participated in Battle Okinawa and attack on Japanese Home Islands.

Awarded Navy Cross and British Distinguished Service Cross.

President, Fabian & Company (Investment Securities) since January 1947.

JOHN S. ZINSSER
Philadelphia, Pa.

I know too little about UMT to have an opinion of any great value. I will say, however, that Dr. Carothers' article does not convert me particularly and that most of the stuff I have read about it inclines me to belief that if we have to be prepared, UMT is better than other proposals from fairness, training for survival and cost standpoints.

HON. GEORGE H. BENDER
U. S. Congressman from Ohio

I have read Dr. Carothers' article with great interest and it reflects my own thinking on the problems raised.

HON. WILLIAM E. McVEY
U. S. Congressman from Illinois

I did not vote for the appointment of the Commission to draft a program for universal military training, and unless arguments are presented which I cannot foresee at present, I shall vote in the same fashion when the Commission report is acted upon by the Congress.

Railroad Securities

Comparison of Transportation Ratios

In the tabulation below we show transportation ratios of 45 railroads, constituting the bulk of the industry from a revenue standpoint, and for Class I carriers as a whole for the past four years, and also the change between 1950 and 1951. For the industry as a whole results for the entire year are not yet available so that the figures for 1951 are for the 11 months through November. It is believed that the ratio for the full year will be slightly higher than for the 11 months.

These transportation ratios, representing the per cent of gross absorbed in actually handling and moving the traffic, are of primary importance as an indication of just what measure of success the individual managements have had in offsetting the consistent uptrend in wages and fuel and material costs. These costs are not, as are maintenance outlays, subject to temporary skimping or inflation in line with management whim. Moreover, these transportation costs are by far the most important expense items, normally representing 50%, or more, of total operating costs.

Probably for the full year 1951 the industry transportation ratio ran around 38.5%, up 1.6 points from the preceding year. Most of the individual roads also reported an increase in their transportation ratios, which is not surprising when the lag in getting rate increases is considered. There were 13 of the roads, however, that were able to cut their transportation ratios last year, the star performer having been Denver & Rio Grande Western with a reduction of two points. Individual performances ranged all the way from 46.4% for Chicago & North Western and 46.1% for New York Central to 22.0% for Virginian. Aside from the latter there were three other roads that were able to get their transportation ratios down below 30%. They were Western Pacific, Norfolk & Western and Gulf, Mobile & Ohio.

TRANSPORTATION RATIOS

	1948	1949	1950	1951	Change (in points) 1950-1951
Atchison, Topeka & Santa Fe	34.9%	33.2%	30.2%	33.3%	+3.1
Atlantic Coast Line	42.9	41.9	38.0	36.8	—1.2
Baltimore & Ohio	41.9	42.4	40.2	39.8	—0.4
Boston & Maine	41.4	43.5	41.2	42.7	+1.5
Central of Georgia	46.9	48.2	44.3	43.5	—0.8
Central RR. of New Jersey	43.4	44.8	41.9	44.0	+2.1
Chesapeake & Ohio	35.9	36.4	32.1	32.9	+0.8
Chic., Burlington & Quincy	34.5	36.2	33.0	35.1	+2.1
Chicago & Eastern Illinois	42.0	42.6	36.8	37.9	+1.1
Chicago Great Western	40.3	34.6	30.6	33.2	+2.6
Chic., Mil., St. Paul & Pacific	43.1	43.3	40.9	42.4	+1.5
Chicago & North Western	44.6	47.8	44.4	46.4	+2.0
Chicago, Rock Isl. & Pacific	38.2	36.5	36.5	38.8	+2.3
Delaware & Hudson	38.2	41.8	38.1	37.8	—0.3
Del., Lackawanna & Western	43.4	45.1	43.8	44.9	+1.1
Denver & Rio Grande Western	35.5	36.2	34.0	32.0	—2.0
Erie	40.6	42.6	39.9	40.7	+0.8
Great Northern	36.9	35.4	33.5	35.2	+1.7
Gulf, Mobile & Ohio	32.1	32.3	30.1	29.5	—0.6
Illinois Central	36.1	36.7	35.3	36.8	+1.5
Kansas City Southern	27.6	29.2	28.9	30.0	+1.1
Lehigh Valley	44.0	43.7	40.0	38.0	—1.2
Louisville & Nashville	42.0	41.9	37.0	36.6	—0.4
Minn., St. Paul & S. S. Marie	40.4	40.8	39.7	39.6	—0.1
Missouri-Kansas-Texas	39.2	37.1	35.0	37.6	+2.6
Missouri Pacific	39.2	39.9	35.7	38.1	+2.4
New Orleans, Texas & Mexico	32.8	34.0	32.2	33.4	+1.2
New York Central	44.8	45.8	44.2	46.1	+1.9
N. Y., Chicago & St. Louis	33.9	35.4	32.6	35.3	+2.7
N. Y., New Haven & Hartford	41.8	42.5	41.0	42.5	+1.5
Norfolk & Western	31.3	33.3	29.9	29.1	—0.8
Northern Pacific	36.1	37.8	34.6	37.8	+3.2
Pennsylvania	45.2	45.4	41.8	43.8	+2.0
Reading	38.8	42.0	39.0	39.4	+0.4
St. Louis-San Francisco	41.6	39.1	35.5	36.7	+1.2
St. Louis Southwestern	32.5	31.8	29.8	30.9	+1.1
Seaboard Air Line	38.0	37.9	34.0	34.0	----
Southern Pacific	41.0	39.5	36.3	38.7	+2.4
Southern Railway	38.6	38.4	34.3	34.6	+0.3
Texas & Pacific	39.5	38.2	33.2	33.1	—0.1
Union Pacific	35.3	37.4	33.4	36.0	+2.6
Virginian	25.7	25.1	22.8	22.0	—0.8
Wabash	39.3	42.6	40.1	41.2	+1.1
Western Maryland	31.8	31.5	30.2	31.5	+1.3
Western Pacific	35.2	35.1	28.3	27.7	—0.6
Class I	39.5	39.8	36.9	38.2*	.

*Eleven months through November.

How Revenue Act Affects Mutual Savings Banks

By B. BERNARD GREIDINGER, CPA*
Professor of Accounting, Graduate School of Business Administration, New York University

Professor Greidinger discusses financial, operating and accounting problems of savings banks that result from imposition of an income tax on savings banks under 1951 Revenue Act. Gives examples of application of the provisions of the tax and concludes problems relating to the new tax cannot be solved until rulings of the Internal Revenue Bureau relating thereto have been published.

The Revenue Act of 1951 imposes a corporate income tax on mutual savings banks, building and loan associations, Federal savings and loan associations and cooperative banks for taxable years commencing after Dec. 31, 1951. These institutions will be subject to a normal tax of 30% and surtax of 22% on income in excess of $25,000 but will be exempt from the Federal Excess Profits Tax. Institutions on a calendar year basis became subject to the Act on Jan. 1, 1952. Those on a fiscal year basis will have their income taxed commencing on the day following their fiscal close in 1952.

B. B. Greidinger

Net taxable income of a bank is computed, with few exceptions, on the same basis as any other corporation. In addition to regular business expenses, however, mutual savings banks are entitled to the following additional deductions from gross income, especially provided by law:

(1) **Dividends paid or credited to depositors' accounts:** In the latter case the amounts so credited must be available for withdrawal on demand, subject only to the customary notice of intention to withdraw.

(2) **Amounts repaid during taxable year of loans obtained prior to Sept. 1, 1951, from the United States or any of its wholly-owned agencies or instrumentalities:** (RFC, Federal Home Loan Bank, etc.) or any mutual fund established under state law. (This provision is applicable primarily to Building and Loan Associations and Federal Savings and Loan Associations, rather than to Mutual Savings Banks.)

(3) **Bad Debt Reserve:** Like other taxpayers, the mutual savings bank in its first income tax return may select either (a) the deduction method or (b) the reserve method for bad debts, subject to approval by the Commissioner. Thereafter, it must use such method of treating bad debts in its return for subsequent years, unless permission to change is granted by the Commissioner. Determination of what constitutes a reasonable addition to the reserve of a mutual savings bank is to be made "with regard to the amount of the taxpayer's surplus or bad debt reserves existing at the close of Dec. 31, 1951." In no case, however, shall the reasonable addition to the reserve for bad debts be less than the amount determined by the taxpayer as the reasonable addition for such year. But the amount determined by the taxpayer may not be greater than the lesser of the following: (Section 313(e) of Revenue Act of 1951 amending Section 23(k) (1) of the Internal Revenue Code):

(A) Its net income for the taxable year (computed without the deduction of such additions to reserves)

—or—

(B) The amount by which 12% of the total deposits or withdrawable accounts of its depositors at the close of such year exceeds the sum of its surplus, undivided profits, and reserves at the beginning of the taxable year.

In case 1 [see tabulation above] the addition to the reserve of $200,000 brings the total surplus, undivided profits and reserves up to the 12% minimum and results in a taxable profit of $100,000. In case 2, the addition to the reserve is $300,000, taxable income zero, but the total of surplus, undivided profits and reserves is only 10% ($1.2 million plus $300,000 equals $1.5 million over deposits of $15 million), or 2% below the percentage limitation. In case 3, a strict application of the rule would permit no addition to the bad debt reserve, since the total of the existing surplus, undivided profits and reserves exceed the 12% limitation, thus making the entire net income of $300,000 taxable.

Where the percentage limitation results in what the taxpayer considers an inadequate provision for bad debts (as in cases 2 and 3—$200,000 and zero, respectively), the taxpayer may, nevertheless, claim under the first sentence of Section 313(e) of the 1951 Revenue Act, an amount which constitutes a "reasonable addition to a reserve for bad debts—determined with due regard to the amount of the taxpayer's surplus or bad debt reserves existing at the close of Dec. 31, 1951." The Senate Committee Report recommended that the limitations under this method should be determined under regulations issued by the Commissioner. It further suggested that if a moving average experience factor is used in determining the ratio of losses to outstanding loans, a 25-year period should be used in lieu of the 20-year period used for commercial banks, if such a period shows that larger bad debt reserves are required. It would appear, therefore, that if an objective test, such as the moving average ratio, supports a greater addition to the reserve for bad debts, the taxpayer is not subject to the restrictions implicit either in the net profit or percentage (12%) limitation formulae described above. This view finds support in the following quotation from the final Conference Report (Statement of the Managers on the Part of the House, attached to the final Conference Report, pp. 73-74):

"Where the sum of the institution's surplus, undivided profits, and reserves at the beginning of the taxable year equals or exceeds 12% of its total deposits or withdrawable accounts at the close of such year, any deductions for such year for a reasonable addition to a reserve for bad debts will be determined under the general provisions of Section 33 (k) (1)."

It is quite clear that savings banks subject to tax for the first time in 1952 must recognize the reserve for bad debts accumulated on the books in prior periods. Under the circumstances, the lower the bad debt reserve at the close of the non-taxable year, the greater the amount which might be charged off as an operating expense in the first taxable year. Sensing a possible loophole, a number of banks, on advice of counsel, closed out their bad debt reserves, or a substantial portion thereof, to the surplus account before the close of the non-taxable year. It remains to be seen whether the Internal Revenue Bureau will permit mere bookkeeping entries to influence their judgment in allowing or disallowing requests "for reasonable additions to bad debt reserves."

Financial and Other Problems Arising From Application of the Act

(1) **Sale or retention of assets prior to effective date of taxable year:** Effective action on the part of informed management taken prior to the opening date of the new taxable year, Dec. 31, 1951, for calendar year taxpayers, will result in substantial savings to these institutions in 1952. Thus a review of portfolios which revealed substantial unrealized gains in certain securities or other assets were in many instances disposed of prior to the close of the 1951 calendar year, thereby realizing a non-taxable gain which, if carried over to 1952, would have represented taxable income. Similarly, holdings which reflected costs in excess of realizable market values were carried over to 1952, so as to establish a tax loss when disposed of in that year. These tax savings are still available to savings banks reporting on a fiscal year basis whose 12-month period does not end until later this year.

(2) **Accrual vs. Cash basis of reporting taxable income (income and deductible expense which arose prior to effective date of taxable year):** Depending in part upon the basis of accounting followed (whether cash or accrual and no change is permitted the first taxable year) expenses may be deferred until 1952 and income received in 1952 may be taken up in 1951, thereby reducing the net income subject to tax. Accrual basis taxpayer must report income and deductible expenses when the right to the income or the liability for expense arises, even though the actual cash is received or paid out either in an earlier or later period. Thus we speak of such items as accrued income and expenses. Under the same section of the Internal Revenue Code, cash basis taxpayers report income and expenses only at such time as the income is actually received or the deductible expense is actually paid.

Thus those reporting on the accrual basis need not report income received after the imposition of the tax if the right to the income arose prior to the imposition of the tax. For example, interest on a mortgage may have been properly accrued on a calendar year basis and taken into income on Dec. 31, 1951, but the cash itself not be received until January, 1952. Such amount would not be subject to tax in 1952. This amount would be taxable, however, to a cash basis taxpayer. If the item accrued in December, 1951, were a deductible expense and actually paid out in January, 1952, the cash basis taxpayer would be permitted the deduction in his 1952 tax return, but the accrual basis taxpayer would not.

Certain deductible expenses of a cash basis taxpayer, under current rulings, must be treated as though they were on an accrual basis. Thus, rents and insurance premiums paid in advance covering a period of more than one year, are deductible by the cash basis taxpayer pro-rata over the life of the policy or over the period covered by the advance rent payment. A pro-rata portion of these deductions may be de-

Continued on page 26

*An address by Professor Greidinger before the Savings Banks Bond Men of The State of New York, New York City, Feb. 13, 1952.

EXAMPLES

Case 1

(A) **Net Profit Limitation:**	
Net income before additions to reserve for bad debts for 1952	$300,000
Amount allowable as addition to reserve for 1952 under Net Profit Limitation (A)	300,000
(B) **Percentage Limitation 12%:**	
Total deposits of depositors at 12-31-52	15,000,000
12% of $15,000,000	$1,800,000
Total of surplus, undivided profits and reserves as at Jan. 1, 1952	1,600,000
Amount **allowable** as addition to reserve for 1952 under percentage limitation (B)	200,000
(C) Maximum amount allowable under 1951 Revenue Act is "B" or	200,000

Case 2

(1) 12% of $15,000,000 deposits	$1,800,000
(2) Assume that total of surplus, undivided profits and reserves at Jan. 1, 1952, was	1,200,000
(3) Then amount **allowable** as addition to reserve for 1952 on percentage basis would be	600,000
(4) And the amount **allowed** would be the lesser of the two or the net profit as shown in "A"	300,000

Case 3

(1) 12% of $15,000,000 deposits	$1,800,000
(2) Assume that the total of surplus, undivided profits and reserves at Jan. 1, 1952, was	1,900,000
(3) The amount **allowable** as addition to reserve for 1952 on percentage basis would be	—0—
(4) And the amount **allowed** would be the lesser of the two or the "B" percentage basis	—0—

Public Utility Securities

By OWEN ELY

Idaho Power Company

Idaho Power Company affords a strong case for private power in the Northwest area where public power, in one form or another, has been gaining ground for some years. Idaho Power has the distinction of being probably the only important hydro company which needs no steam standby facilities. There is a steady flow of water from heavy snow deposits in the Teton Mountains, and also from huge underground springs in the porous volcanic land formation along the Snake River. Thus, even though considerable amounts of water are diverted from the river for irrigation at various points, enough is fed back into the stream bed to restore the river and run several hydro plants. In an emergency the company can secure power from Utah Power & Light, with which it has a contract based on incremental cost plus 1/10 mill. The company serves areas in Southern and Central Idaho and in the Southeastern part of Oregon, and also a small area in Northern Nevada.

The company serves about 2.4 million acres of irrigated farm land in Idaho; new land is being converted to farms at the rate of 25,000 acres or more per annum. Over two million additional acres are available, of which about one million are now being cultivated; use of water for this new land should not interfere, to any great extent, with power needs since allowance had been made in the company's program for such diversification.

Growth of population in the Snake River Valley served by Idaho Power has been about 19% over the past decade, compared with only 4% elsewhere in the State. This growth, combined with rapidly increasing use of electricity by customers, has resulted in the company's revenues more than doubling in the postwar period. This growth has been accomplished with a minimum of defense activities in the area. There is a small atomic energy research installation with a nominal load, one small air base, some mining of rare metals, etc. In 1956, however, the Atomic Energy Commission load may reach 20,000 kw, it is estimated.

The company's low rates (an average kwh cost domestic customers only $1.62 last year compared with the national average of about $2.85) has resulted in very heavy usage. Domestic customers last year took an average of 4,908 kwh compared with less than half that amount in 1944. Farm customers use an even larger amount, not including electricity used for irrigation pumping. The company's industrial business does not furnish a large proportion of revenues. Westvaco Chemical Division of the Food Machinery & Chemical Corporation is the largest industrial customer, and provided revenues of $1,214,000 during 1951. Annual revenue from this customer is expected to increase to approximately $1,613,000 for 1952, as the third furnace unit, placed in operation in July, 1951, completes its first full year of operation. Other industrial customers include two mines (tungsten, antimony, lead and zinc) with related operations, two cement plants, one U. S. Army Air Base, one food processing plant, the Union Pacific Railroad yard and shops, a U. S. Naval Ordnance plant, and a phosphate fertilizer plant. In 1951 these customers provided 11% of the company's revenue.

Idaho Power's Strike Plant near Grand View, with three units totaling 82,500 kw of nameplate capacity, will shortly be in service. This is expected to take care of additional needs through 1953, but it will probably be necessary to provide additional capacity for 1954. The company, in addition to its filing on the Oxbow Power site, has completed preliminary engineering studies of two additional hydro plants on the Snake River which can be developed promptly in case of need.

The company's 1952 construction budget is estimated at $9,-800,000, about 40% of which will be used to complete the Strike Plant. Expenditures for the four years 1952-5 may approximate $55-$70 million, based on a possible range of new construction of 60,000 to 140,000 kw new capacity. The company expects to do some equity financing this summer, issuing some 225,000 shares of new common stock.

President Roach has forecast share earnings of at least $2.40 for the calendar year 1952, after allowance for dilution resulting from the proposed sale of common stock. This would compare with earnings of $2.87 last year. The stock is currently selling on the Stock Exchange around 39½ and pays a dividend of $1.80, to yield 4.5%.

Protests Against Proposed Ban on Purchase Of Unlisted Stocks by N. Y. Savings Banks

Harry R. Amott, President of N. Y. Security Dealers Association, sends telegrams to Gov. Dewey and others pointing out measure discriminates against long established non-listed securities business.

Calling attention to a proposed amendment to the New York State Banking Law which would prohibit altogether the purchase for investment by savings banks of stocks not registered on a national securities exchange, Harry R. Amott of Amott, Baker & Co. Inc., of New York City, and President of the New York Security Dealers Association, on Feb. 28 sent a telegram to Governor Thomas E. Dewey and to leading members of the New York State Legislature protesting strongly against the proposed act.

Harry R. Amott

The text of Mr. Amott's telegram follows:

Governor Thomas E. Dewey
Senator Francis J. Mahoney
Senator John H. Hughes
Assemblyman Frederick D. Preller
Assemblyman Benjamin H. Demo

This association, composed of the leading over-the-counter securities broker-dealers in this State, organized in 1926, is vigorously opposed to the proposed act as written to amend the banking law in relation to investments by savings banks because it prohibits investment in common stocks not registered on a national securities exchange. This will prevent savings banks from purchasing good equities of comparable or superior value which may be available at more attractive price levels than those registered on exchanges. The act discriminates against the long-established over-the-counter securities business in this State which antedates the exchanges and it discriminates against the many thousands of citizens in this State who hold securities not registered on exchanges. The exclusion of over-the-counter equities has far-reaching implications damaging to our economy and in particular to the corporations in our State whose stocks are not registered on exchanges. The proposed act is of such vital importance to the citizens and the economy of our State we request a public hearing be held and that further action on enactment be withheld until those at interest are given an opportunity to be heard.

Harry R. Amott, President,
New York Security Dealers Association.

NASD Official Comments on Bill to Permit N. Y. State Savings Banks to Invest in Common Stk.

In a letter dated Feb. 4, addressed to New York State members of the National Association of Securities Dealers, Inc., regarding proposed legislation permitting New York savings banks to acquire common stocks, George E. Rieber, Secretary of District No. 13, though stating the Association has taken no official position in the matter. He lists categories in which members' opinions may be classified, one of which suggests that the bill in its present form "is a step in the right direction." He advises that protests against the provision which would limit savings banks' common stock investments to listed common stocks be delayed until after passage of measure, and thus avoid risk of its failure of passage. The text of Mr. Rieber's letter follows:

"Attention of members is directed to the New York State Senate Bill No. 2606, introduced by Senator Walter J. Mahoney, which has the effect of permitting New York Savings Banks to invest a portion of their assets in Preferred and Common stocks meeting the certain qualifications set forth in the bill. Among these qualifications is the provision that in order to be eligible, Common stocks must be registered on a National Securities Exchange.

"This bill has generated considerable interest among members, particularly that provision having to do with the necessity for Common stocks being registered on a National Securities Exchange in order to qualify under the bill. No unanimity of opinion respecting the bill and its various provisions has developed among members who have expressed themselves and the Association itself has taken no official position in the matter.

"However, so that you may be informed of the pendency of this legislation should you desire to make personal representations to the legislature or your local Assemblyman, we give below broad categories into which members' opinions might be classified:

"(1) There is justification for not granting permission to Savings Banks to invest in common stocks except that they are registered on a National Securities Exchange.

"(2) There is no justification for not granting permission to Savings Banks to invest in common stocks unless they are registered on a National Securities Exchange, provided they meet all other qualifications on size, earnings, dividend payments and the like setup in the contemplated legislation.

"(3) The bill in its present form is a step in the right direction and is deserving of support for what it does provide. Objections respecting discrimination against otherwise qualified over-the-counter common stocks should be delayed and treated in subsequent amendment rather than advanced now at the risk of the whole forward step.

"Very truly yours,
"GEORGE E. RIEBER, Secretary
District No. 13"

Westheimer Adds

(Special to The Financial Chronicle)

COLUMBUS, Ohio—Russell L. Brenneman has become associated with Westheimer and Company, 30 East Broad Street. He was formerly with Waddell & Reed, Inc., John B. Joyce & Co. and the Ohio Company.

Edmonds to Admit

On March 13, Edmonds & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Joan M. Edmonds to limited partnership.

With Protected Inv.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—John Hutchins is with Protected Investors of America, Russ Building.

John Bauman With Model, Roland, Stone

John S. Bauman

Model, Roland & Stone, 76 Beaver Street, New York City, members of the New York Stock Exchange, announced that John S. Bauman has become associated with the Investment Department of the firm's New York City office. Mr. Bauman is a former partner of the firm of William Blair & Company, Chicago. Previously he was a Vice-President of Argus Research Corporation, New York City.

Goldman, Sachs Group Offers United Biscuit 3⅜% Debentures

Goldman, Sachs & Co. headed a group of underwriters which offered publicly on March 4 $10,-000,000 United Biscuit Co. of America 3⅜% debentures due March 1, 1977 at 102½% and accrued interest.

Proceeds of the financing will be used for general corporate purposes, including the carrying of increased inventories and receivables resulting from the growth of the business and generally higher price levels, and for plant and equipment replacements and additions.

The debentures will be entitled to a sinking fund providing for the retirement of a minimum of $335 000 of the debentures in each of the years 1957 through 1976. They are redeemable otherwise than through operation of the sinking fund at prices scaled from 105½% to 100% in the last year. If redeemed by operation of the sinking fund the redemption prices are scaled from 102½% to 100% in the last year.

Joins Goodbody & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — George C. Swallow has joined the staff of Goodbody & Co., 105 West Adams Street. He was formerly with Cruttenden & Co.

With Barclay Investment

(Special to The Financial Chronicle)

CHICAGO, Ill. — Thomas J. Welsh has become affiliated with Barclay Investment Co., 39 South La Salle Street. He was formerly with Boettcher & Co. and Paine, Webber, Jackson & Curtis.

With R. G. Lewis & Co.

(Special to The Financial Chronicle)

ROCKFORD, Ill.—Irene White has become associated with Robert G. Lewis & Company, Rockford Trust Building.

With Bankers Bond Co.

(Special to The Financial Chronicle)

LOUISVILLE, Ky.—Robert E. Puryear has become connected with The Bankers Bond Company, Inc., Kentucky Home Life Building.

With A. C. Allyn Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Corning Pevear is with A. C. Allyn and Company, Inc., 30 Federal Street.

The British Crises

By PAUL EINZIG

Commenting on continued drain on the British gold reserve, Dr. Einzig finds little likelihood of change in situation, because of strong opposition to reduction in British living standards. Sees unpopularity of Conservative Government's moderate anti-inflationary policy, and concludes it is height of absurdity to now talk about progress towards sterling convertibility.

LONDON, Eng.—There is a growing uneasiness in well-informed British circles about the rate at which the gold reserve continues to decline. The trade balance of the United Kingdom continues to be strongly adverse in spite of the import restrictions and the export drive. Other countries of the Sterling Area do not appear to have exerted themselves unduly to do their share in checking the gold drain. Indeed some governments seem to be anxious to help themselves to as much of the gold reserve as they possibly can, while the going is good. The recent fall in commodity prices has changed prospects for the worse.

Dr. Paul Einzig

It is a pity that the practice of publishing the gold reserve every week has not been resumed. As it is the belief that the gold outflow continues unabated rests solely on vague rumors; the general public pays little or no attention. Yet unless the public duly realize what is happening there seems to be little hope for checking the outflow. It is true when the figures are published once a quarter the decline they show are apt to administer a severe shock to public opinion. But it is soon forgotten and for the next three months the man in the street receives no official indication of the aggravation of the position. So every section of the community assumes they can afford to be selfish instead of rallying round the government in an effort to save the situation.

When leading Socialists held responsible government offices they openly admitted that rearmament would necessitate a temporary lowering of the standard of living. Now that they are in Opposition, they are firmly opposed to any measure which would lower the standard of living. They denounce every move in that direction as a major crime against mankind, even though they themselves would have had to adopt identical or largely similar measures if they had remained in office. Yet the situation has become considerably aggravated since the change of government in October, 1951. The proposed insignificant cuts in national health service benefits have aroused a wave of protests, and coal miners now refuse to work overtime on Saturdays as a measure of reprisal. Every economy measure is causing trouble. Credit restrictions by the banks tend to increase the Socialist vote, because many small business men and private individuals resent the reduction of their bank overdrafts and recall the good days of inflationary Socialist regime when they had to suffer no such inconvenience.

Indeed Socialism gradually comes to be identified with easy-going inflationism. Some Socialist writers actually admit that the policy to be pursued is one of a perpetual moderate increase of prices. Although such a policy may be resented by many people with fixed incomes, it is favored, or at any rate preferred to the policy of inconvenient restriction of credit and of expenditure, by a large proportion of people, not only industrial workers but also office workers, the professional classes, and many business men. The latter feel that they had a better time under a hostile Socialist Government than under a friendly Tory Government. This was of course because between 1945 and 1951 Socialism was combined with unchecked moderate inflation under which everybody was having a good time, and now they have to pay the price for it as a result of the Conservative Government's attempt to check inflation.

Owing to the unpopularity of the Conservative Government's very moderate anti-inflationary policy, Socialists are gradually drifting into open admission that they have no objection to moderate inflation. Several leading Socialists have declared their belief that internal inflation has nothing to do with the balance of payments difficulties. They seriously believe, or profess to believe, that it is possible to expand internal purchasing power without affecting the volume of imports and exports. Some of those who say so are, or were, university lecturers, and there can be no doubt that any of their undergraduates would have been given bad marks for uttering such nonsense on their examination papers.

If anti-inflationary measures encounter strong resistance because of the ignorance or selfishness of the public, and if the Sterling Area Governments continue to abstain from doing their share, it will be necessary to face the possibility of a complete exhaustion of the gold reserve. This happened twice in the lifetime of the present generation—in 1931 and almost exactly 10 years later. In 1931 the gold standard was suspended and sterling was allowed to depreciate, but at the same time stringent measures were taken to deflate purchasing power in order to save sterling from an excessive depreciation. In 1941 sterling was firmly pegged at 4 dollars. Until deliveries under Lend-Lease began to arrive sterling was kept stable through water-tight exchange restrictions and imports were restricted to the amount for which it was possible to pay out of the slender foreign exchange resources at the Government's disposal.

Most people seem to take it for granted that, if and when the gold reserve should become exhausted, the Government would follow the example of 1931 and allow sterling to find its own level, or alternatively it would devaluate sterling once more. This course would undoubtedly bring temporary relief, just as the devaluation of 1949 or the various French post-war devaluations did. But experience has proved that unless a devaluation is followed by stringent deflationary measures comparable to those adopted in 1931, its effect is soon spent and the situation becomes as unfavorable as it had been before devaluation. It is, therefore, conceivable that the Government envisages the application of the 1941 method in preference to the 1931 method. Possibly even before the gold reserve becomes depleted altogther, war-time exchange restrictions might be reintroduced. This would be deplorable, but it would be undoubtedly preferable to devaluation or depreciation.

In the circumstances it seems to be the height of absurdity to talk about progress towards convertibility of sterling in the near future. The "dash to freedom" school is working overtime in trying to persuade British opinion that complete convertibility, at any rate for current trade transactions as distinct from capital transactions, would provide a solution in that it would restore confidence in sterling. It would do nothing of the kind. It was tried in 1947 and the result was a disastrous unmitigated failure. The proceeds of the American loan of 1946—the biggest international loan ever granted to any country—were exhausted in a matter of months. Today Britain is in an even worse position for such experimenting than she was five years ago. The gold reserve would become depleted, not in a matter of months but in a matter of weeks. And then it would be inevitable to adopt stringent import restrictions and exchange restrictions, or alternatively sterling would have to be allowed to depreciate, with the resulting sharp rise in prices.

Treasury Bonds Huge Factor in U. S. Trust Funds

Institute of Life Insurance reports Government Bonds, held in Social Security and other trust funds, now constitute one-sixth of National Debt, a new high level.

According to the Institute of Life Insurance, U. S. Government investment accounts, primarily the trust funds established for the Social Security System and other Governmentally-sponsored benefit programs, have increased their ownership of Federal securities to the point where they now own approximately $1 out of every $6 of the public debt.

These holdings exceeded $42 billion at the end of 1951 out of a total gross public debt of $259.5 billions outstanding at that time, according to estimates by the Council of Economic Advisers. Both the amount of Government bond holdings of these funds and its proportion of the total debt represent new high levels.

Third Largest Owner

Only two other classes of owners hold more Government bonds than do these investment accounts. They are the commercial banking system, and the public with its big block of Savings Bonds as well as other issues. This situation, therefore, indicates the importance of these funds in the ownership and distribution of the public debt.

The five major trust funds are Old Age and Survivors', Unemployment, Veterans' Life Insurance of which National Service Life is the largest, Railroad Retirement, and Federal Employees' Retirement. The biggest of these is Old Age and Survivors', which had around $15 billions of Government bonds at the end of 1951.

Payroll taxes represent the major source of funds for these programs. These taxes vary as between one program and another, and are levied on the employer as well as on most of the working population including the self-employed. That they have become a considerable item in the economy and cost of production is indicated by the latest Government figures which show actual trust fund receipts of $7.8 billions in the 1951 fiscal year and an estimate of $8.8 billions for the 1952 fiscal year. A decade ago trust fund receipts were only in the neighborhood of $3 billions a year. These figures include interest on investments.

The Experience in 1950

Trust fund receipts go into the U. S. Treasury, which issues Government securities to the funds for the balance remaining after payment of the prescribed benefits. With only one exception, the annual income of these programs has consistently exceeded the outgo, providing the Treasury with substantial amounts of cash above what is estimated in the conventional budget every year and thus facilitating its financing problems.

In 1950, however, aggregate expenditures of the trust funds exceeded their total income due to an unusually large payment by the National Service Life Insurance Fund. As a result, their combined Government bond holdings declined for the first time. This experience is something that should be kept in mind for the future in view of the increasing obligations of the Federal Government and its high level of general expenditures. This is the more true since benefit rolls and payments are certain to grow.

The following table shows the public debt holdings (in billions of dollars) of Government investment accounts from 1939 to date:

Year-end	Gross Public Debt	Holdings of U. S. Invest. Accounts	Ratio
1939	$47.6	$6.5	14%
1940	50.9	7.6	15
1941	64.3	9.5	15
1942	112.5	12.2	11
1943	170.1	16.9	10
1944	232.1	21.7	9
1945	278.7	27.0	10
1946	259.5	30.9	12
1947	257.0	34.4	13
1948	252.9	37.3	15
1949	257.2	39.4	15
1950	256.7	39.2	15
1951*	259.5	42.3	16

*Estimated.
Sources: U. S. Treasury Dept.; Council of Economic Advisers.

Congratulations to Harold B. Smith

Harold B. Smith of Pershing & Co., New York City, is celebrating his birthday on March 9. Harold was born in the fair city of Brooklyn on March 9, 1894. He was called the triple-threat man at Freeport High School and at N. Y. University and has over 70 medals to prove his prowess as an athlete on the track and football field. Now, however, he is content to watch television and work in his garden at his home in Garden City, L. I., and his biggest thrill is his little granddaughter Debbie.

Harold B. Smith

Harold is a life member of "Kismet Temple," A.A.O.N.M.S., and is well known among traders as the genial Chairman of the NSTA Advertising Committee, a post he has filled for 12 years.

With Collin, Norton

(Special to The Financial Chronicle)

TOLEDO, Ohio — Charles W. Porter is now with Collin, Norton & Co., 506 Madison Avenue, members of the New York and Midwest Stock Exchanges.

Continued from page 15

Reviving Role of Interest Rates

of interest rates at low levels simply do not mix.

Effects of Higher Rates

It will be well to consider why this is so.

First, there is the role that interest rates play in influencing savings and investments. It is true that some economists minimize this role so far as savings are concerned. They contend that people save for other reasons; that they are neither encouraged to save more by rising interest rates, nor discouraged by falling rates; that, indeed, a lower rate may even tend to increase some kinds of savings, such as life insurance where, with lower rates, people have to buy more insurance to gain the same protection.

Personally, I can't accept this view of interest rates and savings. While one would naturally not expect great effects from small changes in interest rates, it seems axiomatic that the greater the interest inducement to save, the more people will think it worthwhile to save rather than to spend. The relatively rapid growth of savings and loan associations, and likewise the attraction of deposits to savings banks paying more interest are indications that people are conscious of rates. In Europe, interest rates ranging as high as 6, 7, and 8%, as they now are in some countries, are surely more likely to encourage the saving needed to repair capital deficiencies than if rates were held down artificially to, say, 3, 4, and 5%. Besides this direct effect of interest rates on saving, there is an indirect effect which Dr. Jacobsson brings out in his paper. This is that an increase in interest rates denotes a determination to defend the currency by offering resistance to inflation. This, as he says, is a psychological factor of no mean significance, especially in Europe where people have seen the value of their money savings utterly destroyed by inflation. It could become important here, too, considering what inflation has already done to the value of the dollar in hardly more than a decade.

As for the effect of the interest rate on investments, there is, of course, more general agreement. Most every one recognizes it to be a factor of importance in home construction, business capital outlays, etc.

But it is not so much the higher interest rates themselves that count in restraining credit expansion as it is the underlying money conditions which such higher rates reflect. One often hears it said that a difference of a fraction of a per cent, or even of a full per cent, in interest rates will not deter much borrowing when business men and entrepreneurs believe the money can be used at a profit. No doubt there is much truth in this. What does make a difference is not so much the higher rates, but the fact—reflected in the rates—that money is harder to get.

This last is the real kernel of the nut. So long as lenders find their resources constantly replenished by a flow of central bank credit pumped out for the purpose of keeping money cheap, they have little incentive to refrain from an expansive lending policy. But when access to central bank credit is tightened up, lenders tend to become more "choosey." In this way, policies involving only moderate increases in interest rates can be relatively powerful in curbing credit expansion, and hence inflation.

We have seen how this worked out in this country following abandonment of price pegs on government bonds last spring. Not only did the ensuing market declines mean an upward adjustment of interest costs generally, but—more important—it cut down the availability of money, as banks and other institutional lenders found that meeting new demands involved selling government bonds at a loss.

Similarly, in London the effectiveness of the firmer money policy is expected to lie not so much in the higher Bank rate—itself hardly more than a gesture—as in two collateral moves to limit credit availability. One was the discontinuance by the Bank of England of its pegged buying rate of ½% for Treasury bills, a practice which had given the market an almost unlimited access to central bank credit to meet larger loan demands. The discontinuance of this peg was analogous to the similar action by our Federal Reserve in unpegging U. S. Treasury bonds, and was taken for the same purpose of enabling the central bank to regain control over its own operations. The other move was the funding of £1 billion British Treasury bills into one-, two-, and three-year Treasury bonds. This has the effect of bringing the ratio of very short term, highly liquid paper in the portfolios of the banks down close to the 30% minimum of total assets established by British banking tradition. Since the British bankers regard this 30% very seriously, it means that further expansion of credit will have to be met more and more by bank selling of long-term investments, probably at a loss. This automatically puts a brake on new lending.

In like manner in other markets, we see the reflection in interest rates of great readiness to attack the root cause of inflation, which is too much money.

Government Can't Control Interest Rates

Well, you may ask, of what practical value is all this in our lending and investing operations? I suggest that it is of great value if it drives home the lesson that government can't control interest rates.

As we all know, some folks got burned rather badly going on the theory that the government wouldn't "allow" its bonds to go below par. Now we hear it said that the government won't "allow" its bonds to go below 95 or 90 or some other figure that may be in mind. I have no doubt that when the British Government in 1946 brought out the "Dalton" 2½s so-called after the former Socialist Chancellor of the Exchequer, many who bought them believed the government would not "allow" them to decline seriously. Yet today they are selling in the 60s.

I am not predicting that U. S. Treasury bonds will go below 95 or 90, much less decline into the 60s. My point is simply that these things can happen despite government wishes. It is all a question of public confidence, of the amount of saving, and of the relation of savings to the need for capital. The government can, as we have seen, keep interest rates artificially low for a time by pumping out central bank credit and inflating the money supply. But—as we have also found—there are limits to this, for two reasons: (1) because, as inflation gains headway, it takes bigger and bigger doses of central bank credit to keep interest rates from rising along with everything else; and (2) because sooner or later people decide that inflation is too high a price to pay for cheap money, and that a galloping cost of living is worse than seeing governments decline below par.

What has happened to interest rates over the period under review is just one more example of the force of economic law, requiring obedience, despite the efforts of men and governments to oppose it.

Burns Bros. & Denton, New York, Is Formed

The formation of Burns Bros. & Denton, Inc., New York, to transact a general business in Canadian stocks and bonds, has been announced. Herbert E. Scott, formerly associated with A. E. Ames & Co. and more recently head of H. E. Scott Company, will serve as President of the new company and Edward A. Pollard, who also was with H. E. Scott Company, will be Vice-President.

The new organization is an affiliate of Burns Bros. & Denton Limited and of Burns Bros. & Company, both Canadian firms.

The new office will be located at 37 Wall Street.

Dominick to Admit

Dominick & Dominick, 14 Wall Street, New York City, members of the New York Stock Exchange, will admit Guy M. Todd to limited partnership on March 13.

Canadian Securities

By WILLIAM J. McKAY

It is quite evident that the United States will in future depend on Canada for much of its basic raw material supplies. This is indicated in a recent long-term contract which was made by the United States Government with the Falconbridge Nickel Mines, Ltd. of Canada. Under the terms of the nine-year contract, the Defense Materials Procurement Administration will get 50 million pounds of nickel and up to 1½ million pounds for cobalt. Under the contract the U. S. will advance Falconbridge $6 million for expanded facilities to produce the metals. It will be returned as the Canadian Company fulfills its contract.

The agreement also gives the U. S. options to get 25 million pounds of copper, and an additional 25 million pounds of nickel under certain conditions over the nine-year period. These conditions are not specified.

The U. S. will pay 56.66 cents a pound f.o.b. Kristiansand, Norway, for the nickel. This price is somewhat higher than the price currently quoted. It will vary up or down during the life of the contract, depending upon current nickel prices. The present differential will always be observed, however.

Up to the end of 1956, the U. S. will get 40% of Falconbridge's entire production of nickel and copper, according to the agreement. The metals will be produced at the company's McKin and Hardy Mines in Sudbury, Ont.

The price to be paid for the cobalt will be $1.80 a pound or the current market price whichever is higher. If any copper is delivered under the contract it will be electrolytic copper in cathode form. The U. S. will pay 19 cents a pound for it.

Further dependence of the United States for some of its raw materials is indicated in the report that the U. S. government is seeking contracts in Canada for increased supplies of aluminum.

An instance of Canada's growing industrial importance is the recent report in the Canadian Press of that country's automobile output. While auto production in the United States is being restricted through government controls, Canada's auto factories produced more cars and trucks in 1951 than ever before.

Though sales of passenger cars in Canada were down, shipments of made-in-Canada vehicles last year totalled 413,772 units compared with the previous high of 390,836 in 1950, the Bureau of Statistics reported.

Vehicles for the domestic market totalled 346,992 units—241,220 passenger cars and 105,772 trucks—last year compared with 357,527 units—260,653 passenger cars and 96,874 trucks—in 1950.

According to the Bank of Nova Scotia the two major expansive influences now in operation in Canada are defense expenditures and the very large industrial development program. Defense outlays are increasing and evidently will be substantially larger in 1952 than in 1951, requiring the use of a good deal more manpower and materials. The program of economic development, as now envisaged and to a considerable extent under way, is so large that, despite an expected lower level of expenditure for housing and for investment in commercial building, in the consumer goods industries and in some fields of governmental activity, the total amount of new capital investment in Canada in 1952 will likely be close to last year's remarkable record.

Bankers Offer Pfd. Stock of Ill. Pow. Co.

Merrill Lynch, Pierce, Fenner & Beane and The First Boston Corporation and associates on March 4 offered 200,000 shares of $50 par value 4.70% cumulative preferred stock of Illinois Power Co. at $51 per share, plus accrued dividends.

Proceeds from the sale of the preferred shares and from the sale of $20 million first mortgage bonds will be used for the payment of short term bank loans made for financing construction expenditures and the balance for new construction. Such loans amounted to $9 million as of Feb. 29, 1952. Costs of the company's construction program and other additions during the period Jan. 1, 1952 to Dec. 31, 1953 are now estimated at $56,000,000 which, together with payment of $7 million in bank loans outstanding at Dec. 31, 1951, will require expenditures by the company during these two years of approximately $63 million.

The new preferred shares will be redeemable at prices ranging down from $52.75 per share to $51.50.

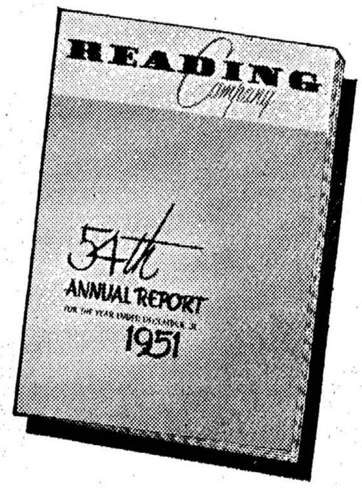
Illinois Power Co. is engaged primarily in the production, transmission, distribution and sale of electric energy and in the purchase, distribution and sale of natural gas in the State of Illinois. Electric service at retail is supplied to an estimated aggregate population of 800,000 in 274 incorporated municipalities and adjacent suburban and rural areas. The company supplies gas service at retail in 53 incorporated municipalities having an estimated aggregate population of 600,000.

W. A. Kyner Opens

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.—William A. Kyner is engaging in the securities business from offices at 126 South Tejon Street.

READING COMPANY
reports for 1951



- Revenues of $131,177,889 were highest in the Company's history.
- Dividends of $2.00 per share were paid on both the Preferred and Common Stocks, making the 46th consecutive year in which dividends have been paid on all classes of stock.
- A total of $23,922,394 was invested in capital improvements in 1951, of which $16,290,113 was for equipment and $7,632,281 was for improvements in road property. In the past six years, Reading has invested $67,940,000 in new equipment and $20,980,000 in road improvements.
- With the acquisition of fifty new 1,600-hp. general purpose diesel-electric units in 1951, Reading became predominantly a diesel-powered road.
- Work was completed on the new Morrisville Branch, built to serve U. S. Steel's Fairless Works at Morrisville, Pa. From this new plant, scheduled to open in the spring of 1952, Reading will receive substantial traffic.

President.

REVENUES, EXPENSES and EARNINGS for 1951	December 31 1951	December 31 1950	Increase or Decrease
Revenues from Operation—Transportation of freight, passengers, mail, express, and all other	$131,177,889	$118,952,178	$12,225,711-I
Expenses of Operation—Cost of transportation service, maintenance and depreciation of road facilities and equipment, and solicitation of traffic	104,062,934	93,530,278	10,532,656-I
Leaving as Net Revenue from Operations	$ 27,114,955	$ 25,421,900	$ 1,693,055-I
Tax Accruals—Federal and state income, railroad retirement, unemployment insurance, and other taxes applicable to railway operations	$ 15,042,883	$ 12,229,871	$ 2,813,012-I
Net Receipts from Rent of Equipment and Jointly Used Railway Facilities	1,246,925	200,360*	1,447,285-I
Net Railway Operating Income	$ 13,318,997	$ 12,991,669	$ 327,328-I
Other Income—Dividends, interest and rentals, less miscellaneous deductions	$ 1,769,169	$ 1,852,263	$ 83,094-D
Gross Income Available for Fixed Charges	$ 15,088,166	$ 14,843,932	$ 244,234-I
Fixed Charges—Interest on funded and unfunded debt, rent for leased roads, and amortization of discount on funded debt	$ 5,555,958	$ 5,536,281	$ 19,677-I
Net Income Available for Dividends, Capital Expenditures and Other Corporate Purposes	$ 9,532,208	$ 9,307,651	$ 224,557-I

*Debit.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

The adequacy of bank capital is the subject of discussion in the March, 1952 issue of "The Guaranty Survey," published by the Guaranty Trust Company of New York.

During the past few months this subject has been receiving an increasing amount of attention. Mr. Harold H. Helm, President, Chemical Bank and Trust Company of New York, at a luncheon meeting of the New York Society of Security Analysts, on Feb. 25, 1952, devoted a portion of his speech on "Current Aspects of Commercial Banking" to this problem.

The subject is also indirectly involved in the hearings to begin next week before the Joint Congressional Subcommittee on Money and Credit. These hearings will cover the general authority and independence of the Federal Reserve Board and the role of interest rates and credit restrictions in the economy.

The Federal Reserve Board itself has undertaken a study of the impact of taxes on the banks in order to determine whether taxes are preventing banks from obtaining the required capital. This study currently underway has attracted considerable interest in the banking field and many hope that it will provide the basis for a more realistic approach to the taxing problem of the banks.

As pointed out in "The Guaranty Survey," the question of adequate bank capital is a problem of "broad social significance." It involves more than the banking institutions themselves, as it determines whether the banking system can continue to meet the normal and necessary needs of industry. Its significance to depositors is easily understood for adequate bank capital is the primary protection for their money.

In fact the whole economy depends upon the "smooth operation of the credit mechanism" and this in turn "demands that bank capital be kept at a safe level."

While there is little disagreement as to the necessity of adequate bank capital, on the question of what constitutes "adequate" and of how best to obtain it there is considerable difference of opinion.

Changing conditions within the economic structure and various forms of governmental supervision have made old standards of capital requirements antiquated. Today, a large portion of bank deposits are invested in government securities. This was not true 20 or even 10 years ago. The "risks" involved in this type of assets are obviously less than in the more traditional type of bank loans or investments. While government securities may decline in reflection of changes in the pattern of interest rates, there is no question as to the credit of the issuer.

Some consideration in this connection should also be given to the changed character of other bank assets. It is generally agreed that the quality of bank assets has improved over the years. However, even here there is a difference among banks and what might be considered a proper amount of capital in one instance may not necessarily be enough in another.

What it finally amounts to is that you cannot legislate or adopt any general standard which will suit the capital requirements of all banks. Rather, it is a question for management and supervisory officials to determine for each individual institution.

The problem of raising additional capital under current conditions is another question. As "The Guaranty Survey" points out two factors have increased the need for additional bank capital in recent years. One is the "industrial development and population growth" in certain areas of the country. The other is the "price inflation" which has occurred in the postwar years resulting in an increase in deposits.

At the same time banks have not been able to achieve a "favorable earnings position" in the postwar period, largely because of governmental policy of maintaining an artificially low level of interest rates.

Although the outlook for bank earnings has improved during the last year with the rise in interest rates and the substantial expansion in loan volume, the impact of excess profits taxes has been particularly severe upon these institutions.

Banks differ from industrial companies in that they don't have debt in their capital structures. Because of unfavorable earnings in the base period, however, most of them use the invested capital base for computing excess profits taxes. This means that earnings in excess of approximately a 3.84% return on capital are taxed at the excess profits tax rates.

Herein lies the problem. At this rate of return, it is difficult to attract additional capital. The most encouraging sign is that attention is being directed toward the problem. Many people are hopeful that the problem of bank taxes wlil receive favorable consideration from taxing authorities during 1952.

Joins Greene & Ladd

(Special to The Financial Chronicle)

DAYTON, Ohio—Carley Cramer is now with Greene & Ladd, Third National Bank Building, members of the New York Stock Exchange.

With Russell McConnell

(Special to The Financial Chronicle)

DORSET, Ohio — Howard W. Eastlake is now associated with Russell McConnell. He formerly conducted his own investment business.

Predicts Added Reliance of Business on Banks

Institute of International Finance of New York University issues bulletin tracing postwar increase in volume of loans of commercial banks, and stressing importance of banks enlarging capital resources to be able to meet growing requirements of industry and trade.

According to a bulletin entitled "The Increased Dependence of Business on the Commercial Banks," issued by Dean G. Row-


G. Rowland Collins Marcus Nadler

land Collins, director, and Dr. Marcus Nadler, research director, of the Institute of International Finance of New York University, the growing dependence of business on bank credit evidenced during the past few years is likely to continue in the future and may have a considerable impact on the banks and the financial policies of corporations.

With the increased need for working capital brought about by the expansion in the volume of business, and the higher cost of doing business, the bulletin points out, it is important that banks be in a position to increase their capital resources either through retained earnings or the sale of stock in the open market so as to be able to meet the growing requirements of industry and trade.

During the war period, with military expenditures absorbing about half of the gross national product and with the public debt mounting rapidly, commercial lending by the banks tended to decrease and investing in government securities assumed a major role. Prepayment of war contracts was a common practice; the government thus supplied working capital to business out of the proceeds of bonds sold to the commercial banks. At the end of 1945 government securities constituted 73% of the total earning assets of the insured commercial banks as against only 40% at the end of 1939. Loans, on the other hand, had decreased from 43% to 21% of total earning assets.

With the end of the war a change in the relationship between lending and investing by the commercial banks began to set in, with loans playing an increasingly important part. At first this was not fully noticeable because business in general had accumulated a large volume of liquid assets which it utilized freely before having recourse to bank borrowing. By 1948, however, the sharp increase in commodity prices and wages, and hence in the cost of doing business, and the large volume of business activity rendered business more dependent on the commercial banks, and the volume of loans began to rise. At the end of 1948 the total volume of commercial, industrial, and agricultural loans of all insured commercial banks stood at $21,539.8 million as compared with $10,776.5 million at the end of 1945. The spiral of inflation received a new impetus from the Korean war, and its aftermath, the expanded national-defense program, also had a pronounced effect on business activity. In the present rearmament period business must obtain a large part of its working capital either through selling new securities or borrowing from the banks. The latter method is used to procure temporary or seasonal working capital. As a result of these developments the volume of loans began to increase sharply and on June 30, 1951, accounted for 44% of total earning assets of the insured commercial banks. The ratio of commercial, industrial and agricultural loans to earning assets increased from 9% at the end of 1945 to 21% on June 30, 1951.

During the coming years, according to the bulletin, the volume of business loans is likely to show a further increase. The physical volume of business in the United States, with all its ups and downs, will continue to show a generally upward trend. In view of the rapidly increasing population, the dynamic character of the economy, and the changed role of the government in its relation to business, the high point in a new business cycle may establish a new record while the downward swing would probably not reach the low point of the previous cycle.

In addition, the bulletin continues, wages and other costs of doing business will remain high. Even with a reduction in defense expenditures and business investment a sharp break in commodity prices, such as occurred during 1920 to 1937, is not likely to take place in the period ahead. Not only can there be no sharp decline in food and farm prices, because of the government's farm-price-support program, but a considerable portion of the inflationary price structure has become firmly imbedded in the economy. Since Federal expenditures and the public debt will continue to be very large, Congress and the Administration will do everything within their power to prevent a material decline in prices of commodities. Because of the strength of labor unions and labor's economic and political power, a drastic reduction in wages is not likely to take place, although in some highly competitive industries downward adjustments are bound to occur. Moreover, both the increase in taxes and the acceleration of their payment are bound to make business more dependent on bank accommodation. The increase in corporation taxes, which has taken place since the outbreak of the Korean war, and the imposition of the excess-profits tax, will reduce net earnings of most corporations. Since the end of World War II, American corporations have adopted a policy of retaining between 50 and 60% of their profits and plowing them back into business. A decline in net earnings will reduce the amount that corporations will be able to retain for working capital or capital expenditures.

Eppler, Guerin Adds Four to Staff

DALLAS, TEXAS — Eppler, Guerin & Turner, Reserve Loan Life Building, announce the addition of Clifford B. Luck, Stuart C. Pilcher, Edward E. Harding and Chester Marston to their staff. Mr. Luck, who was formerly with Merrill Lynch, Pierce, Fenner & Beane, will be located in the firm's Houston office. Mr. Pilcher will represent the firm in Waco. Mr. Harding will be in the Houston office, Neils-Esperson Building, and Mr. Marston will be in the Lubbock office in the Lubbock National Bank Building.

S. R. Ketcham With Smith, Barney & Co.

Stanley R. Ketcnam

Smith, Barney & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announced that Stanley R. Ketcham has become associated with the firm in its Planned Investment Department. He will be an assistant to Ralph B. Johnson, partner in charge of the Department. Mr. Ketcham formerly was with Moody's Investors Service.

Morgan Stanley Group Offers Pipe Line Debs.

Morgan Stanley & Co. headed an underwriting group of 37 investment firms which offered for public sale on March 4 a new issue of $25,000,000 Interstate Oil Pipe Line Co. 25-year 3⅛% sinking fund debentures, series A, due March 1, 1977. The debentures were priced at 99¾% plus accrued interest to yield approximately 3.14% to maturity.

All of the capital stock of Interstate is owned by Standard Oil Co. (New Jersey). The company at present has under way an expansion program which together with other capital expenditures will require about $17,000,000 in 1952 and a total of $11,500,000 for the years 1953 and 1954. The proceeds from the sale of the debentures will be used with other cash funds for these purposes.

The company has a number of pipeline systems, the most important of which is the Southern System located in Louisiana, Mississippi, and Arkansas. The expansion program will be almost wholly concentrated in the Southern System, which serves the Baton Rouge Refinery of Esso Standard Oil Company, the largest refinery in the United States of Standard Oil Company and affiliates. Total deliveries of crude oil out of its system in 1951 were 175,664,000 barrels, compared with 168,652,000 barrels in 1950 and 152,431,000 in 1947.

The company will provide a sinking fund for the debentures commencing on Sept. 1, 1958 and on each March 1 and Sept. 1 thereafter to and including Sept. 1, 1976, of $658,000 and on March 1, 1977 of $654,000 payable in either cash or debentures. The maximum average life of the debentures is approximately 15¾ years.

At the option of the company the debentures may be redeemed on or prior to March 1, 1956 at 102¾ and at decreasing prices thereafter.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

William W. Mein retired from limited partnership in Hooker & Fay on Feb. 5.

Robert H. Matthews withdrew from partnership in Reinholdt & Gardner on Feb. 29.

Bert Lacey Opens

DALLAS, Texas—Bert Lacey is engaging in the securities business from offices at 3904 Purdue Street.

Hear! Hear! Hear!

"I believe public securities should be subject to the same test of the market place as private securities. It is not desirable to insulate public-debt securities in whole or part from the impact of restrictive credit policies. Any such insulation achieved would be of no net benefit to the public; on the contrary, it would be damaging."—Professor Ray B. Westerfield.

"It would be a major blunder to insulate public-debt securities in whole or in part from the impact of credit policies designed to prevent private deficit spending. Such insulation would be a hard-to-resist temptation to go deeper and deeper into governmental deficit financing and the creation of more and more liquid assets which would plague the Federal Reserve System and the Treasury and, indeed the American people in years to come."—Emerson P. Schmidt.

"The only way by which it is possible to insulate public debt from the market is to force it into the hands of such financial institutions as Government agencies can control; commercial banks primarily, and possibly savings banks and insurance companies. This is a distortion of their function, especially in the case of the commercial banks. If it seems to become necessary from a political point of view because of the difficulty of increasing taxes sufficiently to balance the budget, the whole economic structure will be endangered. We have weathered one such period of war financing but cannot be sure that another can be successfully gone through."—Margaret G. Myers.

We shall not gild the lilly!

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

S. Sloan Colt, President of **Bankers Trust Co. of New York,** has announced the promotion of Morris August Engelman to the position of Auditor. Mr. Engelman became associated with Bankers Trust Co. in 1927 and was made an Assistant Auditor in 1946. He was graduated from the Wharton Public Schools and attended the American Institute of Banking.

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Arthur H. Colling, John A. Hooper and John J. Ward have been appointed Assistant Cashiers of the **Chase National Bank of New York,** Percy J. Ebbott, President of the bank, has announced. James H. Carroll and James R. Connolly have been made Assistant Managers of the bank's overseas branches in Japan.

* * *

Coincident with filing in New York County Surrogate's Court of the Petition for Probate of the Will of F. Charles Schwedtman, retired **National City Bank of New York** Vice-President who died on Feb. 2, it was revealed by the bank on Feb. 29 that approximately $400,000 was bequeathed to the **National City Foundation,** a training group for personnel of the bank which Mr. Schwedtman founded in 1929. This amount, it is stated, represents approximately one-half of the Schwedtman estate; the other half is willed to the widow. Emil J. Hausmann and City Bank Farmers Trust Co. are the executors. Mr. Schwedtman died in St. Petersburg, Fla., at the age of 87. He entered the service of the National City in 1915 when the bank was branching out in the overseas field, making it necessary to develop new key men for its personnel. Mr. Schwedtman conceived the idea of offering a group of American colleges and universities opportunities for their outstanding graduates to take a course of training in domestic and international banking at National City's head office. The plan, it is indicated, was very successful.

It was on March 12, 1929, that the Schwedtman idea for the National City Foundation became a reality. Its charter was issued by the State, and a new idea in management-staff relations in the bank was inaugurated. Mr. Schwedtman was its first contributor and he gave it substantial funds. In the more than 20 years that have passed since that date other individuals have made substantial contributions to the fund. All told, nearly a thousand individuals have received grants or awards from the Foundation. Management of the Foundation is in the hands of a committee composed of directors and officers, since it was Mr. Schwedtman's concept from the start that the idea could not succeed unless it had full support and interest from the top. Since his retirement from the bank, Mr. Schwedtman had been a special partner in the brokerage firm of Baker, Weeks & Harden, 52 Wall Street, New York City.

* * *

E. Chester Gersten, President of **The Public National Bank and Trust Co. of New York,** announced on Feb. 28 that George A. Friedle, Manager and Head of the Consumer Credit Department, was promoted to Vice-President; and William Cohen, Assistant Manager in that department, promoted to Assistant Vice-President. Other promotions in the Consumer Credit Department were Alfred D. Cella, George A. Evans and Frank Korinek, promoted to Assistant Cashiers.

* * *

One of the New York City banking institutions which recently enlarged its capital is the **Royal Industrial Bank,** at 1134 Broadway, **New York,** which on Jan. 25 received from the New York State Banking Department approval to a certificate of increase of capital stock from $667,500, consisting of 133,500 shares of the par value of $5 each, to $1,001,250, consisting of 200,250 shares of the par value of $5 each.

* * *

The Ecuadorian American Association is the sponsor of an exhibit of leading Ecuadorian export products and transportation facilities currently on view in the 15 display windows of **Colonial Trust Co.'s** Rockfeller Center office on Avenue of the Americas at 48th Street, **New York.** Arthur S. Kleeman, President of the banking house, announces that, in conjunction with the exhibit, Colonial Trust is distributing another in its series of international monographs, "World Recovery Through Imports." This set is entitled "Trade With Ecuador." Mr. Kleeman states that the monographs will be distributed to about 350 banks in the port cities of the United States, to Department of Commerce field offices throughout this country, to a list of importers and exporters, and to the press. Both the display and the monographs are the outgrowth of several visits to Ecuador by Mr. Kleeman and by Mario Diez, Vice-President in charge of the bank's International Division.

* * *

Irving Trust Company of New York, has announced the promotion of Frank E. Conant from Assistant Vice-President to Vice-President. Mr. Conant will be in charge of the Company's new Branch Office at 39th Street and Madison Avenue which is expected to be opened early this Spring.

* * *

Approval by the State Banking Department was given Feb. 15 to the **Freeport Bank of Freeport, N. Y.,** to an increase of capital stock from $325,000, consisting of 50,000 shares of preferred stock, par $1.50 each, and 25,000 shares of common stock, par $10 each, to $425,000, consisting of 50,000 shares of preferred stock, par $1.50 each, and 35,000 shares of common stock, par $10 each.

* * *

Approval was given on Feb. 18 by the New York State Banking Department to the **Poughkeepsie Trust Co. of Poughkeepsie, N. Y.,** to a certificate of reduction of capital stock from $525,000, consisting of 70,000 shares of preferred stock "A" of the par value of $5 each, 2,500 shares of preferred stock B, par value $10 each, and 30,000 shares of common stock, par value $5 each, to $250,000, consisting of 50,000 shares of common stock, par value $5 each.

* * *

Ernest L. Simonds, a trustee of the **Connecticut Savings Bank of New Haven, Conn.** since 1933, died on Feb. 22. Mr. Simonds, says the bank in making known his death, was one of the more active trustees of the bank, being at the time of his death Chairman of the Examining Committee, Chairman of the Committee on Savings Bank Life Insurance, and a member of the Real Estate Committee. He had also served several times on the Executive Committee. The New Haven "Journal Courier" of Feb. 26 in an account of Mr. Simonds' activities had the following to say, in part:

"From his Trinity College graduation in 1900, he served the Southern New England Telephone Co., and at his retirement was Vice-President in charge of Personnel and Public Relations. He was a fine embodiment of the telephone tradition of public service, which in his case found application in State appointments like the General Savings Insurance Fund and the Manufacturer's Association Board, and in City responsibilities such as membership on the Board of Education, the direction of the New Haven Civilian Defense Council in World War I, and board membership in the New Haven Hospital Service Fund, the Chamber of Commerce and the Connecticut Savings Bank.

* * *

The death occurred on Feb. 26 of John V. B. Wicoff, President of the **Broad Street National Bank of Trenton, N. J.** Mr. Wicoff, who was 73 years of age, studied law at New York Law School, and was admitted to the bar in 1903. Special advices Feb. 26 to the New York "Times" from Plainsboro, N. J., where Mr. Wicoff was born, said in part:

"Mr. Wicoff conducted a law partnership with William Lanning until the latter was named United States District Court Judge in 1904. For 39 years he was associated with Judge Lanning's son, Kenneth Lanning, who died in 1950. He then became associated with his sons, John E. Wicoff and Douglas B. Wicoff, continuing under the name of Wicoff & Lanning.

"Mr. Wicoff was President of the Trenton Clearing House, President and director of the Trenton Fertilizer Co., Secretary and director of the Walker Gordon Laboratory of Plainsboro and Vice-President and director of the United New Jersey Railroad and Canal Co."

* * *

A capital of $1,000,000, increased from $600,000 by a stock dividend of $400,000, is reported by the **First National Bank of East Liverpool, Ohio,** the new capital having become effective Jan. 15.

* * *

The capital of the **Continental Illinois National Bank & Trust Co. of Chicago** was increased effective Feb. 15 from $60,000,000 to $75,000,000 by a stock dividend of 25%, proposed by the directors on Jan. 11 and approved by the stockholders Feb. 15. In the Chicago edition of the "Wall Street Journal" of Feb. 16 it was stated in part:

"By this action the bank's capital stock was increased to 2,250,000 shares from the present 1,800,000 outstanding. Par value at $33⅓ remains unchanged. This was accomplished through a $15 million transfer from undivided profits bringing capital stock to $75 million. Surplus, totaling $100 million, continues unchanged."

* * *

The capital of the **First National Bank & Trust Co. of Kalamazoo, Mich.,** has been enlarged to the extent of $250,000 as a result of the sale of new stock, increasing it from $1,000,000 to $1,250,000, effective Feb. 14.

* * *

Early the present year the capital of the **First National Bank of Houston, Texas,** increased its common capital stock from $5,500,000 to $7,500,000, as a result of the issuance of 100,000 shares of new stock, par $20 per share, at $40 a share, the action enlarging the bank's capital structure to $15,000,000 with the addition of $2,000,000 to the surplus. The increased capital became effective Jan. 2.

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The Fort Worth National Bank of Fort Worth, Texas, announces the death on Feb. 20 of its Chairman of the Board, Robert Ellison Harding.

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The capital of the **Continental National Bank of Fort Worth, Texas,** was enlarged on Feb. 4 to the extent of $750,000 by the sale of new stock, increasing it from $1,000,000 to $1,750,000.

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The capital of the **City National Bank of Houston, Texas,** was increased on Jan. 30 from $5,000,000 to $7,500,000; of the increase $1,000,000 represented a stock dividend, while the sale of $1,500,000 of new stock, figured in the $2,500,000 addition to the capital.

* * *

At their annual meeting on Jan. 8 shareholders of the **Anglo California National Bank of San Francisco** reelected all present directors for the ensuing year and added Joseph M. McCarthy and Raymond H. Holmberg to the board. Both the new directors have long been associated with the bank as officers. Mr. McCarthy entered the banking business in 1906 and for many years has been Vice-President and Manager of Anglo's Seaboard office in downtown San Francisco. Mr. Holmberg, who has been connected with Anglo since 1930, is Secretary of the bank. At a directors' meeting held immediately afterwards all officers were reappointed.

* * *

Election of three new officers and appointment of three men to Assistant Manager Positions at **California Bank of Los Angeles** has been announced by Frank L. King, President, following the Feb. 11 meeting of the directors. C. H. Mitchell, head office, J. W. Kenney, Beverly Hills office, and Elmer Stone, head office, were elected Assistant Cashiers. F. W. Jamison, El Sereno office, T. C. Finlay, San Gabriel office, and W. E. McClintock, North Hollywood office, were advanced to the position of Assistant Manager at their respective offices. Mr. Mitchell has been with California Bank since 1938 and is Manager of the collection department. Mr. Kenney joined the bank's staff in 1945 after spending three and one-half years in the Navy. Mr. Stone spent nine years in banking in Chicago before coming to California Bank in 1951. Mr. Jamison's bank service was interrupted by nearly four years' service in the Navy. He first came to California Bank in 1936, having spent some time with banks in Fairmont, W. Va., his birthplace. Mr. T. C. Finlay has been at California Bank's San Gabriel office since 1946. Mr. McClintock attended the University of Pittsburgh and spent 19 years in banking in that city before beginning his California Bank service in 1945.

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The United States National Bank of San Diego, Calif., through a stock dividend of $40,000, increased its capital as of Jan. 16 from $800,000 to $840,000.

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Albertus Taapken has been appointed an Assistant Vice-President of the **Anglo California National Bank, of San Francisco,** with duties in the foreign department, head office, it was announced Feb. 25 by Allard A. Calkins, Chairman of the Board. A native of Holland, and educated in that country, Mr. Taapken has an unusually broad background of experience in the foreign banking field. From 1936 until 1951 he was associated with the **Nationale Handelsbank, N. V.,** Netherlands banking institution with branches in the Orient and the East Indies. During that time, he served successively at the Bombay, Calcutta, Manila and Singapore branches. He joined the staff of Anglo Bank in August of last year.

Earlier this year—on Jan. 25—promotions of eight members of the staff of the Anglo California National Bank in San Francisco and Oakland were announced by Mr. Calkins. At the head office, San Francisco, Albert V. Martin, formerly Assistant Trust Officer, was appointed a Trust Officer; Leonard S. Berry, head office, was advanced from Assistant Cashier to Assistant Vice-President; John F. Klein, an Assistant Cashier since 1948 and a member of the Anglo staff since 1927, was appointed an Assistant Vice-President, at the head office; Oliver S. Koenig was named an Assistant Trust Officer at the head office; Norton L. Norris was appointed an Assistant Cashier in the public relations department, head office; Adrian W. Van Brunt was named an Assistant Cashier at the Oakland main office; W. Irving Wilson was appointed an Assistant Cashier with duties in the public relations department, head office; Louis H. Dorris, who has been associated with Anglo Bank since 1945, has been named Assistant Manager at the Marina District office, San Francisco.

* * *

Stockholders of **The United States National Bank of Portland, Ore.,** are being offered rights to subscribe to 100,000 shares of common stock of the bank at the rate of one new share for each six shares held of record March 4. The right to purchase the new shares at a subscription price of $50 per share expires March 24. A group of 24 underwriters, headed by Blyth & Co., Inc. has agreed to purchase from the bank all unsubscribed shares at the original subscription price. Of the $5,000,000 to be received by the bank from the sale of the stock, $2,000,000 will be added to its capital stock account and $3,000,000 to surplus. The bank was organized under its present name on Feb. 4, 1891, with an original capital of $250,000. Since then the bank has merged with or assumed the deposit liabilities, together with offsetting assets of five other banking institutions and today maintains seven banking offices in Portland, as well as 33 offices in other communities in the State of Oregon. In the 10 years since 1942, the bank's total resources have grown from $307,742,190 to $636,159,183. Net earnings it is stated in 1951 were $3,348,004, equal to $5.58 per share compared with earnings of $3,431,657 in 1950 and $5.71 per share. The bank paid its first dividend in 1896 and has subsequently paid dividends in every year since 1899 without interruption.

* * *

A stock dividend of $300,000 served to increase the capital of the **Baker-Boyer National Bank of Walla Walla, Wash.,** on Jan. 22 from $100,000 to $400,000.

Ed Welch Celebrates Birthday March 8

Edward H. Welch

Edward H. Welch, Sincere & Co., Chicago, is celebrating his birthday on March 8. Ed Welch is well known to the traders throughout the country, having served for many years as Secretary of the National Security Traders Association, and later as President.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates on Feb. 29 offered $2,400,000 principal amount of Chicago, Milwaukee, St. Paul & Pacific RR. series PP, 2⅞% equipment trust certificates at prices to yield 2.00% to 3.07%, according to maturities, ranging from Sept. 1, 1952, to March 1, 1967, inclusive.

Issued under the Philadelphia Plan, the certificates are offered subject to ICC approval. They are guaranteed by the company as to principal and dividends, and are secured by 22 diesel-electric switching locomotives with an estimated cost value of $3,225,970.

Also participating in the offering are: R. W. Pressprich & Co.; and Freeman & Co.

Stuart Wyeth With Paine, Webber Co.

PHILADELPHIA, Pa. — Paine, Webber, Jackson & Curtis, members of the New York Stock Exchange and other principal stock and commodity exchanges, announced that Stuart MacR. Wyeth is now associated with them in the Philadelphia office, Girard Trust Building. He was formerly with Dixon & Company.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Uncertainty along with a fresh dose of "Open Mouth Operation" is keeping the government market jittery. Rumors and reports that there will be a large new issue of long-term Treasuries in the future was given as the reason for the sudden weakness which developed in the most distant obligations. However, this decline was mainly a quotation run-around because very few if any bonds changed hands during the manipulation. There were also rumors of an impending issue of World Bank bonds, but this likewise appears to be purely of the talk variety.

It is expected that savings banks in New York State will be given the authority soon to purchase preferred and common stocks. This will have an influence, it is believed, upon the longer Treasury market and the tax free market because the net return obtainable from preferred and common stocks as far as the savings banks are concerned should be much more favorable than from the most distant governments and the tax exempts. Rumor has it that a new higher income savings bond will be unveiled before the month is over. This could affect the trend of savings deposits.

Long-Terms Continue Under Pressure

The government market is back in the form it was displaying before the refunding came along to temporarily disrupt matters. In other words there is still a large demand for the shorts, as has been the case for sometime now, with the longer term obligations being bounced all over the place because of the lack of demand, the very thin market in these issues and the usual amount of professional manipulation. The demand for liquid obligations is very strong despite slightly firmer money rates, and investors cannot be blamed for assuming such an attitude because there is a great deal of uncertainty overhanging the money markets.

The refunding has been wrapped up and there are no signs that the March 15 operation will be more than a passing phase in the monetary operations of the authorities. The debacle of last December will not be repeated, and while there may be some minor disturbances, they will, beyond any question, be kept on the minor side. Balance in the money markets, which appears to be the condition for the present, is going to be maintained by the powers that be. This evidently calls for no unusual developments or changes in either the short or long Treasury obligations in the not distant future. Nevertheless, there are certain forces that must be given consideration when one is looking at the course of the money markets.

Inflation or Deflation Potentials

The Korean War is probably the most important of these forces, because a cessation of hostilities in the Far East would have a pronounced influence upon the economy of the nation as well as the money markets. The psychological as well as the actual effect could be very important to the spending habits of the country and that goes for individuals as well as corporations. This could be interpreted as a deflationary factor because the ending of the war would eliminate a great deal of the urgent need for strategic materials. Under such conditions, a large part of the financing that might be done by the Treasury would most likely be aimed at counter-balancing the deflationary forces. This would probably call for sales of securities to commercial banks in order to create deposits and purchasing power. Easier money rates might be witnessed.

On the other hand, a continuance of the war in Korea, and higher wages in the steel industry, together with increased compensation for workers in other industries, might rekindle the fires of inflation and this would have an entirely different influence upon the government market. Higher interest rates as a means of fighting the forces of inflation would no doubt be continued, and sales of securities that would have to be undertaken to meet the deficit would be made to ultimate investors in order to hold down the threat of inflation. The Treasury would have to pay the going market rate for this kind of financing. The election is another uncertainty that must be considered because if the opinion should become prevalent that a change in Administration is likely to take place, this might have a marked influence upon the spending habits of the nation. The inflation pressure might be lessened. Because of the aforementioned uncertainties, and these are only a few of them, it is readily understandable why so many investors are interested only in the short-term very liquid Treasury obligations.

Market Briefs

The better than 90% refunding of the 2½s into the 2⅜s was considered satisfactory. Federal took more than a few of the 2⅜s in order to make the operation function according to expectations. This gives the Central Banks a good control position in the new five- to seven-year obligation.

With a heavy corporate calendar, there is no great rush among certain of the large investors to do very much about the higher yielding Treasury obligations. It is reported that scale orders for the longest-term issues have been reduced in size and quotations have been lowered.

The partials continue to have attraction despite market uncertainty. The 2¾s of 1960/65, and the 1958/63s appear to have the best demand, with the New York and Philadelphia banks in competition for them.

Twin City Bond Club Changes Picnic Date

The date of the Twin City Bond Club Picnic has been changed to Wednesday, June 18th.

Headquarters will be at the Nicollet Hotel, Minneapolis.

A cocktail party will be held the evening of June 17th at the Nicollet Hotel.

Robert Huff V.-P. Of Conrad Bruce

LOS ANGELES, Calif.—Conrad, Bruce & Co., 530 West Sixth St., announce that Robert H. Huff has become associated with their firm as Vice-President. Mr. Huff was formerly a partner in Morgan & Co.

Continued from page 17

How Revenue Act Affects Mutual Savings Banks

duct by cash basis taxpayers even though such payments were made prior to the imposition of the tax.

(3) **Tax Basis for Valuation of Property and Other Assets:** The proposed regulations (not yet completed) are being prepared on the general theory that the new taxpayers which come under the 1951 Revenue Act should be taxed as though they had been subject to tax at all times since March, 1913. Thus, the values at which each of the assets is shown in the accounts as at Jan. 1, 1952, must be carefully reviewed and where necessary adjusted to an acceptable tax base, usually cost. Entries in prior periods writing assets up or down are ignored for tax purposes. Thus, some assets may have a tax basis even though carried on the books at no value at all.

In determining the value of fixed property, for example, the proposed regulation (for Supplement U taxpayers) provides as follows (Section 29, 423-3):

"The basis (unadjusted) of property is determined under Section 113(a), and the adjusted basis is not affected by the fact that the organization was exempt from tax for prior taxable years. Proper adjustment must be made under Section 113(b) for the entire period since the acquisition of the property. Thus, adjustment must be made for depreciation for all prior taxable years whether or not the organization was exempt from tax for any of such years."

Under Section 113(a) the basis of most property is cost or March 1, 1913 value, whichever is the higher. (This section requires departure from the rule for some special types of property, such as property acquired in wash sales, acquired as a result of involuntary conversions, etc. If loss is sustained on the sale of property, it is measured from cost, even though March 1 value may be higher.)

Section 113(b) requires that the basis for determining gain or loss and depreciation shall be reduced by depreciation and amortization allowed, but no less than the amount allowable. The proposed regulation adopts the view that the reduction in basis must be made even though Supplement U taxpayers were not previously subject to tax and even though no depreciation was allowed or allowable for tax purposes.

(4) **Dividends and Interest on Savings Accounts:** The New York State Banking Board announced the other day that from now on banks in this State may pay as much as 2½% on their savings deposits. This is the first change in the ceiling on such payments since 1935 when it was set at 2%, and is a direct result of the 1951 Revenue Act. Since such dividends are deductible from gross income in arriving at net taxable income and if not distributed would be taxable at close to 55% (assuming that dividends were being paid out of current earnings), most savings banks have decided that it would be unfair to depositors to have their accumulated earnings taxed at 55% when, if distributed as dividends, they would be taxable to the individual recipient at somewhere between 20% and 25%, since most of the savings banks' depositors are wage earners in the lower income tax brackets. According to newspaper reports, a large number of the savings banks in New York State have already announced the rate increase effective in the first quarter of 1952.

With an eye towards tax saving once again, some banks deferred the declaration of the 1951 dividend until January, 1952, in the belief that such payment would be allowed as a deductible expense in the tax year 1952, although applicable to the earnings of the non-taxable year 1951. Whether the Treasury boys will permit this to go through only time will tell.

(5) **Investment in Equity Securities:** Another major change in policy being seriously considered by banks as a direct result of the 1951 Revenue Act, is the investment of a portion of bank funds in equity securities. As you undoubtedly have seen in the press, a bill has been introduced in the Legislature which would authorize savings banks to invest a certain percentage of their funds in common and preferred stock. Such authority, if finally granted, and judiciously exercised, should increase earnings and decrease taxes. First, dividends received from such equity investments run substantially higher than bond interest. (The last three-year average on all common stock listed on the exchange amounted to 6% on current market prices, against an average of 3% on corporate bonds.) Secondly, 85% of the dividends received from domestic corporations and from certain foreign corporations are tax exempt. Dividends-received credit on preferred stock of a public utility is 62%.

The trend toward such equity investment by financial and educational institutions has been quite marked in recent years. In 1951 New York joined 39 other States in permitting life insurance companies to invest in common stocks. Trust companies in New York may invest up to 35% of the funds of "legal" trusts in equities. More than half of the pension funds of large corporations, including the Retirement System of the Federal Reserve Bank, hold equities in their portfolio. College and university endowment funds have largely expanded their equity holdings and only recently a bill was introduced in the New York State Legislature to allow the Teachers Insurance & Annuity Association (the largest pension, annuity and insurance company for college and university people in the country) to invest a portion of their fund in equity securities.

(6) **Tax-free and partially taxable bonds:** While the tax-exempt features of municipal bonds may not have been too important in the past, they certainly are being given most serious consideration today by those responsible for the investment and financial policies of mutual savings banks. How shall premiums paid on such investments be treated for tax purposes? Since Treasury regulations in most situations are promulgated on the premise that new taxpayers must be treated as though they had always been subject to tax, it is most likely that the Bureau will contend that all premiums on tax-free and partially taxable bonds must be amortized for all years after 1941. This treatment is mandatory for other corporate taxpayers. Such treatment would reduce the basis of such bonds held by the banks and correspondingly reduce the amount of loss allowable for tax purposes on sale or redemption. (Whether the courts will sustain the Commissioner if such regulation is issued remains to be seen.) The same view does not hold in regard to premiums on fully taxable bonds. In the latter instance, the taxpayer may

elect either to amortize or not amortize such premiums.

(7) **Premiums paid by banks on purchase of FHA mortgages:** A special ruling by the Treasury Department provides that premiums on such mortgages are amortizable and allowable as a deduction from ordinary income over the life of the mortgage loan as the payments are received. In the event of the prepayment of the loan, the balance of the unamortized premium is deductible in the year in which the loan is repaid. It is probable that the Treasury Department will rule that the basis of such mortgage must be reduced by the amortization which would have been allowable as a tax deduction had the banks at all times been subject to tax. (Whether the courts will sustain such contention is difficult to tell.)

(8) **Gains or losses on sale of bonds of banks:** Where losses from sales or exchanges of bonds, notes, certificates and other evidence of indebtedness issued by corporations or governmental bodies, with interest coupons or in registered form, are in excess of gains from such sales, the net loss is to be considered as an ordinary loss (rather than capital loss) deductible in full against other income. (Section 117(i) of the Internal Revenue Code.) This rule applies only to securities held for investment. It is not applicable to securities held by a bank as a dealer.

(9) **Gain or loss on sale of pledged property:** On the other hand, gains or losses on sale of parcels of real estate acquired in foreclosure proceedings, or personal property taken over in satisfaction of debts are treated as capital gains or losses.

(10) **Net Operating Loss Carry-over:** Most taxpayers are allowed to carry over a net operating loss sustained in one taxable year and use it as a deduction from net income in the following year. The proposed regulation would prevent this treatment for net operating losses sustained prior to the imposition of the tax. Section 301 of the 1950 Revenue Act specifically disallowed a carry-over of such losses sustained prior to the taxation of Supplement U taxpayers. Perhaps a different view might be taken by the Treasury in the case of mutual savings banks.

Conclusion

Many other special problems will arise as we get closer to the date for the filing of the first tax return. The Internal Revenue Code contains many rules governing the determination of income, expenses, gains and losses, depending on how related items were treated for tax purposes in prior years. In too many instances the 1951 Revenue Act fails to state how, or to what extent, these rules are to be applied to mutual savings banks which become taxable for the first time in 1952. Many of the answers will have to await the issuance of regulations later this year, new rulings by the Bureau, Court decisions and perhaps further legislation. This means, of course, that new developments in the field will have to be watched very closely if maximum tax savings are to be achieved.

Crescent Fin. & Inv.

MONTGOMERY, Ala. — The Crescent Finance & Investment Co. has been formed with offices in the Commerce Building to engage in the securities business. M. J. Rothschild, W. C. Jennings, I. Berman, H. S. Durden and T. D. Lunceford are partners.

Kalmanir, Kline Co.

LAS VEGAS, Nev.—Kalmanir, Kline & Co. has opened offices at 110 North Third Street to engage in the securities business. Harold D. Kline, T. J. Kalmanir, and W. B. Byrne are partners in the firm.

Securities Salesman's Corner

By JOHN DUTTON

The power of concentration can be one of the most valuable assets that anyone can acquire. It is especially helpful in sales work. I actually knew a man who once picked himself up from about the last rung on the ladder of financial failure by sheer effort and concentration upon a goal. I met him right in the deepest and darkest part of the depression '30s. He was not only broke but in debt, he had several children to support and his wife was in very poor health. He had to do the housework in the morning and evening, besides trying to make a living.

He took a job as a securities salesman on a straight commission basis—and at that time there was very little financial assistance for new men in the securities field. Imagine, if you can, the weight that was on his mind. He had a new business to learn, he had no clients, and he started at a time when investor interest in securities was at the lowest point in probably all history. I can assure you that this is a true story, because at the time when we first became acquainted, I was working for the same firm that he decided to represent as a salesman.

In all of my life I have never seen anyone that could equal this man when it came to concentrating on a goal. He would not allow himself to think about what might befall him, or his family if things got much worse. He worked! When others sat around, and started to talk about their troubles, he moved away. He studied and he read. He began to make calls upon people who had ceased doing business with our firm. He asked for the ones who had bought securities that had turned sour. There he found the answer to his own success. When other salesmen were fearful to go back and see clients with heavy paper losses—he went in—full steam ahead. He said, "Some of these people need help NOW more than ever." And he found them. I can remember that he began trading out defaulted bonds for good common stocks which were still paying dividends, but that were also depressed in price due to general conditions. But one thing about it all—he kept going. He told me that if he ever stopped he knew that he would not make the grade. Once he allowed his mind to get off the track, if he started to think about his problems, or his worries, he was sure that he was done for. He had to make it go—and he did.

Our Minds Can Only Hold One Thought at a Time

In the field of personal sales work there are times when every man, no matter how successful he has been, runs up against periods when discouragement piles upon him. In every walk of life this is true. Yet, I think that due to the fact that salesmen constantly must go out and face the problem of helping others to overcome their natural resistance to even the best ideas, that the possibility of losing momentum, as well as confidence in one's own abilities, is an ever present possibility.

To be honest about it, I know that most men have periods of doubt and indecision and they are a normal reaction. I have known these times myself, and have discussed this subject frankly with other men who make their living doing creative selling. I have discovered that there is only one antidote for worry. Believe this because it is true—it is not a rest cure—it is not time to think and worry some more—it is not time to feel sorry for yourself—or the job you are in—or the business you are in—it is **concentration** upon creative work. A change is sometimes necessary for anyone. Sometimes to get away from it all for a few days can help a great deal. But get away—don't just change scenery. Concentrate upon constructive things and you will chase worry away automatically. You just can't think of two things at the same time. You can't worry if you are working constructively — planning — trying— and keeping at it come "hell or high water."

Whenever I think of my old friend from the depression days, who told me that he couldn't let his mind wander away from his job, because he knew that if he allowed that to happen the jig was up with him; I remember the miracle which he actually wrought. I don't think any man could have been in much of a worse spot than was he—but his formula worked for him. He substituted constructive work—concentration on the job at hand, and faith, for what other men might have found in escapism of some sort or another. That's the formula! We can't always be 100% optimists. We can't always be on top of the heap in enthusiasm, in faith and confidence. I have discovered that when we begin to slip a bit, that concentration upon constructive efforts, while disregarding failures, is the only way to get back on the winning road again.

Continued from page 4

Economic Prospects for 1952

ond quarter of 1951. By mid-1951, retail business especially was feeling the cumulative effect of the large deliveries on orders placed in late 1950 and early 1951 coupled with the reduction in consumer buying which became evident fairly early last year. The resulting reduction of new orders contributed to the downturn in the production of some consumer goods in the second half of last year. However, the liquidation of inventories was orderly; although it involved some markdowns, there has been little evidence of distress selling or forced liquidation.

In the case of nondurable goods, such as textiles, there are no signs as yet of a general revival of production, but it seems probable that such a revival will have occurred by the end of 1952. In the case of durable consumer goods, the production cuts in prospect for the first half of 1952 or longer are likely to cure any remaining inventory excesses without much unsettlement. The increase in the production of complex military equipment will add significantly to the inventories of the durable goods manufacturers. On balance, therefore, the outlook is not for any widespread forced inventory liquidation or for any significant decline in business inventories in 1952; rather, prospects are that inventories will be higher rather than lower at the end of the year.

Consumer Spending

A major reason for the easing of inflationary pressures in 1951 was the subsidence of consumer spending from the very high levels of the immediate post-Korea months. Basically this reflected the improvement in the military situation in Korea and the consequent easing of war psychology. In addition, the imposition of consumer credit controls had some effect upon the sales of durable goods, and by the second quarter of 1951 many consumers had anticipated their future requirements for some time ahead. Also, there may have been some inclination to replenish holdings of liquid assets which, in the postwar years, had not increased proportionately with the rise in the cost of living. As a result of all these factors, consumers in the last nine months of 1951 spent a smaller percentage of their income after taxes than they did in any of the postwar years, or, for that matter, in many of the prewar years. Since March, 1951, savings are estimated at about 10% of disposable personal income, or about twice the rate during the postwar years.

The significant change in spending habits in 1951 was the decline in purchases of consumer durable goods. In the latter half of last year, these purchases were down more than 25% in dollar amount from their record levels in the third quarter of 1950 and some 20% below their rate in the first quarter of 1951. Supported in part by high prices and spending on food, dollar expenditures on nondurable goods in the second half of 1951, on the other hand, were almost identical with the record levels of the first quarter of that year. Consumer outlays for services rose steadily throughout the year.

Continued moderation in consumer spending is greatly to be desired in 1952 if inflationary pressures are to be avoided, especially in view of the reduced production of durable goods that is in prospect. A great deal depends on how much of their increased income consumers decide to spend, and what goods they decide to buy. Some increase in outlays for "soft" goods is anticipated in 1952. There is enough slack in the economy in the form of plant capacity and available materials and man-hours to permit the production of these goods to expand fully as much as any likely increase in consumer buying. Likewise, a modest rise in spending on services could also be absorbed by the economy without too much difficulty. Consequently, to the extent that increased consumer spending flows into services and soft goods, no great problems are anticipated.

Consumer spending for durable goods is much more difficult to appraise. Moderately higher personal income and some further improvement in the economic position of the lower income groups, both of which seem in prospect for 1952, would support an increase in consumer spending on durable goods above the levels of late 1951. Operating in the same direction is the fact that with the passage of time, the effects of the anticipatory buying of durable goods in the latter part of 1950 and the early months of 1951 will gradually be dissipated. On the other hand, consumer inventories of durable goods are in an excellent position as the result of large purchases in the postwar years, and a good many buyers have substantial flexibility and can delay their purchases if they are so minded. At the present levels of prices and incomes, there are no more accumulated backlogs of demand for consumer durable goods. Also, the expected further decrease in residential building in 1952 will reduce the market for larger home appliances and furniture. On balance, therefore, unless international or other developments again raise the spectre of a protracted period of shortages, aggregate consumer demands for durable goods should be only moderately higher in 1952 than in the latter part of 1951.

Production cutbacks have been announced for the first quarter of 1952, and the tenor of most public pronouncements is that further reductions are in prospect for later in the year. However, if the basic assumptions on international developments prove correct, there will be substantial public opposition to further significant curtailment of civilian production. Furthermore, American industry has always managed to display real ingenuity in coping with production problems and in finding substitutes for scarce materials. The latest report of the Director of Defense Mobilization states that the production of most consumer durable goods for the first quarter of 1952 is scheduled at about the same rate as the relatively high average production levels of 1947-49. By and large, the prospective rate of consumer durable goods production for the immediate future is not far different from the rate of consumer buying in the second half of 1951.

Rough as these generalizations are, they support the conclusion that no real shortage of consumer durable goods appears in prospect for some months, and in fact may not materialize during the year, provided consumers do not engage in another wave of anticipatory buying and provided production can be maintained during the balance of the year at or above the levels of the current quarter. Spot shortages of particular types of goods or models, however, may develop relatively soon, and may become more general later in the year. Also, the conclusion seems justified that a generally good market is likely to prevail during 1952 for the consumer durable goods that will be produced.

Labor Problems

1952 may well prove to be a year of increased labor difficulties and work stoppages. In the case of the steel industry, the machinery of collective bargaining has broken down and the issue has been referred to a government agency. The settlement in steel is likely to provide a pattern for large segments of American industry.

The basic problem facing the Administration is to work out a settlement that will keep the support of organized labor in an election year and that will not, at the same time, scuttle the stabilization program. It seems a foregone conclusion that substantial concessions will be granted to the unions in the form of wage increases and fringe benefits, perhaps an increase in the neighborhood of 15 cents an hour in basic hourly rates as a minimum. Whether a concession of this size would be accepted by the unions is impossible to predict. The unions appear to be in a truculent mood, and the possibility of a steel strike should not be casually dismissed. Even a strike of relatively short duration would have significant effects upon the defense effort and upon the durable goods industries. In any event, the upward pressure on costs so evident throughout the postwar years will persist in 1952.

Assuming a fairly liberal concession to labor, the next important question is whether the steel companies will be allowed to pass the resulting cost increases on to their customers. Several possible bases exist on which a price increase may be requested under present regulations. Under the Capehart amendment, the companies could request price adjustments to reflect increases of costs up to the latter half of July, 1951. Price relief conceivably could be requested under the product standard, but this would involve the companies in the difficult and perhaps quite impossible task of proving that certain products were being sold at a loss. Finally, the companies could argue for a price increase on the basis of the earnings standard. However, price adjustment under this standard is permitted only in case industry pre-tax earnings are less than 85% of the average of the best three years in the period from 1946 through 1949, with adjustment for increases in net worth. In 1951, pre-tax earnings in the steel industry apparently were about double the base period. In other words, pre-tax earnings would have to decline by almost 50% before the steel companies would be entitled to relief under earnings standard.

As a practical matter under present regulations, therefore, industry probably would be limited to price relief available under the Capehart amendment. Such relief presumably would be based not on the increase in costs resulting from the current wage settlement but on the increases in costs that occurred a good many months ago. Apparently, the Office of Price Stabilization has produced a tentative formula under which the steel companies would be permitted to raise prices under the Capehart amendment. Some time will be required to determine how much of an increase would be permitted under the formula. A prominent government official was recently reported as saying that the application of the Capehart amendment would permit a small price increase and, without quoting a specific figure, suggested that it would be less than $4 a ton. At the same time, the top executive officer of a leading steel producer stated that if basic wage rates were increased by as much as 15c an hour, the price of steel should be raised by an additional $8 to $9 a ton beyond the relief granted under the Capehart amendment. If these two statements are well founded, a settlement of the wage question in the steel industry, under the present regulations and policies of the pricing authorities, could be followed by an indeterminate but possibly quite substantial squeeze on corporate earnings. To the extent that the steel companies are subject to excess profits taxes, of course, a part of the reduction in profits will in effect be borne by the Treasury, and profits after taxes may be expected to show a somewhat smaller decline than pre-tax profits. The solutions to the wage dispute and the pricing problem are both virtually certain to have broad implications for the economy as a whole.

Commodity Prices

Wholesale commodity prices displayed a remarkable and somewhat unexpected stability in the past year. At the close of 1951, the comprehensive weekly price index was at the identical level as at the year's start. Furthermore, at its high in March, this index was only 4% higher than at the beginning and end of the year, and it barely moved during the last five months of 1951. Prices of farm products and foods closed the year slightly higher, while prices of other commodities were, on the average, down very lightly. Significant corrections occurred only in the prices of a relatively few volatile commodities. While the imposition of price ceilings in the early part of the year was of some importance, the underlying reasons for price stability are to be found elsewhere—in the improvement in the military situation in Korea, the drop in consumer spending, the large inventories in the hands of business and consumers, the tremendous productive power of American industry, and the more restrictive credit policies.

Another year of the price stability that characterized the latter half of 1951 would be most unexpected. The prospects for prices of farm and food products can hardly be assayed so early in the year, yet they currently constitute 40% or more of the most commonly accepted wholesale price index, and in addition they enter into the costs of many manufactured products. A crop failure in 1952 could give the price structure an upward fillip later in the year. On the other hand, abundant crops could mean some price declines and the resumption of price support operations for a number of important commodities, with support prices for the 1952 crops almost certain to be higher than those for 1951.

Prices of basic nonagricultural raw materials and of manufactured goods are likely to show an increase during the year. For some important commodities, such as copper, domestic prices have been consistently under world prices; in the case of tin, our prices were increased recently; in the case of lead, the world price has been approaching the domestic price. Prices of some nondurable goods (such as selected textiles) have already experienced a significant correction and may very well show firmness or increases later in 1952. Reference has already been made to the wage negotiations now pending in the steel industry and to the prospect of some increase in prices of steel. The latter will permeate many sectors of the economy and contribute to upward pressure upon other prices.

There is considerable agitation for the repeal of price controls, and much is made of the fact that many prices are below their ceilings. The effects of present price control policies are mixed, but it does seem clear that in many instances, prices would be higher if they were not controlled. The outright repeal or emasculation of price controls in 1952 is not a reasonable guess at the present moment. However, further relaxation in the statutes, which would permit price increases to reflect cost increases up to a more recent date than is presently allowed, is quite possible. This would contribute to the gradual rise of nonagricultural commodity prices. Balancing all factors, however, the rise in the price of nonagricultural commodities during 1952 is likely to be fairly modest, perhaps in the neighborhood of 5%.

Government Finance

By virtue of the large tax collections concentrated in the first quarter of the year, the Treasury will show a substantial surplus during the current quarter. Thereafter, deficits are in prospect for the remainder of 1952, with the cash deficit in the second half of the year likely to exceed $10 billion. This conclusion is based on projections of expenditures at slightly lower and receipts at somewhat higher levels than those contained in the President's recent Budget Message. The size of the deficit in the last six months of 1952 makes it most probable that the Treasury will rely upon the commercial banks to provide substantial financing, perhaps as much as $4 or $5 billion.

Experience has indicated repeatedly, and with particular emphasis since Korea, that there is no close short-term relationship between Treasury position, inflationary pressures, and price movements. Nevertheless, it is certainly of some moment that the Treasury later this year will be required to raise large amounts of new money and that the commercial banks may be called upon to add significantly to their holdings of government securities.

Production

Industrial production in 1951 averaged some 10% above the level of 1950, but the year did not bring the steady rise which had been rather generally expected 12 months ago. Rising defense output kept most basic industries and heavy industrial equipment companies at near-capacity operations and helped to maintain high levels of production in the durable goods sector of the economy. However, cutbacks in the production of consumer durable goods, at first as a result of large inventories and later as a result of reduced supplies of raw materials, prevented the index of durable goods production from expanding significantly during the year. Some nondurable industries, such as food, tobacco, petroleum and chemicals, displayed substantial strength; in other sectors, including leather goods and textiles, inventory adjustments contributed to the decline in the aggregate production of soft goods in the latter part of the year.

Except for the unpredictable effects of strikes in basic industries, the prospect is that industrial production will rise further in 1952, that the year will average some 3 to 5% above 1951, and that the rate in the last quarter is likely to be higher than in the first quarter. Increasing defense production will support basic industry and will help push the index of industrial activity into higher ground. Industrial capacity is expanding as the result of the continuing large plant programs. Also, an increase in output is anticipated later in the year in some of the nondurable goods industries which have been coping with inventory liquidations in recent months. On the other hand, the expanding defense program, by its increasing use of scarce materials, will cause further cutbacks in some production for the civilian market. As is the case in Detroit, civilian production may be curtailed before defense production is able to pick up the slack.

This will hold down the increase in the aggregate rate of industrial production. It will also contribute to criticism of the defense program and pose increasingly complex problems for the government administrators involved.

Corporate Profits

A squeeze on corporate profits became evident fairly early in 1951, and the pressure increased later in the year. In the last half of 1951, corporate profits after taxes were perhaps 15% below the level of the first half of the year, and about one-third lower than in the corresponding period of 1950.

Several factors contributed to this significant deterioration in the profits picture: (1) The tax bill enacted in October, 1951 increased the normal rate of corporate taxation from 47 to 52% effective as of April 1, 1951. (2) The inventory profits that characterized all of 1950 remained very large in the first quarter of 1951 but dwindled and were succeeded by inventory losses as the year progressed. (3) Profit margins were squeezed in some cases by markdowns in order to move surplus inventories and in other cases by the policies of the price control authorities. (4) Shortages of materials forced the reduction of high-margin civilian business, and this decline was not wholly offset by profits on defense work.

Some of these forces will continue active in 1952. The higher tax rates will be in effect for the entire year instead of for nine months as was the case in 1951. Price controls will continue to squeeze profits in some industries. The shortage of materials for the civilian sector probably will be of increasing significance as inventories of scarce metals are used up. The cumulative effect of these three factors is likely to be greater in 1952 than it was last year. Against this, however, is the prospect that the inventory losses are largely behind us, and may, in fact, be succeeded by modest inventory profits later in the year. Also, higher levels of production and dollar volume of national output generally mean some increase in corporate profits.

Prediction as to the net effects of these diverse and conflicting forces obviously is largely a matter of conjecture. This is especially true in a period in which government agencies have a considerable amount of power to squeeze profits by following a liberal policy in granting wage increases and a restrictive policy in permitting price adjustments. If the price stabilizers hold to the concept that profits **before** taxes are the important criterion for price adjustments and continue to operate under existing price stabilization regulations, a considerable squeeze on profits could develop during the year by virtue of liberal concessions to the unions. However, Congressional sentiment is likely to have a moderating effect upon the actions of the price stabilizers, and there is always the possibility of new legislation permitting or requiring price controls to take into account increases in costs subsequent to mid-July, 1951.

On balance, weighing all the imponderables, it would appear that corporate profits after taxes will be only moderately lower in 1952, perhaps in the neighborhood of 5 to 10%. This decline would be significantly smaller than the 20% drop experienced between 1950 and 1951. However, the lower volume of post-tax profits in prospect for 1952 would still provide substantial protection for corporate dividends in the aggregate. Total dividend disbursements this year should be within 5 to 10% of the peak year 1951.

Conclusion

Supported by further increases in spending on national defense and on business plant and equipment, and with significant inventory corrections already achieved, the outlook is for another year of active business. Gross national product is likely to reach a new peak in 1952. Personal income is also expected to set new records in 1952, bolstered by a continued rise in average hourly earnings, some increase in the number of hours worked per week, and some further growth in employment. Thus, in spite of the higher income tax rates imposed last October, spendable income will probably be significantly above 1951 levels. Therefore, new records are likely to be established in production, employment, personal income, consumer spending and other measures of economic activity in 1952. In practically every instance, however, the increase over 1951 is likely to be smaller than the rise from 1950 to 1951.

Commodity prices are likely to average somewhat higher at the end of the year, with rising labor costs, larger consumer income and spending, limited supplies of some consumer durable goods, an increase in business activity and a Treasury deficit all operating in this direction. Unless we encounter more "Koreas" or more war scares, or another stampede of consumer buying, a resurgence of the virulent inflationary pressures of the post-Korea months is not likely to develop.

Corporate profits are likely to be the exception to the general rule and to show a decline in 1952, but probably not of sufficient proportions to impair dividend distributions significantly in the aggregate. Government policies over the next few months in the field of wage and price stabilization may provide important clues as to the vulnerability of corporate earnings to action in the political-economic sphere.

These observations on economic prospects for 1952, let it be recalled, rest upon the assumption that international conditions will not deteriorate into a spread of hostilities nor make progress toward real peace. This may or may not be a valid assumption, but it seems to agree with the point of view underlying the planning of our defense effort. If this assumption is proved erroneous, it will be necessary to undertake a new appraisal of the outlook.

FHL Banks to Redeem $63,000,000 of Notes

The Federal Home Loan Banks announced through Everett Smith, fiscal agent, that the $63,000,000 Federal Home Loan Banks 2.10% series E-1952 consolidated note issue, due March 14, 1952, will be redeemed on the maturity date from current cash funds of the banks. No part of the issue will be refunded, nor will there be any other financing by the Federal Home Loan Banks in connection with the redemption, according to a notice mailed to holders over the weekend. Both principal and interest will be payable at any Federal Reserve Bank or branch. Upon payment of the March 14 maturity, outstanding obligations of the banks will have been reduced to $343,500,000.

With retirement of the 2.10% issue on March 14 the banks will have redeemed to date in 1952, from cash resources, an aggregate of $186,000,000 principal amount of notes. Two issues totaling $123,000,000 were redeemed on maturity on Feb. 15 without recourse to refinancing. The cash redemptions, Mr. Smith said, reflect a strong inflow of cash into the banks during January and February. In the first two months of 1952, he stated, member institutions repaid loans of approximately $200,000,000 while deposits increased an estimated $60,000,000, an overall cash gain of approximately $260,000,000.

Edgerton, Lofgren Co. Formed in Los Angeles

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Edgerton, Lofgren & Co. has been formed with offices in the National Oil Building to engage in a securities business. Partners are James E. Edgerton and Herman J. Lofgren, general partners, and G. Harold Janeway, H. O. White and Harry A. White, limited partners. Mr. Edgerton and Mr. Lofgren have recently been with Hopkins, Harbach & Co. In the past Mr. Edgerton was an officer of Edgerton, Wykoff & Co.

With Founders Mutual

(Special to THE FINANCIAL CHRONICLE)

DURANGO, Colo.—Wallace G. Mollette, Newman Building, has become associated with Founders Mutual Depositor Corporation of Denver.

W. W. Reuss Is With W. E. Hutton & Co.

W. Wendell Reuss

W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announced that W. Wendell Reuss has become associated with the firm as manager of their Railroad Securities Department. The Department engages in research, field reports and portfolio analysis. Mr. Reuss was formerly a partner in McLaughlin, Reuss & Co.

With Goffe & Carkener

(Special to THE FINANCIAL CHRONICLE)

SCOTTSBLUFF, Neb. — Norman F. Slipsager is now associated with Goffe & Carkener, Inc., of Kansas City.

With Hamilton Managem't

DENVER, Colo.—Mrs. Adda M. Kinkade is now with Hamilton Management Corp., 445 Grant Street.

Continued from first page

A Sham Defense

Murray Hanson, its General Counsel, and approved by its Board of Governors, the members are urged to "take all appropriate measures to oppose the adoption of the proposal and to secure repeal or change in the law under which it is made."

The following is among the reasons cited by the Board for their feelings in the matter: "We can think of no more likely way to stimulate the growth of bureaucracy in government than to authorize and direct agencies of government to levy fees, charges or taxes to make themselves self-supporting."

Dealing with the same subject, the New York Stock Exchange, over the signature of its President, G. Keith Funston, in a letter to the SEC stated: "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 following paragraph in that same letter serves to effectively point up the dangers to which we have adverted: "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."

To all of the opposition the Commission still raises the defense that Title V is mandatory, and it, the SEC, is doing what it must do.

That its interpretation is fallacious becomes clear on reading yet another paragraph of the communication of the New York Stock Exchange. We quote: "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."

We prefer to accept the interpretation of the Investment Bankers Association of America and of the New York Stock Exchange to that of the SEC.

In our view the opinions expressed by the IBA and the NYSE were the result of painstaking effort and study and no doubt followed upon consultation with competent counsel.

In order to test whether the SEC defense is a sham, and at the risk of repeating a point we made in a previous editorial, we again set forth the facts incident to the passage of the Independent Offices Appropriation Act of 1952.

Hearings of the SEC witnesses were held by the Senate Committee on April 11, 1951. At that time Title V was not a part of the bill.

On April 27, 1951, the House Committee reported the bill with the fee proviso added.

The Senate Committee, prior to its report, asked the SEC for any additional testimony they desired to provide concerning the House bill.

In reply to the Senate request, *the SEC made no protest against the proviso.*

Can there be any doubt that if the securities industry had been alerted and specifically invited to comment that the same volume of protest and opposition would have developed then as has been currently produced.

Was the SEC hibernating? Knowing of the contemplated action and having been specifically invited to give testimony, why didn't the Commission which claims to be serving dealers and brokers, then, when Title V was under consideration, issue a release inviting comment?

That obvious failure in its clear duty will return again and again to plague the SEC.

Its defense will not hold water. It is groundless.

Remedial Legislation

Representative Fred E. Busbey of Illinois has just introduced the following bill in the House of Representatives, which was referred to the Committee on Interstate and Foreign Commerce:

"To amend Title V of the Independent Offices Appropriation Act, 1952, wth respect to the authority of the Securities and Exchange Commission to prescribe certain fees and charges.

"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Title V of the Independent Offices Appropriation Act, 1952 (relating to fees and charges which may be imposed by Federal agencies), is hereby amended, effective as of August 31, 1951, by striking out the period at the end thereof and inserting a colon and the following: 'And provided further, That nothing contained in this title shall authorize the Securities and Exchange Commission to prescribe any registration, filing, or other fee or charge with respect to brokers or dealers subject to the Securities Exchange Act of 1934, as amended.'"

This bill is excellent as far as it goes. The thought behind it is a step in the right direction. We have some misgivings concerning its legality because of the limitation of its provisions to brokers and dealers only.

As we pointed out in previous editorials the threat is nationwide, affects all industry, and Title V makes possible the imposition of illegally delegated taxes by any of the Federal agencies.

It is therefore our repeated view that complete relief should be given in one fell swoop by a repealer of the whole of Title V.

EDITOR'S NOTE — The "Chronicle" will be pleased to receive comments on the views expressed in the above article or on any related phases of the subject. They will be published anonymously if the writer requests that his identity not be revealed. Communications should be addressed to Editor, "The Commercial and Financial Chronicle," 25 Park Place, New York 7, New York. In this connection, we present below some more of the communications received in connection with previous articles on the SEC proposal.

SEABOURN R. LIVINGSTONE
President, Detroit Stock Exchange

Editor's Note: Below we give text of a letter of protest sent to the SEC under date of Feb. 29 by the Detroit Stock Exchange over the signature of President Livingstone, who is also a partner of S. R. Livingstone & Co., Detroit:

Securities and Exchange Commission,
425 2d Street, N. W.,
Washington 25, D. C.

Gentlemen:

The Detroit Stock Exchange by unanimous vote of its Governing Committee hereby records its protest against the Commission's *Proposal to Adopt and Amend Rules with Respect to Fees and Charges by the Commission,* announced in its release No. 3433, dated Jan. 31, 1952, whereby there would be imposed an annual registration fee payable by broker-dealers of $50 plus $10 for each officer, partner, employee, etc., engaged in selling securities or supervising such activity.

The Securities and Exchange Commission is an independent office or agency of the Executive Branch of the Federal Government. It is charged with the responsibility of administering the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939 and related Acts of Congress. The avowed purpose of such Congressional enactments is "the protection of the national public interest." For this reason the entire cost of administering such Acts should be borne by an adequate appropriation from public funds, rather than defraying a substantial portion of such cost by the imposition of an additional tax in the guise of annual registration fees upon an industry already sorely beset by the impact of other taxes and increased costs of doing business.

Standing on an equal footing with the Securities and Exchange Commission are such offices as the Federal Communications Commission, the Federal Trade Commission and the Interstate Commerce Commission, all charged with administering various Acts of Congress regulating in the public interest different phases of our national economy. The expenses of such agencies are borne by appropriations from public funds. There is no logical or equitable justification for according a different treatment to the industry with which the Securities and Exchange Commission is concerned.

This Exchange, therefore, urges that the proposed rule imposing an annual registration fee on broker-dealers be not adopted by the Commission.

Very truly yours,
SEABOURN R. LIVINGSTONE,
President.

GOODWIN STODDARD
Treasurer, Hincks Bros. & Co., Inc., Bridgeport, Conn.

As Treasurer of Hincks Bros. & Co., Inc., I wish to endorse the views editorially expressed by the "Chronicle" on Feb. 7, 1952, regarding the SEC's Release No. 3433.

Whether the proposal removes tax powers from Congress or not, the added burden of costs of doing business inherent in the proposed charges could well close the doors of many firms which are increasingly looked to as champions of private enterprise and individual responsibility. They could easily cripple the present crusade to bring the word "Capitalist" into its rightful position versus "Socialist."

JAMES E. HOGLE
President, Salt Lake Stock Exch.

Editor's Note: Mr. Hogle, who is a partner of J. A. Hogle & Co., Salt Lake City, Utah, has furnished the "Chronicle" with copies of letters, dated Feb. 6, 1952, sent by him on behalf of the Salt Lake Stock Exchange to the SEC in Washington, and to Senators Arthur V. Watkins and Wallace Bennett, also Representatives W. K. Granger and Reva Beck Bosone, all of Utah. The letters are reproduced herewith:

Securities and Exchange Commission,
425 2d Street, N. W.,
Washington, D. C.

Gentlemen:

The members of the Salt Lake Stock Exchange and the Securities Dealers in Salt Lake City have received your communication dated Jan. 31, 1952. We wish to register our strong objection to your proposal to adopt and amend rules with respect to fees and charges.

Although the Act states that "it is the sense of Congress that government agencies shall be self-sustaining" we, engaged in the securities business, together with the corporations affected, feel that this is arbitrary action taken against us by the Commission.

You have not indicated in any form of communication, public or otherwise, the financial needs of the Commission, but more strongly do we object to this action because we feel that no regulatory body set up by the government should exact fees from those whom it regulates for its support.

It is obvious that the seven proposals will bring in very large revenues to the Commission, and those who are being charged have no idea whatsoever as to the expenditure of these funds or the control over them.

We intend to take this matter up with our Representatives in Congress and we believe they will see the fallacies in this proposal and we sincerely hope that the Commission will not take action which will cause such resentment among those engaged in the securities business and the thousands of corporations also affected.

Very truly yours,
SALT LAKE STOCK EXCH.,
(Signed) JAMES E. HOGLE,
President.

* * *

Hon. Arthur V. Watkins,
United States Senate,
Senate Office Building,
Washington, D. C.

Dear Senator Watkins:

The members of the Salt Lake Stock Exchange and Securities Dealers throughout the State of Utah have received a communication from the Securities and Exchange Commission, dated Jan. 31, 1952. This is a proposal to adopt and amend rules with respect to fees and charges.

In this proposal it is the intention of the Commission to impose charges and fees to be levied against not only the Brokers and Dealers who are doing business with the public, but also the hundreds of corporations which have been publicly financed.

We, engaged in the securities business, together with the corporations affected, feel that this is arbitrary action taken against us by the Commission. They have not indicated in any form of communication, public or otherwise, the financial needs of the Commission, but more strongly do we object to this action because we feel that no regulatory body set up by the government should exact fees from those whom it regulates for its support. It is obvious that the seven proposals will bring in very large revenues to the Commission, and those who are being charged have no idea whatsoever as to the expenditure of these funds or the control over them.

We feel so strongly on this subject that it is our intention to take this matter not only to the Press, but also to the stockholders of the publicly financed corporations which number over 30,000 alone on the corporations listed on the Salt Lake Stock Exchange, and this is only a fraction of the total number in the State of Utah. We therefore feel we should have an expression of your feeling in this matter and what you believe you will be able to do to prevent this extremely objectionable and arbitrary action by the Securities and Exchange Commission.

Very truly yours,

SALT LAKE STOCK EXCH.

Same letter to
Sen. Wallace Bennett
Rep. W. K. Granger
Rep. Reva Beck Bosone.

* * *

Editor's Note: Herewith is text of a letter sent to Mr. Hogle under date of Feb. 26 by Rep. Reva Beck Bosone:

Mr. James E. Hogle,
President Salt Lake Stock Exchange,
Salt Lake City, Utah

Dear Mr. Hogle:

I have read carefully your recent comments relative to the regulation of SEC to collect certain fees from the businesses SEC is to regulate.

I have also had several other letters and have tried to assemble all the numerous points of complaint—the fact that exception is being taken to the legality of the proposal; the claim that it is precedent-setting; that it is unconstitutional; that it is inadvisable; that it will provide SEC with a large but unknown amount of money which it can use without Congressional direction.

I would like to pass on to you, for such use as you see fit, a summary of the information given me by SEC on these various phases. I understand the Commission has also written you directly.

First, as to the legality, SEC feels that Title V of the Independent Offices Appropriation Act for Fiscal 1952 not only makes it legal (as far as SEC is concerned), but makes it mandatory. In fact, members of the House subcommittee on SEC appropriations were critical of SEC a few days ago for not having worked with more diligence in getting the regulation into operation.

Whether or not Congress had the right to do what it did in Title V—that is, whether or not Title V is constitutional—is a matter which SEC feels is beyond its jurisdiction. It is supposed to do what Congress tells it to, not question the right of Congress to tell it.

Incidentally, SEC denies that it had anything to do with the origination of Title V. According to SEC, Title V was strictly a legislative brain-child and not in any way the offspring of the Executive branch. It appears that the Senate Committee on Executive Expenditures in 1950 came forth with the idea. About that time the House Committee on Executive Expenditures instructed the Bureau of the Budget to look into such a proposal. Then last year the Congress, acting apparently on the recommendations of its own Committee on Executive Expenditures—and, goodness knows, these Committees have never used kid gloves with the Executive department—passed the Appropriation Bill with Title V included.

So SEC washes its hands of originating the idea; it accepts its legality as a matter of course, does not intend to question the constitutionality and indicates that the advisability, also, is a Congressional matter and not one for SEC.

Now for the precedent-setting features. SEC says that Title V does not set a precedent. It says that Congress in 1933 passed legislation requiring a registration fee; that in 1934 a law was passed providing for an annual fee for security exchanges; that in 1939 the Trust Indenture Act required filing fees. Congress may have set a precedent in permitting an agency to fix the amount of the fee, since Congress had done this in the laws mentioned, but certainly, according to SEC, Title V is no innovation of the principle of regulating bodies exacting fees from those regulated.

As to what happens to the money collected, Title V seems to say that all such money shall be paid into the Treasury of the United States. This would indicate that it would be accounted for and it would not be added to the Administrative account.

All the above is set forth in an SEC release of Jan. 31. If you do not have this release, I will get you copies.

If these things are true, and I have no reason to doubt the veracity of SEC in this instance, it would seem that there are only two courses open—let some interested party contest the constitutionality of the Act, or get Congress to change it.

As I stated at the start of this letter, I am passing this information on to you for whatever it is worth. If this analysis is faulty, I will appreciate any comment you wish to make.

My kindest personal regards.

Sincerely yours,

REVA BECK BOSONE,
Member of Congress.

HON. REVA BECK BOSONE

U. S. Congresswoman from Utah

I believe there is a moral to be learned from the furore which has been raised recently over the proposal of the Securities and Exchange Commission to charge fees to those organizations which it regulates.

Reva Beck Bosone

I received several letters and telegrams protesting the action, and practically every one of them condemned SEC for high-handed, illegal, unconstitutional, undemocratic procedures. All of the anger was vented on the administrative agency.

Today I received another communication, this one a resolution which had apparently been drawn after looking into the matter. The resolution indicated that the fault was not with the SEC primarily, but with the Congress for passing the legislation telling SEC to do certain things. In my estimation, the fault, if there be any, rests with Congress for it appears that SEC is doing just about as the Congress directed. I, as a member of Congress, will be glad to hear the pros and cons on this controversy and be guided by the facts.

But the moral of the whole thing is—Let's not be too ready to shout "bureaucracy" every time something happens we do not like. Maybe it isn't the bureaus at all. Maybe it's the Congress. Maybe even it's the people!

LOUIS H. HACHEZ

President, Spokane Stock Exchange

Editor's Note: Mr. Hachez, who is also President of Hachez & Brown, Inc., Spokane, Wash., has furnished the "Chronicle" with copies of letters sent by him on behalf of the Spokane Stock Exchange to the SEC, among others, and to the Northwest Mining Association, also copy of a letter addressed to him by the President of the latter association. The correspondence is reproduced herewith:

Securities and Exchange Commission,
425 2d Street, N. W.,
Washington, D. C.

Gentlemen:

In response to your request for views and comments on the "Proposal to Adopt and Amend Rules with Respect to Fees and Charges by the Commission," the members of the Spokane Stock Exchange are opposed to this proposal for the following reasons:

The fees and charges appear to be a source of revenue rather than a charge for services performed for those against whom such fees and charges are to be levied.

The Securities and Exchange Commission's prime purpose is for the protection of the public, not for the protection of those to be assessed, and as such, these acts are not justified and do not come under the scope of the Independent Offices Act.

Corporations and broker-dealers are under heavier taxes and charges than at any time in our history, such taxes being imposed for the support and operation of our government. Appropriations are made by the government for the operation of the Securities and Exchange Commission, and operating funds should not be required to be raised through fees and charges.

The imposition of these fees is in effect taxation without representation as the Commission is not answerable to those who pay these fees and charges and have no control over the magnitude of such charges.

These are but a few of the reasons for which the Spokane Stock Exchange and its members object to this proposal and the impropriety of such action.

THE SPOKANE STOCK EXCHANGE,
By LOUIS H. HACHEZ,
President.

cc. Senators: Harry P. Cain, Herman Welker, Warren G. Magnuson, Henry C. Dworshak, Styles Bridges.
Rep. Walt Horan
Editor: "The Commercial and Financial Chronicle"
G. Keith Funston
Rep. Louis B. Heller.

* * *

E. C. Stephens, President,
Northwest Mining Association,
522 West First Avenue,
Spokane, Wash.

Dear Mr. Stephens:

The Spokane Stock Exchange has received a release from the Securities and Exchange Commission under date of Jan. 31, 1952, titled: "Notice of Proposal to Adopt and Amend Rules with Respect to Fees and Charges by the Commission." This release describes proposals of the Commission which, if adopted, would impose charges for filings under Section 3(b) of the Securities Act; charges against investment companies; charges against brokers, to name but part of the proposed fees and charges.

The Commission purports to derive the necessary authority from the provisions of Title V of the Independent Offices Appropriation Act, 1952, and sets out this section in their release: "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. . . ."

The Spokane Stock Exchange and its member-brokers absolutely fail to understand the justification for the proposed charges nor do we believe it to be just regulation. It has all the appearances of direct levies against private businesses for official transactions of the government. Costs for official acts of the government are offset by taxation. *The purpose of the Securities Exchange Act is for the protection of the public, not protection of corporations and brokerages.*

This is but another example of the attempts of government officials and agencies to perpetuate their offices and agencies at their present and even more expansive levels. Under the guise of regulation, the Securities and Exchange Commission now proposes to levy fees and charges against the very classes of business, which under the Securities Exchange Act of 1933-4, were brought under its control. *The regulation and control of these businesses is mandatory under the Act, and certainly, such acts stemming from such authority can only be construed as official acts for the public's protection, not "privileges," or "services" extended to the business regulated by the Commission.*

Therefore, the Spokane Stock Exchange and its member-brokers must call this to your attention. We feel that these proposed charges are but an attempt to tax corporations (which necessarily includes mining companies) and brokers in a manner which appears patently outside the authority of the Securities and Exchange Commission. In addition, this attempt very well shows the road to complete Federal control of the securities, mining, industrial and all other allied businesses. We cannot but help feel that this is a grave threat in itself and further, by its implications to

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A Sham Defense

your already over-regulated businesses.

We hope this might well be called to the attention of the Northwest Mining Association at its forthcoming meeting for such action that the association may deem necessary.

Yours very truly,
SPOKANE STOCK EXCHANGE,
By LOUIS H. HACHEZ,
President.

* * *

Mr. Louis H. Hachez, President,
Spokane Stock Exchange,
Radio Central Building,
Spokane, Wash.

Dear Mr. Hachez:

In answer to your letter of Feb. 8, the Board of Trustees of the Northwest Mining Association passed a resolution concerning this matter at their meeting on Feb. 11, 1952.

The resolution reads:

"RESOLVED that the Northwest Mining Association reaffirms its established position of opposing any further Federal control of private enterprise and that taxation is the prerogative of Congress and not of Federal Bureaus or quasi-judicial agencies and that, therefore, the Northwest Mining Association opposes as a matter of principle and in effect the proposed filing fees of the Securities and Exchange Commission released on Jan. 1, 1952, and titled: 'Notice of Proposal to adopt and amend rules with respect to fees and charges by the Commission.' "

I hope this resolution presents to you our ideas of the situation.

With kindest personal regards, I am,

Very truly yours,
E. C. STEPHENS,
President, Northwest Mining Association.

HON. IRVING M. IVES
U. S. Senator from New York

I am in receipt of numerous communications from persons who would be affected by this proposal, and I have advised them that I would see that their protests were filed with the SEC before the deadline date of Mar. 10.

Irving M. Ives

In addition, I advised that Congressman Heller's Subcommittee on the SEC, which is presently investigating the functions of the Commission, will in all probability look into this matter, too. Several of the communications received by me indicate that the individuals or firms do not believe that they come within the purview of the language contained in Title V of the Independent Offices Act of 1952, and I believe they have taken the proper manner in which to lodge their protest rather than by just saying they do not like it. The section is in the law, and until such time as the Congress has either amended or repealed it, the case must be made upon the basis of whether or not they are properly subject to its provisions.

This matter has been brought to the attention of the ranking minority member of the Senate Subcommittee considering the Independent Offices Appropriations Act for 1952-53, and I feel quite sure that members of the House have likewise brought it to the attention of the appropriate subcommittee of the House Appropriations Committee.

JOHN S. KNIGHT
Publisher, "The Miami Herald," Miami, Fla.

It is probably true, as stated in your article, that if there are no limitations made upon the charges of a Federal department such as the SEC, it might be possible for them to so enlarge their operations that the cost would exceed the ability of the brokers, dealers and others to pay for the service that is rendered.

It is the general rule that the only charge that is made by any department of the government is for certified copies of instruments requested and a nominal filing fee to cover the cost of clerical help in filing the papers, and at no time is a charge made for truly governmental purposes.

The security dealers and brokers have an organization and if they have a legitimate case for abuse of the amount sought to be charged by the SEC, they have the facilities to present their complaint and if justified, they will obtain relief.

HON. RALPH W. GWINN
U. S. Congressman from N. Y.

My general approach to all such agencies is that with the kind of government we now have we may expect just exactly what is happening to business in Wall Street through this and other agencies. The depressing fact today is that Wall Street and the business leadership generally have done nothing all these years to help stop and restrict the administrative controls, appropriations and redistribution of the wealth so that now it is quite impossible in my judgment to do much about the superficial fringelike compulsions which are somewhat incidental to the central workings of the great compulsory Welfare State.

Ralph W. Gwinn

I doubt if Congress will ever be able of its own motion to cure the evils. We are conducting an auction in which the votes of whole states are bought and sold. I have been devoting myself to an appeal to the people, themselves, to go to their state legislatures and by Constitutional Amendment redefine and limit what it is the people want the Federal Government to do and especially limit the taxing and spending power as described in the enclosed reprint.

EDSON GOULD
Partner, Arthur Wiesenberger & Co., New York City

Editor's Note: Following is text of Mr. Gould's letter of Feb. 29 to Congressman Donovan:

Hon. James G. Donovan,
House of Representatives,
Washington 25, D. C.

Dear Sir:

We have examined carefully the proposal of the Securities and Exchange Commission to amend its rules and establish a schedule of charges under Title V of the Independent Offices Appropriation Act of 1952. Such charges, in our opinion, would represent a new tax that we believe is unconstitutional and not in the public interest.

We seriously doubt that Congress in enacting this bill ever intended that its taxing power should be delegated to executive agencies, but rather intended solely to provide an opportunity to place the special services of such agencies on a self-sustaining basis—services such as special reports and sale of documents.

The SEC was created in the "national public interest." Accordingly, it was intended that the public should benefit and therefore bear the cost in the normal manner—through the regular tax levy. We do not believe that Congress has the Constitutional right nor did it intend to delegate its taxing power to create what amounts to class legislation and discrimination. If Congress in its wisdom had found that the SEC needed additional funds or a larger budget, it would have provided them. But since it failed to do so, this proposal of the SEC can only be construed as an attempt to justify itself as a taxing rather than as a regulatory agency.

Aside from the constitutionality of this action, we are concerned also with the fact that the charges would multiply the fees already being charged against members of the National Association of Securities Dealers for regulatory services related to those of the SEC.

It is our position that the proposal of the SEC should be withdrawn and that Title V should be repealed. Congress will do a very real public service by doing so at once.

Sincerely yours,
ARTHUR WIESENBERGER & Co.,
EDSON GOULD,
Partner.

CARL K. ROSS
Secretary, Maine Investment Dealers Association, Portland, Me.

Editor's Note: Mr. Ross, who is also President of Carl K. Ross & Co., Inc., Portland, Maine, has furnished the "Chronicle" with a copy of identical letters sent under date of Feb. 27 on behalf of the Maine Investment Dealers Association to the Washington offices of each of the following Senators and Representatives of the State of Maine in Congress: Senators Owen Brewster and Margaret Chase Smith; Representatives Clifford McIntire, Charles P. Nelson and Robert Hale. Text of the letter is reproduced herewith:

"At a recent meeting of the Board of Directors of the Maine Investment Dealers Association it was voted that our Association protest the schedule of fees which has been suggested by the Securities and Exchange Commission to implement the provisions of Title V of the Independent Offices Appropriation Act, 1952.

"It is our considered belief that this is taxation without representation, also as these fees would be levied on a yearly basis, there is no telling for instance what the fees will be five years from now. It is also our feeling that this is an invasion of the sovereign rights of the State of Maine because we dealers already pay a fee to our State in order to qualify as investment dealers.

"Due to the seriousness of this situation, and because our association represents dealers all over the State of Maine, this letter is being written to our other Senator and Representatives. For your information a copy of this letter is being sent to "The Commercial and Financial Chronicle."

"Very truly yours,
"MAINE INVESTMENT DEALERS ASSOCIATION,
"By CARL K. ROSS,
"Secretary."

ROBERT E. ROSS
Monterey, Calif.

I was happy to see your stand in regard to the proposed fees to be levied on Brokers. I am like many of us these days, so used to being taken in that we have somehow lost the fight that made this United States what it is. When a point is reached that those serving we providers begin to try to help business in place of hampering us, I shall be one of those to recognize it. I should like to register my protest to the fee in any form and suggest that the Commission study ways they can keep us in business if they wish to have something to do. Thanks for your interest.

WILLIAM E. KEEGAN
Sole Proprietor, W. R. Britton & Co., New York City

Editor's Note: Mr. Keegan has furnished the "Chronicle" with a copy of his letter of Feb. 25 to the SEC in Washington, text of which follows:

Securities and Exchange Commission,
Washington, D. C.

Dear Sirs:

Your proposal to charge an annual registration fee to brokers and dealers is about the most revolutionary thing that ever emanated from your august body.

The Securities and Exchange Commission is not an organization, for instance, like the National Association of Securities Dealers, Inc., where membership is not compulsory, but entirely voluntary, but it is part of the law of the land, and those engaged in the financial business are subject to it and all of its provisions, whether they like it or not, or think it serves any useful purpose.

It is in all respects similar to the Income Tax Law whereby citizens are subject to it or not, and it would be just as sensible to charge taxpayers a fee for the privilege of paying income taxes.

Unless brokers and dealers are given the right to be exempted from the provisions of the Commission, which is impossible, your proposals, if adopted, will never, in my opinion be upheld by any court in the country.

If Congress is at last becoming economy-minded, the members should make a close study of Senator Byrd's itemized Federal budget for the coming year which provides for a saving of $8.6 billion and then they wouldn't have to worry about a mere matter of a million dollars or so.

JOSEPH B. KEEN
Johnson, Keen & Co., Philadelphia, Pa.

Editor's Note: Mr. Keen has furnished the "Chronicle" with a copy of his letter of Feb. 26 to Wallace Fulton, Executive Director of NASD, and advises that copies were also sent to Philadelphia office of NASD and to the SEC in Washington. The letter is given herewith.

Mr. Wallace H. Fulton
Exec. Director, NASD
1625 K Street, N.W.,
Washington 6, D. C.

Dear Mr. Fulton:

The dangers behind the SEC's Release No. 3433 of Jan. 31, 1952, are so numerous and alarming that it is difficult to foresee all the possible results.

The death-knell of our American liberty is surely being rung when a Commission of our National Government can take into its own hands and away from Congress the levying of taxes under the guise of fees.

The securities industry now pays registration or licensing fees to their State Securities Commissions and to the NASD. This additional Washington grab for more money and power is simply another step toward the disaster of dictatorship.

Among other things, the SEC's notice of Feb. 18, 1952, states: "Total fees to be received under the proposed rules together with existing fees will be considerably less than the Commission's budget."

If that line of reasoning is followed and the dangers inherent in a self-sustaining Commission are disregarded, it is only fair to include under "existing fees" **all** existing fees which are being turned over to the government by the industry, for itself and for others, such as stock transfer fees, odd lot fees, etc., etc. With such inclusions in the figures, a far different picture would result than that shown by the SEC.

If our government would make an honest effort to cut expenses and eliminate waste, it would be unnecessary to again bleed the securities industry or the public for more of their money to be thrown away or squandered.

Neither government nor individuals can escape a day of reckoning for profligacy, and unless our government changes its course soon or unless the public makes it change, there will not even be pieces to pick up when the day comes.

A. R. KRAMER
President, Kramer-Gardner Co., Burlington, Iowa

Editor's Note: Mr. Kramer has furnished the "Chronicle" with a copy of his letter of Feb. 23 to each of the firm's Congressmen, text of which reads as follows:

Honorable Thomas E. Martin
1535 House Office Building
Washington, D. C.

Dear Tom:

A few days ago I wrote you regarding the SEC proposal to implement the Independent Offices Appropriation Act. We were given until Feb. 20, 1952, to comment upon the proposal. Naturally we filed our protest to the Association.

For your further information, I am enclosing a reprint from the "Commercial and Financial Chronicle" which points out the danger in this proposal. As you know, many small dealers like us, and I am sure there is still a need for services as such, are having a very difficult time staying in business due to all the rules, regulations, and limitations regarding what is considered a fair profit. Now we are being taken for an additional tax in the form of fees imposed by an executive agency without any limitation.

Do you feel that it was the intention of Congress to grant this or any other agency unlimited taxing power over certain segments of business? I am sure the Congress had no such intent, and this is just another one of those deals to bring in more money for the general fund. I can't tell you how strongly I feel about this matter and I trust you will agree that it is a discriminatory tax.

If this trend continues for another five or ten years the government will be forced to either subsidize the industry or let it go out of business. Is this what they want?

Sincerely,
KRAMER-GARDNER COMPANY

FROM AN OHIO DEALER
[Name withheld on request.—Ed.]

Editor's Note: The above correspondent has furnished the "Chronicle" with a copy of a letter sent by him to Senators Bricker and Taft, also Congressman Schenck of Ohio, and to Wallace Fulton, Executive Director of the NASD. The letter reads as follows:

Honorable Sir:

This is a protest against the Securities and Exchange Commission's attempted action to levy an unjust fee on the investment business. The ultimate result of SEC release No. 3433 could be to put the small dealer like myself out of a business in which I have put 30 years of diligent and conscientious effort. Further than that, its implications are a threat to the entire investment business and if allowed to be placed in effect, might very well lay the groundwork for similar action against all free enterprise.

No business can live unless it is continuously fortified with young blood—which is not coming into the investment business fast enough nor in sufficient numbers. How long it can continue as a virile and constructive part of our economy unless something is done to make it attractive to younger men, is a problem which *should* be of concern to the entire nation.

The personal sacrifices necessary before a reasonable success can be gained in the investment business, makes it unattractive for the calibre of men the business needs. This type can find handsomer rewards more quickly with less "regulation" and frustration in other fields. Instead of measures that will develop the business, we get measures that tend to stifle it. Now it is threatened with another burden with which to cope. There is no surer way to assure its demise than to tax and tax (fee upon fee). If free enterprise in investments and financing is forced into its grave, its functions will necessarily have to be taken over by government. Is that what those currently in control of government want?

I object to this indefensible discrimination and this threat to my personal rights and security.

FOREST WATSON
Forest Watson & Co.,
Seattle, Wash.

Editor's Note: Mr. Watson has furnished the "Chronicle" with a copy of a letter sent by him under date of Feb. 20 to each Senator and Congressman on the Subcommittee on Independent Offices. The letter reads as follows:

Dear Sir:

This is a personal letter representing the writer's own views re the proposed new SEC fees and charges to be levied against broker-dealers under Title V of the Independent Offices Appropriation Act of 1952.

The writer is a registered dealer-broker with one employee and therefore thinks and acts as an individual. Much could be said regarding the political and economic philosophy involved in the above proposal, but I urge you to oppose its adoption for the following reasons.

(1) The SEC was created for the assumed protection of the public. The Act was not created at the instance of the investment industry nor does the industry have any direction whatever as to its management or operation. The cost, therefore, of its operation should be provided by those who directly benefit from its operation and by that I mean, out of the general funds provided by public tax levies.

(2) The proposal is, in my opinion, only an additional tax levied against an industry and the individuals within the industry. It is another subterfuge to evade placing the tax structure on a broader and more equitable base where the public pays. It is another step in the direction of taxing a few for the benefit, if any, of the many.

(3) This additional tax levy will add further to the already heavy overhead costs of doing business and tend to further reduce securities transactions. A probable result would be to further shrink transfer and transaction taxes.

(4) As an individual who has been in the securities business since 1923, I resent the intent of the SEC to perpetuate itself in its present size and form of operation. To my personal knowledge and observation, the organization employs many persons and accumulates and distributes much so-called statistical data to no practical purpose. This bureau should examine itself and reduce its operating costs in the public interest rather than look to additional sources of income to maintain its present standards.

Although I realize we in the industry have only a few votes relative to the public, who have many, I sincerely hope you will give the foregoing your thoughtful consideration. I do not believe it is in the public interest to have private industry destroyed by inefficient, wasteful and overgrown government. I know for certain that it is not in the interest of my country.

Sincerely and respectfully yours,
FOREST WATSON.

Continued from page 5

The State of Trade and Industry

true of the smaller steelmakers, but it also applies to the large, integrated interests in considerable measure. All of them are apprehensive for the last half of the year. Arbitrary government restrictions on consumption of steel and other metals by consumer durable goods makers are beginning to really hurt, it says. The growing slack from that direction is not being taken up by increasing defense requirements on anything like the scale required.

Almost as a unit, steelmakers insist that government controls on consumption must be lifted soon if a noticeable slowing down in steel is to be averted, this trade journal notes. With new steelmaking facilities coming into the picture steadily they are increasingly apprehensive of glutted markets later this year in those items already under easier demand pressure.

Current high-level activity in the steel industry can be misleading, it points out. Only here and there are any clear-cut effects of slower demand in evidence as yet. But underneath the surface of the market danger signs are appearing. The warehouses are having more difficulty moving certain products and in some cases are declining shipments from mills. There is a noticeable increase in mill order cancellations and shipment deferments. The easier tone of the scrap market is seen as a warning finger pointing to things to come, "Steel" declares.

Practically all of the mills are fairly well committed into second quarter. This applies to the small as well as the large producers. However, the non-integrated interests are in less favorable position. Many of these producers have been quoting premium prices and are first to feel the effects of slackening demand as space in rolling schedules becomes available from the larger interests. Already this has been reflected in elimination of overtime at some small mills, return of more competitive pricing in some areas, and more intensified selling effort than for a long time past, concludes the trade weekly.

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 101.3% of capacity for the week beginning March 3, 1952, equivalent to 2,104,000 tons of ingots and steel for castings, or an increase of 0.4 of a point above last week's production of 2,096,000 tons, or 100.9% of rated capacity.

The latest week witnessed the largest amount of steel ever to be made in a week in the United States, the Institute reports.

A month ago output stood at 100.6%, or 2,090,000 tons. A year ago production stood at 101%, or 2,019,000 tons.

Electric Output Drops Below Level of a Week Ago

The amount of electric energy, distributed by the electric light and power industry for the week ended March 1, 1952, was estimated at 7,415,966,000 kwh., according to the Edison Electric Institute.

The current total was 44,797,000 kwh. below that of the preceding week. It was 593,868,000 kwh., or 8.7% above the total output for the week ended March 3, 1951, and 1,537,178,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Drop in Holiday Week

Loadings of revenue freight for the week ending Feb. 23, 1952, which included the Washington's Birthday holiday, totaled 683,368 cars, according to the Association of American Railroads, representing a decrease of 54,241 cars, or 7.4% below the preceding week.

The week's total represented a decrease of 51,477 cars, or 7% below the corresponding week a year ago, but a rise of 133,661 cars, or 25% above the comparable period two years ago, when loadings were reduced by a general strike at bituminous coal mines.

U. S. Auto Output Rose About 5% Above Previous Week

Passenger car production in the United States the past week, according to "Ward's Automotive Reports," advanced to 84,150 units, compared with the previous week's total of 80,076 (revised) units, and 135,734 units in the like week a year ago.

Passenger car production in the United States rose last week about 5% above the previous week. Output of cars last week was close to 37% below the like period a year ago.

Total output for the current week was made up of 84,150 cars and 24,598 trucks built in the United States, against 80,076 cars and 24,317 trucks last week and 135,734 cars and 31,321 trucks in the comparable period a year ago.

Canadian output last week rose to 4,305 cars and 2,865 trucks, against 3,631 cars and 2,518 trucks in the preceding week and 7,679 cars and 2,833 trucks in the similar period of a year ago.

Business Failures Turn Slightly Downward

Commercial and industrial failures dipped to 163 in the week ended Feb. 28 from 177 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were only slightly below those in comparable weeks of 1951 and 1950 when 170 and 179 occurred respectively, but they were down sharply, 36%, from the prewar total of 254 in 1939.

Liabilities of $5,000 or more were involved in 130 of the week's failures. Although casualties of this size declined from 140 in the previous week, they exceeded the 127 a year ago. Small failures, those having liabilities under $5,000, dipped to 33 from 37 last week and 43 in the similar week of 1951.

Wholesale Food Price Index Reacts to Lower Level

The wholesale food price index, compiled by Dun & Bradstreet, Inc., moved downward the past week following the mild upturn of a week ago. The index for Feb. 26 went to $6.58, from $6.60 on Feb. 19. It compared with $7.25 on the corresponding date last year, marking a drop of 9.2%.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level Closes Latest Week Sharply Lower

The general level of prices, as measured by the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., was somewhat steadier during most of the past week but declined rather sharply at the close. The Feb. 26 index at 303.13, compared with 303.73 a week earlier, and 325.49 at this date a year ago.

Grain markets were uncertain during the past week. Trends were mixed with prices fluctuating over a fairly narrow range. Wheat developed a firm tone following recent weakness, influenced by more active demand from millers as flour bookings expanded slightly.

Other sustaining factors in wheat included some export business and increasing concern over the failure of drought conditions to improve in the dry areas of the Southwest.

There was some export business in corn but volume was disappointing. Although primary market receipts were smaller than in recent weeks, prices weakened under pressure of wet corn marketings which tended to stifle demand. Oats and rye scored moderate gains, aided by substantial buying on the down turns. Trading in all grain futures on the Chicago Board of Trade last week averaged 32,000,000 bushels per day, against 30,000,000 the previous week, and 43,000,000 in the like week a year ago.

Substantial bookings of advertised brands of family flour featured the domestic flour market last week. Business in hard wheat bakery flours was mostly for fill-in purposes. Spring wheat flours were quiet following the active buying of the previous week. Cocoa prices continued to trend upward on active manufacturer and dealer buying. Bullish sentiment was aided by a tightening of the world supply situation as the result of severe drought in Brazilian producing areas and active buying in the London market at firmer prices. Trading was slow with supplies ample as roasters generally held to the sidelines. Following early weakness, domestic raw sugar held steady at a slightly lower level than last week. Under pressure of continued heavy hog marketings and weakness in other fats and oils, lard prices again dropped sharply to reach new lows for the season. The average price of hogs last week was reported at the lowest level since April, 1950.

Spot cotton prices registered substantial advances the past week following the lower trend of the previous three weeks. The rise reflected mill and commission house buying and an improved technical position resulting from the recent declines.

Other bullish factors included the granting of a $2,000,000 loan to Austria to purchase American cotton and the higher-than-expected official cotton consumption report for January.

Domestic mills consumed a total of 923,000 bales in the five-week period ended Feb. 2, according to the Bureau of the Census. This represented a daily average rate of 37,700 bales, as compared to the December rate of 35,400 bales, and 42,700 bales in January, 1951.

Trade Volume Continued to Slip a Trifle in Latest Week

Although retail stores in most parts of the nation continued to feature attractive promotions, shoppers reduced their spending slightly in the period ended on Wednesday of last week, states Dun & Bradstreet, Inc., in its current summary of trade. Retail merchants generally failed to equal the high sales figures of a year ago. Shoppers were much more selective than they were a year before and frequently sought merchandise offered at sizable discounts.

Total retail volume in the period ended on Wednesday of last week was estimated to be from 2 to 6% below the level of a year ago. Regional estimates varied from the levels of a year ago by the following percentages:

New England —2 to —6; East and South 0 to —4; Midwest, Southwest, and Pacific Coast —4 to —8; and Northwest +1 to —3.

Buyer activity in many wholesale markets slipped slightly in the week as many merchants strove to pare swollen stocks. Defense orders helped to bolster total wholesale trade at a level close to the high point of a year earlier. While not as many buyers attended market centers as during recent weeks, the number was about equal to a year before.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended Feb. 23, 1952, decreased 12% from the like period of last year. In the preceding week a decrease of 6% was registered below the like period a year ago. For the four weeks ended Feb. 23, 1952, sales declined 6%. For the period Jan. 1 to Feb. 23, 1952, department store sales registered a decline of 11% below the like period of the preceding year.

Retail trade in New York last week, according to trade estimates, suffered a decline of about 8% below the previous week. It was noted that despite the good showing in unit sales, lower prices resulted in a reduced dollar volume.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended Feb. 23, 1952, decreased 10% below the like period of last year. In the preceding week a decrease of 7% was recorded below the similar week of 1951, while for the four weeks ended Feb. 23, 1952, a decrease of 9% was registered below the level of a year ago. For the period Jan. 1 to Feb. 23, 1952, volume declined 14% below the like period of the preceeding year.

Mutual Funds

By ROBERT R. RICH

THE IMPORTANCE of selectivity in investment policy is brought out by Calvin Bullock in a study published in the current issue of "Perspective."

"Although the levels of industrial production and commodity prices showed very little change in 1951," the company reports, "the year was a relatively good one for common stock prices as measured by the generally accepted market averages. . . .

"But what is more pertinent to the average investor is the fact that although the recognized indices of stock prices showed increases during the past year, there were several groups of stocks which showed declines. And other groups of stocks showed increases in price considerably greater than that of the market averages.

"This is, of course, no new phenomenon in the pattern of stock price behavior, and merely reemphasizes the everlasting importance of selectivity in common stock investment."

Pointing out that the vital importance of selection can perhaps be brought into better perspective by carrying back a comparison of price behavior of 50 industry groups from the end of 1945 to the end of 1951, the study remarks: "We may point out that in this six-year period, 19 groups showed declines and 31 groups registered advances. Fifteen groups out of the total of 50 showed larger increases than the average, as represented by the Standard & Poor's index of 416 combined stocks. Of the 15 industry groups which showed the greatest gains in the 1945-1951 period, nine groups were also among the first 15 in the comparison for 1951. These nine groups which are included in the first 15 for both periods under comparison are: Oil, Ethical Drugs, Chemicals, Paint and Varnish, Office and Business Equipment, Tires and Rubber Goods, Copper, Natural Gas and Finance.

"It may be said that the one characteristic common to all of these groups which have made outstanding gains in both the postwar period and the year 1951 is a strong growth factor. We realize well enough that the definition of what constitutes a growth industry or a growth company is a highly controversial subject, and one which has been subjected to a considerable amount of abuse. Without getting too deep into these waters, it does seem reasonable to classify nearly all of these groups as growth industries."

In an analysis of 92 new common stock issues which made their debut in the beginning of 1946, the study concludes: "In order to show how these new common stock offerings have fared as compared with the averages, we have taken the monthly average of the Standard & Poor's 416 combined stocks for the first six months of 1946. Between that period and Jan. 23, 1952 this combined average has shown an increase of 28.0%. Taking this combined average as a bench-mark, we find that in the five and one-half years which have elapsed since these offerings were made, only 17 out of 92 issues have shown as good an increase as the Standard & Poor's 416 combined stock average. If all of these new offerings had been purchased in equal amounts an average loss of 7.3% would have been sustained.

"It seems clear enough from all this that the importance of selectivity in investment policy is by no means diminished through the choice of new offerings of common stock. The problem remains as difficult and as all-important as in any of the many media available for investment."

FUNDAMENTAL INVESTORS is the first mutual fund to take advantage of a recent revision in the Internal Revenue Code which permits investment companies to pay capital gains on the first dividend payment date of the year following the one in which the capital gains were realized.

This new procedure will eliminate the mental ordeal and "educated guesswork" which many fund managers suffered as they tried to calculate before the end of the year just how much the realized capital gains would amount to.

Usually — and understandably with a problem as complicated as this—the fund managers would be in small error in their estimates and the fund would either have surplus capital gains in the till or would find it necessary to pay the difference out of capital surplus.

Fundamental, in declaring its 76th consecutive dividend since 1933, said that the entire dividend would be taxable as 1952 income, even though part of it represents realized capital gains for the year 1951. The dividend is payable March 17.

Random Shots

Ethiopian tribesmen, travelers say, can only double or halve numbers, and that only by using pebbles as counters. Yet merely by halving and doubling they can take any two numbers, multiply them and come out with the right answer.

Say, a tribesman wants to buy 22 sheep at 14 Ethiopian dollars each. How much is that?

Here's how he goes about finding it out. Put 22 in the left column, 14 on the right. Halve the left figure, you get 11. Halve the 11 and you get 5½. Ignore the ½; Ethiopians don't know anything about fractions. Now each time you halve the left-hand figure, double the right-hand figure. Keep this up until the left-hand figure is 1. Here's what you have:

(22	14)
11	28
5	56
(2	112)
1	224

Even numbers in the left column are evil and must be destroyed along with their corresponding numbers in the right column. So scratch out 22 and its corresponding 14 in the right-hand column, and scratch out 2 and its partner 112. Add what remains in the right-hand column and you have the right answer, 308. It works for any two numbers.

The Ethiopian's primitive mind simply cannot grasp how our system works. Of course, you see at once how his works!

Contributed to "Reader's Digest"
By Lawrence B. Bixby

WHAT DOES the investor in Mutual Funds really get? "That is the $64 question," Dr. Harold Aul, Vice-President of Calvin Bullock told delegates at the first annual West Coast Mutual Fund Conference during the opening session at the Palace Hotel in San Francisco.

Dr. Aul detailed how carefully the management of a good investment fund operates to invest the money entrusted to it.

"The answer to the $64 question," Dr. Aul said, "reduced to its simplest terms, is that the investor buying shares of a representative investment company, is not merely buying stock; he is employing investment counsel to carry out his investment objectives; and he should select for the purpose the investment companies whose declared and proven objectives best meet his investment needs."

"It is obvious," he continued, "that for the investor of modest means, the cost of employing an investment counsel directly would be prohibitive. It is only by pooling his funds with those of many others in a cooperative undertaking, through the agency of an investment company, that such an investor can employ the services of a large and able investment management organization at a relatively small cost and thus avail himself of investment services which have heretofore been available only to the wealthy individual or institutional investor."

In outlining the careful way in which investment selections are made, Dr. Aul pointed out to the large gathering that "—here is the picture of men at work . . . seasoned men with years of experience in the field of investment management, striving zealously and earnestly to give to the shareholders of their investment companies the best investment experience that fully informed judgment can achieve.

"This should convincingly answer the question which often arises, whether the purchaser of investment company shares is justified in paying the management fees involved."

OPEN-END REPORTS

BOSTON FUND has substantially reduced its investments in the more cyclical type of companies and has shifted investment emphasis, in the common stock portion of its portfolio, to two types of issues—those such as the public utility stocks which are believed to afford stronger-than-average dividend protection at relatively generous rates and those such as the chemical stocks which are believed to possess better-than-average long-term earnings growth possibilities.

In review, its diversification pattern by type of securities, Boston Fund reported a reduction in its common stock holdings from 73% to 52%, an increase in its preferred stocks from 9% to 14%, and an increase in cash, notes and bonds from 17% to 32%.

Net assets at the end of the fund's fiscal on Jan. 31, 1952, amounted to $77,743,045, the highest year-end figure in the company's history. This figure compares with $63,799,068 a year ago. Net asset value per share was $23.23 compared with $23.09 and shares outstanding increased from 2,763,628 to 3,346,727.

LOOMIS - SAYLES Mutual Fund reports net assets on Jan. 31, 1952, of $11,902,649, or $38.04 per share on 312,906 shares outstanding, compared with $10,455,491, or $36.67 per share on 285,141 shares outstanding on Oct. 31, 1951.

The fund, in commening on the business situation, said that at some point it believes our very large productive capacity will have the reverse effect on our economy and the price level—regardless of long-term trends.

"During 1950 inflationary psychology was stimulated by the picture of soaring prices and a huge wave of forward buying," the fund stated. "In 1951 and early 1952, however, the trend of commodity prices has been downward, surprisingly enough. At the start of the year 1951 the index on all commodities was at 180—it is now 175. Even though slight, this adverse trend of commodity prices in the face of increasing armament expenditures could be very significant and certainly is contrary to the widely-held belief that inflation is still actively under way.

"The future trend of commodity prices deserves to be watched closely—it could warn of a significant change in inflationary conditions and psychology."

TOTAL NET assets of Gas Industries Fund are approximately $17,177,883 equivalent to $20.34 per share on the 844.565 shares of the Fund outstanding. This compares with total net assets of $16,052,418 equivalent to $20.11 per share on the 798,286 shares outstanding on Dec. 31, 1951.

New additions to the portfolio since Dec. 31 last include commitments in the common stock of Interstate Petroleum Company and Honolulu Oil Corp. and notes with warrants of Great Plains Development Company of Canada, Ltd.

ABERDEEN FUND reported net assets on Dec. 31, 1951, of $3,200,-000. Of the 120 common stocks in its primary and reserve lists, some 87% were believed by the fund to qualify as legal investments in Pennsylvania. Portfolio holds approximately 22% chemicals and pharmaceuticals, 20% oils and 13% utilities with the balance among 13 other industries.

MUTUAL SHARES reports net assets on Jan. 31, 1952, of $826,423 compared with $346,791 a year ago.

Net asset value increased from $12.69 to $13.52.

HUDSON Fund's annual report shows net assets on Dec. 31, 1951, were $3,075,581, or $23.43 per share on 131,281 shares outstanding compared to $1,804,477, or $21.09 per share on 85,560 shares outstanding a year ago.

Mutual Fund Notes

PIONEER FUND'S stockholders will vote March 21 on proposal to increase the authorized capital stock, par $2.50, from 200,000 shares to 400,000 shares. If the proposal is ratified at the stockholders' meeting, new registration statements will be filed with the SEC from time to time to increase the amount of capital stock until the full number of shares authorized has been issued.

INVESTORS MUTUAL has issued a prospectus Jan. 20, 1952.

INVESTORS STOCK Fund has released a new prospectus dated Jan. 28, 1952.

DREYFUS FUND has released a new prospectus dated Feb. 26, 1952.

STEIN, ROE & FARNHAM Fund's latest prospectus is dated Feb. 20, 1952, and is now available for dealers.

TEXAS FUND'S newest prospectus, now ready for dealers, is dated March, 1952.

DELAWARE Fund reported that it completed last week a new common stock position in Bell & Howell, leading designers and manufacturers of photographic equipment and related products.

CYCLICAL common stocks eliminated by Wellington Fund included Hudson Bay Mining & Smelting, Koppers Company and Goodyear Tire & Rubber. Also eliminated were the common stocks of Commercial Credit, Food Machinery & Chemical and Hercules Powder because, it was stated, these stocks had advanced to prices that appeared to have discounted their near term prospects. For the same reason, reductions were also made in the common stocks of Allied Chemical & Dye and Aluminum, Ltd. New common stock investments include Addressograph - Multigraph, E. I. duPont, Lone Star Gas, Owens-Corning Fiberglas, Scott Paper, Pacific Gas & Electric, Procter & Gamble, Ideal Cement Company and Howe Sound. Investments were increased in International Business Machines, American Natural Gas, Atchison, Topeka & Santa Fe and Norfolk & Western.

PERSONAL PROGRESS

STOCKHOLDERS of Chemical Fund at their 14th annual meeting, March 4, voted to increase the number of directors from nine to 11 and elected Mr. Ernest K. Gladding and Mr. Francis S. Williams as new directors. Present members of the board were reelected.

Mr. Gladding, a resident of Wilmington, Del., was associated with E. I. du Pont de Nemours & Co. from 1910 to 1951, more recently as director of the Development Department. He is now retired in accordance with the retirement plan of the du Pont Company.

Mr. Williams, a resident of Riverside, Conn., is Executive Vice-President of Chemical Fund, Inc. and a Vice-President of F. Eberstadt & Co., Inc. He joined the latter firm in 1932 and has been occupied with the management of Chemical Fund, Inc.

SEC REGISTRATIONS

CONCORD FUND on Feb. 21 filed a registration statement with the Securities and Exchange Commission covering 100,000 shares of capital stock to be offered through A. C. Allyn & Co., Boston.

DREYFUS FUND on Feb. 20 filed a registration statement covering 250,000 shares of capital stock to be offered at the market by The Dreyfus Corp., New York.

EATON & HOWARD Balanced Fund on Feb. 18 filed a registration statement covering 500,000 trust shares.

EATON & HOWARD Stock Fund on Feb. 18 filed a registration statement covering 100,000 trust shares.

GROUP SECURITIES on Feb. 27 filed a registration statement covering 500,000 shares of capital stock (par $1) to be offered at market through Distributors Group, New York.

INCORPORATED INVESTORS on Feb. 25 filed a registration statement covering 1,700,000 shares of capital stock to be offered through Parker Corp., Boston.

TECHNICAL FUND on Feb. 18 filed a registration statement covering 300,000 shares of capital stock to be offered through Technical Fund Distributors, San Francisco.

UNITED FUNDS on Feb. 26 filed a registration statement with the SEC covering 1,000,000 United Income Fund 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. Underwriter is Waddell & Reed, Kansas City, Mo.

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Observations . . .

tionship between the executives on the one side and those on the "company's side"—the controlling stockholders, bankers, and key directors—with whom they clear policies; between minority and majority stockholders; and between minority stockholders and management.

The authors arrive at the somewhat cynical conclusion that management is paid less well in the case of those companies that are dominated by supervising large family stockholders and financiers, than in companies where there is an absence of concentration of stock ownership in powerful hands.

The main points of the book's coverage are well indicated by the subtitle as follows: *"Business, Tax and Legal Aspects of Salary and Profit-Sharing Contracts, Stock Bonus and Stock Purchase Plans, Stock Options, Deferred Compensation, Pensions, Governmental and Judicial Controls Over Executive Compensation."*

Pay-and-Profits

Relationship of executive payments to profits is likewise examined by the authors. They find that the *percentage* of such payments to profits decreases with earnings' increases. Management compensation has ranged from 157% of net profits in small companies all the way down to 2.7% in the case of large companies. While the authors emphasize the lack of correlation between compensation and either profits or sales, this finding should assuage the irritation to the public shareholder arising from the stock option benefits being extended to the executives.

The Hot Stock-Optioning Question

Fortunately in view of the current "hot-ness" of stock-optioning, the authors give this subject thorough and able treatment. They describe at length stock options and stock purchase plans; the corporate problems bound up therewith, preemptive rights; the Federal tax consequences; the present state of the law; and overall questions of policy. The implication of the discussion indicate important major problems bound up with the granting of options, included among which are determination (1) of the fair market value of the security at the time of its granting (particularly if it is unlisted), and (2) whether it constitutes a public offering, each case to be considered by itself.

Questions surrounding deferred compensation likewise occupy Washington and Rothschild's full attention. The justice of this technique is carefully weighted. "Pro," they point out that the executive's income, like that of the professional man, represents in large part something akin to a return of capital, reaches a peak during a limited number of years; and that because of the current high tax rates the executive is unable to build up substantial resources from his current take-home pay. "Con"—on the other hand—the authors cite the benefit to the executive from paying a tax smaller than is intended by the Congress, and the possibly unfair burdening of the stockholders and creditors by trying to mortgage the future of the company for their own advantage.

Regarding the determination of the course to be followed in this and other phases of remuneration questions, our authors have arrived at the major conclusion that the compensation practices of corporations are shaped more by lawyers' activities in safeguarding their clients from attack than by the statutes and the courts.

Tax and Take-Home Pay

The recent further hikes in personal and corporate income tax rates accentuate the determining importance of taxation, along with the Federal Salary Stabilization Board directives, as the controlling factor in salary and other compensation decisions.

The executive's tax problems in connection with deferred compensation, as well as throughout the various other areas of the compensation field, are meticulously covered by the authors.

It would greatly interest this observer to learn their opinion, as well as that of intelligent and objective company directors generally, of propriety of the currently growing practice of statistically demonstrating in annual reports to the stockholders the personal troubles of the salary-receiving executives with Uncle Sam's individual income-tax man.

Considerations of space have limited us to citation of but a few highlights of this treatise. Overall, Washington and Rothschild's work of 586 pages constitutes a major achievement in filling the public's quest for technical information about the strictly legal elements, as well as setting forth sound and interesting conclusions, concerning every phase of the incentive elements in corporate finance.

Israel & Co. Offers Kraus Equipment Firm

Israel & Co. is offering at $1.50 per share an issue of 199,900 shares of common stock (par 15 cents) of Kraus Automatic Machines Corp.

The net proceeds are to be advanced to Kraus Design, Inc., a wholly owned subsidiary, who intends to use the funds for the purchase of additional equipment and for working capital.

The corporation is engaged in the design, development and manufacture of all types of special purpose automatic handling equipment.

Colvin Joins Bailey

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Raymond W. Colvin has become associated with Bailey & Davidson, 155 Sansome Street, members of the San Francisco Stock Exchange. Mr. Colvin has recently been with Guardian Securities Corp. and King Merritt & Co. Prior thereto he conducted his own investment business.

With Shields & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Jack A. Kaplan has been added to the staff of Shields & Company, 510 West Sixth Street.

Continued from first page

As We See It

moting maximum employment, production and purchasing power. The Employment Act directs the President to include in his Economic Report a program for carrying out the objectives of the act. If such a program is to achieve its goal with maximum effectiveness and minimum cost, the various elements in the program to the greatest extent possible must be consistent with each other and part of an integrated whole. . . .

"Consistency and integration are needed not only in the formulation of recommendations to Congress, but also in carrying out policies adopted by Congress. This is particularly true with regard to achieving economic stability where a general policy in favor of stabilization may require quick action to deal with unstabilizing forces.

"Even if economic stabilization were the only objective of the government, there might exist at least the theoretical possibility that agencies under the direct supervision of the President on the one hand and independent agencies on the other might take contradictory actions based on different interpretations of the economic outlook. A problem of greater practical importance, however, is presented by the fact that stability is only one of the objectives of the government, and monetary policy is only one of the methods of achieving stability. When various objectives must be promoted simultaneously, a combination of policies needs be chosen that will promote these different objectives without tearing one down to build up another. . . .

"It is imperative that there be effective integration in the adoption of various policies to meet a variety of government objectives under changing economic conditions. The President, as Chief Executive and head of the executive branch, is the only one person in the government in whom this power of policy coordination can be lodged."

And the Council is right—granted its premises! To us, and we hope to other thoughtful readers, all this closely knit argument serves chiefly as a forceful—yes, a startling—reminder of the radically un-American nature of the premises!

And its premises are the premises of the Employment Act of 1946! If there is any lingering doubt in the readers mind, let him consult the Act itself. Here is what it says:

"The Congress hereby declares that it is the continuing policy and responsibility of the Federal Government to use all practicable means consistent with its needs and obligations and other essential considerations of national policy, with the assistance and cooperation of industry, agriculture, labor, and state and local governments, to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production and purchasing power."

What is, what could all this be, but the very essence of economic authoritarianism? The very negation of individual initiative and all the rest that has made this country what it has grown to be in less than two centuries?

We submit that these general considerations and these alone establish beyond question that the Employment Act of 1946 and the President's Council of Economic Advisers both stand directly athwart the path of free enterprise and the traditional American system in this country, and we add that this fact and this fact alone is proof positive that both of them are inimical to the country's best interests and should be abolished forthwith.

At the risk of logical anticlimax we add a few bits of evidence of the basically unrealistic, confused, and even at time dishonest thinking of this particular Council. Again our evidence comes from this same publication of the Joint Committee on the Economic Report.

First, an observation which could come only from the lips of the ignorant: "At the time of the drafting of the original (Federal Reserve) act, there was no developed understanding of central banking functions as we think of such functions today." It is to laugh—or would be, if the matter were not so serious. The fact is, of course, that notions of John Law were familiar enough to the framers of the Federal Reserve Act. It is the Council (or the dominating elements therein) which does not know that it is reviving old and long-ago discarded notions of finance and economics.

Or again: "In the hypothetical situation when neither deficit financing nor refunding operations were currently required or in prospect, the maintenance of a stable government securities market would have relatively little importance. But this is not a realistic assumption. It is obvious that the reasons for a stable bond market become stronger in a period of large Treasury refunding operations. The reasons become still stronger when prospective budget deficits require large new Treasury financing, since additional purchases must be found to hold the larger total of outstanding securities." How can a government which gives expression to this basic philosophy proceed with a straight face to insist that private interests refrain from market manipulation and the compilation of sucker lists to which the tricks of the trade may be applied to extract funds?

And, finally: "In the present and prospective situation, an expanded social security system appears as the only defensible form of increasing lending by other than voluntary means. . . . We emphasize that this form of compulsory surrender of purchasing power is recommended only as an addition to and not as a substitute for needed taxation." We are obliged to grant the Council more credit for ingenuity than for forthrightness and understanding.

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Is Inflation Still a Threat?

first quarter. The change in the timing of the rearmament program is increasing the adequacy of the inventories held by many defense plants and diminishing the present demand of some of these plants for scarce metals. The improvement in the aluminum supplies has produced the suggestion from the industry that allocations of aluminum be reexamined.

II

An answer to the question of whether inflation is still a danger should rest on an examination of the reasons for the stability of the economy during the last year and for the strengthening of deflationary influences during the last two months.

The stability of the last year was achieved in the face of large increases in government expenditures, in business spending for plant and equipment, and in personal incomes and in spite of little increase in production. Government expenditures for goods and services rose by nearly $19 billion a year between the first quarter and the last quarter of 1951, business outlays on plant and equipment by $3.4 billion a year, and personal incomes after taxes by over $11 billion a year. In the meantime, the output of goods changed very little. The index of industrial production has scarcely changed for a year—in February, 1952, it was slightly below February, 1951. Other kinds of production have risen only slowly.

Inflation has been prevented since March, 1951, mainly by four developments: (1) the drop in personal expenditures on consumer goods; (2) the decrease in expenditures by business concerns on inventories; (3) the very slow rise in government defense expenditures after June, 1951, and especially after October; and (4) the slow rise in the volume of personal incomes after October.

(1) **The drop in personal expenditures on consumer goods:** In the fourth quarter of 1951 the annual rate of expenditures on consumer goods was $3.2 billion less than in the first quarter. This may not seem large, but it occurred in the face of a large rise in personal incomes after taxes. Hence, there was a sensational increase in personal savings—a rise of $14.5 billion as an annual rate between the first quarter and the last quarter of 1951, or from 3.9% of personal incomes after taxes to 10.1%. Although outlays on nondurable goods failed to rise in proportion to the gain in personal incomes after taxes, the principal reason for the abnormally low rate of personal spending was the drop in outlays on durable consumer goods.

(2) **The drop in expenditures on inventories:** Outlays for inventories in the last quarter of 1951 were at an annual rate of $6.1 billion less than in the first quarter. Inventories as a whole continued to increase, particularly in the defense industries where inventories were raised by the increase of goods in process and of finished goods not yet delivered to the government. In retailing, inventories by December had been reduced in value by nearly 10% below the high level of May, 1951. By December, 1951, the physical volume of retail inventories was a little less than in December, 1950.

(3) **The slow rise in government defense expenditures:** Between June, 1951, and January, 1952, monthly expenditures on defense increased only $400 million, or about 11%; between October, 1951, and January, 1952, the increase was only $200 million, or about 5%. On the other hand, between January, 1951, and June, 1951, monthly defense outlays increased $1.4 billion, or nearly 70%. It is not generally realized how slow has been the rise in defense outlays during the last six months. The explanation seems to be that up to June, 1951, defense outlays increased rapidly because the number of men in the armed services was growing rapidly. This meant rapidly expanding expenditures on food, clothing, and wages. Since June, 1951, the number of men in the armed services has increased very little but deliveries of "hard" goods to the military services have not increased sufficiently to offset the drop in spending on inventories.

(4) **The slow rise in personal incomes after October, 1951:** Although personal incomes were substantially larger at the end of 1951 than at the beginning, there was no rise in the last three months of the year. In fact, the annual rate of personal incomes in December was slightly lower than in October. The principal reason for the rise in personal incomes prior to October was the rise in wages and salary payments. The rise in these was nearly as large as the total increase in personal incomes. After October, 1951, wage and salary payment has increased very slowly.

III

May the four conditions that have made the last year a period of stability be expected to continue?

(1) **The drop in expenditures on consumer goods:** Outlays on consumer goods as a whole cannot be expected to drop. As a matter of fact, consumer outlays, after dropping substantially between the first and second quarters, have been slowly increasing since the second quarter of 1951. It would not be surprising, however, if outlays for **durable** consumer goods did not increase or even dropped. The reason is that many consumers will postpone buying until the shortages of machine tools and materials no longer prevent manufacturers from bringing out new and different models.

(2) **The drop in expenditures on inventories:** Some further drop in spending on inventories in the defense industries is likely. In the retail field, inventories are actually decreasing in physical size as well as in money value. In this field, no significant further decrease in inventories is likely unless consumer demand itself falls off.

(3) **The rise in government expenditures:** The Administration plans a $20 billion rise in the annual rate of defense spending between the end of 1951 and the end of 1952. Unless the war in Korea becomes larger or new threats to peace break out in Asia or the Near-East, I do not expect to see the defense outlays of the government increase by the planned amount. More likely is an increase of about $15 billion a year between the end of 1951 and the end of 1952. I believe that the increase in military expenditures will be retarded by the reluctance of the military authorities to freeze designs where equipment is rapidly being improved and to order large quantities of equipment that they know will soon be obsolete. But even though the announced schedules of military outlays will probably not be met, the increase in defense spending will be far greater during the next 12 months than during the last six.

(4) **The rise in personal incomes:** Personal incomes are likely to rise at a faster rate per month during the next nine months than during the last three. The expansion of the defense program will tend to increase employment and thus personal incomes and the new round of wage increases which now seems to be starting will raise personal incomes still further.

The conclusion to be drawn from this analysis is that the danger of inflation is less than it appeared to be several months ago, but that it is not yet over. The supply of consumer goods, particularly durable consumer goods, will be greater than appeared likely a few months ago before the defense program was rescheduled. For example, the decreases in output for such goods that had been anticipated between the first and the second quarter of this year may not occur. But the drawing down of retail inventories will not much longer be a source of supply of consumer goods, government expenditures are likely soon to resume their rise (unless schedules for defense spending are again changed), and the volume of personal incomes will rise more rapidly than it has been doing since last October. People may increase their savings rather than spend their additional income upon consumer goods. But when incomes rise, it is usual for people to spend at least **part** of the increase on consumer goods. The very fact that the rate of saving today is abnormally high increases the probability that part of any increase in personal incomes will be spent rather than saved. With the supply of consumer goods limited by the expanding defense program and with personal incomes rising, it would be reckless to gamble on the chance that the danger of inflation is over.

IV

What should be done to prevent the resumption of inflation? The steps fall into two principal groups: (1) those that tend to increase the supply of consumer goods and (2) those that tend to limit expenditures for consumer goods.

There are four principal measures that will help increase the supply of consumer goods: (a) limiting non-essential expenditures of government; (b) increasing the efficiency of industry; (c) encouraging postponement of expenditures on plant and equipment that are not closely related to defense; and (d) scheduling a more gradual rise in the outlays on defense.

(a) **Limiting non-essential expenditures of government:** Reducing non-essential government expenditures will not have much effect upon the supply of consumer goods, but it may have a small effect. The government in its non-defense operations consumes some raw material that might otherwise be available for the making of consumer goods.

(b) **Increasing the efficiency of industry:** Gains in efficiency will help increase the supply of consumer goods provided these gains occur at bottleneck points. The most serious bottlenecks appear to be in the production or raw materials. Hence an increase in efficiency at this point would be very helpful. For example, an increase in the efficiency with which scrap is collected would help raise the output of steel and thus increase the quantity of steel available to defense and non-defense industries alike. But a gain in efficiency cannot automatically be depended upon to increase the supply of consumer goods. Sometimes the effect of a rise in efficiency is to release labor rather than increase the output of the particular plant or industry. If greater efficiency releases labor rather than increases output, its effect may be upon the demand for goods rather than upon the supply.

(c) **Encouraging the postponement of expenditures on plant and equipment not closely connected with defense:** Spending on industrial plant and equipment has been at record-breaking rates. The present volume of construction is controlled largely by the quantity of scarce materials made available by the government. The government, as I have pointed out, is making more material available for commercial construction during the second quarter of 1952. The release of more material for commercial construction does not help fight inflation—on the contrary, it aggravates the danger of inflation because it helps bring about a rise of payrolls in the construction industry but does not increase the output of consumer goods. An anti-inflationary use of materials released by the rescheduling of the defense program would be to make them available for the production of durable consumer goods.

(d) **Scheduling a more gradual rise in the outlays on defense:** Although defense schedules have been revised to make the rise more gradual, an increase of $20 billion a year during 1952 is planned. Even this is a large increase—larger than the total output of the economy is likely to grow. The risk of inflation would be substantially reduced if the actual rise were only $15 billion a year. The country has been assured by Mr. Lovett, Secretary of Defense, that the present proposals for defense expenditures represent large cuts from the amounts asked by the armed services and that any reduction below present amounts would jeopardize the security of the country. Mr. Lovett is obviously expressing a personal judgment (though a judgment that he is peculiarly well fitted to make) because the strength of the Russians is not accurately known and their plans are not known at all.

Despite the fact that the danger of attack by Russia may be slightly increased by a slower rise in our defense expenditures, I believe that a slower rise would not entail undue risk. Why do I say this? Is it not silly or presumptuous for a professor of economics who knows none of the secrets that have been accumulated by our intelligence service and who knows next to nothing about the art of war to question the timing of the government's defense expenditures?

I do not think that it is silly or presumptuous. The reason why it is not silly is that for over a year the requests of the Department of Defense have been accepted by Congress without searching questioning. These requests all come from people primarily concerned with the defense of the country—from people who wish to be sure to have more than enough to carry out their responsibilities. Everyone knows that the budget proposals of any department of an enterprise, a government, or, indeed, a university, tend to reflect generously the importance of the needs of that department as seen by the insiders. In order to get a proper balance of all interests, the proposed budget of a department needs to be challenged by outsiders. In the case of the defense program, this has not been done. Both Congress and the administration were embarrassed at having war break out in Korea at the very time they were engaged in cutting defense outlays. Ever since this episode, no one in Congress has cared to assume the political risk of challenging the proposals of the Defense Department. The situation that has existed since Korea is one well adapted to produce proposals for excessive defense expenditures.

A second reason for believing that a slower rise in defense expenditures can be safely made is that this postponement need not limit the immediate increase in the military strength of the country. In fact, General Eisenhower's proposal that the defense plans be modified to increase fighting power in 1952 even at the expense of fighting power several years hence is quite compatible with the postponement of some defense expenditures.

As a matter of fact, I venture the guess that the actual rise in defense expenditures during 1952 will be closer to $15 billion a year than to the scheduled $20 billion and that the rate at the end of the year will be in the neighborhood of $60 billion a year. The reason for this assertion is that the technology of war is advancing very rapidly. This advance makes it difficult to freeze the designs of armament for quantity production. Furthermore, even when a design has been frozen, the advance in the technology of war limits the quantity of the item that the military authorities are prepared to order. The authorities know full well that within a year or two or three much of the equipment that is being ordered today will be obsolete. They do not wish to order such equipment in huge volume. It is interesting to note that, according to the last quarterly report of Mr. C. E. Wilson, it was the difficulty in freezing designs rather than shortages of materials which caused defense expenditures in the last quarter of 1951 to be running at an annual rate of $5 billion less than had been scheduled even as late as July.

V

What steps should be taken to limit the expenditures for goods? Cuts in nonessential government spending and increases in efficiency will tend to limit expenditures for goods as well as increase the supply of goods. The reason is that both of these steps make it less necessary to enlarge the labor force. The larger the labor force in order to achieve a given output of defense goods, the larger our inflationary pressure; the smaller the labor force that will produce a given output of defense goods, the smaller our inflationary pressures.

There are three additional ways in which expenditures for consumer goods may be limited: (a) limiting the rise in consumer credit; (b) keeping wage increases as low as possible; and (c) encouraging personal saving.

(a) **Limiting the rise in consumer credit:** Borrowing by consumers enables them to spend more than their incomes. Consequently, a limit on borrowing is a limit on consumer spending. Consumer credit terms were tightened in the fall of 1950 when the Board of Governors of the Federal Reserve System, acting under authority recently conferred by Congress, required down payments of one-third on automobile loans and one-fourth on household appliances, 15% on household furnishings, and 10% on household repairs and set the maximum maturity of consumer credits at 15 months in the case of automobiles, household appliances, household furnishings, and 30 months in the case of household repairs. As a result, the total outstanding consumer credit dropped from $20.1 billion in December, 1950, to $19.1 billion in July, 1951. Congress, acting under pressure from various retail, manufacturing, and labor interests, required a liberalization of the terms of consumer credit when it renewed the Defense Production Act in August, 1951. The new requirements are that down payments may not be more than one-third the purchase price in the case of automobiles, 15% in the case of household appliances and furnishings, or 10% in the case of home improvments, and that the maximum maturity may not be less than 18 months in the case of automobiles, household apliances, and household furnishings, and 36 months in the case of home improvements. As a result of the easier terms introduced in the summer of 1951, consumer credit has increased rapidly from $19.1 billion in July to $20.6 billion in December. Indeed, it was higher in December, 1951, then in December, 1950.

If rescheduling the defense program makes available larger quantities of durable consumer goods, strict regulation of consumer credit becomes more important than ever. The greater the quantity of durable consumer goods purchased on credit and the easier the terms of the credits, the stronger are the inflationary influences in the economy. The restrictions imposed last summer by Congress on the discretion of the Federal Reserve Board in regulating the terms of consumer credit should be repealed. The action of Congress was a usurpation of administrative discretion by Congress. The appropriate terms of consumer credit loans change with market conditions. Furthermore, the decision as to whether or not a change is needed is a technical matter. The yielding of Congress to pressure group demands that it regulate the terms of consumer credit was inexcusable.

It is also desirable to keep the terms of real estate credit fairly strict. These terms have been remarkably easy for many years. In the fall of 1950, the Federal Reserve System, again acting under authority conferred in the Defense Production Act, tightened up the terms of real estate credit — though by historical standards the new rules were liberal. The restrictions on real estate credit did not prevent the year 1951 from being one of the biggest residential building years in the country's history. Nevertheless, as a result of pressure from special interest groups, Congress in the summer of 1951 again required relaxation of real estate credit loans.

(b) **Keeping wage increases as low as possible:** Increases in wages under present conditions will mean increases in payrolls. Thus, wage increases are likely to raise the demand for consumer goods. The effect on prices will depend upon what kinds of goods are demanded by consumers. Some kinds can be produced in greater quantity on short notice and without higher unit costs. Others cannot be increased at all. The supply of foodstuffs depends largely upon the weather. Hence the rise in payrolls under present conditions will keep the price of foodstuffs higher than they otherwise would be.

The Wage Stabilization Board has promulgated certain rules which specify the wage increases that employers may grant without securing approval of the Board. In general, the rules of the Board are that wages may be advanced by 10% above the level of January, 1950, plus the percentage that the consumer price index has increased since January, 1951. In effect, this means permitting wage rates to rise by somewhat more than the increase in the consumer price index since January, 1950. The Board's rules also permit wage advances made by one plant to be met by other plants when a more or less traditional relationship has existed between the wages paid by the two plants. There are other reasons for which the Board allows wages to be increased without its permission and the Board has been liberal in allowing unions and employers to negotiate fringe benefits of various sorts. In fact, the Board imposes virtually no restrictions upon negotiated increases in pensions.

Unions and employers are free to enter into agreements for wage increases that exceed those permitted without specific approval of the Board. If such agreements are made, however, the approval of the Board mus be obtained before the employer begins paying the wages. Furthermore, unions may strike to compel employers to agree to pay wages in excess of the limits allowed by the Board. In a significant statement issued on Sept. 21, however, the Board warned employers and unions against making agreements that exceed existing regulations and that require Board approval but which involve "no special facts or inequities justifying an exception" to existing regulations. This was a wise and much-needed statement but unfortunately it has received little publicity. Most unions and employers do not even know that it was made. When Mr. Rieve, President of the Textile Workers Union and a labor member of the Board, made a speech to the Massachusetts CIO in December and told the workers "to get all you can and take your chances with the Board," I saw no statement from the Board reminding employers and workers of the Sept. 21 statement. Mr. Rieve's statement certainly called for a warning from the Board that it conflicted with the advice which the Board itself in a unanimously approved statement had given to both employers and unions.

The Wage Stabilization Board is under continuous pressure to liberalize its regulations. At present there is a strong demand that the Board change its rules to permit payment without Board approval of wage advances based upon the rise in productivity. The General Motors contract and a number of other contracts provide for an annual wage increase to permit workers to share in the technological gains of industry. The amount permitted under the General Motors contract is four cents per year. This is intended to measure, not the gain of productivity in the plants of General Motors or in the automobile industry, but rather the estimated gain in output per manhour for all industries of the country. In recent years this has averaged about 2 to 2.5% a year which works out at about 4 cents per hour in the case of General Motors.

President Truman, in his economic message last January, gave his blessing to wage adjustments based upon increases in productivity. He said: "Wage adjustments to allow for increases in productivity, if carefully limited and firmly administered, can provide incentives which outweigh any possible inflationary effect." The Council of Economic Advisers is also on record in favor of wage increases based upon likely productivity increases of the economy as a whole which the Council estimates at 2 to 3% a year.

Certainly this is not the time at which automatic wage increases based upon some estimate of overall productivity should be introduced into American industry. The idea may have merit as a new economic arrangement. It seems to be true that wages have in fact adjusted themselves pretty completely to rises in productivity, though there has necessarily been some lag in those industries in which productivity was going down, not up. But whatever may be the ultimate merits of wage increases based upon estimates of overall productivity, a time when payrolls are outrunning the supply of consumer goods is not the time to introduce such increases. Nor is the Wage Stabilization Board, charged as it is with the responsibility for stabilizing wages, an appropriate body to recommend productivity increases. There is nothing "stabilizing" under present conditions about such increases. They would have virtually no immediate effect upon the supply of consumer goods, but they would raise personal incomes. Hence, they would help the supply of personal income outrun the supply of consumer goods. They would be unstabilizing, not stabilizing.

The wage advances which a productivity allowance would make possible (when added to the increases permitted by existing rules of the Board) would be about as large as those that were negotiated before the Wage Stabilization Board came into existence. If the Board were now to allow wage increases as large as the unions and the employers were negotiating in December, 1950, before the Board came into existence, it would be hard to see how the Board was exerting any significant stabilizing influence whatever. For example, in the case of the steel dispute, the allowance of a productivity factor would bring the permitted wage increase up to the amount negotiated by the union in December, 1950. If now, when the consumer price index is more or less stationary, the steel workers get as large an increase as they got in December, 1950, when the consumer price index was rising, can the Wage Stabilization Board be regarded as stabilizing wages?

(c) **Encourage personal savings:** If personal incomes rise during the next year as they seem likely to do, an additional gain in the

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Two weeks ago this column said in effect that reactions should be used as springboards to re-enter the market on the long side. At the time this was written the talk of impending market breaks were common. The only difference of opinion seemed to be as how far down they would go. The direction of the move was conceded as a *fait accompli.*

In last week's column the opinion that reactions should be used for new buying was repeated.

In the past few days you've seen a suddenly revitalized market get up off the floor and start aiming for new highs. Now that that's happened the bulls are again in full cry. The estimates of how high (rather than how low) are filling the board rooms. I wish I could get into this fracas with a few well chosen words. Unfortunately I don't know how they're going, or even if they're going higher than they are at present.

Practically always I depend on certain technical indications. When I see these I expect certain phenomena to follow. Sometimes they occur almost on schedule. I must admit that there have been times when the things I expected never occurred.

As I write this the familiar Dow industrials are around 265; the rails around 87. The technicians can point to cabalistic formations called "double bottoms" and other chart forms described as "line cuts." All these point, I'm told, to immediately higher prices.

Such opinions are comforting. No one likes to be alone, particularly in the stock market. But once a majority sets its sights on one thing, the chances of it missing its aim increase by leaps and bounds.

Two weeks ago and again last week I suggested stocks be bought. At this writing the market is up. So much is a fact. Now we go into the realm of theory.

The most widely accepted theory now prevalent is that the industrial average will go to 300—a nice round figure. My guess is that it will be some time before that 300 figure is reached. I fear that the 270 figure will be a hurdle that will require at least two attempts before it is passed.

Whether or not the market will eventually go to 300 or better is at best an academic question. I cite the averages because they are the gist of most market conversations. Actually what the averages do or don't do is secondary. It is the action of individual stocks (that's what you buy; not the averages) that should concern you the most. I'm not going into an involved discussion about individual stocks. I've mentioned in this column time and again what groups I preferred.

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

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Is Inflation Still a Threat?

rate of personal saving will be necessary in order to avert an increase in prices. At the end of 1951, the proportion of income after taxes saved was about twice as large as in the first quarter of the year. Can a still higher rate of personal saving be brought about?

I believe that it can be. The great increase in saving during 1951 took the form of bank deposits and the buying of securities. The fact that savings went into liquid investments strongly suggests that people were saving because they did not believe that it was a good time to buy goods. This explanation is confirmed by the replies obtained in the survey of consumer finances early in 1951. About half of those interviewed expressed the view that the then present was not a good time to buy durable goods—principally because prices were too high. But the interviewees did not expect prices to fall—in fact, seven out of ten expected prices to rise. If people regard present prices as too high and expect prices to rise, they probably will wait until more attractive goods become available. If this is true, then one way to encourage saving is to remind people that more attractive goods will be available in about two years when manufacturers have had a chance to improve their designs and when material shortages and government regulations no longer compel manufacturers to use substitute materials.

Saving can be encouraged by offering people more attractive investment outlets for their funds. The investment trusts are probably better able to do this than any other group of investment institutions because they have greater discretion than other institutions in making investments. They can offer the small investor diversity of risk and the opportunity to invest in common stocks. The Cowles study, "Common Stock Indexes, 1871-1933," shows that the average investment return for all common stocks listed on the New York Stock Exchange for the period 1871-1937 was 6.8% per year in comparison with 4.2% for high-grade bonds.[1] The Treasury could undoubtedly stimulate saving by bringing out an attractive saving bond. The Treasury is reported to be working on a "retirement bond"—a bond that might be purchased by persons planning to save for retirement. Since many people fear that their savings will suffer a big drop in purchasing power before the saver reaches the age of retirement, a retirement bond that would protect the saver against a loss in the purchasing power of his savings would undoubtedly meet a cordial response.

VI

Has not the time come for the country to consider the possibility that the drop in expenditure on armament may bring about a more or less severe recession and to take the steps needed to avert a recession when spending for defense drops about the end of 1953 or sometime in 1954? One of the most respected investment services in the country recently expressed the view that "while it is theoretically possible that the country could make the transition from rapid rearmament to armed maintenance without serious business decline, the odds are heavily against it as a practical matter."

A substantial recession in the United States would be a most serious matter for the rest of the world. Other countries would be far less able to stand it than the United States. Furthermore, other countries have been led to believe if they forego some immediate rise in their standard of living in order to produce defense goods, they will soon be able to resume a rise in their living standards. The disillusionment that would be created by a world-wide recession in 1953 or 1954 would be a godsend to the propagandists of Communism.

The possibility that the end of the armament build-up would produce a severe recession is real and it would be folly not to take steps to keep the transition from armament build-up to armament maintenance as smooth as possible. Nevertheless, the danger of a large drop in employment has, I think, been overestimated. There are two principal reasons for this conclusion. One is that the peak in defense spending will occur later and that the ultimate drop in defense spending will be smaller than has generally been anticipated. A second reason is that the demand for goods will be greater than most people seem to assume.

There are two reasons why the peak in defense expenditures will come later and the drop will be smaller than has been generally expected — China is gaining strength as a military power and the technology of war is developing rapidly. The significance of China's rise in military strength has received little attention from the American public. Indeed, the public seems to assume that the present regime in China is temporary and in the near future will be pushed out. There are no good reasons for accepting this wishful thinking. China's growth in military strength will require that the United States contribute on a substantial scale to an alliance of Pacific countries.

The rapid development of the technology of war will also have the two-fold result of limiting the peak in war expenditures and also limiting the drop. I have pointed out that it will limit the peak because by compelling postponement of war contracts while the design of goods is being improved and by causing equipment of the immediately available type to be purchased in limited quantities only. The same conditions which cause the peak in defense expenditures to come later and to be lower will also limit the ultimate drop in defense expenditures. Each year there will be much new and expensive equipment that the armed services must have in order to be up to date. My guess is that the peak in defense expenditures will be somewhere between $60 billion and $65 billion a year and that the maintenance level will be around $50 billion a year. This is very different from recent assumptions that the peak will be about $70 billion and the maintenance level about $40 billion.

When the drop in defense spending occurs, the demand for goods will be greater than is generally expected. Investment in industrial plant and equipment will undoubtedly be below the present high levels, but the drop will not be large. It is not generally realized on what a huge scale industrial research is now being done. Professional personnel in private industrial research laboratories have increased from 54,000 in 1946 to 70,000 today. Although the defense program has interrupted the training of many young scientists and engineers, it has stimulated the development of technology in many ways. It makes insistent demands for metals that can withstand intense heat; it requires that parts be made to new standards of accuracy; it demands the production of more minute parts than industry has ever made; it accelerates the substitution of electronic controls for mechanical controls; and it brings about the making of more reliable electronic equipment than has ever before been produced. The advances that are now occurring in technological "know-how" mean changes in methods of production, changes in the design of goods, and the development of new kinds of goods. All of these developments will provide demand for industrial plant and equipment, especially industrial equipment.

The drop in defense expenditures will see some rise in outlays of state and local governments because states and cities have been accumulating a large backlog of needs. A large number of children of school age will require many additional schools. More than half of the country's major highways are over 15 years old and are not adapted to modern traffic conditions. The inadequacy of present highways has been greatly aggravated by the enormous increase in the number of cars—passenger cars have increased from 27.4 million in 1940 to 40.2 million in 1950 and trucks from 4.6 million to 8.3 million. Large expenditures on roads, bypasses, bridges, grade separations, are inevitable.

Most cities have neglected to expand their water supplies to keep pace with the growing demand for water. The consumption of water has been growing, partly because of the rise in the use by industry as the output of goods has expanded, and partly because greater domestic use has been encouraged by the great increase in the number of water heaters and in the number of cars to be washed, and by the growing vogue of gardening. The country is also becoming aware that it has been polluting its streams and beaches, and it is belatedly waking up to the fact that its sewerage systems are either inadequate or out-of-date.

The principal reason for believing that the drop in defense spending will not produce a severe recession is that individuals today are not spending a normal part of their incomes on consumer goods. Perhaps we do not know what ratio of expenditures for consumer goods to personal income after taxes is "normal," but the present ratio is low by past standards. The more that consumers save now, the more they will be able and willing to spend later on. Consequently, the present high rate of saving makes for future stability of the economy. When individuals return to their more or less normal habits of spending, the demand for consumer goods will rise by about $10 billion a year.

What are consumers likely to buy when their spending habits return to normal? The answer to this question is "more of nearly everything." Nevertheless, there are some things that seem particularly likely to be in strong demand. Many people fear that the market for durable consumer goods is reaching a saturation point, but this does not seem to be true. The variety of durable consumer goods is constantly being expanded and the prices of many of these goods are being brought down to where millions of families can afford them. Only about 2% of the wired homes have dishwashers, room air conditioners, clothes dryers, or waste-disposal units, and only about 9% have freezers. There are great opportunities for replacing gas cooking with electric cooking because less than one-fourth of the wired homes have electric ranges.

The percentage of families owning automobiles has gone up sub-

1 Alfred Cowles, 3rd and Associates, "Common-Stock Indexes, 1871-1937", p. 41.

stantially in the last decade, but it still has a considerable way to go because less than 2 out of 3 families own cars. This means that there are about 15 million families that do not own cars. Furthermore, America has made a pretty good start toward becoming a nation of two-car families. The percentage of families owning 2 cars increased from 4.8 in 1948 to 11.1 in 1950. As people move to the suburbs, as the proportion of women at work continues to rise, and as incomes grow, the proportion of two-car families will increase. Changes in living habits, such as the large movement of urban-employed people to suburbs and outskirts, will stimulate expenditures on housing, house furnishings, garden appliances, and plants, and swimming pools.

The fact that consumers are deferring buying many kinds of goods because they are waiting for better models to be available indicates consumers will not be willing in 1954 to buy 1952-model automobiles or television sets. In other words, consumers will not do the sort of thing that they did in 1946 when they purchased prewar models in large quantities. If a rise in consumer spending is to avert a recession in 1953 or 1954, manufacturers must be ready to produce real 1954 models — not simply dressed-up 1952 models. It will be difficult for manufacturers to do this. Nevertheless, if machine tools can be made available for civilian use in 1953, manufacturers can offer greatly improved models in 1954. Furthermore, the non-defense demand for machine tools in 1953 will help offset the drop in expenditures by the defense industries on plant and equipment in 1953.

VII

Let me close these remarks with a brief look at the long-run prospects for prices. My belief is that the long-run movement of prices will be slowly upward. Furthermore, I do not believe that the long-run upward movement of prices will be interrupted by the long periods of severe price declines which have been characteristic of price movements in the past. For example, between 1814 (just after the war of 1812) and 1849, the price level declined by over half. In the next 20 years the price level doubled, but between 1865 and 1896, the price level dropped by much more than half. Again between 1920 and 1933, the price level dropped by more than half. The future will, of course, see periods of price declines, but these, I believe, will be shorter and less severe than the declines of the past.

What is the basis for this assertion? Partly, because I believe that the country will do a better job of controlling inflation than it did in the past, partly because changes in the economy make it harder for the price level as a whole to go down, and partly because the government is pursuing policies that tend to bring about a slow rise in prices.

The country will do a better job of controlling inflation than in the past. Progress in this field is slow, but it is occurring. One can say with considerable confidence that the country will not tolerate the crude methods of government financing that were employed in the war of 1812, the Civil War, or even the First World War.

Changes in the economy make it harder for prices to drop. There are four ways in which a drop in the price level might come about. One way is through a drop in the prices of goods produced mainly by the self-employed, such as farmers and small businessman. The self-employed differ from enterprises using hired labor in that their costs are fixed by contracts to a considerably less degree than are the costs of the concerns using employees. But the goods produced by the self-employed are a much smaller part of all output than they used to be. This is indicated roughly by the drop in the size of agriculture relative to other industries. Back in 1870, more than half of the gainfully employed in the United States were engaged in agriculture; today only about 12% of the gainfully employed are in agriculture. Furthermore, the government will not stand by and let the prices of farm products fall without limit.

A second way in which a reduction in the price level might come about is through general cuts in money wages. Such cuts have never been particularly important —the non-agricultural wage level dropped 15% between 1873 and 1879, about 12% between 1920 and 1922, and 20% between 1929 and 1932. These are the only important wage drops in over a century. Now the pervasiveness and strength of unions make it unlikely that substantial wage cuts will occur in the future.

A third way in which prices might be reduced is through a reduction in profits. The potentialities of this source of price reduction are limited because profits are such a fraction of the total selling price.

A fourth way in which prices might be reduced is by a cut in labor costs as a result of technological progress. It is possible that technological progress will be so rapid that prices will drop. An important fact about technological progress is that it is occurring much more rapidly now than 100 years ago. Indeed, output per manhour seems to be growing more than three times as fast today as it did a 100 years ago. The reason is obvious. Industry uses on a large scale systematic efforts to change its methods and to cut costs. The possibility is not remote that technological progress will be so rapid that the long-run movement of the price level will be downward, or at least horizontal.

Nevertheless, I believe that the long-run movement of prices is likely to be upward. This belief rests upon three policies of the government that are not likely to be abandoned and that tend to raise prices. One is the policy of supporting the prices of farm products—the drop in these prices has been an important cause of cumulative deflation in the past. The second is the policy of encouraging workers to organize. I believe that the unions are likely to push up wages a little faster than technological progress raises output per manhour. The third is the policy of the government intervention in halting recessions. If the government halts depressions before prices have dropped to the level at which the previous boom started, each boom will begin with a little higher price level than the previous one and the long-run movement of prices will be upward.

When I say that I expect the long-run movement of prices to be upward, I am not saying that I expect the economy to be more inflationary than it has been in the past. I expect the swings of prices to be much milder than they have been in the last 150 years—the periods of deflation to be less deflationary and the periods of inflation to be less inflationary. But people will be more concerned about the long run movement of prices than they used to be. They will realize that a 2% annual increase in the price level means a 49% rise in 20 years and a 3% annual rise means an 81% rise in 20 years. Their investment decisions will be affected accordingly.

An economy with a slowly rising price level imposes injustices on many people but it also has important advantages over an economy in which each recession is sufficiently severe to wipe out the rise of prices of the preceding boom. The economy with a slowing rising price level has more employment, more output, and a higher standard of living than the economy with the stable price level. Consequently, the prospect that the dollar will slowly drop in purchasing power is not to be viewed in alarm. When one is compelled to choose between two kinds of economies, each of which has certain disadvantages, one is naturally inclined to select the economy that produces the higher standard of living. Therefore, as between an economy with a stable price level and one with a slowly rising price level, the latter is to be preferred.

White, Weld Group Underwrites El Paso Nat. Gas Co. Pfd. Stocks

White, Weld & Co. heads an investment group which offered publicly yesterday (March 5) a new issue of 100,000 shares of 5.36% cumulative preferred stock, $100 par, of El Paso Natural Gas Co. The stock was priced at $100 per share, plus accrued dividends.

Concurrently, El Paso is offering its common stockholders the right to subscribe for 100,000 shares of new $4.40 convertible second preferred stock, 1952 series, on the basis of one new share for each 33 common shares held of record March 3, 1952. The stock is priced at $100 per share. Transferable subscription warrants will expire at 3 p.m. (EST) on March 18, 1952. The subscription offering will also be underwritten by the White, Weld group.

Proceeds of both offerings are to help finance El Paso's program to enlarge system capacity by 320,000,000 cubic feet of natural gas per day, including the payment of $8,000,000 of short-term bank loans incurred for this expansion. At the present time the company's total authorized system capacity is 1,168,000,000 cubic feet of gas per day, of which up to 805,000,000 cubic feet per day are under firm contract to its California customers. It has pending with the Federal Power Commission applications to increase daily deliveries to California by 200,000,000 cubic feet per day from the Permian Basin and by 100,000,000 cubic feet from the San Juan Basin in northwestern New Mexico, plus 20,000,000 cubic feet from the latter source to applicants for service in Nevada. The company estimates that the current Permian expansion will cost about $62,695,000 and San Juan $46,188,000, including $19,000,000 for the extensive gas reserve acquisition and development program now under way in the latter.

The new 5.36% preferred is callable at company option at $104 per share, and for the sinking fund, beginning June 1, 1957, at $100 per share, in each case plus accrued dividends.

The $4.40 second preferred is convertible into common stock at $36.50 per share through June 30, 1957 and thereafter at $38.50 per share through June 30, 1962, in each case taking the preferred at $100 per share. It is callable at company option at $103 per share, and for the sinking fund, beginning June 1, 1963 at $100 per share, plus accrued dividends.

During 1951 the company paid dividends totalling $1.60 per share on its common stock. For the 11 months ended Nov. 30, 1951 it reported total operating revenues of $55,397,789 and net income of $9,649,087.

Continued from page 11

Is European Aid Inflationary?

traveled about 2,000 miles in Italy by rail and bus. I saw two tractors—one in use, the other apparently laid up for repairs. Italian agriculture simply can't use our large tractors, and ECA refused to buy small tractors—possibly because the big companies didn't make them.

Who paid for the tractors now rusting in Italian warehouses?

(7) If you want to buy a motorcycle or even a motorscooter, you can have up to two years to pay for it. Credit is easy on small purchases.

Where is the basis for such credit? Can it be the **Italian economy** which four years ago was practically bankrupt?

(8) A group of economists in Milan told me that a large part of the counterpart funds there had gotten into the hands of the already wealthy; and that only an infinitesimal portion had filtered down to the grass roots; they said Italian laborers were as poor or poorer than in the 1920's.

How is this sort of "aid" going to repel communism?

Incentive to Inflation

How, **without further inflation,** are these luxuries going to be supported? Let's take a brief look at the United Kingdom.

There our aid enabled her labor government to try a series of cock-eyed, near-communist experiments,—all of which have cost vast sums of money, have produced no satisfactory results and have prevented sound, normal recovery.

Coal is the outstanding case, coal is at the very foundation of U.K.'s economy. Without coal exports Britain becomes a 3rd rate power. Not only is coal itself a chief source of earnings, but on coal hang many other sources of U.K.'s wealth, e. g. her merchant marine, her marine insurance business, much of her banking and foreign exchange. Unless Britain can restore her coal export trade she is doomed as an important factor in world economy.

Our so-called "aid" had made it possible for Britain to live without coal exports. We have been aiding and abetting Britain's unwillingness or inability to produce coal.

We have even exported coal to the U.K., — much of which has been paid for by ECA. That is indeed "carrying coals to Newcastle," but that phrase never included "giving it to them."

Realistic Points of View

There are two possible, realistic points of view concerning our so-called "aid":

(A) That the objectives of the program were ill-conceived, uneconomical and unsound; or—

(B) that the program as conceived was sound but that it has been so badly administered as to miss its objectives and in fact to abet the very evils it was intended to combat.

In my opinion the objectives of the aid program to Europe were reasonably sound. What happened?

(1) The program was converted into a give-away program, and became essentially inflationary;

(2) It was inflationary because a large portion of the funds were spent to create, to reestablish and to support non-productive and uneconomical objectives;

(3) Actually our "aid" took the form of creating unearned credit, causing labor scarcity, high wages, and high prices;

(4) A large part of our "aid" went into building activities, which are notoriously at the basis of inflationary movements; and

(5) In effect we have been encouraging these countries to **live** beyond their means.

Why did ECA get off on **this** kind of a tangent?

Primarily because it was administered by amateurs.

ECA Personnel

One of my graduate students has made a study of ECA personnel. Not in the entire organization from Paulyanna Hoffman down to the lowest section chief could he find any employee who had had any type of experience that would seem to fit him for administering—no! more than that—reconstructing the economy of a great country—like Italy. There were hundreds of bureaucrats who had spent their entire adult lives with both feet in the public trough; there were plenty of just plain political hangers-on and deserving Missouri Democrats; there were many who went along just for the ride and to enjoy a vacation in Europe at government expense. Most of the top officials were complete strangers to the countries which they were supposed to advise and restore.

In the whole outfit there wasn't a top-notch foreign trader; or one recognized high-level economist; or one banker with broad foreign experience; they did have one above average educator who resigned after a short period of service.

But somebody is going to chide me because ECA is finished and over. Fair enough, but its effects are just beginning to seep down into the economies of the various "aided" countries.

But this is **not all history.**

We are now passing from the European Recovery Program to the Mutual Security Program, which will spend 100% more money on even more wasteful objectives. At least the ECA was administered by civilians. The administration of the Mutual Security Program will be dominated by the military with its brass, its redtape, its fuss and feathers, its tomfoolery, and its complete inability to grasp every-day matters of practical significance.

The Long-Run Result of Aid Program

The long-run result of our overall, foreign aid programs — ERP Mutual Security Program, Point IV, Latin American Assistance; Aid to Greece; U. S. Expenditure in the Philippines; help to other Far Eastern and near-communist nations; could easily be:

(1) More and larger fits;

(2) More and more waste;

(3) Wider and more frequent deviation from constructive enterprise;

(4) More and more inflation;

(5) Greater and greater destruction of economic values and savings;

(6) Distorted and weakened economies all over Europe and the world;

(7) And finally, a more fertile field for communism than ever before.

May I put my conclusions in the form of two suggestions:

(1) **To credit men,** may I suggest they watch inflationary tendencies in those countries that are the recipients of our largesse in any form. After all our investments in Germany came to naught following World War I, the same thing could happen again in Western Europe; and,

(2) **To all of us** may I venture the observation that Europe may well suffer greater losses through the inflation, of which we have been the inciting and careless cause, than the losses sustained, great as they were, in World War II.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Mar. 9	101.3	100.9	100.6	101.0
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 9	2,104,000	2,096,000	2,090,000	2,019,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Feb. 23	6,365,800	6,356,250	6,194,300	5,945,150
Crude runs to stills—daily average (bbls.)	Feb. 23	‡6,599,000	6,591,000	6,584,000	6,524,000
Gasoline output (bbls.)	Feb. 23	21,528,000	21,715,000	21,649,000	20,815,000
Kerosene output (bbls.)	Feb. 23	2,630,000	2,400,000	2,365,000	2,632,000
Distillate fuel oil output (bbls.)	Feb. 23	10,552,000	10,492,000	10,391,000	10,545,000
Residual fuel oil output (bbls.)	Feb. 23	9,024,000	9,178,000	9,222,000	9,471,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 23	141,765,000	140,921,000	133,861,000	136,870,000
Kerosene (bbls.) at	Feb. 23	17,952,000	18,654,000	21,180,000	12,527,000
Distillate fuel oil (bbls.) at	Feb. 23	55,055,000	57,272,000	66,450,000	48,764,000
Residual fuel oil (bbls.) at	Feb. 23	37,111,000	37,421,000	38,725,000	38,995,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 23	683,368	737,609	727,933	734,845
Revenue freight received from connections (number of cars)	Feb. 23	662,201	686,790	663,873	731,287
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 28	$165,676,000	$222,118,000	$212,468,000	$352,081,000
Private construction	Feb. 28	75,248,000	124,607,000	106,358,000	274,560,000
Public construction	Feb. 28	90,428,000	97,511,000	106,110,000	77,521,000
State and municipal	Feb. 28	48,249,000	59,910,000	58,672,000	52,501,000
Federal	Feb. 28	42,179,000	37,601,000	47,438,000	25,020,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 23	10,075,000	*10,595,000	11,220,000	*10,363,000
Pennsylvania anthracite (tons)	Feb. 23	807,000	649,000	857,000	933,000
Beehive coke (tons)	Feb. 23	139,600	141,900	147,900	156,500
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Feb. 23	240	257	240	274
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 1	7,415,966	7,460,763	7,572,432	6,822,028
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Feb. 28	163	177	164	170
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 26	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	Feb. 26	$52.72	$52.72	$52.72	$52.69
Scrap steel (per gross ton)	Feb. 26	$42.00	$42.00	$42.00	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 27	24.200c	24.200c	24.200c	24.200c
Export refinery at	Feb. 27	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Feb. 27	121.500c	121.500c	121.500c	182.625c
Lead (New York) at	Feb. 27	19.000c	19.000c	19.000c	17.000c
Lead (St. Louis) at	Feb. 27	18.800c	18.800c	18.800c	16.800c
Zinc (East St. Louis) at	Feb. 27	19.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 4	96.53	96.81	96.50	101.14
Average corporate	Mar. 4	109.60	109.60	109.60	115.43
Aaa	Mar. 4	113.89	114.08	114.27	119.20
Aa	Mar. 4	112.75	112.75	113.12	118.00
A	Mar. 4	108.52	108.70	108.34	114.85
Baa	Mar. 4	103.64	103.64	103.47	109.79
Railroad Group	Mar. 4	106.39	106.04	105.86	112.56
Public Utilities Group	Mar. 4	109.06	109.42	109.60	115.24
Industrials Group	Mar. 4	113.31	113.70	113.70	118.60
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 4	2.73	2.71	2.74	2.41
Average corporate	Mar. 4	3.19	3.19	3.19	2.88
Aaa	Mar. 4	2.96	2.95	2.94	2.69
Aa	Mar. 4	3.02	3.02	3.00	2.75
A	Mar. 4	3.25	3.24	3.26	2.91
Baa	Mar. 4	3.53	3.53	3.54	3.18
Railroad Group	Mar. 4	3.37	3.39	3.40	3.03
Public Utilities Group	Mar. 4	3.22	3.20	3.19	2.89
Industrials Group	Mar. 4	2.99	2.97	2.97	2.72
MOODY'S COMMODITY INDEX	Mar. 4	433.9	432.6	452.6	527.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 23	173,186	170,485	187,558	201,026
Production (tons)	Feb. 23	211,365	214,477	201,284	251,715
Percentage of activity	Feb. 23	87	87	85	105
Unfilled orders (tons) at end of period	Feb. 23	355,934	396,837	376,678	663,339
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Feb. 29	143.4	144.1	145.5	153.9
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Feb. 16	26,181	34,010	37,290	32,547
Number of shares	Feb. 16	736,039	958,859	1,056,792	973,779
Dollar value	Feb. 16	$33,312,942	$43,568,177	$49,687,391	$42,436,272
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 16	21,955	26,490	28,899	31,825
Customers' short sales	Feb. 16	132	187	203	240
Customers' other sales	Feb. 16	21,823	26,303	28,696	31,585
Number of shares—Total sales	Feb. 16	606,221	737,406	806,863	890,110
Customers' short sales	Feb. 16	4,203	7,817	7,554	9,157
Customers' other sales	Feb. 16	602,018	729,589	799,309	880,953
Dollar value	Feb. 16	$26,147,141	$31,373,509	$35,065,905	$37,516,646
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 16	170,330	195,180	201,000	257,770
Short sales	Feb. 16	------	------	------	------
Other sales	Feb. 16	170,330	195,180	201,000	257,770
Round-lot purchases by dealers—					
Number of shares	Feb. 16	276,970	413,740	462,270	331,300
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR— (1947-49=100):					
Commodity Group:					
All commodities	Feb. 26	111.7	111.8	------	------
Farm products	Feb. 26	106.3	106.4	------	------
Processed foods	Feb. 26	112.5	112.3	------	------
Meats	Feb. 26	112.4	112.1	------	------
All commodities other than farm and foods	Feb. 26	112.7	112.9	------	------

*Revised. †Not available. ‡Includes 420,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of October	72,647	69,429	62,915
Stocks of aluminum (short tons) end of Oct.	11,660	14,327	13,731
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of January	9,120,000	*8,885,129	8,843,167
Shipments of steel products, including alloy and stainless (net tons)—Month of Nov.	6,509,048	6,844,093	6,051,145
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 AVERAGE = 100—Month of January:			
Sales (average monthly), unadjusted	82	175	98
Sales (average daily), unadjusted	80	179	96
Sales (average daily), seasonally adjusted	100	103	120
Stocks, unadjusted	101	106	*106
Stocks, seasonally adjusted	114	115	*120
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of December (000s omitted)	28,274,921	27,478,655	25,640,329
Revenue from ultimate customers—month of December	$501,340,100	$488,364,700	$458,072,100
Number of ultimate customers at Dec. 31	46,821,950	46,708,035	44,986,294
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of December:			
Contracts closed (tonnage)—estimated	202,835	*192,065	284,492
Shipments (tonnage) estimated	202,679	*219,564	212,940
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE)—Month of December:			
Deliveries (number of cars)	8,458	9,824	5,700
Backlog of orders at end of month (number of cars)	123,947	129,158	124,489
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of January:			
Automatic gas water heater shipments (units)	150,400	118,800	------
Domestic gas range shipments (units)	153,600	145,800	------
HOUSEHOLD VACUUM CLEANERS — STANDARD SIZE (VACUUM CLEANER MANUFACTURERS ASSN.)—Month of December:			
Factory sales (number of units)	230,263	219,919	288,756
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE — (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of November:			
Factory sales of washers (units)	262,484	297,210	379,964
Factory sales of ironers (units)	20,500	29,800	41,900
Factory sales of dryers (units)	52,499	59,299	33,044
INTERSTATE COMMERCE COMMISSION —			
Index of Railway Employment at middle of January (1935-39 average=100)	124.5	123.7	127.8
NEW YORK STOCK EXCHANGE—			
As of Jan. 31 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers net debt balances	$1,289,149	*$1,292,937	$1,411,125
Credit extended to customers	38,747	39,640	114,104
Cash on hand and in banks in U. S.	390,224	381,101	404,297
Total of customers' free credit balances	808,985	823,773	947,966
Market value of listed shares	111,580,425	109,483,613	99,339,824
Market value of listed bonds	96,268,777	95,634,349	116,164,521
Member borrowings on U. S. Govt. issues	34,998	95,761	178,396
Member borrowings on other collateral	656,400	754,218	665,423
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—Month of December (000's omitted):			
Savings and loan associations	$420,696	$440,038	$375,716
Insurance companies	122,071	123,766	152,586
Bank and trust companies	263,110	285,398	277,178
Mutual savings banks	90,609	87,549	92,715
Individuals	207,167	216,985	188,234
Miscellaneous lending institutions	204,498	212,337	234,466
Total	$1,308,151	$1,366,073	$1,320,895
ZINC OXIDE (BUREAU OF MINES)—Month of November:			
Production (short tons)	17,190	17,337	18,980
Shipments (short tons)	12,645	18,249	19,241
Stocks at end of month (short tons)	24,513	19,968	9,997

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Acme United Life Insurance Co.
Feb. 25 (letter of notification) 10,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—1112 Peachtree St., N. E., Atlanta, Ga. **Underwriter**—None.

★ Albuquerque Associated Oil Co.
Feb. 28 (letter of notification) 50,000 shares of common stock. **Price**—$4 per share. **Proceeds**—To build fund for oil and gas operations. **Office**—626 First National Bank Bldg., Albuquerque, N. M. **Underwriter**—None.

● 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. Statement effective Feb. 26.

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.

★ Arisman Co., Portland, Ore.
Feb. 20 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To develop hydrogen motor invention. **Office**—8000 S. E. Foster Road, Portland, Ore. **Underwriter**—None.

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) being offered at $25 per share to stockholders of record Feb. 29 at rate of one new share for each eight shares held; rights to expire on March 21. Unsubscribed shares to be publicly offered about March 24 at $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 for class A and one mill for class B stock. **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.
Feb. 13 filed 33,730 shares of common stock (par $1) being offered for subscription by common stockholders at rate of one share for each six shares held on Feb. 28 (with an oversubscription privilege); rights to expire on March 13. **Price**—$17.75 per share. **Proceeds**—For construction program and to repay bank loans. **Underwriter**—Dillon, Read & Co., Inc., New York. Statement effective Feb. 29.

★ Blue Anchor (N. J.) Packing Co.
March 3 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Underwriter**—None.

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; rights to expire on March 28. **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.

★ Brooks & Perkins, Inc., Detroit, Mich.
Feb. 25 (letter of notification) 23,525 shares of common stock (par $1). **Price**—$4.25 per share. **Proceeds**—To Watling Lerchen & Co., Detroit, Mich., who also acts as underwriter. **Office**—1950 West Fort St., Detroit 16, Mich.

★ Bullock Fund, Ltd., New York
Feb. 28 filed 150,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Calvin Bullock, New York.

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.
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. Statement effective March 3.

● Central Power & Light Co. (3/11)
Feb. 18 filed $10,000,000 first mortgage bonds, series D, due March 1, 1982. **Proceeds**—For new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Blyth & Co., Inc., Harriman Ripley & Co., Inc. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Carl M. Loeb, Rhoades & Co.; Lehman Brothers and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); Union Securities

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NEW ISSUE CALENDAR

March 6, 1952
Baltimore & Ohio RR.__________Equip. Trust Ctfs.
(Bids noon EST)
Schering Corp.__________Common
(Bids 3:30 p.m. EST)

March 7, 1952
Bridgeport Hydraulic Co.__________Common
(Smith, Ramsay & Co. and associates)
Texas Eastern Transmission Corp.__________Common
(Dillon, Read & Co. Inc.)

March 10, 1962
Illinois Power Co.__________Bonds
(Bids 10 a.m. CST)
Pacific Power & Light Co.__________Bonds
(Bids noon EST)
Petroleum Finance Corp.__________Common
(George F. Breen)
Thermal Research & Engineering Corp.____Common
(Drexel & Co.)

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
Mississippi Valley Gas Co.__________Common
(Equitable Securities Corp.)

March 13, 1952
Beckman Instruments, Inc.__________Common
(Lehman Brothers)
Quaker Oats Co.__________Common
(Glore, Forgan & Co.)

March 17, 1952
Publicker Industries, Inc.__________Common
(Merrill Lynch, Pierce, Fenner & Beane)
Union Bank & Trust Co. of Los Angeles___Common
(Blyth & Co., Inc., and others)

March 18, 1952
Pacific Gas & Electric Co.__________Bonds
(Bids 8:30 a.m. PST)
Southwestern Gas & Electric Co.__________Bonds
(Bids to be invited)

March 19, 1952
Chicago, Rock Island & Pacific RR.__________Equip. Trust Ctfs.
(Bids to be invited)
Koehring Co.__________Common
(Loewi & Co.)
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 20, 1952
Indiana Associated Telephone Corp._____Preferred

March 25, 1952
Consolidated Edison Co. of New York, Inc.___Bonds
(Bids 11 a.m. EST)
Southern California Gas Co.__________Bonds
(Bids 8:30 a.m. PST)
Southern Production Co., Inc.________Debentures
(Eastman, Dillon & Co.)

March 26, 1952
Arizona Public Service Co.__________Common
(Probably The First Boston Corp.)
Shamrock Oil & Gas Corp.________Debentures
(The First Boston Corp.)

March 31, 1952
Mountain States Tel. & Tel. Co.__________Common
(Offering to stockholders. No underwriting)
Texas Power & Light Co.__________Bonds
(Bids to be invited)

April 1, 1952
Erie RR.__________Equip. Trust Ctfs.
(Bids to be invited)
Interstate Power Co.________Bonds & Common
(Bids to be invited)
San Diego Gas & Electric Co.__________Bonds
(Bids to be invited)
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 9, 1952
Kansas Gas & Electric Co.________Bonds & Stock
(Bids to be invited)

June 24, 1952
Gulf Power Co.__________Bonds
(Bids to be invited)

July 8, 1952
Georgia Power Co.__________Bonds
(Bids to be invited)

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Corp. **Bids**—To be received up to 11:30 a.m. (CST) on March 11, at office of company, 20 North Wacker Drive, Chicago 6, Ill: **Offering**—To public likely on March 13 or 14.

★ Century Shares Trust, Boston, Mass.
March 3 filed 200,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Vance, Sanders & Co., Boston, Mass.

★ Christiana Oil Corp., Wilmington, Del.
Feb. 25 (letter of notification) $240,000 of notes and 15,998 shares of common stock (par $3). **Price** — For notes, 100% in denominations of $1,000 each; and for stock, $3.75 per share. **Proceeds**—To develop oil properties. **Office**—948 Delaware Trust Bldg., Wilmington, Del. **Underwriter**—Laird & Co., Wilmington, Del.

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.

★ Colhoma Oil & Development Co.
Feb. 25 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds** — For drilling purposes. **Offices** — 1639 South Nevada St., Colorado Springs, Colo. **Underwriter** — None.

• Consolidated Edison Co. of New York, Inc. (3/25)
Feb. 19 filed $50,000,000 of first and refunding mortgage bonds, series H, due March 1, 1982. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; The First Boston Corp. **Bids**—Tentatively scheduled for 11 a.m. (EST) on March 25.

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.

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.

Detroit Steel Corp.
Feb. 5 filed $25,000,000 of 4⅞% 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. **Offering**—Postponed temporarily.

Detroit Steel Corp.
Feb. 5 filed 600,000 shares of $1.50 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. **Offering**—Postponed temporarily.

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 undetermined number of shares of capital stock to be offered to stockholders. **Price**—To be determined by the market within a two-week period prior to the offering date and sufficient to raise a maximum of $250,000. **Proceeds**—For working capital. **Office**—545 Fifth Ave., New York 17, N. Y. **Underwriter**—None.

• El Paso Natural Gas Co.
Feb. 14 filed 100,000 shares of $4.40 convertible second preferred stock (no par), being offered, for subscription by common stockholders of record March 3, at rate of one share for each 33 common shares held; rights to expire March 18. **Price**—$100 per share. **Proceeds**—For new construction and to repay bank loans. **Underwriter**—White, Weld & Co., New York.

★ Empire Petroleum, Inc., Seattle, Wash.
Feb. 25 (letter of notification) 50,000 shares of common stock. **Price**—At market. **Proceeds**—To Edward Nepple, President of company. **Office**—616 Jones Bldg., Seattle 1, Wash. **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**—Tifft 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), being 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. Statement effective Feb. 29.

Golconda Mines Ltd., Montreal, Canada
April 9 filed 750,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—George F. Breen New York. **Proceeds**—For drilling expenses, repayment of advances and working capital. **Offering**—Date not set

★ Great Western Petroleum Co.
Feb. 25 (letter of notification) 299,900 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To drill wells. **Office**—328 Empire Bldg., Denver 2, Colo. **Underwriter**—Steele & Co., New York.

★ Grindle Corp., Markham, Ill.
Feb. 25 (letter of notification) 100,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For laboratory equipment, designs, etc. **Office**—16231 Turner Ave., Markham, Ill. **Underwriter**—None.

Gulf Insurance Co., Dallas, Tex.
Jan. 21 (letter of notification) 5,000 shares of common stock (par $10) to be offered for subscription by common stockholders at rate of one share for each 34 shares held; unsubscribed shares to be offered publicly. **Price**—$45 per share. **Proceeds** — For capital and surplus funds. **Address**—P. O. Box 1771, Dallas, Texas. **Underwriter**—None.

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 & Cownie, Des Moines, Ia **Proceeds** — To six selling stockholders. **Office** — 1017 Walnut St., Des Moines 9, Ia. **Offering**—Temporarily delayed.

Hecla Mining Co., Wallace, Ida.
Jan. 17 (letter of notification) 3,000 shares of capital stock (par 25 cents). **Price**—At market (approximately $18 per share). **Proceeds**—To Mrs. M. K. Pollard, the selling stockholder. **Underwriter**—Thomson & McKinnon, New York.

• Illinois Power Co. (3/10)
Feb. 15 filed $20,000,000 of first mortgage bonds due 1982. **Proceeds**—For new construction and to repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co and Merrill Lynch, Pierce, Fenner & Beane (jointly); Union Securites Corp.; The First Boston Corp.; Harriman Ripley & Co., Inc. and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly). **Bids**—To be received by company up to 10 a.m. (CST) on March 10.

• Independent Flow, Inc., Neodesha, Kan.
Feb. 15 (letter of notification) 120,000 shares of common stock (par 25 cents) being offered to stockholders of record about Feb. 27; rights to expire on March 8. **Price**—$2.50 per share. **Proceeds**—For working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York.

★ Indiana Associated Telephone Corp. (3/20)
Feb. 29 filed 20,000 shares of $2.50 cumulative preferred stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — City Securities Corp. and Indianapolis Bond & Share Corp., both of Indianapolis, Ind.

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.
Feb. 15 filed $24,496,500 of convertible debentures due March 15, 1972, being 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 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 Power Co. (4/1)
March 3 filed 345,833 shares of common stock (par $3.50) to be offered for subscription by common stockholders of record April 4 on basis of one share for each six shares then held (with an oversubscription privilege). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Smith, Barney & Co.; Harriman Ripley & Co. Inc. **Bids**—Tentatively scheduled to be received about April 1.

★ Interstate Power Co., Dubuque, Iowa (4/1)
March 3 filed $2,000,000 of first mortgage bonds, due 1982. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart Co., Inc.; White White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beans; Smith, Barney & Co.; Salomon Bros. & Hutzler. **Bids**—Tentatively scheduled to be received about April 1.

★ Investment Trust of Boston, Boston, Mass.
Feb. 28 filed 300,000 shares of beneficial interest in Trust. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Securities Co. of Massachusetts.

★ Junction City (Kansas) Telephone Co.
Feb. 29 (letter of notification) $294.000 of first mortgage 4½% bonds, series A, due Feb. 1, 1977 (in denominations of $1,000 each). **Proceeds**—To retire bank loans. **Underwriter**—Wachob-Bender Corp., Omaha, Neb.

★ Koehring Co., Milwaukee, Wis. (3/19)
Feb. 28 filed 60,715 shares of common stock (par $5), to be offered for subscription by common stockholders at rate of one share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Business** — Manufacturer of construction equipment. **Underwriter**—Loewi & Co., Milwaukee, Wis.

★ Land Development Co.
Feb. 29 (letter of notification) 60,000 shares of common stock (no par). **Price**—$5 per share. **Proceeds**—For purchase of real estate and the development thereof for housing projects. **Office**—Fifth and Main Sts., Roebling, N. J. **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. Statement effective Feb. 23.

● 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. Statement effective Feb. 28.

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 & Beane (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. (3/12)
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. (3/11)
Feb. 21 (letter of notification) 15,000 shares of common stock (par $10) to be offered initially to stockholders of record April 7 on a pro rata basis; rights to expire March 21. **Price**—$19 per share. **Underwriters**—Loewi & Co., Milwaukee, Wis., and Carter H. Harrison & Co., Chicago, Ill.

★ Multnomah Plywood Corp., Portland, Ore.
Feb. 27 filed 200 shares of common stock (par $2,500), of which 191 shares are to be offered to stockholders at par and nine shares are to be offered to three individuals in units of three shares each at $12,500 per unit. **Proceeds**—To acquire timber, timberlands and peeler plant and for working capital. **Underwriter**—None.

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.

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.

Ohio Edison Co., Akron, Ohio (3/11)
Feb. 14 filed 150,000 shares of preferred stock (par $100). **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; W. C. Langley & Co.; Glore Forgan & Co. and White, Weld & Co. (jointly); First Boston Corp., Lehman Brothern and Bear, Sterns & Co. (jointly). **Bids**—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.
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 late in March or early in April.

★ Ophir Corp., Denver, Colo.
Feb. 25 (letter of notification) 200,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For new construction. **Office**—701 United States National Bank Bldg., Denver, Colo. **Underwriter**—None.

Oregon Fibre Products, Inc., Pilot Rock, Ore.
Feb. 1 filed $2,500,000 5% sinking fund debentures due Jan. 1, 1968 (in denominations of $100 each); 5,000 shares of 6% cumulative preferred stock (par $100) and 50,000 shares of common stock (par $1) to be offered in units of $100 of debentures and two common shares or one share of preferred and two common shares. **Price**—$102 per unit; debentures and preferred stock may also be purchased at face value separately. **Proceeds**—For new construction and equipment. **Business**—Softboard and hardboard plant. **Underwriter**—None.

● Pacific 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 up to 8:30 a.m. (PST) 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**—To be received by the company at Room 2033, Two Rector St., New York 6, N. Y., up to noon (EST) on March 10. Statement effective Feb. 29.

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.

★ Pennant Drilling Co., Inc.
Feb. 29 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To drill well. **Office**—622 First National Bank Bldg., Denver 2, Colo. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

Peoples Finance Corp., Montgomery, Ala.
Dec. 19 (letter of notification) 15,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—Carlson & Co., Birmingham, Ala. **Proceeds**—To expand business. **Office**—5 South Court St., Montgomery, Ala.

Petroleum Finance Corp. (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**—Cruttenden & Co., Chicago, Ill. **Proceeds**—To purchase new equipment. **Offering**—Temporarily delayed.

Portable Electric Tools, Inc., Chicago, Ill.
Feb. 27 filed 135,000 shares of common stock (par $1) 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**—To be received up to 11:30 a.m. (EST) on 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.

★ Publicker Industries, Inc., Phila., Pa. (3/17)
Feb. 27 filed 300,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To Executors of Estate of Harry Publicker. **Business** — Production and distribution of industrial alcohol and chemicals. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

● Quaker Oats Co., Chicago, Ill. (3/13)
Feb. 21 filed 410,121 shares of common stock (par $5) to be offered to common stockholders of record March 13 on a basis of one share for each seven shares held; rights to expire 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.

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.

★ San Diego Gas & Electric Co. (4/1)
March 3 filed $12,000,000 first mortgage bonds, series D due 1982. **Proceeds**—To retire $5,600,000 of bank loans and for construction program. **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. **Bids**—Tentatively expected to be received on April 1.

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 (Stockbridge Corp.) to be formed; 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) March 6 by Office of Alien Property, 120 Broadway, New York, N. Y. Statement effective Jan. 31.

★ Shamrock Oil & Gas Corp. (3/26)
March 4 filed $15,000,000 sinking fund debentures due April 1, 1967. **Price** — To be supplied by amendment. **Proceeds**—To prepay $10,000,000 notes issued in connection with capital expenditures and the balance will be added to general funds. **Underwriter**—The First Boston Corp., New York.

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.

★ Sightmaster Corp., New Rochelle, N. Y.
March 4 (letter of notification) 100,000 shares of common stock (par five cents). **Price**—42 cents per share. **Proceeds**—To Michael L. Kaplan, President and Treasurer. **Office**—111 Cedar St., New Rochelle, N. Y. **Underwriter**—None.

● 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**—To be received up to 8:30 a.m. (PST) on March 25.

★ Southern Production Co., Inc. (3/25)
March 5 filed $12,500,000 of 15-year convertible debentures due 1967. **Price**—To be supplied by amendment. **Proceeds**—For acquisition of property and for development and exploration this year of Saskatchewan (Canada) and Texas acreage. **Underwriter**—Eastman, Dillon & Co., New York.

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 about March 18.

★ State Bond & Mortgage Co., New Ulm, Minn.
March 3 filed $500,000 of investment certificates, series 5; $1,000,000 of investment trust certificates, series 6; and $1,500,000 of accumulated savings certificates, series 12. **Proceeds**—For investment. **Underwriter**—None.

Sun Electric Corp., Chicago, Ill.
Jan. 29 (letter of notification) 3,000 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—6323 Avondale Ave., Chicago 31, Ill. **Underwriter**—None.

Technograph Printed Electronics Inc.
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

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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., Shearson, Hammill & Co. and Dallas Rupe & Son, all of Dallas, Tex.; and Butler, Moser & Co., New York.

★ **Texas Power & Light Co. (3/31)**
Feb. 28 filed $14,000,000 of first mortgage bonds, due April 1, 1982, and $5,000,000 of sinking fund debentures, due April 1, 1977. **Proceeds**—To repay short-term loans and for new construction. **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.; Union Securities Corp. **Bids**—Tentatively expected about March 31.

● **Texas Utilities Co.**
Feb. 15 filed 409,689 shares of common stock (no par) being 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**—$32.50 per share. **Proceeds**—To repay bank loans and for investments in and advances to subsidiaries and working capital. **Underwriter**—Union Securities Corp., New York.

★ **Thermal Research & Engineering Corp. (3/10)**
March 3 (letter of notification) 35,155 shares of common stock (par $1) to be initially offered for subscription by common stockholders of record March 7 at rate of one share for each five shares held; rights expire on March 26. **Price**—$4 per share. **Proceeds**—To purchase plant and machinery and for working capital. **Office**—Conshohocken, Pa. **Underwriter**—Drexel & Co., Philadelphia, Pa.

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.

★ **Thunderbird Ranch, Palm Springs, Calif.**
Feb. 25 (letter of notification) $300,000 of 5% promissory notes to be offered to "members of the joint venture" dated between now and May 1, with interest to begin on Jan. 1, 1953. **Proceeds**—To retire indebtedness and for working capital. **Address** — P. O. Box Y, Palm Springs, Calif. **Underwriter**—None.

Trangulf Corp., Houston, Tex.
Jan. 25 (letter of notification) 25,000 shares of capital stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—1 Main St., Houston, Tex. **Underwriter**—Arthur I. Korn & Co., New York.

● **Trans World Airlines, Inc.**
Feb. 8 filed 242,987 shares of common stock (par $5) being 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. Statement effective Feb. 27.

★ **Tri-Boro Finance Co., Inc., No. Attleboro, Mass.**
Feb. 27 (letter of notification) 500 shares of 7% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—To increase capital. **Office**—11 So. Washington St., No. Attleboro, Mass. **Underwriter**—None.

Tri-State Telecasting Corp., Chattanooga, Tenn.
Jan. 21 filed 20,000 shares of common stock (no par) and 2,000 shares of 5% cumulative preferred stock (par $100) (common stock to be sold only on basis of ten shares for each preferred share purchased). **Price**—Of common, $10 per share, and of preferred, $100 per share. **Proceeds**—For new equipment and working capital. **Underwriter**—Hugh P. Wasson, President of company.

25 Broad St. Realty Associates, New York
Feb. 11 filed 490 participations in individual joint venturers' undivided interests. **Price**—$5,000 per interest. **Proceeds**—To purchase Broad Exchange Bldg. **Underwriter**—None.

● **United Air Lines, Inc. (3/19)**
Feb. 27 filed 224,112 shares of cumulative convertible preferred stock, 1952 series (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.

● **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. Statement effective Feb. 25.

Welex Jet Services, Inc.
Jan. 25 (letter of notification) 2,000 shares of common stock (no par). **Price**—$20 per share. **Proceeds**—To W. H. Thompson, the selling stockholder. **Underwriters**—Barron McColloch, Ft. Worth, Tex.; Dewar, Roberston & Pancoast and Russ & Co., both of San Antonio, Tex.; and Laird & Co., Wilmington, Del.

★ **West Penn Power Co., Pittsburgh, Pa. (4/1)**
Feb 28 filed $12,000,000 of first mortgage bonds, series O, due April 1, 1982, and $8,000,000 of no par common stock (latter to be offered for subscription by stockholders at rate and price to be supplied by amendment. **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. **Bids**—Expected to be opened on April 1.

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 voted to increase the authorized common stock to 1,000,000 from 750,000 shares, and to issue 37,500 shares as a 5% stock dividend. **Underwriter**—Watling Lerchen & Co., Detroit, Mich. **Proceeds**—For additional working capital.

Alabama Power Co. (4/22)
Feb. 8 it was announced company plans to issue and sell about $12,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; Lehman Brothers; The First Boston Corp.; Blyth & Co., Inc.; Union Securities Corp., Equitable Securities Corp. and Drexel & Co. (jointly); Shields & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be opened on April 22.

Allied Electric Products, Inc., Irvington, N. J.
Nov. 9, Nathan Chirelstein, Chairman, said it is probable that the company within a short time will register with the SEC an issue of long-term convertible debentures, part of which will be offered in exchange for any outstanding three-year convertible notes dated Nov. 1, 1951. **Underwriter**—Hill, Thompson & Co., Inc., New York.

American Can Co.
Feb. 5 directors approved the raising of $50,000,000 of new money to provide for the company's plant improvement program and for additional working capital. C. H. Black, Chairman, said the board's plans call for providing half of the new money through the sale of debentures and the remaining $25,000,000 through the sale of additional common stock which would be offered to common stockholders for subscription. The details of the financing plan will be completed and announced at an early date. Stockholders will vote April 29 on approving financing plans and proposed 4-for-1 split-up of preferred and common stocks. **Underwriter**—Morgan Stanley & Co., New York.

American 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.

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.

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.

★ **California- Pacific Utilities Co.**
Feb. 29 it was reported company expects to offer about $2,000,000 of debentures during the next two months. Proceeds will be used to pay for additions and improvements to property.

Case (J. I.) Co.
Jan. 18 it was announced that stockholders will vote April 17 on increasing the authorized common stock from 1,200,000 shares, par $25, to 4,000,000 shares, par $12.50, and on issuance of two new shares in exchange for each share presently held. Following split-up, it is planned to set aside 100,000 of the new shares for sale to employees under stock purchase options, and to offer to common stockholders one new share for each five shares held. **Price**—To be determined later. **Underwriters**—Probably Morgan Stanley & Co. and Clark, Dodge & Co.

Chicago, Rock Island & Pacific RR. (3/19)
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. **Bids**—Expected about March 19.

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.

★ **Cinecolor Corp., Burbank, Calif.**
Feb. 29 it was announced stockholders on March 17 will vote on authorizing an issue of $425,350 of 5% five-year debentures (with stock purchase warrants) to be offered for subscription by common stockholders on a pro rata basis. **Proceeds**—To acquire a controlling interest in Cinecolor G. B., Ltd., 26% owned, and for working capital. **Underwriters**—Latest financing handled by H. Hentz & Co., New York.

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.

★ **Connecticut Light & Power Co.**
March 1 it was announced that it is presently estimated that approximately $11,000,000 of additional capital will be required during the latter half of 1952.

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.**
Feb. 29 applied to Michigan P. S. Commission for authority to issue and sell $25,000,000 of first mortgage bonds due 1987. **Proceeds**—Together with other available funds, to finance $53,000,000 construction program for 1952. **Underwriters**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co., Inc.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp. and Harriman Ripley & Co., Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly). **Registration**—Expected to be filed about middle of March. **Bids**—In April.

Dallas Power & Light Co.
Jan. 23 company was reported to be planning issuance and sale of $6,000,000 first mortgage bonds, with registration expected in the near future. **Proceeds**—To be used for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman Ripley & Co., Inc.; Equitable Securities Corp.; Lehman Brothers; Union Securities Corp.; Kidder, Peabody & Co.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected late May or early June.

★ **Erie RR. (4/1)**
Feb. 28 it was reported company plans to issue and sell about $1,800,000 equipment trust certificates to mature semi-annually in a period of 10 years on or about April 1. Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co.

Florida Power Corp.
Jan. 11 it was announced that additional financing will be necessary to complete the company's construction program and it is contemplated that the balance of new capital needed will be obtained from the sale of common stock and first mortgage bonds. Company has borrowed $4,000,000 under a bank credit recently arranged which provides for short-term bank borrowings of not more than $10,000,000. Previous bond financing was done privately. Common stock may be offered to common stockholders, with Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane acting as agents.

Florida Power & Light Co.
Feb. 11 directors approved a $22,100,000 construction budget for 1952 and $27,800,000 for 1953. This is part of a 10-year program estimated to cost $332,000,000. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; Shields & Co.; The First Boston Corp.; Carl M. Loeb, Rhoades & Co. and Bear, Stearns & Co. (jointly); White, Weld & Co.

Foote Mineral Co.
Dec. 24 it was announced company plans to increase authorized common stock from 300,000 shares (259,422 shares outstanding) to 500,000 shares of $2.50 par value. The company states that "there is no present plan of capital financing either of an equity type or loan." The directors, however, "are studying several plant expansion programs which may eventually require more capital." A group headed by Estabrook & Co. underwrote an issue of common stock to stockholders in April, 1951. Stockholders will meet Feb. 21.

General Fuse Co., South River, N. J.
Jan. 28 Nelson O. Burt, President, announced company is discussing the marketing of unsubscribed 5½% convertible preferred stock with several underwriters. A total of 50,000 shares were recently offered to common stockholders at par ($5 per share).

General Public Utilities Corp.
Feb. 6 it was reported the corporation is expected to sell this summer 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.

★ **Globe-Wernicke Co.**
Feb. 26 it was reported company may issue and sell convertible debentures, or debentures with warrants attached. **Proceeds**—To refund outstanding 7% preferred stock. **Underwriters**—May include Westheimer & Co., Cincinnati, O.

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.**
Feb. 27 T. E. Roach, President, announced that the company's present plans consist of the sale this summer of about 225,000 additional shares of common stock (par $20), but no preferred stock. **Price**—At a minimum of $35 per share net to company. **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 Bell Telephone Co.**
Feb. 27 it was announced the company plans early registration of $25,000,000 first mortgage bonds, series C, due 1984. It is also planned to offer about 680,000 shares of capital stock (par $100) for subscription by stockholders at rate of one share for each four shares held. As of Dec. 31, 1951, about 99.31% of outstanding stock was held by American Telephone & Telegraph Co. **Underwriters** — For bonds to be determined competitively. Probable bidders: Halsey, Stuart & Co., Inc.; Morgan Stanley & Co.; Gore, Forgan & Co. and Union Securities Corp. (jointly).

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.

★ **International Utilities Co., Ltd.**
Feb. 28 it was reported that company was understood to be considering some new financing. **Traditional Underwriter**—Butcher & Sherrerd, Philadelphia, Pa.

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.

★ **Kansas Gas & Electric Co. (6/9-10)**
Feb. 29, Murray Gill, President, announced that company will probably bring an offering of securities to market in the next few months, but the amount is still undecided. Investment groups had been said to have been forming on a reported $12,000,000 in bonds and 200,000 shares of common stock. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Lehman Brothers; Union Securities Corp. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co. and Goldman, Sachs & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); The First Boston Corp. Probable bidders for stock: Union Securities Corp.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp. **Bids**—Tentatively expected on June 9 or 10.

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 in near future.

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 23 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 British Dominion Oil Co., Ltd.**
Feb. 26 it was reported preliminary negotiations are being carried on with an underwriting firm in New York for an offering of about 1,000,000 shares of additional common stock. Proceeds would be used for exploration, development, etc. Properties are located primarily in British Columbia, Alberta, and Montana.

New England Power Co.
Jan. 11 company received from SEC authority to increase authorized bank borrowings from $12,000,000 to $16,000,000. A major portion of this indebtedness may be financed through issuance of common stock to parent (New England Electric System) and first mortgage bonds early in 1952. **Underwriters** — For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc.; Equitable Securities Corp. and Blair, Rollins & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co., Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly).

New England Telephone & Telegraph Co.
Dec. 20, F. A. Cosgrove, Vice-President, said a permanent financing program will have to be undertaken in 1952 to repay about $43,000,000 short-term bank borrowings. **Underwriters**—For bonds may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. In case of common stock financing there will be no underwriting.

New Jersey Bell Telephone Co.
Feb. 18 company filed a new $70,000,000 financing program with the New Jersey Board of Public Utility Commissioners, which will include $20,000,000 of long-term bonds. **Proceeds**—From sale of bonds and from sale of $50,000,000 of common stock to parent, American Telephone & Telegraph Co. will be used for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co.; Kuhn, Loeb & Co.; Shields & Co.; The First Boston Corp. **Offering**—Expected early in May.

● **New Jersey Natural Gas Co.**
Feb. 26 it was reported company, formerly known as County Gas. Co., plans issuance and sale of $12,500,000 first mortgage bonds (to be placed privately), $2,000,000 of preferred stock and 200,000 shares of common stock to provide funds for acquisition of gas properties of Jersey Central Power & Light Co. at an estimated price of $14,500,000. **Underwriter**—Probably Allen & Co., New York.

Northern States Power Co. (Minn.)
Jan. 16, B. F. Braheney, President, announced that company will have to raise between $30,000,000 and $32,500,000 this year to finance its construction program. About two-thirds of the amount needed will be in the form of debt issues and the balance common stock (about 1,100,000 shares) the latter issued first to common stockholders. **Underwriters**—To be determined by competitive bidding. Probable bidders for stock and bonds: Smith Barney & Co.; The First Boston Corp.; Glore, Forgan & Co.; Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly). Probable bidder on bonds only: Halsey, Stuart & Co. Inc.

Northwest Natural Gas Co.
Jan. 7 company filed amended application with FPC in connection with its plan to build a natural gas transmission system in the Pacific Northwest to transport gas from Canada to markets in Idaho, Washington and Oregon, with a portion to be returned to Canada for use in British Columbia. The estimated overall cost of the project is approximately $92,000,000. **Underwriter**—Morgan Stanley & Co., New York. **Financing**—Not expected until after Provincial elections in April.

★ **Nova Scotia (Province of)**
Feb. 27 it was reported early registration was expected of an issue of $12,00,0000 debentures due 1964, with offering late in March. **Proceeds**—For refunding and for capital expenditures. **Underwriters**—Smith, Barney & Co. and Wood, Gundy & Co.

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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.

Pennsylvania Electric Co.
Jan. 5 it was announced that company plans to spend about $26,000,000 for expansion in 1952, to be financed, in part, by the sale of about $9,000,000 first mortgage bonds, $4,500,000 of preferred stock and $4,500,000 of common stock (the latter issue to parent, General Public Utilities Corp). **Underwriters**—For bonds and preferred stock to be determined by competitive bidding. Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Union Securities Corp. and White, Weld & Co. (jointly); Kuhn, Loeb & Co.; A. C. Allyn & Co., Inc.; Equitable Securities Corp.; Shields & Co. and R. W. Pressprich & Co. (jointly). (2) for preferred—Smith, Barney & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co.; Lehman Brothers and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc. **Offering**—Expected in mid-year.

★ **Peoples Gas Light & Coke Co.**
Feb. 26 it was announced stockholders will vote April 3 on increasing authorized capital stock (par $100) from 1,000,000 shares (933,578 shares outstanding Dec. 31, 1951) to 2,000,000 shares. The company has no present plans for issuing any of the additional authorized shares, but they will be available for issuance either for cash or for a consideration other than cash without further action of the stockholders.

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.

★ **Pittsburgh Plate Glass Co.**
Feb. 26 it was reported company plans registration in mid-March of an issue of $40,000,000 debentures. **Offering**—Expected in April. **Underwriter**—The First Boston Corp., New York.

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.**
March 4 it was announced stockholders will vote April 7 on a plan to create an issue of 800,000 shares of cumulative preferred stock (par $25), of which between 400,000 and 800,000 shares (probably convertible into common) are expected to be initially offered. **Proceeds**—To repay bank loans and for construction program. **Underwriters** — May be determined by competitive bidding. Probable bidders: The First Boston Corp.; Glore, Forgan & Co.; Kuhn, Loeb & Co. and Harriman Ripley & Co., Inc. (jointly).

• **Public Service Electric & Gas Co.**
Feb. 29 it was announced that it is expected that upwards of $60,000,000 will be raised in 1952 through the sale of common stock and debenture bonds. While the amounts and time of issuance will depend on market conditions, and have not as yet been determined, it is contemplated that approximately 30% of the new capital will be raised through the sale of common stock and the remainder through the sale of debenture bonds. The proceeds will be used for the company's construction program. In November, the company sold through Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. an issue of 249,942 shares of 4.70% cumulative preferred stock (par $100).

Radioactive Products, Inc., Detroit, Mich.
March 1 stockholders were to vote 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.

★ **Reading Co.**
Feb. 28 it was reported company was understood to be planning sale of about $8,000,000 equipment trust certificates in April. Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co.

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.

Southern California Edison Co.
Aug. 29 it was announced company may have to raise approximately $49,900,000 more through additional financing to take care of its 1951-1952 construction program. Probable bidders for bonds: Halsey Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; The First Boston Corp. and Harris, Hall & Co., Inc. (jointly). These bankers bid for the $30,000,000 issue of 3⅛% first and refunding mortgage bonds which were sold in Aug., 1951. The nature, amounts and timing of the new financing cannot now be determined, and will depend in part or market conditions existing from time to time and may include temporary bank loans. Previous equity financing was underwritten by The First Boston Corp. and Harris Hall & Co. (Inc.). Stock offer expected in April.

Southern 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 Natural Gas Co.**
March 3 company filed with FPC a $76,000,000 expansion program to bring natural gas into its Alabama, Georgia and Mississippi service areas.

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.

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.

Transcon Lines, Los Angeles, Calif.
Feb. 11 it was reported company plans to offer about $200,000 market value of new common stock (around 30,000 shares), first to present common stockholders. **Price**—$6.75 per share to stockholders and about $7.12½ per share to public. **Offer**—Expected in mid-March. **Underwriter**—Cruttenden & Co., Chicago, Ill.

★ **Tung-Sol Electric, Inc.**
Feb. 29 it was announced stockholders on March 25 will vote on approving proposal to create an issue of 100,000 shares of cumulative preferred stock (par $100), of which it is planned to initially sell a first series of not more than 60,000 shares, to be convertible into common stock for 10 years. **Underwriter**—Harriman Ripley & Co., Inc., New York. **Registration**—Expected this week.

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 States National Bank of Portland (Ore.)**.
March 5 company offered stockholders of record March 4 rights to subscribe on or before March 24 for 100,000 additional shares of common stock (par $20) at rate of one share for each six shares held. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc.

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.

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 Electric Power Co.**
Feb. 29 it was reported company plans an offering this Spring of $25,000,000 of securities, with another $25,000,000 not until 1954.

Wisconsin Power & Light Co.
Jan. 23 it was reported company is planning issuance and sale of $8,000,000 of first mortgage bonds and $2,000,000 of convertible preferred stock (to preferred stockholders) and additional common stock (to be offered first to common stockholders on a 1-for-10 basis, with Smith, Barney & Co., New York, and Robert W. Baird & Co., Inc., Milwaukee, Wis., probably acting as dealer-managers for both issues). **Underwriters**—For bonds, to be determined by competitive bidding in April. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Kuhn, Loeb & Co.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Smith, Barney & Co. and Robert W. Baird & Co., Inc. (jointly); Union Securities Corp.; First Boston Corp.; Glore, Forgan & Co.

Our Reporter's Report

The underwriting industry was definitely back on the job of raising capital for various industries this week and evidently well aware that the recent period of stagnation in new offerings had facilitated clearing away of securities carried over from January.

For the moment, at least, the corporate financing field is not seriously disturbed by the possibility of unsettlement in the basic government market as the mid-month tax date approaches.

Presumably it is the consensus that the Federal Reserve will, of necessity, step into the market to the extent required to prevent any serious disturbance. Since the Treasury must find a sizable deficit, it appears unlikely that the Reserve would permit the market to run off very far.

Investment bankers were satisfied with the overall reception accorded current new issues. Under prevailing circumstances the tendency was not to expect a headlong rush by investors, particularly the big insurance companies.

The latter still are finding ample call for their funds through the medium of direct placements and, accordingly, can afford to be choosey. This was evident by the tendency of these large potential buyers to shy from several of the major undertakings, particularly those brought to market this morning.

Demand for American Tobacco's debentures was reported to have originated primarily with pension funds and with out-of-town insurance companies.

Good Acceptance Noted

Generally favorable reception greeted the vanguard of the new undertakings. United Biscuit Co.'s $10,000,000 of 25-year debentures moved out well with only a few remaining in dealers' hands.

Illinois Power Co.'s 200,000 shares of 4.7% preferred stock also went well, seemingly unaffected by last week's sharp setback in the equity market.

Interstate Oil Pipe Line Co.'s $25,000,000 of 25-year, 3¼% sinking fund debentures, however, evidently were a little on the slow side initially but the name of Standard Oil Co. (N. J.) which owns all the stock should help here. They were priced at 99¾ for a yield of 3.14%.

Steel and Tobacco

Just to give potential buyers an unusually wide sweep from a standpoint of variety, bankers brought out a steel issue and a large tobacco offering as well.

Inland Steel Co.'s $25,000,000 of 30-year first mortgage bonds, priced at par to yield 3.20%, out today, were absorbed quickly as had been indicated by the persistence of preliminary inquiry. Stockholders meanwhile are being offered $24,496,500 of convertible debentures on which rights expire March 19.

American Tobacco Co.'s $50,000,000 of 25-year debentures, also due out today, priced at 99 to yield 39.309%, were reported going well, but not attracting interest of big insurance firms.

Private Placements

Last year brought the heaviest flow of new corporate offerings in 22 years, states the Securities and Exchange Commission. But investment bankers were aware of the huge outpouring chiefly by reason of the large part which "passed them by."

SEC records show a total of $7.9 billion floated against $6.4 billion in 1950 and $7.1 billion in 1948.

But of the year's huge total, better than 44% were provided for through the medium of private placement rather than public offering. This compared with 42% of the smaller 1950 total.

It was noted, moreover, that of the corporate debt issues brought to market, fully 60% of the total involved also went down the road of direct sale.

Kuhn, Loeb Group Underwrite Inland Steel Offerings

Two offerings of securities aggregating approximately $50,000,000 of Inland Steel Co., one of the nation's largest steel producers, are being made today (March 6). The company is offering holders of its capital stock of record March 5, 1952, rights to subscribe at a price of 100% to $24,496,500 of 3¼% debentures due March 15, 1972, convertible into capital stock on or before March 15, 1967. The rights entitle stockholders to subscribe for the debentures on the basis of $100 principal amount of debentures for each 20 shares of stock held. The rights expire at 3 p.m. (EST) on March 19.

Kuhn, Loeb & Co. heads a syndicate which is underwriting the offering and will purchase all unsubscribed debentures.

Simultaneously, the same underwriting group is offering to the public $25,000,000 Inland Steel Co. first mortgage 3.20% bonds, series I, due March 1, 1982, at 100% and accrued interest.

Net proceeds to be received from the series I bonds and the debentures will be added to the general funds of the company and used for working capital and additional capital expenditures. It is anticipated that approximately $20,000,000 will be added to working capital to replenish funds depleted below estimated normal requirements by recent capital expenditures for improvement and modernization of plant and equipment. The remainder of the net proceeds will be applied toward capital expenditures expected to be made by the company in 1952 and 1953.

The debentures will be convertible into capital stock at $53 on or before March 15, 1957, at $55.50 on or before March 15, 1962, and at $58 on or before March 15, 1967. They will be redeemable at prices ranging downward from 103% to par, and will have the benefit of an annual sinking fund, beginning in 1957, calculated to retire approximately 75% of the entire issue prior to maturity.

The series I bonds will be redeemable at prices from 103% to par. A sinking fund to be set up for the bonds is calculated to retire 87% before maturity.

Inland Steel Co. is engaged in the manufacture and sale of a broad line of steel products. All of the company's production is produced by the basic openhearth process and except for less than 2% of alloy grades, consists of carbon steel grades. The company is the eighth largest steel producer in the United States at the present time.

Cinerama Convertible Debentures Offered

Gearhart, Kinnard & Otis, Inc., and White & Co. are offering as a speculation $1,000,000 Cinerama, Inc., 5% convertible debentures, due March 1, 1957. The debentures will be issued in denominations of $100, $500 and $1,000 and any multiple of $1,000 approved by the corporation, and are priced at par.

The debentures are convertible into common stock at the rate of one share of common for each $3 principal amount of debentures. The debentures are redeemable at 105% and accrued interest.

Proceeds from the sale of these debentures will be devoted primarily to performance of the corporation's obligations in connection with the first public presentation of Cinerama Productions.

Cinerama, Inc., holds the rights to use and exploit the Vitarama Process, an application of the theory that three-dimensional perception and perspective are obtained principally by peripheral vision, i.e., what the eye sees outside of and surrounding the central area of sharp focus.

A Cinerama motion picture, being produced by Thomas Todd Productions, is nearing completion, and is scheduled to be shown in New York City during the current year.

With E. E. Mathews Co.

(Special to The Financial Chronicle)

BOSTON, Mass.—Alfred C. Carpenter has become connected with Edward E. Mathews Co., 53 State Street.

Stephenson, Leydecker Add

(Special to The Financial Chronicle)

OAKLAND, Calif.—Frank McKee, Jr. has joined the staff of Stephenson, Leydecker & Co., 1404 Franklin Street.

Geo. F. Breen Offers "Fibrelux" Stock

George F. Breen of New York City is offering an issue of 200,000 shares of class A common stock (par $1) of International Glass Fibres Corp, at $1.50 per share. The shares are offered "as a speculation."

The net proceeds are to be used to purchase machinery and equipment, raw materials and inventory, and for working capital.

After dividends in the amount of 25 cents per share per annum have been paid on the class A and class B common stock, the two classes of stock share equally in any dividends declared or paid by the company.

The principal business of the company is the manufacture and sale of a material under the trade name of "Fibrelux." This material consists of glass fibres and polyester resins fused under heat and pressure.

With Bisno & Bisno

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — Oliver G. Tyrrell has become affiliated with Bisno & Bisno. He was formerly with Standard Investment Co. of California.

With James Ebert

(Special to The Financial Chronicle)

BAKERSFIELD, Calif. — John Vaznaian is with James Ebert Co., 120 Chester Ave.

Thomson & McKinnon Add

(Special to The Financial Chronicle)

ORLANDO, Fla.—William J. Rios has joined the staff of Thomson & McKinnon, 272 South County Road.

Joins Paine, Webber

(Special to The Financial Chronicle)

LOS ANGELES, Calif—Joseph H. Collins has become connected with Paine, Webber, Jackson & Curtis, 626 South Spring Street.

With Goodbody & Co.

(Special to The Financial Chronicle)

ST. PETERSBURG, Fla.—Robert B. Johnston is now affiliated with Goodbody & Co., 218 Beach Drive, North.

Joins Louis McClure

(Special to The Financial Chronicle)

TAMPA, Fla.—John N. Riley has joined the staff of Louis C. McClure & Company, 315 Madison Street.

H. Lowell Sobel Opens

H. Lowell Sobel & Co. has been formed with offices at 521 Fifth Avenue, New York City, to engage in the securities business.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — If it were confirmed that the cow really jumped over the moon, political Washington could hardly be more astonished than about the news which has just leaked out to a few, to wit:

Senator Richard Russell apparently announced his candidacy for the Democratic Presidential nomination without having given at least some, if any, of the bigwigs among the Dixiecrat movement a firm commitment that he would stick and would be their third party standard bearer in the move which has been developing for the last four years with utmost care and pains to take the electoral vote of as much of the South as possible out of the Truman score next November. The primary objective of the movement, of course, is to aid in the defeat of Mr. Truman and the election of some one else as President.

Ever since the 1948 election, some of the most influential men of the deep and not so deep South have been carefully lining up their ducks for this expected development. In hundreds of local elections, appointments, political deals, maneuvers, and what not, involving infinite labor and persuasion, these leaders have been setting the stage to make sure that come the 1952 Democratic National Convention, and the anticipated renomination of Harry Truman, the States Righters would set up their own ticket. They would do this either by walking out of the coming convention as in 1948, or by holding a bobtail "Southern Democratic" convention and nominate their own ticket.

The essential link in this political strategy, of course, is a Presidential nominee who is prepared to stick after the dice are thrown and oppose Mr. Truman, the "official" Presidential nominee of their own party.

Those outstanding leaders who have been nursing this rebellion offered the responsibility to Senator Harry F. Byrd of Virginia, according to report, but Byrd turned it down. His objection was said to be that since his Senatorial term comes up for renewal this November, he would be faced with giving up his place in the Senate in order to make a Presidential run with only a meager and remote prospect of being elected, for the purpose of performing a patriotic service.

Dick Russell, on the other hand, even if not as conservative as Byrd, does not come up for re-election until November 1954, and could return to his seat in the Senate without missing either a roll call or a pay check whether Truman were defeated or not. The southern boys agree that this was best, and for some time the word has been that Russell was the boy.

So when Russell announced last week, the knowing politicians took it for granted that the formal announcement of the Presidential aspirations was but the first planned step in the rebellion.

It was neither necessary nor to be expected that the Russell candidacy announcement would be coupled with the "or else" public commitment that Russell would follow through and stand on a third party ticket in the altogether likely situation of either Mr. Truman's renomination or the nomination of a left-wing candidate picked by Mr. Truman. Such a public statement would be construed as a threat and the Southerners see no point in threatening the "official" party with a revolt when such threat would not stop Mr. Truman from getting the renomination.

What has really stirred up the political waters here has been the word that some of the most active, conscientious, able, and outstanding gentlemen of the South have been calling frantically to Washington to ask the word, "Will Russell stick?"

* * *

Maybe the big boys in the home precincts could find themselves an outstanding Presidential aspirant other than Dick Russell, but that would be tough going this late day. If Russell were to continue his campaign, capitalizing on their assumed support, get out in front with most of the rebel delegation vote, and then at the last minute decided to back down after Truman was renominated and declined to hoist the political stars and bars, as it were, the States Rights movement could easily turn into the most dramatic political fizzle of the century.

This has got some of the boys sweating, not to say swearing. It would also have tremendous implications upon the Taft candidacy—for the present private view of most of the Congress is that the GOP nomination is Taft's barring the always unforeseeable accident.

The Dixiecrat movement was expected to remove the big handicap with which any man called a Democrat always has in any usual Presidential election, the virtually guaranteed electoral vote of the South. In a close election the subtraction of several states' electoral votes could deprive Mr. Truman of the majority, and throw the election in the House where the chances would favor the GOP nominee, for the GOP usually has had a higher proportion of seats than its candidate has had electoral votes in the last 20 years.

Of course it is possible that Russell and only one or two of the very top States Righters have the super secret of Russell's intentions locked up in their little breasts. This is seldom the way of politics, however. Too many people have to know before a program can be engineered, and the "secret" only has to remain officially unannounced for practical political purposes.

What likely is the situation, it is said, is that actually Russell is prepared to become the 1952 Jefferson Davis of the 1952 rebellion, but that when the Florida delegation (Georgia's Democrats concurring) purred Russell into entering the Florida primary, he got excited and announced before he had finally and without reservation signed the contract to stick, with the leaders of the "conspiracy."

Until this is confirmed, however, Truman will be happy and all of Truman's opponents, inside and outside the Democratic party, will be most uncomfortable.

* * *

Rep. Jere Cooper, Tennessee Democrat, will become Chairman of the House Ways and Means, or taxing committee, upon the retirement of Rep. Robert L. Doughton (D., N. C.) at the end of this Congress, unless the Republicans should capture a majority of the House at the election.

"Uncle Bob" Doughton is fundamentally a conservative in all tax matters, who resists, and then finally gives in from time to time, to the Administration's demands for ever-rising taxes. Doughton, however, seldom gave in graciously, and made the path hard for new and funny schemes. His latest stand was to make it clear, along with conservatives on the Senate Finance Committee, that they would give Mr. Truman no more taxes this year.

Rep. Cooper, on the other hand, is a pretty much down the line "Fair Dealer" whose disposition is to give a Democratic President what he wants. Cooper is also a man who is inclined when in charge of the committee to try to run things according to his individual ideas. He has, during recent years, often been acting Chairman when Rep. Doughton has been ill or otherwise unable to serve. The members of the committee do not cozen to his leadership as readily as to Doughton's.

Should the Republicans win the House, on the other hand, the Chairman of the committee would be Rep. Daniel A. Reed of upstate New York. Dan Reed is a conservative Republican, easy going, and is well liked by his colleagues. Reed's peculiarity is a tenderness toward taxing farm cooperatives. This is somewhat understandable when it is noted that the big Grange cooperatives are pretty well centered in his neck of the New York woods.

* * *

The Economic Planners have sent out preliminary alarm signals to all the disciples of the Welfare State about the iniquitous significance, from their viewpoint, of the pending constitutional amendment to limit any Federal tax rate to 25%.

In particular, it was pointed out that such a "rigidity" as this limitation would introduce into the tax structure "would seriously impair one of the major tools upon which the Federal Government must rely in carrying out its responsibilities," it was stated. The "responsibilities" in question are the maintenance of "maximum employment, production, and purchasing power" under the Employment (economic planning) act of 1936.

This is all the significance there is to the report on "Constitutional Limitation On Federal Income, Estate, and Gift Tax Rates," a report prepared by the staffs of the Joint Committee on the Economic Report and the Select Committee on Small Business of the House.

Inspiration of the report was Doctor Grover Ensley, chief of staff to the Economic Report committee, a doctrinaire economic planner.

* * *

There is now a chance that Congress may be cajoled into approving the joint agreement with Canada for construction of the St. Lawrence Seaway. The proposition looks temporarily dead in the House, so the Senate is trying to get it approved with the thought that then sufficient pressure can be brought on the House to get it by. The Senate Foreign Relations Committee probably will approve the agreement in a few weeks. Senate approval, if achieved, will be close. The decision to put the heat on means another time-consuming debate in a short session.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"It's just because you're new here—after a few weeks he'll have a bit more confidence in you!"

Business Man's Bookshelf

Away From Freedom: The revolt of the college economists—V. Orval Watts—Foundation for Social Research, 1521 Wilshire Boulevard, Los Angeles 17, Calif.—paper.

Business Forecasting — Principles and Practice — Frank D. Newbury — McGraw - Hill Book Co., Inc., 330 West 42d Street, New York 36, N. Y.—$4.75.

Concept of National Income; The — Roy A. Foulke—Dun & Bradstreet, Inc., 99 Church Street, New York 7, N. Y.—paper.

Inflation—Paul Einzig—Chatto & Windus, 40-42 William IV Street, London, W. C. 2, England—cloth—12s. 6d.

Land Reform in Asia: A Case Study—C. Clyde Mitchell—National Planning Association, 800 21st Street, N. W., Washington 6, D. C.—paper—50¢.

Real Estate Forecast for 1952—Dr. Roy E. Wenzlick—Society for Savings in the City of Cleveland, Cleveland, Ohio—paper.

Regulations Concerning Dealings in Gold and Foreign Exchange in France—10th Supplement — Bank for International Settlements, Basle, Switzerland—paper—8 Swiss francs, plus postage (the original edition, plus 10 supplements, now in two volumes, 75 Swiss francs; the complete series of three volumes, including revoked regulations, 110 Swiss francs).

Security Dealers of North America: 1952 Edition of directory of stock and bond houses completely revised and bound in durable, limp fabrikoid—Herbert D. Seibert & Co., Inc., 25 Park Place, New York 7, N. Y.—$10.00.