2

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EDITORIAL

As We See It

"Government planning, or any central economic planning, is necessarily a difficult and notoriously an imperfect art. The latest of a long line of examples of its shortcomings is the present easing of metal supplies. The elaborate tabulations of the Defense Production Administration and the National Production Authority, purporting to demonstrate how shortages in basic supply or output should most effectively be allocated to different classes of 'claimants,' have gone badly awry. That Washington is slowly becoming a bit concerned is evident even to those who cannot read between the lines. . . .

"'Partly reflecting the military production program, a few metals and chemicals have eased, but there is little movement in other groups.' Thus the DPA characterizes the general materials picture. What the first clause means is distressingly obscure; if it refers to the 'stretch-out' of the military program, then it is implied that the planning agency, as little as a few months ago, had no knowledge that it was coming. Otherwise, they could have relaxed their restrictions on civilian consumption accordingly. On the contrary, until very recently, the responsible agencies were warning of deeper cuts to come and issuing orders to 'prove' it. This performance is quite discouraging because it once again demonstrates the inflexibility of the planning machine. We are led to conclude that before corrective action is taken, the oversupply situation will have to get much less manageable.

". . . . In the present instance, it is difficult to judge to what extent the surpluses are 'artificial' in the sense that normal demand has been

Continued on page 26

International Price Stabilization—A Hoax

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

Executive of leading lead producer condemns "stabilization mania" as aiding monopoly, creating cartels, and destroying liberty, incentive and progressive change. Condemns work of International Materials Conference and of UN Economic Stability Program. Advocates restoration of free markets as safeguard of our liberties, and concludes price controls merely postpone inflation, but do not prevent or curb it.

We have been infected with the twentieth century malady known as "stabilization," a disease difficult to describe because the economic doctors in Europe and elsewhere haven't apparently agreed on a definition, or where and how to stabilize. At any rate, it is a most appealing catchword until you begin to think about it. Then you wonder if it is all it is cracked up to be, for, beneath the surface glitter, is invariably the stern and repulsive face of government control, of government compulsion, and lastly, of government imprisonment. Some in my audience will disagree with me. They feel that such stabilizing instrumentalities as price fixing by the government, or by cartels, private or governmental, are sound. They may point to Europe where cartels have operated and are operating at this very minute, ostensibly to stabilize something or other. From what I have seen of European economies in action, there is little that I am anxious to see copied.

Felix E. Wormser

In the United States, we have an abhorrence of monopoly, which I share. Sixty-odd years ago we adopted a law known as the Sherman Anti-Trust Act to prevent

Continued on page 36

*An address by Mr. Wormser before the Prospectors and Developers Association, Toronto, Canada, March 11, 1952.

Honorary Pallbearers!

Public hearings to be held on SEC proposal to implement Title V. Unfortunate forum. Has Commission stature to reverse itself? NASD opposes proposal. Other opposition. Decent burial sole solution.

As the torrent of opposition to the Securities and Exchange Commission proposal under Title V of the Independent Offices Appropriation bill keeps rushing on, and the tide of public displeasure mounts, there is a feeling in the air that Title V is doomed.

At a session of the Heller Subcommittee of the Interstate and Foreign Commerce Committee a resolution was introduced by Representative Leonard W. Hall of New York and seconded by Representative John A. McGuire of Connecticut calling on the SEC to hold public hearings on its proposal.

As a result, we are informed such hearings will be held at the Washington office of the Commission beginning March 14.

In one sense these public hearings may be of value. Should they last long enough the time consumed in holding them may afford an opportunity to repeal Title V in the interim.

However, let there be no illusion on the subject of the efficacy or lack of efficacy of such public hearings. To us it is not conceivable that any reasons will be urged thereat which have not already been emphasized abundantly in writing by individuals and associations, including the

Continued on page 29

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

The First National Bank of Akron, Ohio — Wilbur Fisher Kurtz, proprietor of W. F. Kurtz & Co., Cleveland, Ohio. (Page 2)

Canadian Securities—W. Wallace Turnbull, Wood, Gundy & Co., Inc., New York City. (Page 2)

WILBUR FISHER KURTZ

Proprietor of W. F. Kurtz & Co., Cleveland, Ohio

The First National Bank of Akron, Ohio

Probably all of us in the investment business at various times have the question asked of us by a new acquaintance or by our regular barber or some more or less casual friend:— "I have a couple of thousand dollars saved which I would like to put into some good security other than government bonds. What do you recommend?"

W. F. Kurtz

This is really a toughy because you know you will not be called upon for regular investment guidance, you may or may not see the person for two weeks or two years and, as we all know, lots of things can happen to securities as well as to other things over a period of time. Consequently your choice has to be as nearly foolproof as anything managed by humans can be.

It must be conservative yet give a reasonable return on the funds invested; have growth possibilities and yet not be speculative; have reasonable possibilities of increasing value and dividends over the years; be moderately priced in relationship to actual present value and be something which 10 years from now, if it happens that you haven't seen the person in that length of time, will probably be selling for substantially more than it was when you first recommended it.

Bank stocks in general very well meet the above requirements and First National Bank of Akron, Ohio in particular is a standout in these respects. This bank was established in 1934 as a state bank with the name The First Central Trust Company. The charter was a revision of the charter of a bank with the same name which had been a leading institution in Akron up to the "Great Depression." In 1934 all the capital stock and $500,000 of capital debentures were owned by the Ohio Superintendent of Banks in connection with the liquidation of the old bank. Later the capital stock was marketed and in 1946 the debentures were paid off.

The new bank rapidly regained its old leading position and the growth has been outstanding as is shown by the accompanying table.

In 1947 the bank, which was then operating as The First Central Trust Company, was converted into a national bank under the present name of The First National Bank of Akron.

In April, 1944, the Bank issued 35,000 shares of additional stock which were sold to shareholders at $10 per share. The proceeds of the stock sale were used to purchase the equity in the Bank's Main Office building. The building at that time was subject to a $1,000,000 mortgage which, however, was not a liability of the Bank and which has since been paid off. The remaining capital debentures were retired Dec. 27, 1946. In 1947 a stock dividend of three shares for each 37 held was paid to the shareholders and in 1951 the par value of the shares was changed from $5 to $10 and a 25% stock dividend was paid to the shareholders. At the same time they were given rights to buy 100,000 shares at $20 per share, the rights being on the basis of one new share for each two of the old held.

Dividends on the capital stock were initiated in 1939 at the rate of 40 cents per share per annum which rate was continued through 1947. In 1948 the total payment was 50 cents a share and the rate from 1949 on has been $1 per share per annum, payable 25 cents quarterly. At the current market around 22 the yield is about 4½%.

At this point, if one has had the patience to read this far, the normal reaction is—ho hum—what's so remarkable about this one?

Growth—from scratch in 1934 to about twice the size of any other bank in the Akron district—as of July, 1951, this bank was 12th in size in the State of Ohio and 135th in the nation.

Book value (exclusive of reserves) $13.85 in 1941 vs. $23.63 in 1951.

Net earnings per share **after taxes** but before transfers to reserves: $1.60 in 1941 and $2.32 in 1951.

Liquidity — cash and governments: $111,000,000 vs deposits of $159,000,000 or 70%.

Average life of governments: one year, nine months, 10 days to maturity or 11 months, 24 days to call date—and just compare this with **any** of your leading institutions **anywhere** in the U. S. (And what a hidden asset this is in these days of erratic government bond prices.)

And now we come to the real meat;

On Dec. 31, 1951, the Bank carried the item of Bank Premises in its statement at $1,207,083.07 and furniture and fixtures at $1. The true value of the fixtures and equipment in its four offices has been estimated to be $750,000, which appears reasonable. Assume purely nominal value for the Barberton and Cuyahoga Falls offices which are owned in fee and which have substantial value nevertheless. But the main office building is a 28-story modern structure in the heart of the Akron business district which had an estimated replacement value in 1948 of $5,000,000, and you write your own figure as to reproduction cost now.

Summarizing all of the above: You pay about $22 a share and you get—Book value per share, $23.63 as of 12/31/51; Evaluation reserve, $2.10; Furniture and fixtures, est., $2; Excess value in buildings, est., $10; Real value, our opinion, $37.73 for each of the 350,000 shares.

In other words you can put your friends into dollar bills at a cost of about 60 cents when you recommend the capital stock of The First National Bank of Akron, Ohio.

Date	Deposits	Capital Debentures	Capital Stock	Surplus, Undivided Profits & Reserves
1/15/34	$7,331,353	$500,000	$741,645	$558,257
12/31/35	17,731,170	500,000	741,645	691,122
12/31/38	24,880,627	500,000	750,000	1,139,380
12/31/41	40,852,262	300,000	750,000	1,583,869
12/31/44	109,218,728	300,000	925,000	2,541,055
12/31/47	113,993,140	0	1,000,000	3,909,463
12/31/50	141,858,482	0	1,000,000	5,532,199
12/31/51	159,074,429	0	3,500,000	5,507,090

W. WALLACE TURNBULL

Wood, Gundy & Co., Inc., N. Y. City

Canadian Securities

The security I like best? In one word—Canada.

But since that is a large piece of real estate (yes—just 3,845,144 square miles) the average investor will inquire how he may obtain "a slice" commensurate with the size of his individual portfolio.

His first acquisition should be a few bonds of the Canadian Government (my choice would be the Canada 3s of 1966/61 which, payable just in Canadian funds, are currently selling at about 94½ to yield 3½%). Then add a few Province bonds (select one of the New York payment issues—a recent issue of 25-year British Columbia's gave a yield of 3⅜%). Having progressed so far, our individual might then do a straddle by buying bonds with convertible features — good examples in this group being Canadian Pacific's two issues—the 3⅛s of '70, currently about 145½, and the 3½s of '66, currently about 113½—and British American Oil 3½s of '61, currently about 120.

And now that we have arrived, by easy stages, in the oil business—our investor will surely not rest content unless he has a direct equity stake in Canada's oil fields, which have been so prominent in financial news these past five years. Very good; why not, then, start with the leader? Imperial Oil at the current market of 39 gives a meager yield when weighed against last year's dividend of 65 cents a share. But you are investing in the future, aren't you? Of course, you are—if you are thinking in terms of Canada.

Riley & Hecht Opens

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, Calif. — Ben Hecht and John P. Riley have formed Riley & Hecht with offices at 129 North La Brea Avenue to engage in an investment business.

W. W. Smith Opens

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Woodrow W. Smith is engaging in a securities business from offices at 6741 East Carson Boulevard. He was formerly associated with Douglas A. Hammond.

Joins Samuel Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Don J. Wentworth has become connected with Samuel B. Franklin & Company, 215 West Seventh Street.

William S. Welch

William S. Welch, associated with Tucker, Anthony & Co., New York City, passed away March 8 at the age of 53.

LETTERS TO THE EDITOR:

Rep. Vinson Changes Mind And Drafts New UMT Bill

Chairman of House Armed Services Committee is reported working on new measure designed to eliminate objections voiced in House debate. The "Chronicle" publishes more letters elicited by Dr. Neil Carothers' article in issue of Feb. 21.

According to a Washington dispatch, published in the New York "World-Telegram and Sun," on March 11, Chairman Carl Vinson (D., Ga.) of the House Armed Services Committee is drafting a new Universal Military Training bill.

As noted in the "Chronicle" of March 6, the House last week rejected the then pending UMT measure. Mr Vinson then stated he would not ask the House to consider UMT again at this session. However, he is reported now to be convinced that public indignation has forced many members of Congress to change their stand. Mr. Vinson's new bill, it is claimed, will eliminate many objections voiced in the House debate. Presumably, he will hold committee hearings and then send UMT back for another House vote.

As in its two preceding issues, the "Chronicle" publishes below additional comments on Dr. Carothers' views in his article "UMT—Why It Is a Mistake," which appeared in our issue of Feb. 21:

HON. ROBERT A. TAFT
U. S. Senator from Ohio

I have read with interest the article on UMT by Dr. Neil Carothers. I have opposed the idea that we should commit ourselves today to universal military training. Undoubtedly we will have the draft for some years to come, and I would much prefer to undertake UMT as part of a general program of reducing the standing army rather than to commit ourselves now.


Robert A. Taft

I would like to be certain that the Army officers are in good faith when they claim that UMT would make a reduction of the regular army possible.

HON. JOHN W. SNYDER
Secretary of the Treasury

Dr. Carothers' article on Universal Military Training sets forth a good case against its adoption.

HON. WILLIAM H. AYRES
U. S. Congressman from Ohio

I feel many of the members of Congress read Dr. Carothers' article and he can take some credit for the vote yesterday. [Congressman Ayres refers to House vote on March 4 to recommit the UMT bill back to the Armed Services Committee.—Ed.]

NORMAN THOMAS
New York City

As you know, I very often have found myself in sharp disagreement with Dr. Neil Carothers. It is, however, with pleasure that I emphatically endorse his article, "UMT — Why It Is a Mistake." I have been arguing also that it would be a grave mistake and I am glad to see that he wrote this able argument and that you published it.


Norman Thomas

CHESTER H. LANG
Vice-President, General Electric Company, New York City

Relative to Dr. Carothers' article, I am not sure that I should have an opinion, having blown hot and cold on this question. Since apparently it may go through, I am certainly glad that it will be deferred until the present method of providing recruits goes out.


C. H. Lang

If we adopt it, I like the six months' idea or, better still, not over five and a half months from the date of reporting to the date of discharge. I have an idea that the job can be done relatively economically if it is planned that way. Let's say a boy reports Jan. 5 and goes home not later than June 15. The next batch could then report right after July 4 and be sent home not later than Dec. 15. I haven't seen much information about the *modus operandi*.

A surprising amount of strictly military information and activity could be crowded into five months if the corps of instructors and leaders had a vigorous, fast-moving 10 or 12 hour a day program from which had been eliminated all, or nearly all, "waiting around" periods. In short, take each batch and keep them at the double during every day but Sundays while in camp. This, obviously, would eliminate all instruction in drawing room French, ball room dancing, and kinderd subjects. The more rugged and fast moving the procedures are the more the boys

Continued on page 37

INDEX

Articles and News Page

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Spring Income for Bondholders

By IRA U. COBLEIGH

Author of "Expanding Your Income"

A highly seasonal treatment of that much improved hybrid—the Income Bond

Farmers as well as suburban gardeners are now all agog over spring planting. Not to be perverse, however, I want to talk a bit today about spring reaping; since there is one variety of plant in the garden of finance which traditionally bears its fruit (if at all) in season with the violet, the arbutus and the lily of the valley. It is the Railway Income Bond of which, I believe, 36 separate issues are now listed on the New York Stock Exchange with a total par value of some $700 million. Of these, 15 issues pay annual interest, if earned, on April 1, and 13 on May 1. The labor saving appeal of Income Bonds must thus be apparent to all—a trip to the vault only once a year for coupon-clipping purposes, and a much lighter attack of that occupational disease of bondholders, the calloused thumb!

Ira U. Cobleigh

These "Incomes" are really a special breed of security. They all are children of reorganization and refinancing, and although most of them have been actually paying interest regularly for some years, with few exceptions, they sell "flat" (as do defaulted securities). For another thing, they solve your reinvestment problem quite nicely. Chicago Great Western 4½s mature in 2038, New Haven 4½s in 2022. and Gulf, Mobile & Ohio 4s in 2044. If you have a yen for long-term bonds, these belated terminal dates should satisfy you!

Another point of interest about Income bonds is their slavish devotion to fashions and modes of their own. For instance, 17 issues pay interest at the same rate—4½%. Nearly all of them have, tailored into their indentures, some sort of cumulative provision so that if they skip interest, in a bum year, they'll make it up to you when earnings fatten up. Eighteen separate issues have hit upon a three-year pile-up period for interest. Thus, on a typical issue, Chicago & North Western 4½s, 13½% of principal could become an accrued obligation, but no more. This sort of gimmick was no doubt inserted lest a road roll up, at any time, a staggering liability for unpaid interest, thus placing dividends on common miles into the future.

In any event, every one of the peculiar traits of Income bonds touched upon above was built in with one idea in view—to avoid, by millenial maturity, "iffy" interest payment, and a modest rate, the incidence of what the Philadelphia lawyers have so nicely termed "events of default"—legal jargon for the monkey wrenches that switch railroads into bankruptcy courts.

As a matter of record, however, most Income bonds, although quite unimpressive at birth, and lightly held by the more conservative arbiters of finance, have actually given a splendid account of themselves in the last half dozen years. Central of Georgia 4½s paid off $180 in back interest last year, and bids fair to meet, on a regular basis, annual interest from now on. Seaboard 4½s now sell at 94½ and are protected by earnings covering total annual interest requirements of the road 2.65 times. Nobody is worrying about the 18% cumulative feature here, and the bond is so classy that it's traded "and interest." Rock Island Incomes were called for redemption.

Soo Line 4s of 1991, one of the few not enjoying any cumulative feature, have been reduced 30% by sinking fund purchase since 1944 and are junior in lien only to $6,200,000 of 1st mortgage 4½s. Bonded debt of the road is well below $7,000 a mile, and current earnings cover total bond interest around three times. If this issue were only a "fixed interest" bond of the same outstanding amount and coupon rate, and not tagged as an "Income," it might sell as much as 10 points higher in the market than its current 63. Incomes have a tough time living down their humble origins and early disfavor, even though they have now become quite respectable vault tenants.

Four things in particular account for the definite and visible improvement in the investment status of Incomes. (1) Restored railroad earning power during the war and since Korea; (2) Improved railroad rights-of-way and equipment, plus heavy dieselization; (3) Higher rate structures; and (4) Substantial sinking funds, strengthening the liens and bettering interest coverages of most outstanding issues. After all, if you could buy in, and cancel, a $1,000 debt for $600, you'd jump at the chance, wouldn't you? Well, that's just what the railroads have been doing. Look at the financial improvement in the past three years in Lehigh Valley, which has retired (since issuance) $17 million in Incomes; Seaboard, which retired $12 million, and Frisco, which has converted $30 million into common. No other types of corporations have, in recent years, enjoyed so favorable a climate for debt and interest reductions, with their tonic effect on balance sheets.

For the yield-minded bond buyer, I have set down in the accompanying table, values in this field which impress me as reasonably judicious embodiments of those traditional virtues of the good investment—safety, marketability and yield.

Of these, the Lehigh Valley has already been referred to. Although this road has no definite amount set for annual sinking funds, its bond purchases have been most impressive. The operating condition of the road is excellent and total bond interest is earned over twice.

Milwaukee "B" 4½s, outstanding in the amount of $35,405,700, share with $48 million of "A" 4½s, a position following the lien of $77 million of prior securities. Current earnings are covering all interest, fixed and contingent, about twice over.

Milwaukee is an impressive property, operating 10,670 miles of road from Chicago to Puget Sound. Traffic is nicely diversified although earnings are importantly geared to agricultural conditions in the northwest, which create corn, wheat and cattle going East, and products of manufacture heading West.

Under present foreseeable conditions, Milwaukee "B" 4½s should be able to pay regularly.

Chicago, Indianapolis & Louisville 1st Income 4s now cover their interest thrice over. They enjoy a first lien on all property owned. Debt per mile is reasonable ($11,700). The 541 miles operated connect Louisville and Indianapolis with the Chicago area and derive important traffic interchanges from the Louisville and Nashville and the Southern Railway, which roads, before reorganization in 1946, shared joint control of the "Monon."

Here's a clean cut first mortgage, of a modest little railroad that bids fair to pay interest faithfully, and to become a steadily better bond as time, and the sinking fund, operate. Less than $6 million are now extant out of an original $7,613,800.

No one is suggesting that items on the above list should nudge Northern Pacific Prior Lien 4s out of anyone's safe deposit box; but if the desire for yield is paramount, and too great insistence on solid investment quality can be dispensed with, then these Incomes may well serve a useful purpose. They are a little better protected, in a market decline, than some more exalted liens, since sinking fund operations usually inject one fairly steady buyer into the market. Remember, too, current purchase can bring you a whole year's interest in either three, or seven weeks. Spring Income, that is.

	Rate	Maturity	Payment Date	Price About	Cash Yield
Lehigh Valley "E"	4½	2003	May 1	66½	6.75
Chic., Milw. & St. Paul "B"	4½	2044	Apr. 1	61¾	7.25
Baltimore & Ohio	4½	2010	May 1	65	6.95
Chicago & North Western	4½	1999	Apr. 1	60	7.50
Chic., Ind'polis & Louisv.	1st 4s	1983	Apr. 1	66	6.00

Crowell, Weedon Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Chester M. Fields has been added to the staff of Crowell, Weedon & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly with Morgan & Co., and Edgerton, Wykoff & Company.

Francis I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Thomas R. Piersol has become affiliated with Francis I. du Pont & Co., 722 South Spring Street. He was previously with Shields & Company.

Fear of Deflation Hits The Stock Market

By ROGER W. BABSON

Mr. Babson, ascribing recent break in stock prices to fear of after effects of inflation, reviews progress of cheapening of the dollar. Says investors are drugged by illusion of prosperity, and Wall Street is beginning to shudder when it thinks of the ultimate outcome.

The 1951 dollar is worth only 38 cents when compared with the 1913 dollar of 100 cents. World War I inflation brought the 1913 dollar down to 50 cents in 1920. Post-World War I deflation took it back to 59 cents, while the depression of the thirties raised the value to 79 cents in 1933. Today's dollar is worth only 53 cents when compared with the 1939 dollar. What caused these changes is beginning to bother Wall Street.

Roger W. Babson

The present downward cycle of the dollar started in 1933 when President Roosevelt depreciated the dollar by lowering its gold content, in order to try to drive prices up in the depression. The Gold Reserve Act of 1934 cheapened the dollar by 41%. At that time the dollar was worth approximately 75 cents when compared with the 100 cent dollar of 1913. World War II accelerated inflation through high wages, strong demand for goods and services, and the shortage of such goods and services. Furthermore, the post-World War II era, characterized by its shortages of goods and buying scares, continued the spiral.

Two major contributing factors undermining the post-war dollar are labor unions and price support. Through continued pressure labor leaders have been making wage demands in excess of an increase in the work output per man-hour. Price supports have been such that in 1950, when we were in the midst of a boom, only six out of 17 support crops were selling above parity. These supports are undermining the dollar because they strike at food prices. Wall Street is realizing that this kind of prosperity is one of "make-believe."

A little inflation may seem like a good idea to some of our economic planners. It is more of an opiate than good economic sense. Cheap money at first deceives people into thinking they are better off than they really are. The more of it they use, the harder it is to stop; and once you try to stop, the aftereffects are disastrous. Recognition of this is a primary cause of the recent break in stock prices. Although Wall Street wanted inflation two years ago, it now is frightened of it.

The various kinds of security that have been hardest hit are old-age pension plans (both private and government), schools and colleges, hospitals, churches and the like. Investors at last have come to believe that inflation creates more tragedies than deflation. This is evidenced by the increased demands made each year by the various Community Funds.

Communists resort to the cheap money-inflation philosophy. They find it effective dope. The great Englishman, Lord Maynard Keynes, wrote shortly after World War I, "Lenin said that the best way to destroy the capitalistic system is to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens.

"This attack against savings strikes not only at security but at confidence in the equity of all existing corporations. Those to whom the system brings windfalls . . . become profiteers who are the object of hatred by the masses whom the inflationism has impoverished. As the inflation proceeds, the real value of the currency fluctuates wildly from month to month . . . and . . . all permanent relations between debtors and creditors become utterly disordered so that legitimate business degenerates into a scandal and a lottery. . . ."

Present dollar business profits, plus fictitious inventory gains, plus inadequate depreciation charges, plus the huge dollar salaries and consequent illusion of prosperity have already drugged too many investors into thinking they are really prosperous. Wall Street is beginning to shudder when it thinks of the ultimate outcome!

SEC Announces Dates For "Fees" Hearings

Chairman Donald C. Cook of the Securities and Exchange Commission announced March 10 that the Commission had received several requests for postponement of the March 14, 1952, hearing upon its proposal for the imposition of registration fees and other charges to implement Title V of the Independent Offices Appropriations Act, 1952.


Donald C. Cook

Inasmuch as it is likely that various interested persons have already arranged to attend the March 14 hearing, Chairman Cook reported, the Commission has determined not to postpone the hearing. However, in order to accommodate those who desire additional time to prepare for the hearing, the Commission will hold a further hearing upon the fee proposal on Monday, March 31, 1952, at 2:00 p.m. Those who wish to be heard on the latter date should notify the Commission's Secretary not later than March 28, 1952.

The State of Trade and Industry

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

The increase in total industrial production for the country-at-large last week was very slight, being the second consecutive week to register progress. Compared with a year ago, it continued to be about on a par with the high level of production which prevailed at that time. Rises in the output of basic materials and armament were sufficient to counterbalance declines in soft goods.

Employment continues favorable in the latest week with total claims for unemployment in the period ended Feb. 16 reported to have fallen 12% to the lowest level so far this year. However, they were recorded as being 13% above the level of a year ago. With respect to initial claims, they declined 15% during the week.

In an address at Chicago, M. R. Gainsbrugh, chief economist of the National Industrial Conference Board recently stated that inflation has stopped temporarily and that no new round of spiraling prices now seems on the horizon. He declared this month marks the first anniversary of the country's "inflationary lull," adding that "virtually all business indicators outside of defense industries have turned down." Mr. Gainsbrugh asserted, "the stretch-out of defense suggests that support for private business from this source may continue at high levels for at least two years."

Steel ingot production advanced to a new record level the past week, fractionally above the previous peak of last December. At 101.3% of capacity, it was about one-half a point above the previous week.

The current week steel production is scheduled to set a fresh historically high record level at 101.8% of capacity.

Steel controls, long a source of irritation, have become so constrictive that vital production is being lost, states "The Iron Age," national metalworking weekly. So far, losses aren't large enough to affect the national operating rate much, but they will multiply if officials in Washington don't move more quickly to relax controls.

Worst of all, the controls' noose is choking small and non-integrated steel producers the hardest. Last week, says this trade paper, one producer shut down two openhearth furnaces because of a declining order book. The company said military orders had failed to take up the slack caused by National Production Authority restrictions on civilian consumption of strip steel. Another mill has been operating its electric furnaces only five days a week for the past month. The furnaces were formerly operated seven days a week. Beginning this week, still another mill (a non-integrated producer) cut back from five to four days a week on its sheet finishing facilities—also due to lack of business. This by no means exhausts the list of production curtailments which have been blamed on controls.

Steel people feel that controls officials should make good on their pledge to lift controls, product by product, as soon as market conditions warrant.

The Administration will try to keep controls authority on the books as long as possible. Because of this, they will probably permit relaxation of restrictions on consumer use of easy-to-get products, rather than lifting them completely out of the Controlled Materials Plan, declares "The Iron Age."

The steel wage-price controversy is another factor slowing decontrol. Everyone agrees that a steel strike would quickly reverse the easing trend of the market. This big question is quickly approaching its climax. The strike deadline is March 24 and the Wage Stabilization Board is hurrying its recommendations in the hope that final agreement between union, industry and White House can be reached before that date, this trade authority notes.

So far, Washington's efforts to split the wage-price question into two parts have made no headway. Industry officials were angered last week by a trial balloon, believed to have emanated from Washington, to the effect that steel wages would go up 18½c while prices would be increased only $3 a ton. Such a price increase, this trade journal points out, would be less than half what the industry insists it would have to get to cover a wage increase of 18½c.

Steel officials are against a wage increase at this time and they are dead set against agreeing to one unless they are allowed a price increase to pretty well cover the higher costs. If the stabilizers squeeze too hard, they could force a shutdown of the steel industry, concludes "The Iron Age."

Car production last week slipped to 84,350 autos, down about 2% from the 83,450 last week and 39% below the 139,559 which left assembly lines in the like week last year, "Ward's Automotive Reports" discloses.

Two weeks ago "Ward's" reported G. M., Chrysler and Studebaker might avoid shutdowns in March by way of a 70,000-car Federal permitted production "bonus," but later added that "nothing officially has been said about March."

Last week this agency stated that Studebaker—which had been operating a four-day week in February because of government quota limitations—returned to a five-day week.

Continuing, it stated, that it believes the industry will be allowed to carry into the second quarter and future quarters "any unbuilt portion of its allocations for the preceding quarter."

Car makers this month, this agency reports, are shooting at their highest monthly production since last October.

It declared the industry is aiming to make at least 365,000 cars in March, the highest number since the 412,000 produced last October. Even with this greater March output, however, the

Continued on page 27

Observations . . .

By A. WILFRED MAY

Short Selling De-Glamorized

During the past hundred years of Wall Street's history short selling has been the most intriguing of all its activities. Immortalized by the legendary exploits of the Daniel Drews and the Henry Clewses of the 1870s, dramatized in the famed Hill-Harriman Northern Pacific battle and corner of 1901, glamorized in the personage of the arch-manipulator of our zooming '20s Jesse Livermore, excoriated by "the police" in the post-1929 "Pecora" investigation, castigated from on high by the Congressman Sabaths as the wicked market saboteur in every stock price reaction in the comparatively tranquil post-Sec '40s and '50s—the seller of what isn't his'n throughout the years has remained *the* inscrutable mystic of the Street.


A. Wilfred May

And in its fancied specific effects on the market, has the short selling of stocks always elicited a variety of diverse public reactions. Does it tend to demoralize the market, and accentuate its short- and long-term fluctuations? Or, contrariwise, does it further market orderliness and actually reduce fluctuations?

Presumably the currently-investigating Congressional Heller Committee* will explore some of these phases of our investment mechanism.

A New Flood of Light

Much needed light on the subject's specific questions as well as on its broader economic implications is furnished now by the issuance, for limited circulation, of a detailed study, of 66 pages plus tables, made under the aegis of the 20th Century Fund. Shortly after the 1937 market break the New York Stock Exchange asked this research group to make an independent appraisal of the recorded data on short selling to find out the truth about the short seller's responsibility for the preceding market break, as well as those which had occurred during the earlier years of the decade. Thereupon the project, under the direction of two of the Fund's experts Fred R. Macaulay and David Durand, in consultation with J. Frederic Dewhurst, the Fund's economist, was laboriously compiled since its initiation in 1938.

Messrs. Macaulay and Durand throw important light on the controversial question of what actually happens in the SEC-and-Exchange-regulated market when short sellers are particularly active; on the basic characteristics of short-sellers and their motives; on the size of the short position in relation to the market's movements; and on the operations of individual traders.

Only a Scapegoat Now

They have found that outbreaks of undesirable short selling occurred rather frequently in the early days, with attacks on the market consisting mainly of the raiding of some particular stock. But with the strengthening of Exchange policing and the supervision of the SEC since 1934, with its one-eighth up-tick rule since 1937, bear raiding—Congressman Sabath and other demagogic politicians to the contrary notwithstanding—has been rendered virtually impossible. Confining itself to the longer-term and major cyclical movements, the study concludes that since May, 1931, short selling has not materially affected the extent of a major decline or a major advance on the market as a whole. Even for short periods, great increases in the size of the short position were as likely to be accompanied by price movements that were upward as well as downward. The collapse of the Kreuger and Toll match empire with the suicide of Ivar Kreuger provides a useful case study for our subject. The authors wisely observe that although the gigantic volume of short selling that followed the famous suicide may have accelerated and made more precipitate the stock's ensuing collapse, it did not *cause* that collapse. As they

Continued on page 16

* A subcommittee of the Committee on Interstate and Foreign Commerce, Aug. 24, 1951 appointed under the chairmanship of Hon. Louis B. Heller, "with authority to investigate the Securities and Exchange Commission and the exercise by the Commission of the duties and functions granted to it by law. . . ."

The Business Temperature—Hot and Uncertain!

By VICTOR B. GERARD*
Treasurer, Commonwealth Life Insurance Co., Louisville, Ky.

Answering the question, "Have we entered a new era of perpetual economic summer or is autumn approaching?", Mr. Gerard explains why business depression did not develop after World War II. Points out prospective effects of recent rapid productive capacity, along with wastes in government spending, foreign aid outlays, and population shifts on future of our economy. Concludes thermometers of business have reached all-time peak, and have stayed there for prolonged period, but warns "autumn could be near at hand."

Businessmen and economists have practically completed their prognostications for the year 1952. With few exceptions, they have expressed optimism on the outlook for a high volume of business activity during the current year. Weapons production is expected to increase in volume, now that the tooling-up stage nears completion, and this will offset any decline in civilian demand that may occur because of the surfeited condition of consumers with most types of merchandise.

Victor B. Gerard

I would not like to argue that business volume will not be high in 1952, because I believe it will be; but a longer view of the outlook reveals probabilities that are less pleasant.

Most economists study the barometers of business; few make use of the thermometers, Yet, thermometers, which merely record existing conditions, may forecast the longer run future as well and possibly better than barometers. When the thermometer in July records 100° in the shade, it does not require an astute person to conclude that the heat wave is near the peak. If high temperatures continue for several weeks, a forecast of cooler weather is likely to prove highly accurate.

The business thermometer of industrial production—the Federal Reserve Board Index — has climbed steadily in each postwar year with the sole exception of 1949. In 1946 it was 170% of the 1935-39 average and in 1951 it was 220% of this prewar level. We have been experiencing the biggest and longest boom in business the country has ever known. Have we entered a "New Era" of perpetual economic summer or is autumn approaching?

What of the Future?

Many qualified observers of business conditions have been predicting a primary postwar depression for years, and they have been wrong. But why have they been wrong?

They observed, quite accurately, a primary postwar depression after every major war, in which commodity prices slumped and production declined. Commodity prices traditionally fell sharply because the wasteful demands of war had disappeared and because supply, on the other hand, had increased as soldiers again became farmers and battlefields became farms. Furthermore, transportation, always an important factor in commodity prices, again became normal since facilities were no longer commandeered to move troops and war materiel. Declining commodity prices made it advantageous to postpone purchases. Consumers quit buying because they expected a downward readjustment of prices; wholesalers quit buying because retailers had stopped purchasing; and manufacturers reduced their output because wholesalers were no longer in the market. This created unemployment which further curtailed purchasing power and accelerated an already deteriorating situation.

This was the traditional sequence of events that led to primary postwar depressions. Reasoning by analogy, many capable analysts predicted that it would happen after World War II. Yet it didn't—or at least hasn't to date. What have been the factors that have changed the pattern? Have we, unlike King Canute, learned to turn back the tides?

Hindsight being so much clearer than foresight, we can now see certain factors that were not taken into consideration originally or which were undervaluated. Of first importance was the failure to appreciate the magnitude of World War II—in the destruction of property and the consumption of raw materials, particularly metals; in the disruption of normal trade and the conversion of plants to war production. Had a more careful assessment of these factors been made, it would have led to a better appreciation of the great amount of postwar production that would have been required to make good the destruction and disruption of the war. The error in undervaluating these factors was magnified by the unusual amount of economic aid afforded our allies and even our former enemies. No nation ever before had been so generous in giving away its treasure.

A second major item in preventing an early primary postwar depression was the program of the Administration in Washington. It is a safe assertion that no one envisaged in 1945 a fiscal policy on the part of our government such as we have had during the past six years. Originally, in an effort to stave off a prospective primary postwar depression, the Administration undertook to foster wage increases and to spend money profligately for purposes that can hardly be described as fundamental and essential government functions. The resulting budgetary deficits increased the money supply, which heaped coals on the fire of inflation that was raging because of war-born shortages. Even this was not enough. Through a benighted policy of pegging the prices of government securities at artificially high levels, the money supply was further increased as the Federal Reserve bought securities and flooded the country with what was, in effect, printing-press money. This unfortunate practice poured gasoline on a fire which was already dangerously out of control.

The witches' brew cooked on this fire should have turned the stomach of even the heartiest disciples of John Maynard Keynes. It is no wonder that when the shortages in civilian goods created by the war were alleviated the country did not settle down to a level from which sound future progress could be registered. Demand did not decline; it increased. More people had more money to spend—and they spent it. Even some businessmen, who should have known better, did not staunchly resist the trend; rather they cheered and urged its continuance. The secret of "something for nothing" had at long last been discovered. The government which produces nothing was cast in the role of the "Great White Father" as it scattered the money to its citizens that it had collected from its citizens or had borrowed on a promise that its citizens would repay it at a future date. Even today the ruse that is being perpetrated has not been discovered by the average voter. Further additions are being made to the money supply as the Federal Government continues to go deeper and deeper into the red. Only in the monetary field has some degree of sanitary been fortunately restored. Last year, sparked by the efforts of Senator Paul Douglas, the Federal Reserve and the Treasury reached an "accord" which permitted government bonds to recede to a less abnormal level and thereby checked the rapid monetization of the debt. Even this forward step is going to be subjected to a fresh challenge in Washington next week as the Patman Committee investigation gets under way.

Will the Inflationary Process Continue?

How long the inflationary process will continue is in the lap of the gods—or, more accurately, in the hands of the American voters. The American people have seemed to enjoy the inflationary brew they have been drinking and are thoroughly inebriated with the idea that we are enjoying prosperity. How soon they will realize that the cost of this brew is an ever-increasing mortgage on their birthright is hard to say. We know, at least, that the party continues in full swing and that the same old brew is still being concocted in Washington. It is difficult to determine at what stage in the party the fascination of imbibing will end and the haunting thoughts of tomorrow's hang-over will commence. Yet it must end—even if the end is to be the horrible catastrophe of astronomical inflation such as Germany experienced after the first World War—even if the end is to be the wiping out of the great middle class, which invariably occurs in the final stages of an inflationary hysteria.

A further complication has been added by World War 2½. Regardless of how we got into our present predicament, the United States is now confronted with the imminent threat of full scale war with communistic powers. It is obvious that so long as this threat continues, we must arm to meet it. This I think we will do, and should do, regardless of what other consequences may result.

Yet it is hard to reconcile essential defense expenditures with the waste in government that we all known exists. Mr. Irving S. Olds, Chairman of the Board, United States Steel Corporation, reports that Representative Clarence Brown of Ohio has counted 75 different government bureaus that deal with transportation, 65 which compile statistics, 37 dealing with foreign trade, 34 with the acquisition of land, 22 with insurance, 15 with housing, 14 with forestry, six with business relations, and 93 that lend government money. Mr. Olds also pointed out a week or so ago that a salmon, swimming up the Columbia River to spawn, passes under the jurisdiction of 12 Federal agencies.

Who knows whether the Russians are plotting a shooting war against us or whether they prefer to wait as we commit economic hara-kiri? We do know that so long as the communistic menace

Continued on page 20

*An address by Mr. Gerard before the Kiwanis Club, Somerset, Kentucky, March 6, 1952.

The Stock Market Outlook

By S. B. LURIE*
Paine, Webber, Jackson & Curtis
Members, New York Stock Exchange

Market analyst cites recent news items as pointing to following general conclusions: (1) we are in a period of distortions and contradictions; (2) economy is in throes of inventory adjustment, and (3) we are living in a New Era of research of the "Fabulous Fifties." Notes both economic and stock market environments have changed into declining tendencies. As to market's future, Mr. Lurie maintains it is sounding out bottom preliminary to major rally; and while it is not the time to "bet the bankroll," outstandingly attractive situations should be bought.

In effect, our newspapers have been writing the best market letters for the past 60 days. Equally important, these items influencing the trend usually weren't on the financial page. Rather, they were stories of general interest. Note the following examples:

S. B. Lurie

(1) Late last December, Monsanto Chemical announced the development of "Krilium" — a new synthetic soil conditioner which restores productivity in hours instead of years.

(2) At the year end, competent authorities estimated that close to four million babies were born in 1951—a new high record, and an indication that the average family is growing in size.

(3) Despite the wide publicity given President Truman's budget message in mid-January, it failed to resurrect wide speculative interest in the stock market or renewed inflationary psychology.

(4) Early in February, the news broke out into the open that our defense program had been "pushed around" — and "pushed back" — "stretched out" over a longer period than previously had been indicated.

(5) By mid-February, the news came out in the open that the "hunters" for previously scarce raw materials were on the way to becoming "hunted" by salesmen seeking orders.

(6) A few days ago, one of the papers exhaustively discussed the redistribution of our national income over the past 20 years—the fact that 1 out of 5 wage earners now has $5,000 and over income, whereas the proportion wasn't 1 in 50 in 1939.

Three General Conclusions

In my book, these news items point to three general conclusions: (a) We're in a period of vast distortions and contradictions; (b) As Secretary Sawyer recently observed, the economy is in the throes of an inventory adjustment; (c) On long range view, we're in a New Era of the "Fabulous Fifties." Let me tie-in these three observations with the six news items mentioned above.

(A) Krilium — Squibb's new anti-tubercular drug — American Cyanamid's new synthetic fiber or Pepsodent's chlorophyl toothpaste—they all mean that industry is developing new products which create new markets. With the excess profits tax heightening the pace of research, several new billion dollar industries will come into being next 5 years.

(B) Our record crop of babies—and the increased life expectancy due to the new wonder drugs—means rapid population growth in the next 25 years. As it is, our population gain since 1940 is nearly double the total population of Canada. In other words, the postwar normal is far greater than the prewar normal—and we can "grow up" to new plant capacity.

(C) In turn, the big boost in the spending ability of the middle and lower income groups means a new and higher base on which industry can plan its production. This because these segments of the population spend proportionately more for goods and services than the high income groups. For Wall Street, this means a loss of glamour—but more customers.

(D) Contradictions and distortions? Note the unemployment in Detroit and New England versus a shortage of stenos in Wall Street and engineers on the Pacific Coast. The boom in the aircraft, machinery, fertilizer industries—to mention a few—versus a depression in the textile, movie, whiskey, industries, etc. Note the sluggish retail trade versus record high savings bank deposits. The handful of industries Wall Street has singled out as candidates for increased earnings in the face of popular belief 1952 will be a "good" year.

All the evidence adds up to an unmistakable conclusion: The economic environment has changed! Note the declining trend of commodity prices during the past several months. The fact that the threat of higher steel prices or a strike hasn't set off an urge to buy steel. The fact that consumer durable goods manufacturers are not elated over prospects of obtaining more raw materials but are talking about the need for real salesmanship. The fact there's been spotty price weakness in even the fast growing chemical industry; cellophane no longer is under allocation. In short the business outlook is under popular suspicion for the first time since Korea.

Change in Market Environment

The market environment has changed too. Sure stocks are more popular — more strongly held — than ever before in our history. But—only a handful of stocks are near their 1951-52 highs whereas a large number are near their 1951-52 lows. Further each rally has found fewer stocks being struck with lightning — whereas each decline has found more stocks "falling away" for no apparent reason. February had five times as many dividend casualties as a year ago—and only half the increases. In short the inflationary urge to own equities which was no prevalent in 1950-51 now is a dead duck!

Such is the nature of the beast at large today. If we're going to tame the animal we have to recognize certain basic realities: There is no rule which says the market as a whole **must** go straight up or straight down. History indicates that there are only a few times each year when it's wise to be **really active** in the market. The security owner has been displaying a new emotional maturity an indifference to uncertainties which previously would have led to selling.

Thus the question to be decided is whether there is a catalyst in the offing which can change psy-

*A talk by Mr. Lurie before the New York Society of Security Analysts, March 6, 1952.

chology—or whether the tone of business news will continue to deteriorate and break the dam of Tax inhibitions against selling. Thus far, I think the market has done a good job of readjusting itself to the fact that 1952 is turning out to be 1951 in reverse. Of recognizing the fact that we are at, or near, the peak of the deflationary impact of the government budget—that the World War II economy won't be repeated. But this isn't enough.

Improved Business Trend Needed

As I see it, the only catalyst which can really revive speculative confidence is a definitely improved business trend. This improvement could occur late in the second quarter for:

(1) There are natural processes of improvement at work now in the depressed consumer goods industries.

(2) Each day, industry's inventories are becoming better adjusted to the new concept of our defense program and more freely available raw materials.

(3) Current heavy backlogs almost insure a continued high level of capital goods production into late 1952.

(4) Although defense spending is proving to be a leaky umbrella,, it is expanding each month.

(5) We've got to be realistic and remember that this is an election year and ours is a managed economy.

Psychologically, too, there are a number of reasons why an important market turn about can occur sometime in the second quarter:

(1) By then, the shock of poor first quarter earnings statements will have been absorbed.

(2) In an election year, the trend usually is upward between Spring and Fall.

(3) More stimulating corporate news is in prospect—such as the opening of new TV stations, recognition that a big replacement tire market has developed, etc.

(4) Once we hurdle the fear that our economic "burp" will turn into a stomach ulcer, negative optimism can develop. A "sure" 90% steel operating rate will be worth more to the stock market than a "suspicious" 102% operating rate.

(5) Our firm's commodity experts believe a reversal in the current downtrend is a definite prospect.

More immediately, the bull case is more on the defensive than it has been in a long time. The market, as a whole, is in the process of "sounding out" the bottom from which a really worthwhile rally in the averages will take place. I have been, and still am, cautious —for this is not the time to "bet the bankroll," or be very aggressive when it comes to the averages. But it's always time to buy outstandingly attractive situations —for the rewards go to the risktaker and 1952 will not be an "average" year.

Joins Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Chester L. Domer and Sanford E. McGuirk are now associated with Hannaford & Talbot, 519 California Street. Mr. McGuirk was previously with Victor Troendle & Co.

Two With Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Norman L. Gray and George F. Kraft are with Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchanges.

With E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—Thomas J. Fagan is with E. F. Hutton & Company, 219 East Broadway.

From Washington Ahead of the News

By CARLISLE BARGERON

After the Ohio Republican campaign for Presidential delegates in the spring of 1948, in which Stassen picked up eight delegates at the expense of Taft, the latter called Governor Dewey on the phone and told him that if he expected to beat Stassen in the forthcoming Oregon campaign, he, Dewey, had better get out there and go to work.

Carlisle Bargeron

Stassen was running like a house afire at the time; his breaking into Taft's stronghold in Ohio had made a vivid impression upon the Senator. On the other hand, Dewey's stock was way down. Many political experts had counted him out of the race.

But he took Taft's advice, went out to Oregon and made a "whistle stop," or rather, a "bus stop" campaign, defeated Stassen and captured the delegation. The Dewey campaign was revived and he went on to win the nomination at Philadelphia. Conversely, it was the end of Stassen's meteoric rise.

He has never forgiven Taft for having persuaded Dewey to go out to Oregon and go to work. He thinks that had Taft kept quiet he, Stassen, would be President today because, of course, he would have conducted a different kind of Presidential campaign and a successful one. Taft didn't gain anything because Dewey's victory in Oregon was such a shot in the arm that he got the nomination.

This explains more than any other one thing Stassen's activity in the present campaign. He is quite sincere when he says he is not a stalking horse for Eisenhower or anyone else. His entrance in the New Hampshire campaign would prove this.

Undoubtedly, in his extreme egotism, he thinks something may happen, perhaps a deadlock between Taft and Eisenhower, or something out of the sky that will bring the nomination to him.

The real danger in what he is doing goes beyond the harm he is making Taft do to himself in the course of his having to compete with Stassen for the votes of the "gimmes," those who want the government to do something for them. In this respect he is attempting to pull Taft out of his character and to some extent, I am afraid, he is succeeding. I am one of those who, knowing Taft, and knowing, I think, what his election would mean, would gladly excuse his getting votes in any way he can. As the old saying goes, a man can't be a statesman without being elected, and he has got to be a politician to get elected. The danger to Taft, himself, however, is that if he is pulled enough out of character it will militate against his getting the nomination. It didn't do him the slightest good in 1948 to come out for Federal aid to housing, which he did after so many of his well wishers kept pounding him for months to quit saying "no" all the time, to be at least a little liberal.

One of the funniest things I ever heard was at a reception on the eve of the Philadelphia Republican Convention when old Joe Grundy wiggled his finger in the face of another Republican leader and said squeakily:

"But, I tell you, Bob Taft is a Socialist."

Grundy's attitude was responsible for Taft losing about two-thirds of the Pennsylvania delegation which went to Dewey.

Greater than the danger to the man himself, though, is that to the country as a whole, because if he has to get the nomination and be elected by outbidding a man like Stassen for votes, the effect is adverse upon all of us.

This spectacle of Stassen dogging Taft's tracks in the primaries will probably be lost upon those who are advocating that we should have even more Presidential primaries and more binding ones; also, those who want to do away with the electoral college and have the President elected directly by the people. It will be lost upon them because more demagoguery in the election of our Presidents is exactly what they want. Apparently, we don't have enough of it in the election of our Senators and Representatives. Let's extend it.

Phila. Inv. Women to Hold Spring Dinner

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia will hold their spring dinner meeting on Monday, March 17, at the Sylvania Hotel at 6:15. The speaker for the evening will be Miss Audrey S. Armitage of the Celanese Corporation. Miss Armitage will supplement her talk with a colorful display of acetate fabrics, emphasizing their important use in fashions and home decoration.

Two With Davies

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Armand R. Kolb and Al Merrill have become affiliated with Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Merrill was previously with Raggio, Reed & Co.

Dealer-Broker Investment Recommendations and Literature

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

Aircraft Industry—Brochure discussing the key role of the industry with particular reference to **Beach Aircraft Corporation, Bell Aircraft Corporation, Boeing Airplane Company, Douglas Aircraft Company, Inc., Grumman Aircraft Engineering Corporation, Lockheed Aircraft Corporation, McDonnell Aircraft Corp., North American Aviation, Inc., Republic Aviation Corporation** and **United Aircraft Corporation.**—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. In the same issue there is also a brief discussion of the **Helicopter Industry.**

Airlines—Analysis of outlook—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Cyclical Turn in Bank Stocks?—Analysis—Geyer & Co., Inc., 63 Wall Street, New York 5, N. Y.

Earnings Squeeze—Bulletin—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Expanding Your Income—Guide to picking stocks by Ira U. Cobleigh—David McKay Co., Inc., 225 Park Avenue, New York 17, N. Y.—$2 per copy.

Natural Gas News—Bulletin containing data on **Arkansas-Western Gas, Commonwealth Gas, Delhi Oil, East Tennessee Natural Gas, Hugoton Production, Kansas Nebraska Natural Gas, Kerr-McGee Oil Industries, Mississippi River Fuel, Mountain Fuel Supply, Petroleum Heat & Power, Republic Natural Gas, Southern Production, Southern Union Gas, Southwest Gas Producing, Southwest Natural Gas, Tennessee Gas Transmission, Texas Eastern Transmission, Texas Gas Transmission, Texas-Illinois Natural Gas Pipeline, Transcontinental Gas Pipe Line, Western Natural Gas,** and **West Ohio Gas** — Scherck, Richter Co., Landreth Building, St. Louis 2, Mo.

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.

Railroad Income Bonds—Comparison—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Stocks Down From Highs—List of stocks selling sharply below their 1951-1952 highs—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

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Affiliated Gas Equipment, Inc.—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y. Also available is a bulletin on **Harshaw Chemical Company.**

American & Foreign Power—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

American Metal Company, Ltd.—Brief analysis in current issue of "Market & Business Survey"—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y. In the same issue is an evaluation of **Coca-Cola** and a list of regular dividend payers with sound yields.

Anaconda Copper Mining Co.—Brief resume—Freehling, Meyerhoff & Co., 120 South La Salle Street, Chicago 3, Ill. Also available are data on **Cit Financial Corp., General American Transportation, Peoples Gas Light & Coke, Socony-Vacuum Oil Co.** and **Sylvania Electric Products, Inc.**

Anglo Canadian Oil—Study—Kippen & Co., Inc., 607 St. James Street, West, Montreal, Que., Canada. Also available are studies of **Calgary & Edmonton Corp., Hollinger Consolidated Gold Mines** and **Hudson's Bay Company.**

Bank of America — Memorandum — First California Co., 300 Montgomery Street, San Francisco 20, Calif.

Bank of America—Report—Dempsey-Tegeler & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Bank of America, N. T. & S. A.—Analysis—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

Canadian Pacific Railway Company—Analysis—Barclay Investment Co., 39 South La Salle Street, Chicago 3, Ill.

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

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

Dan River Mills, Inc.—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Ducommon Metals & Supply Co.—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif. Also available is a special bulletin on **Convertible Preferred Stocks.**

Interstate Power—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y.

Kearney & Trecker Corp.—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif. Also available is a memorandum on **Olin Industries.**

Lane-Wells Company—Annual report—Lane-Wells Company, 5610 South Soto Street, Los Angeles 58, Calif.

P. Lorillard Company—Illustrated annual report—P. Lorillard Company, 119 West 40th Street, New York 18, N. Y.

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

Maine Turnpike—Memorandum—Tripp & Co., 40 Wall Street, New York 5, N. Y.

Morris & Essex Railroad Co.—Bulletin—C. Herbert Onderdonk Co., 165 Broadway, New York 6, N. Y.

Mullins Manufacturing Corporation — Current review — Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

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

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

Safeway Stores, Inc.—Review—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

San Diego Gas & Electric Co.—Memorandum—Paul H. Davis & Co., 10 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **Sperry Corp.**

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

Shawmut Association—Analysis—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 4, N. Y.

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

Edward Schafer, Jr.

Edward Schafer, Jr., member of the New York Stock Exchange, passed away on March 7th.

With Ellis, Holyoke

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb. — Warren A. Connell is with Ellis, Holyoke & Company, Stuart Building.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—William A. Sinz is with Waddell & Reed, Inc., 1012 Baltimore Avenue.

With Straus, Blosser

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Leah R. Heslop is with Straus, Blosser & McDowell, Buhl Building.

Joins Barrios Inv.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Edwin C. Rebholz has joined the staff of Barrios Investments, Florida Theatre Building.

With Louis McClure

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla. — William J. Prowse is now associated with Louis C. McClure & Company, 615 Madison Street.

With Howard, Weil Firm

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La. — Mrs. Gertrude C. Martin has joined the staff of Howard, Weil, Labouisse, Friedrichs & Co., Hibernia Bldg., members of the New Orleans and Midwest Stock Exchanges.

Three With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Oliver M. Coleman, Richard H. Harten and Clarence W. O'Brien have become connected with Renyx, Field & Company of New York.

Joins Lundborg Staff

(Special to THE FINANCIAL CHRONICLE)

SAN RAFAEL, Calif. — Earl T. Riley, Jr. has become affiliated with Irving Lundborg & Co., of San Francisco. Mr. Riley was formerly local manager for Ragio, Reed & Co.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William F. Watts has become associated with Merrill Lynch, Pierce, Fenner & Beane, 301 Montgomery Street.

Three With Paul Rudolph

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Raymond A. Drummond, Jr., Thomas J. Kolins, and DeForest Reichard are now associated with Paul C. Rudolph & Company, 127 Montgomery Street.

With Coburn, Middlebrook

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Donald T. Steele has rejoined the staff of Coburn & Middlebrook, Inc., 75 State Street. He has recently been with Gordon B. Hanlon & Co. and Joseph F. Jordon & Co.

Clement Evans Adds

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—James O. Drew is now connected with Clement A. Evans & Company, Inc., First National Bank Building.

COMING EVENTS

In Investment Field

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

March 17, 1952 (Philadelphia, Pa.)
Investment Women's Club of Philadelphia spring dinner meeting at the Sylvania 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 10-13, 1952 (Canada)
Investment Dealers' Association of Canada annual convention at the Algonquin Hotel, St. Andrews-by-the-Sea, New Brunswick.

June 13, 1952 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia summer outing at the Whitemarsh 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.

A Business View of Foreign Economic Policy

By GEORGE A. SLOAN*
Chairman, the United States Council of the International Chamber of Commerce

Prominent business leader takes issue with President Truman's current request to Congress for nearly $8 billion in foreign aid, recommending future assistance to Western Europe be concentrated on military assistance. Mr. Sloan urges curtailment of inflation on international plane, maintenance of external solvency, currency convertibility, and increased importation of foreign goods into U. S. market. Maintains next post-armament transition must be cushioned by unprecedentedly large international exchange of goods and services.

When we examine the complexity of present-day life, we must conclude that our economic interests no longer can be restricted to the continental United States. That is one of the reasons why every American businessman must take an active interest and a positive part in shaping American foreign economic policies. For, whatever the trends may be in different parts of the world, there will be direct or indirect reactions in **your** business, in **your** home.

George A. Sloan

Take for example the latest meeting of the North Atlantic Treaty Organization, better known as NATO, in Lisbon. That the free nations have pledged themselves to a rearmament program to cost $300 billion for the next three years must ultimately affect the lives of everyone in the United States. And should we fall prey to the temptation to let our international obligations go for naught in this year of great decision, we would obviously forfeit a position of leadership among the free nations of the world.

Military Requirements and Civilian Needs

The recent session of the North Atlantic alliance was seeking to balance military requirements with the economic capacity of the free world. Rearmament does not merely pose the problem of raising armies or finding equipment for these armies. It also presents the complex task of diverting manpower, materials and finances from civilian needs of the economy.

Economically speaking, the primary objective of rearmament is:

(1) To increase military budgets realistically; and

(2) To take steps of a domestic economic nature which are necessary to carry through these military budgets, such as diversion of more resources in NATO countries from civilian to military use, adequate taxation and checking inflation.

Today, one of the chief economic means of increasing the pace of rearmament in Europe is to increase production, either by tapping additional economic reservoirs or by increasing the productivity of resources already in use. Currently, there is still a considerable amount of unused productive capacity in such countries as Belgium, Italy, Germany and to some extent in France. This can be found in the form of short hours, unemployment and unused plants in the vital metallurgical, chemical and engineering industries. The success of NATO depends largely on how rapidly these resources can be harnessed.

Since the end of World War II we have gone to the rescue of friendly nations when many of their cities were in ruin. The resultant recovery has been substantial—greater in some countries than in others. But there has been a degree of recovery in all countries which could hardly have occurred without Marshall aid from the United States.

Europe has done remarkably well in increasing industrial output. The fight against inflation has been fairly successful in some countries such as Italy, far less successful in others such as France. The program of economic cooperation among nations has made progress, although not as rapidly as needed. Basically, Europe reduced its foreign trade deficit from $5.3 billion in 1948 to $2.1 billion in 1950. Due to rise in the price of imports, the figure increased to $3.8 billion last year. At the same time, Europe's exports increased from $16.8 billion in 1948 to $26.3 billion in 1951.

This is a wonderful record of achievement—the result in large measure of economic aid from the United States.

Continuation of Aid Would Encourage Insolvency

However, we must realize **now** that such large-scale pump-priming cannot continue without encouraging narcotic habits and insolvency in the countries receiving such aid and without endangering the source of such help to the point where it could not respond to a call in case of future grave emergency.

I have no sympathy with those Americans, who go to Europe on brief vacations and come back to the United States expressing the profound conviction that **all** economic and military relief to Western Europe should be abandoned. Neither do I agree with those who support every proposal for foreign aid expenditure.

The answer for the next fiscal year must be somewhere between these two extremes. In the light of our experiences and our mistakes we must now determine how we can be more helpful in less costly manner in strengthening the economy, the morale, the patriotic spirit and the determination of free nations to resist insidious Communism and ruthless aggression.

Just last Friday, the United States Council made its position clear on the subject when we recommended that "future American aid to most of Western Europe should in essence be confined to military assistance with emphasis on its economic effects."

We said specifically that assistance to Europe for next year should take either or both of two forms:

(1) Military equipment and supplies produced in the United States and made available to NATO countries; and

(2) Goods and services produced by NATO countries for use by their military forces under contract with the United States Government and against payment in dollars.

Two visits to Western Europe last year have convinced me that there are far too many people in those countries who do not realize that their own personal stake is involved in the present issue with Communism. They, and indeed some of their leaders, express the defeatist attitude in saying, "We cannot afford to win another war." Such a frame of mind makes it all the more difficult to build a strong defense aimed at the prevention of war.

The correction of this situation is, in my opinion, a major responsibility confronting leaders of the free nations who are striving to preserve peace. A strong patriotic determination to resist aggression must be developed everywhere. As we and our allies build our self-defense, we are making it easier to prevent another war. We Americans have a responsibility here that cannot be met with dollars alone. It calls for statesmanship and diplomacy of the highest order.

There are too many so-called experts in foreign economic affairs in Washington whose experience in government service has been limited to the giving away of billions of dollars. That seems to be the answer of many such men to every foreign economic problem. The blueprinting of grants to foreign countries and even a successful experience in administering such grants do not, of themselves, qualify men to formulate foreign policy.

Dangers of Rearmament

Rearmament challenges the free world with two basic questions—question which we must constantly take into account while formulating our policies at home and abroad:

First—We might over-strain our economy and the economy of other free nations through too much defense mobilization over too long a time without adequate reduction in civilian demand.

Second—We might thereby find ourselves so heavily over-invested in capital goods industries that a decline in military requirements may bring with it serious economic dislocation.

With reference to the first point, it is noteworthy that both our own mobilization officials and the NATO ministers recently in session in Lisbon have decided to slow down the preparedness program to spread it over a longer period than heretofore planned.

The second point remains to be answered. It represents one of the most perplexing issues and a definite danger with which we and our allies will be confronted for some years to come.

By slowing down rearmament we will reduce the peril of over-extending our economy. Also, the post-rearmament transition can be faced more confidently. With the slow down, however, we are achieving more economic stability **at the price of more effective military strength.** An alternate solution could be obtained by minimizing civilian demand through more restrictive credit policies and other indirect economic measures.

In concentrating on rearmament we must not lose sight of the fact that our defense against Soviet imperialism has more to it than military aspects.

The conflict between the Soviet orbit and the free world is ultimately a struggle of strength—not of arms alone. Strength includes not only armed might, but also such vital components of economic and social life as greater productivity and efficiency, political and economic stability, and absence of social strife. The Marshall Plan has been mainly successful because it was conceived on the basis of recognizing and emphasizing the economic and social aspects of European security.

This emphasis must be preserved in the current period of rearmament. The rearmament program must be designed not to interfere with the cooperative effort of building a productive and united Western World. The International Chamber of Commerce recognized this need in Lisbon last June when 800 businessmen from 30 countries made the subject of economic cooperation in a rearming world the number one item on their deliberations.

The military programs of the free world are designed in a spirit of defense. We merely seek to counter the menace of Soviet aggression. At the same time we must demonstrate that the effective use of resources and the maintenance of peace and justice can be achieved without the loss of political, economic and religious freedoms which have disappeared in countries under the Soviet yoke.

The association of nations in international trade has always been a source of mutual economic gain. In time of peace, the objective is to bring about rising standards of living of all countries by deriving the full benefits of resources, scientific knowledge, managerial know-how and labor skills.

When rearmament can substantially be reduced, thereby releasing resources for the satisfaction of peacetime needs, international trade and foreign investments should once more occupy a key position in world affairs. Even now businessmen should begin looking ahead to this future date, giving careful thought to business and governmental policies which will promote world-wide economic growth.

After World War II we were able to avoid a depression because in the preceding years there had been a severe curtailment of civilian product and demand. At the same time, a huge accumulated purchasing power was released without any restrictions. **We avoided depression but we did not avoid inflation.** Every American household has felt the effect—with the dollar losing half of its buying power between 1939 and 1950.

This time, assuming another world war is avoided, there may be no comparable cushion of pent-up demand to facilitate the post-rearmament transition. And certainly there is no room for further inflation without destroying public confidence and wrecking our economy.

A Different Cushion

Our search for this cushion must lead in another direction. May I suggest to you, who are so well experienced in foreign trade, that a solution can be found in a revival of international exchange of goods and services on a scale much larger than before.

This prescription may be easier to formulate than to carry out. For despite all our efforts to the contrary there may be a business recession somewhere along the way. But even if that should happen between now and the day of reconversion we must still avoid methods or ideas which would restrict international trade. For if

Continued on page 23

*An address by Mr. Sloan before the 15th Chicago World Trade Conference, Chicago, Ill., March 6, 1952.

Text of IBA Memorandum Condemning SEC Fee Proposals

Joseph T. Johnson, President of the Investment Bankers Association of America, submits memorandum to Securities and Exchange Commission in response to invitation for comment on proposed new fees and charges to be imposed by the Commission. Asserts even if Title V of Independent Offices Appropriations Act of 1952, is assumed to be constitutional, proposed SEC registration fees for broker-dealers and their employees contravenes legislative intent.

The Investment Bankers Association of America, through its President, Joseph T. Johnson, acting for its Board of Governors, has submitted to the Securities and

Joseph T. Johnson Murray Hanson

Exchange Commission a memorandum dated March 7 protesting against the proposed new fees and charges to be levied on the securities industry. This memorandum was prepared in response to the invitation of the SEC for comment on its proposals. In his letter submitting the memorandum, Mr. Johnson, who is also President of The Milwaukee Co., Milwaukee, states that it has the approval of the Executive Committee of the IBA and reflects the general views of the Board of Governors of the Association as well "as the views and feeling of our entire membership." Mr. Johnson, in his letter, also requested that the IBA be advised of any public or private hearing that the Commission might hold on the proposal and be given an opportunity to be heard through their General Counsel, Murray Hanson.

The text of the IBA Memorandum follows:

We have examined the subject proposal and wish to make the following comments and recommendations with respect to proposed Rule X-15B-7—Registration and Filing Fees for Brokers and Dealers. While the discussion which follows is concerned primarily with this proposal, we believe that much of it is equally applicable to other proposals covered by this release, with the exception of the proposed increase in charges for duplications and certifications.

Title V of the Independent Offices Appropriations Act of 1952 Is an Unconstitutional Delegation of Legislative Power by Congress to the Heads of Federal Agencies.

We submit that Title V is an unconstitutional delegation of legislative power by the Congress to the heads of Federal agencies because Congress delegated to the heads of Federal agencies authority to prescribe what some of the standards shall be in determining the rate of any fee, charge or price imposed under Title V and because the standards which Congress did prescribe are too indefinite to constitute valid standards by which the heads of Federal agencies may fix the rate of any fee, charge or price. We recognize that this is perhaps not the most appropriate tribunal before which to raise this question, but with the thought that the Commission, before proceding further with this or analogous proposals, may well want to discuss this fundamental question, as well as others hereinafter discussed, with the two Appropriations Committees of the Congress and with the Bureau of the Budget, we are submitting herewith, as Appendix A, a brief memorandum on the constitutional question.

The Proposed New Registration Fees for Broker-Dealers and their Employees are not Fees such as were Intended to be Authorized by Congress under Title V.

Assuming hereinafter, for purposes of argument, that Title V does not constitute an unconstitutional delegation by the Congress of its legislative power but is rather only a delegation of the power to fix a rate of tax or fee within prescribed definite standards, we submit that the proposed registration fees for broker-dealers and their employees are not fees such as were intended to be authorized by Congress under Title V because broker-dealers and their employees are not special beneficiaries of services from the SEC.

First of all, what does Title V authorize or direct with respect to fees, if any, for broker-dealer registration? If we take only the relevant language of Title V we see that:

"It is the sense of the Congress that any . . . service (or) . . . registration . . . of value or utility . . . provided, (or) granted . . . by any Federal agency . . . to or for any person, . . . shall be self-sustaining to the full extent possible, and the head of each Federal agency is authorized by regulation . . . to prescribe therefor such fee . . . if any, as he shall determine, in case none exists, . . . to be fair and equitable taking into consideration direct and indirect cost to the Government, value to the recipient, public policy or interest served, and other pertinent facts. . . ." (Underscoring supplied.)

It is clear from the above quoted language of Title V that the Commission or its Chairman is under no absolute directive to impose any broker-dealer registration fees, but rather has complete discretion to determine whether such fees, if any, are indicated in light of the standards to be applied.

In our view, this authorization is so general and indefinite that it sheds little light on which "if any" registration with the several Federal agencies should be charged for. This view would seem to be supported by the bill introduced in the present Congress by Representative Fred V. Busbey, a member of the House Appropriations Committee, on Feb. 28, 1952 (H.R. 6846), which is designed to make it clear that the SEC is not to charge for broker-dealer registrations under Title V. We think it appropriate, therefore, to look to the legislative history of Title V. Here we co find a general indication of the type of fees and charges intended to be authorized in Title V.

The report of the House Committee on Appropriations on H.R. 3880 (House Report No. 384, 82d Congress, First Session), which was subsequently enacted as the Independent Offices Appropriation Act of 1952, specifically states, with respect to Title V and the fees and charges to be imposed thereunder:

"The Committee is concerned that the Government is not receiving full return from many of **the services which it renders to special beneficiaries.** . . .

"The bill would provide **authority** for Government agencies to make charges for **these services** in cases where no charge is made at present, and to revise charges where present charges are too low, except in cases where the charge is specifically fixed by law or the law specifically provides that no charge shall be made. . . ." (Underscoring supplied.)

From this statement of the Committee it is apparent that it intended that fees and charges should be imposed only upon persons who are actually the beneficiaries of special services by the Government agencies. This conclusion would be in accord with the view of President Truman, expressed in the Budget message for 1948:

"While it is not sound public policy to charge for all services of the Federal Government on a full-cost basis, and many services should be provided free, the Government should receive adequate compensation for **certain services primarily of direct benefit to limited groups.**" (Underscoring supplied.)

We fail to see where the statutory requirements for broker-dealer registrations and filings fall within any reasonable interpretation of "services which it (the Commission) renders to special beneficiaries." In fact, the registration and filing requirements are the first step in a regulatory or policing scheme for activities generally in the securities markets and obviously inure, to the extent they are successful, to the benefit of investors generally and to the general public interest. If one considers, therefore, what we believe to be the basic intent of Congress as reflected by the language of Title V and its legislative history (with which we have no quarrel) we think that broker-dealer registrations and filings are clearly not within the type of services primarily or directly for special beneficiaries which Congress intended should be self-supporting.

The Proposed New Registration Fees for Broker-Dealers and their Employees are not "fair and equitable taking into consideration direct and indirect cost to the Government, value to the recipient, public policy or interest served, and other pertinent facts."

Assuming for purposes of argument that broker-dealer registrations and filings are a type of work or service falling within the intent of Congress, the Commission is still under an obligation to apply and make a determination with respect to the various standards set forth in Title V before the Commission or its Chairman can rightfully determine what fee, if any, is appropriate in the circumstances. Let's take a look at each of the prescribed standards as they apply to fees, if any, for broker-dealer registrations and related "services."

"Direct and Indirect Cost to the Government"

What are the direct and indirect costs to the Government connected with broker-dealer registrations and filings? We would think it highly appropriate for the Commission, if it has not already done so, to make a cost study on this point (even though the standards in the statute are very general) and to make a definitive finding or determination of these costs other than that which may be inferred from the likely return from the fees prescribed. Presumably the Commission is already certain that the fees prescribed will not bring in more than sufficient revenue to make these assumed "special services" of the Commission self-supporting. So far as we know, no such determination has been made.

The Commission, in a "Notice to Mailing List" dated Feb. 18, 1952, indicated that it estimated the annual registration fee payable by broker-dealers under the new Rule would bring in revenue of $455,000, so presumably the Commission feels that this figure would not make this activity of the Commission **more** than "self-sustaining."

We are not aware of the exact formula by which this estimate was arrived at, but, taking figures from Table 7 on page 200 of the 17th Annual Report of the Securities and Exchange Commission to the Congress (the latest available), it would seem that this estimate may be a substantial underestimate of the revenue to be derived from the proposed fees. In this Table the Commission lists 3,908 registrants as of June 30, 1951, and it is believed that these figures are fairly representative of the situation today. At $50 per registrant, this would result in fees in the amount of $195,400.

In this same Table, the total number of proprietors, partners, officers, etc., is listed at 13,078. While it is far from certain, because of the difficulties of applying subsection (a)(1) of Rule X-15B-7 to individual cases,* just which of these persons connected with a broker-dealer firm would be excluded as a person not "at any time during the preceding year engaged on behalf of registrant in the sale and purchase of securities, in the supervision of such activity, or in the management of the business of registrant," certainly under any liberal construction of this language of this Rule, substantially all of the 13,000-odd persons in this category would be subject to the $10 fee. Taking the total number of 13,078 at $10 a head, we get a figure of $130,780.

With respect to the number of employees covered by the proposed Rule, the Commission, in the same Table 7, does not give a breakdown of the total number of persons employed by broker-dealer firms (61,659) as "salesmen," "traders," "customers' men" and "other employees" (although this information is required to be supplied to the Commission by broker-dealers in their registration forms), and here again there is difficulty in applying subsection (a) (1) to many individual employees. Taking, however, a rule of thumb which is believed to be on the conservative side, of three employees engaged sometime during the year in selling, buying, supervising, etc., against one not so engaged, we get a figure of 46,244 which, at $10 per head, would bring $462,440.

If an estimate is made, therefore, of the likely fees to be obtained under Rule X-15B-7 on this basis, we get a total figure of $780,000 plus, which is considerably greater than the estimate of the Commission referred to above. So we have a figure somewhere

Continued on page 31

*Are all persons in a buying department of a broker-dealer firm included, in government and municipal departments, advertising, etc.?

McCormick Urges Easing Rules on Underwritings; Favors Frear Bill

Former SEC Commissioner makes following recommendations in testifying before Heller Committee: (1) removal of prohibition against solicitations during registration period; (2) permission to use identifying statement in advance of official prospectus; (3) shortening of registration period; (4) clarification of Federal jurisdiction over securities transactions; (5) simplification of present prospectus; (6) exemption of bonds of institutional grade from registration by permitting their sale by public circular; (7) freeing of brokers or dealers from requirement to supply prospectus on unsolicited orders of new offerings; and (8) reduction in period during which new offerings may not be sold without furnishing prospectus. Favors Frear Bill, admitting it will mean more listings for exchanges. Advocates shortening of holding period under capital gains tax.

Edward T. McCormick, President of the New York Curb Exchange, and a former Securities and Exchange Commissioner, appeared on March 10 before a hearing of the Heller Securities and Exchange Commission Subcommittees of the House Committee on Interstate Commerce in New York City and read a prepared statement of recommendations for changes in the Securities and Exchange Acts. Following the reading of his statement, Mr. McCormick was questioned by Rep. Louis B. Heller, Chairman, as well as by other members of the Subcommittee.

E. T. McCormick

The text of Mr. McCormick's statement follows:

I appear here today at the request of the Honorable Louis B. Heller, Chairman of the Securities and Exchange Commission Subcommittee of the Committee on Interstate and Foreign Commerce, for the purpose of expressing my views with respect to the effect that the Securities Exchange Act of 1934 has had on the operation of the New York Curb Exchange, and also for the purpose of stating any proposals which I might have for amendments to that Act and any other legislation administered by the Securities and Exchange Commission or the rules promulgated thereunder.

I shall attempt in this statement to express my basic views on the above matters without going into unnecessary detail or refinements. While avoiding such detail in expressing my views, I shall attempt to be as precise as is possible under the circumstances leaving such gaps as may appear to you in this presentation to be filled upon such oral inquiry as the members of the Committee may deem appropriate. I wish to state to the Committee that I sincerely hope that from the vantage point of 17 years as a member of the staff and a Commissioner of the SEC, and a short stint as head of the second largest Exchange in this country, I can be helpful to it in appraising the work of the SEC, and more importantly, in delineating the problems confronting the American investor and the securities industry, and assisting in their solution.

As you know, my tenure at the New York Curb Exchange has thus far been relatively brief. I entered upon my duties there in April of last year. I, therefore, wish also to state that while I have some idea of the views of the members of the Exchange concerning the various matters I propose to discuss today, the opinions which are expressed do not necessarily represent the views of all or a majority of the members of the Exchange, but are essentially my own.

So far as the impact of the Securities Exchange Act of 1934 upon the operation of the New York Curb Exchange is concerned, it is my opinion that the effect of both the legislation itself and of the administration of the statute has been generally favorable. You will appreciate, I am sure, that national securities exchanges, such as the New York Curb Exchange, while subject to the regulatory jurisdiction of the Commission under the statute, have retained much initiative and responsibility in the regulation of their members. The role of the Commission is analagous to that of a person standing in the place of a parent, with the reserve power and authority to effect changes in rules and institute needed reforms, in the event that the Exchange itself does not first bring them about. The statute is clear in its intent and purpose. The Exchanges know what is expected of them. To my mind, such substantive changes as have occurred in the rules of the New York Curb Exchange as a direct result of the adoption of the Act, or pursuant to the direction of the Commission, have been beneficial both to the investing public and to the members.

It is my view, and I believe it is shared by all fair-minded men in the securities business, that this legislation has, in conjunction with the self-regulatory efforts of the Exchanges themselves, done much not only to raise the overall professional standards of the securities markets, but also to restore that confidence of the investor in the market which was badly shaken in the late twenties and early thirties—the confidence which we in the securities business well know is our bread and butter.

Recommendation of Specific Amendments

So far as specific amendments to the applicable statutes are concerned, my views may be enumerated generally as follows:

(1) I am fully in accord with and would recommend the adoption by the Congress of the amendments to the Securities Act of 1933 proposed in 1947 by the Commission's Staff Committee, of which I was a member. These recommendations were the result of many years of careful study and innumerable conferences between the government, all segments of the securities industry, business, and investor groups and individuals. I think they offer a reasonable program for the elimination of certain heavy and unnecessary burdens placed on the securities business, and for the correction of the major defects in investor protection under the Securities Act. I wish here to refer to five basic elements in the program:

(a) The prohibition against **offerings** in the post-filing but pre-effective period of registration injects into the underwriting process a serious and unnecessary risk and a resultant unwarranted cost to issuers and investors. Offerings can and should be permitted during that period.

(b) The securities industry needs a device through which it can ascertain who is interested in **knowing** about the securities being offered. The statute should permit the use of a "screening" or "identifying" statement in advance of the official prospectus.

(c) Prospectuses must presently be delivered by issuers, underwriters, and dealers of registered securities, in connection with all sales of such securities, for a full year after the date of the official offering of the securities. The legislative history of the Act clearly shows that Congress intended that such delivery is necessary only while the securities are in the "stream of distribution," and it arbitrarily adopted the one year period as one which it was "safe" to assume would cover the usual period of distribution. Everyone will concede today that this period is far too long in practically all cases. The period of distribution and for delivery of the prospectus can and should be more realistically and precisely defined.

(d) The prospectus has not proved to be an effective instrument for informing the public. Because of what I regard as a serious defect in the statute most sales of new securities are being made through the use of oral communications, including interstate telephone messages, and the prospectus is being delivered only **after the sale** with the confirmation, or the security. **This is permitted by the law.** If the Congress believes that the investor should have certain minimum prescribed information before he purchases the security, and I think it does, (certainly it is clear to me that it did in 1933 when the law was adopted), it must revise the law to see that the prospectus is delivered at a time when it can be useful to the investor in making his decision to buy, and not be a mere memorial of a past transaction.

(e) Some question has arisen as to the scope of Federal jurisdiction in connection with certain securities transactions. In order to insure proper investor protection all pertinent sections of the law should be clarified to extend Federal jurisdiction to any transaction where any part thereof—solicitation, sale, delivery or payment—involves use of the mails or the instruments of transportation or communication in interstate commerce.

Favors Frear Bill

(2) I am in favor of and would recommend the adoption of the Frear Bill which would extend the protective and information provisions of Sections 12, 13, 14 and 16 of the Securities Exchange Act of 1934 to cover all corporations having at least $3 million in assets and at least 300 security holders. While the proposed amendments to the Securities Act would see to it that an investor is informed before he buys a new issue, this Bill, supplementing the present requirements of the 1934 Act would insure, so far as practicable, that those who invest in large publicly held corporations would be able to ascertain the essential, material facts concerning the operations and financial condition of their corporations after they had become investors in the enterprise. In other words, the holders of securities of large publicly owned companies would be accorded the same protection under our securities laws whether or not they are traded on an exchange. It is my understanding that that portion of the industry which deals in securities not traded on exchanges accepts this proposal in principle and has indicated its support of the Frear Bill.

(3) I believe that the Commission should pursue more aggressively its present program for further simplification of the prospectus filed under the Securities Act of 1933. Probably the most frequently heard and loudest complaint of the industry with reference to Section 5 of the Act is that the prospectus is too complex and lengthy an instrument for the ordinary investor to read and understand. I believe that there has been a great deal of merit to this complaint, for I have seen some prospectuses, prepared by lawyers more with an eye to setting up legal defenses even against remotely contingent liabilities than to informing investors, which would prove a veritable nightmare to any securities buyer of ordinary lay intelligence. However, the Commission has taken great strides in the right direction during the past few years in the simplification process. And I believe, that with more cooperation from those required to file them, prospectuses will become what they were intended to be — readable, understandable and informative documents for use by the average investor. As you know, the registration statement filed under the Securities Act of 1933 is composed of the prospectus itself and various exhibits. The prospectus can be made more concise and readable by eliminating from it and placing among the required exhibits much of the technical financial and other detail. Such exhibits could be made available upon request to those who desired them. The financial and other essential information then remaining in the prospectus could be presented in summary form, in accordance with uniform and objective methods, and in common sense, Anglo-Saxon words, devoid so far as possible of technical, legal and accounting jargon.

(4) Since the passage of the Securities Act of 1933 many issues of the highest grade corporate bonds have been placed by issuers directly with large institutions, principally insurance companies. This has had the undesirable effect of depriving small investors, including the smaller banks and insurance companies, of the opportunity to purchase these bonds. In addition, small dealers who are not in a position to take part in the negotiation of such private financing have been entirely eliminated from the stream of distribution of these high grade bonds. The Securities Act and the SEC have been widely criticized for the development of private placement.

It is my belief that there is a simple way in which many of these issues could be channeled through the normal securities distributive machinery into the hands of small investors.

The institutional type bond is so highly "margined" that there is no need to present to prospective investors all the data essential to an appraisal of equity securities or lower grade bonds. In other words, much of the information needed for proper ap-

Continued on page 28

Stressing Income From Mutual Funds

By EUGENE J. HABAS*
Hugh W. Long & Co., Inc., New York City

Mr. Habas points out opportunity exists for mutual fund organizations to build up business by broadcasting virtues of thrift and pointing out financial advantages of putting their savings to work to gain income. Urges stressing value of having extra income, while on social security during old age. Says actuarial tables and arithmetic can be tools of Mutual Funds' salesmen.

My thesis is that too many people are not fully conscious of what their savings can accomplish for them; that we in the mutual fund business can and should consistently stress "income on savings," for the good of the public and ourselves; that there are numerous ways we can do this through the use of simple arithmetic.

Eugene J. Habas

Economists say that wealth, or savings, is merely purchasing power stored for future use. You and I recognize that that's not the whole story. Only when the wealth is in the form of money in a watertight container—buried under a nearby eucalyptus tree or in a nearby bank vault—will the description fit. As soon as the wealth is deposited in a savings bank or is otherwise endowed with earning power, it becomes more than stored purchasing power. It gains the capacity to increase in amount, or to increase the standard of living of the owner of the wealth.

Yet millions of people today regard their savings simply as a store of purchasing power—money to be spent later on. The extremely low rates of return paid by banks and other conventional savings institutions since the middle 1930's are probably responsible for this attitude. Certainly these nominal rates have not made people conscious of how productive wealth can be, if it is put to work. Things were different a few decades ago. During the first 30 years of this century, savings banks paid their depositors between 3½% and 4%, and shopping around would have brought the depositor 4½% in some years. In 1910, a savings bank officer interested in securing more deposits was able to say, "Leave your money here. At 4% interest compounded annually, you'll have twice as many dollars by 1927—in only 17 years." The span of time within which a dollar will double becomes 23 years with a 3% compounded return, which many Federal savings and loan associations are paying today. But it is 35 years when the rate of return is 2%, the maximum that most savings banks have been paying since the middle 1930's. Recently, in my home state, savings banks have been permitted to increase interest rates to 2½%. A man or woman now can look forward to seeing each dollar put in the bank today become two dollars—in 1980, which is a long time off. It's no wonder that so many of those who practice thrift today do not appreciate all its potential virtues. Some of the old-fashioned rewards of thrift seem to have disappeared with the new times.

I believe that an opportunity exists for all of us in the mutual fund business to capture the public's imagination, to build up public acceptance of mutual funds and to serve the public better, by broadcasting the virtues of thrift, including especially the advantages of putting wealth to work to earn a good wage. You will say that many of your customers do business with you because you have shown them how to get a better return on their capital. But I would guess that just as many—and for some investment firms—a majority of customers, think of your service as one which is keyed to their desire to increase the value of capital. You have not seriously discussed with them, in specific terms, the benefits of a better income return.

For the public at large, from which you draw your new customers, I suspect it would be a refreshing and arresting experience to read and hear about the virtues of thrift from the investment fraternity. I've always remembered the story I was told by a West Coast investment dealer after I asked him, "How did you come to be in the investment business?" He replied that he had been a bank officer for many years; that a local investment firm had frequently asked him to join their organization; that he was attracted by the invitation because he thought he'd earn a much better living for himself in the securities business. "But," he said, "I was a respected citizen in my town and I just couldn't reconcile myself to the loss of face that would go with becoming a security salesman." Our business, in that man's town, was not fully understood, nor is it today in many communities. This, despite the fact that every day we are working with people, trying to encourage the wise and fruitful use of their wealth—not in competition with the local bank or other savings institutions, but by supplementing the services of such institutions.

Better Income From Mutual Funds

Let's tell more often than we have been doing, what we have to offer in the way of a better income return and how important that can be to the person accumulating wealth or in possession of it. People are more likely to open the door to that kind of talk than to talk of investing for profit anyway, because the natural association with the word "profit"—in most minds—is "loss." More than that, when we talk income we can deliver the goods promptly and with much greater certainty than when we talk profit. Profit, or growth of capital or whatever you call it, can be a bonus if it comes.

I haven't forgotten that I didn't end my story about the banker. The epilogue is amusing in a way. His bank failed in 1933. He went into the securities business and, so far as I know, has been both a successful and respected man ever since.

Now, how can we present mutual funds as income producers? In linking together what I have been saying with what I am about to say, I must be very careful in my construction. A dollar deposited in the bank represents a fixed liability of the bank toward the depositor; a dollar invested in the average mutual fund represents an ownership interest in many American businesses. They are very different things. In the first, there is virtually no risk of capital and no possible reward, either, unless a modest and reasonably stable return be considered reward. In the second, there is sizable risk to capital, potentially, but there is sizable potential reward because the amount of capital can grow. In addition, there is usually a better rate of return.

No Fixed Income Guaranteed

To reiterate, we in the mutual fund business cannot offer the saver a fixed, predetermined rate of return. Dividend payments by mutual funds vary from quarter to quarter and from year to year. We cannot cite compound interest tables for the answer to how many dollars there will be in 10 or 20 years, for each dollar invested today in a mutual fund. We know that the dollar invested in shares of a mutual fund will vary in value from day to day and week to week. The fact is that no one can tell today what the income from a mutual fund will be, or what the value of its shares will be, one year or 10 years hence. If I were to add that no one can tell today what the purchasing power of the dollar will be five to 10 years hence, it would be true but I'd be getting away from my main thesis. So I won't say it.

None of this means that we are barred from discussing with the public and with customers, the income return provided by mutual funds. Once we have pointed out the obvious truths, as I have just done, it is possible to talk about the various ways of putting wealth to work, to earn a wage in mutual funds.

In this connection it should be noted that it is easier by far for a man or woman to choose a particular kind of work for their wealth than it is to choose a particular kind of work for themselves. Few people, indeed, can take a job any day, as a civil service clerk or a research chemist or a motion picture director. But the equivalent of a civil service job—with steady work at a moderate pay, a minimum of risk, and no future — is available to any dollar of wealth, at any time. Just deposit it in the bank. The equivalent of the research chemist's job —paying moderately well, with average risk and the chance that he might some day discover a new drug and be rewarded therefore—is perhaps the income fund's story. At the extreme, the motion picture director's job — with way above normal pay, while it lasts—is available in a speculative fund for the wealth that anyone wants to put to work that way. You can fill in the scale of job classifications to suit yourself. But once you enter the reasonably well-paid classifications, with attendant risks, you will find in mutual funds as wide a variety of jobs as your customers want to select for their wealth. And note too that whereas most men and women normally can hold down only one job, their wealth can be working in two or five or ten different kinds of jobs simultaneously.

My analogy has its weaknesses, as most analogies do, and you may not like it at all. It is just another way of dramatizing what you regularly recommend to customers, i.e., that they ought to have some of their savings in a bank, some in government bonds, and some in insurance protection before they look at the higher paying, "risky" jobs for their wealth.

Using Actuarial Tables

Thus far I've been reasonably successful in avoiding the subject of arithmetic. I come to it now.

Every man and woman is interested in knowing what the actu-

Continued on page 35

*An address by Mr. Habas before the Mutual Fund Conference, San Francisco, Calif., February 19, 1952.

America at the Cross-Roads

By THEODORE G. GRONERT*
Chairman, Dept. of History, Wabash College, Crawfordsville, Ind.

Though not belittling Communistic threats to our national life, Prof. Gronert contends strength of Soviet Union is overestimated and Soviet leaders are counting on internal waste and bureaucracy under heavy defense and rearmament outlays to bring about our economic and political collapse. Points to our unbalanced Federal budget and resulting inflation trend as avalanche that can bring destruction to our economy. Warns survival of Western culture depends on fate of United States.

In a day of crowded highways and diverse instruments of cross-country communication, we have found it necessary to set up warning signs at the approaches to all cross-roads. Transportation experts have displayed care and ingenuity in recognizing the driver's problem and in directing him to the left, the right or straight ahead, as the situation demands. The installation of these directives requires intelligence, foresight and technological efficiency and with an energy typically American we have met and mastered this problem of our physical cross-roads.

Theodore G. Gronert

Today, however, America has arrived at another cross-road less apparent to the eye and not as quickly recognized by the hurrying throng as our multiple crossing or clover leaf intersection. I refer to that less tangible but more challenging invitation to decision our social and political cross-roads.

On the physical cross-roads we can make the wrong selection in the matter of minutes and miles; but on the socio-political highway the choice of left or right or straight ahead carries implications for our society that reach far beyond the problems involved in the misreading of a highway directive. Right or left or straight ahead in our troubled international society has for contemporary America a challenge to make a decision that may not be a matter of miles and minutes but of eternity. We have created gadgets that may eliminate the drudgery of work, we have also made another (its workings invisible to the eye) that can blow our universe to stardust and the same people who have taught the idea of the fatherhood of God and the brotherhood of man have advanced ideologies that would over rule and in the long last ruin our world. Maybe our great-grandfathers and great-grandmothers who traveled at the space annihilating speed of 40 miles an hour, who read their Bible by the light of a coal oil lamp and who never were privileged to watch lady-wrestlers on television, missed many of the blessings of the machine age, but there were compensations. The gadget that controlled their gadgets did not break down, there were no juke boxes or pari-mutual machines and you never had to wonder whether your new car would keep up with the Jones's. In that pre-atomic America you lived in the best of all possible worlds and if there existed on the international horizon a national policy known as the Monroe Doctrine—it had no immediate impact in your life, and anyway it was an assurance that we were out of European entanglements. If there were new worlds to conquer that land was the virgin soil of the prairie and plains. Today the old frontier is gone and the signs that once read "Go West" now direct us to every point of the compass and when we elect to follow a given directive we are not certain of our destination. In the words of a Jazz Age song:

"We don't know where we're
going but we're on our way."

And the confusion concerning internal affairs has been underlined by equal uncertainty on the international front. Within the period of a generation we have witnessed changes in world policy beyond the imagination of statesmen of the 19th century, and have had millions of Americans secure their first real knowledge of global geography through the storming of Asiatic beaches and the conquest of European bridgeheads. Suddenly America has found itself forced out of its insularity into an alien world—a world that has also been confused by strange and inadequate landmarks.

Once the European world knew a certain if limited sense of unity in allegiance to Christian doctrine, now even that tenuous unity has disintegrated for Eastern Europe because of the dominance of anti-religious communists. For centuries European diplomacy was directed by the application of the balance of power and when Louis XIV, Napoleon or Kaiser Wilhelm II challenged the existing status, alliances came into being to redress the balance. During this period the proud kingdom of Great Britain was the moving force in maintaining the balance of power but today broken on the wheel of two world wars the British recognize the truth of Kipling's prophetic words:

"Far flung our navies melt away
On dune and headland sinks the fire
And all our pomp of yesterday
Is one with Ninevah and Tyre
Lord God of Hosts be with us yet
Lest we forget, lest we forget."

This decline of Britain meant the end to the balance of power and left only two powers: the United States and the communistic imperialism of Russia. For the first time in the history of modern man the struggle for the survival of civilization centers about the results of rivalry between two great continental powers and one of these powers has declared through the spoken and written word of Lenin and Stalin that democracy cannot be allowed to exist side by side with Marxism. A century old ideology inspired of Karl Marx's "Kapital" and championed by the nihilistic revolutionaries of 1917 has been the basis for the political institutions of the U. S. S. R. of 1952.

Denying the dignity of man as expressed in religious creeds and ignoring the hard-won freedoms of modern man, the dictatorship of the proletariat makes mock of personal integrity and denies the validity of international obligations. The story of the evolution of free institutions from the Mayflower Compact, through the Declaration of Independence and the Constitution may be the answer to the shams of Leninism and Stalinism, but in this year 1952 fine

Continued on page 16

*An address by Dr. Gronert at First Session of 33rd Mid-Winter Trust Conference, sponsored by Trust Division of the American Bankers Association, New York City, Feb. 4, 1952.

Savings in Today's Economy

ELLIOTT V. BELL*
Editor and Publisher of "Business Week"

Mr. Bell asserts we have been experiencing a recession within a boom because people are choosing to save their extra income; the shift from spending to saving equalling 7% of all consumer outlays. Maintains sudden drop in savings-rate could give enormous stimulus to business. Characterizes institution of Federal income tax on undistributed earnings of savings institutions as "a piece of monumental stupidity . . . worthy of the present tax-happy Federal Administration."

One of the most significant developments of the past year has been the emergence of savings as a dynamic factor in our national economy.

Elliott V. Bell

Most discussions of the business outlook early last year emphasized the great armament program. Government spending on a huge scale, shortages of materials needed for defense, and full employment were all calculated to bring about a further rise in prices. That was the well-nigh universal opinion.

Well, we had military spending rising to a rate of $36 billion a year, and we had record-breaking business spending for new plant and equipment. Steel, aluminum, copper, and other basic raw materials were desperately tight—but what happened to prices? The general level of wholesale commodity prices actually declined. Consumer prices—what we used to call the cost of living — have shown only a negligible rise in the past year.

Recession Within a Boom

Since early last spring, in the face of enormous inflationary pressures, we have been witnessing an economic phenomenon—a recession within a boom. While armament plants have been humming and national income has been soaring, many lines of business have been in the doldrums. The generally feared upsurge of prices, wages, and costs has either not appeared or been moderate in scope.

And why has this happened? It has not, dear friends, been because of OPS. Nor has it been because of anything else the government has done. Primarily, it has been because the American people decided last year not to spend their extra income, but to save it.

At today's high level of personal incomes, changes in the decisions of people to spend or save have a very sharp impact on business.

In the first quarter of 1951, the American people were saving about 4% of the income they had left after taxes. This meant they were saving at the rate of $8½ billion a year. By the last quarter of the year, they had raised the level of saving to 10%. At the same time, incomes were rising so they were actually laying aside savings at the tremendous annual rate of $23 billion.

Just think what that meant in its impact on business. It meant that consumers were holding back their spending at a $14½ billion clip. That shift from spending to saving was equal to 7% of all consumer outlays.

Small wonder the textile business and the television business had some rough going.

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

This reemergence of savings as a decisive factor in the economy is all the more noteworthy when set against the background of recent years.

Our "Age of Inflation"

The present era has been rightly called the Age of Inflation. There is no currency anywhere in the world that has not depreciated at least 40% in purchasing power during the past dozen years. In most cases, the loss of value has been much greater; and in some, it runs to nearly 100%.

During all this time, the thrifty man or woman who has put money into a savings bank or a government bond has had a negative return; that is, the interest earned on the money has been less than the loss in value of the principal.

Actually, every saver or investor who has made less than 5½% compound interest on his money these past 12 years has suffered a negative return.

This is hardly the sort of experience to promote thrift. What, then, persuaded the American people to save so much money last year? The answer is fairly complex. In the first place, not all of the billions of dollars saved by individuals last year went into savings institutions or investments. A large part went to pay off debt. Here is one form of savings that has always proved rewarding in good times and bad.

The farmer who uses part of his income in times of high prices to reduce the mortgage on the farm is making no mistake, no matter what happens to the dollar.

Thrift Pays

Similarly, the home owner has found that thrift pays off even in an age of inflation. The man and wife who bought a home before the war and financed it with a modern direct reduction type of mortgage should now be sitting pretty. They own their home outright — or soon will — and the chances are it has a market value today anywhere from one and one-half to two times what they paid for it.

As for those savers who put their money into savings banks and savings and loan associations in such large amounts last year, it must be presumed that most of them don't expect the dollar to keep on losing value at a rate of over 5% per annum. Whether or not that is an optimistic hope for the future, last year's experience shows that inflation can be halted by savings.

The sharp increase in savings in 1951 had a multiplied effect in damping down the fires of inflation. Faced with a slowdown of consumer buying, retailers began a liquidation of inventories amounting between May and December of last year to $2.3 billion, or 11%. This action, in turn, brought a slowdown in consumer goods manufacturing, thereby lessening the pressure on the economy for both labor and materials.

The higher savings of the American people is the main reason why the expected shortages in many lines of consumer goods failed to show up. The leveling out in the rise of the cost of living had a moderating effect on labor's demands for higher pay, and here again the inflationary pressure was relieved.

The fact that the people of this country were able to set aside so much of their income instead of spending it is a matter of some long range significance. It means that the level of personal incomes is now such that a large part of the population can cut back on spending, at will, without suffering hardship. The American standard of living is today so high that at least 40% of it is postponable; that is, made up of things that we can go without for a shorter or longer period.

Actually, there was no great sacrifice of living standards in last year's big saving spree. Consumer incomes rose so fast that it was possible to increase savings without reducing consumption expenditures. What people did was not to cut down on past levels of spending but to save the increase in their spendable incomes.

New Flexibility

This flexibility in the spending and savings activities of large numbers of people is something new in the world. There has never before been a nation where the bulk of the people have been so far above a subsistence level that they can, voluntarily, make shifts of 5% or 6% in the disposition of their incomes, without hardship.

This new situation means that savings today have a far greater power than ever before to act as either a stabilizing or an unsettling influence. When savings amounted to no more than 3 or 4% of incomes, changes in saving habits did not greatly affect the economy. But with savings equal to 10% of income, the situation is quite different. A sudden drop now to, say, 5% could give a terrific stimulus to business, just as the jump in savings this past year exerted a big drag on business.

The growing importance of savings has been accompanied by an increasingly keen competition for savings accounts among savings banks, savings and loan associations, and commercial banks. This has helped stimulate a general advance in interest rates culminating in the action of the Banking Board of the State of New York a month ago in raising the interest ceiling on savings and thrift deposits from 2% to 2½%.

This was the first occasion in the 20-year history of the Banking Board that rates had been lifted. Up to this time interest rate regulation by both the Federal authorities and the New York Board had gone in only one direction—down. But there had been no change in 15 years.

Since the action of the Board has evoked a good deal of discussion pro and con, and since the adjustments of rates already made and pending will be felt throughout the banking system, you may be interested in the views of one member of the Banking Board on the matter.

Little Attention to Dividends

For a good many years after the banking crisis of the early thirties, savings depositors and shareholders paid little attention to the rate of dividend paid them. Safety and convenience were the two most important considerations. Up until about the end of World War II, the most important single factor in attracting business to a savings institution was its location. Given a good location, the rate of dividend paid seemed to matter very little.

Similarly, commercial banks were able to attract and hold a large volume of so-called thrift accounts even though they paid, as a rule, substantially less than nearby savings banks and savings and loan associations.

Gradually that situation changed. During the war, full employment, high wages, and a shortage of things to buy resulted in an abnormally high rate of savings—as high as one-fourth of income. The accumulation of large savings made people interested in what these savings could earn for them. The War Bond drives with their emphasis on rate heightened this desire for a better return. Savings institutions, particularly the federal savings and loan associations, began to give greater and greater stress to rates of interest in their advertising. Savings bank dividend rates, which had mostly been 1½%, began an upward movement in 1947; and within the next three or four years, nearly all savings banks raised their rates to the maximum permitted by Banking Board regulations.

That was the situation last year when several developments brought the interest rate question once more to the fore. First there was the cumulative effect on savings bank earnings of the shifting out of government securities and into higher yielding mortgages, a process that had been going on for several years. At the end of 1947, mortgage loans made up only 28% of the earning assets of savings banks in New York State. By the end of 1951, that proportion had increased to 47%. The low point in holdings of mortgage investments was also the low point in earnings of the savings banks. With the rise in the mortgage portfolio average earnings have been creeping steadily up, making possible additions to surplus and opening up the prospect of higher dividends.

Next came the action of the Federal Reserve Board in unpegging the government bond market a year ago. The resultant readjustments set in motion a rising trend of bond and mortgage yields. Money became scarcer, and the competition for deposits became keener.

There then developed a movement among the commercial banks to raise rates on special interest accounts to the 2% level. For many years, it had been the accepted practice for savings bank rates to be higher than commercial bank thrift account rates, just as savings and loan rates were higher than savings bank dividends.

In recent years, however, there have been signs of growing discontent among the commercial bankers over this relationship. Commercial banks in this state have experienced a considerably slower rate of growth in recent years than have savings institutions, and earnings have been unsatisfactory for a long time.

Among the larger commercial banks in the big cities there has been an awakening of interest in "the little fellow," accompanied by drives for small accounts, opening or acquisition by merger of numerous neighborhood branches, and increased emphasis on what is sometimes called department store banking. This, of course, brings the commercial bank into keener competition for the type of money savings banks are also seeking.

Early last year a widespread movement toward higher rates began among the banks in Nassau County. There is only one small savings banks in Nassau County, and it has no branches. In recent years, the savings banks have made no secret of the fact that they think something should be done to make it possible to bring savings bank facilities to the populous and growing communities of Nassau. The commercial banks contend that they can provide everything the savings banks could provide, and the raising of interest rates was regarded as a move to prove their point.

Meanwhile, a good many commercial banks in other parts of the state have been losing thrift deposits as a result of a shift to the savings institutions to get a higher return. Last fall, one of the larger Buffalo banks launched a new wave of rate increases by which a number of commercial

Continued on page 33

Next Step Forward in Formula Planning

By HOMER FAHRNER
Registered Investment Adviser, Corning, Calif.

Investment adviser analyzes formula plan theory and practice, asserting pioneers were motivated by difficulties encountered in forecasting. Notes recent refinements in formula technique. Maintains formula planners have overlooked investment managers who have consistently made profits from following market's established trend.

All formula planning is premised upon the assumption that stock market forecasting is impossible. There appears to be good foundation for this assumption. One can hardly open an issue of a financial magazine or attend a market discussion without reading or hearing a discourse by some well-known forecaster predicting a substantial rise in the market, if not immediately then in the near future. But this will often be accomplished by another well-reasoned article or talk by some other well-known forecaster predicting an immediate or shortly-to-follow decline in the market. This goes on and on through bull market and bear market alike. The investor is never at a loss to find bullish forecasters or bearish ones at any stage of the stock market cycle. Indeed, research seems to indicate that the few times in which the forecasters were uniformly bullish or bearish has coincided neatly with the times when they were predominantly wrong.

Homer Fahrner

The Two Groups of Forecasters

Now these forecasters who are most prolific in their forecasts may well be divided into two groups: those who base their predictions on technical factors, such as the number of shares traded, or odd-lot purchases and sales; and those who base their forecasts on fundamentals, such as earnings and dividends. The latter method is frequently of late being repopularized as the "sound value" approach to forecasting.

Historically, the sound value approach to market appraisal must have originated much earlier than the technical approach. Indeed, had the sound value approach really been sound, in all likelihood the technical theories would never have had an opportunity to spawn and grow.

Having made the foregoing observations about the more vocal forecasters, the pioneer formula planners closed their eyes to any alternate approach to profitable market operations and set up their formulas on the premise that since one could not predict whether the market would advance or decline, one must assume that an advancing market will shortly decline, and that a declining market will shortly advance. Any long-term chart of stock prices would have shown these early formula planners that such, more often than otherwise, is not the case; but having once made these assumptions they soon became fixed dogma which all later experience to the contrary has only partly eroded.

New Approaches

Here and there we now find formula planners trying new approaches. Some, without perhaps realizing it, are slipping back to the sound value approach. Recently a prominent formula enthusiast espoused a median based upon sound values. In order to obtain his median, it seems, he arrived at the sound values for each of the 30 stocks comprising the Dow-Jones Industrials and then divided their sum by the same factor used in determining the daily Dow-Jones Average. Now if formula planning is to be based upon the assumption that all forecasting is impossible, then it seems very unlikely that any satisfactory median can be derived in this manner. Indeed, the median so determined was of the current order of 250, which only tends to reaffirm the theory that stocks present their very best statistical analyses when the bull market has made considerable progress.

A satisfactory median must meet these tests: it must be fairly stable and not fluctuate widely in short intervals of time; when charted with the Dow-Jones Industrials (or other average), it must cross the average price line near the half-way mark between each major bull and bear market top and bottom; it must immediately adjust itself to the inflationary and deflationary processes under government influences. The better known medians currently in wide use meet these tests only partially. The 10-year moving average is far too slow for any extended inflationary move. Those medians set visually can be only as good or as bad as the judgment of the ones doing the setting. One median which does meet all three tests fairly well may be calculated by going back 10 or 20 years and average the half-way (half-way between the year's high and low) figures for the first two consecutive years. Then this average is combined with the half-way figure for the next consecutive year to find a new average. This is repeated for each year in turn until the current average is obtained, which is then assumed to be the current median. There are other and even more satisfactory methods, but this one is illustrative of the class.

For the same reason that the median must follow the inflationary pattern, it also seems wise that at no point in a bull market should the investor ever be entirely out of stocks, nor should he ever be fully invested even in a bear market. Mathematically, it is relatively simple to construct the necessary equations which will perform this function and with some precision.

Meeting the Selection Problem

The pioneering formula planners were also up against the problem of how to select individual stocks without falling back upon a technical or sound value approach. They sidestepped this problem very neatly by rationalizing that since the individual selection of stocks was secondary to the timing of purchases and sales, the actual selection could well be left to other organizations, presumably (but without publicly admitting it) organizations which used the sound value approach to individual security selection. Sooner or later this problem must be faced and solved.

It was not long, however, before formula users realized that they were missing a substantial part of potential profits by selling too early on a rise, and by buying too soon on the first decline. Several makeshift props have been advanced to overcome this defection. One was to delay trades until the end of the calendar quarter; another was to use stop-loss orders; a third to delay transactions until current prices of the average had crossed the median; a fourth to wait until the Federal Reserve Index had changed a particular amount. Note that all these called for a delay. A better price could be had by waiting.

What the early pioneers in formula planning have overlooked is that there is a class of investment managers who, while making no forecasts whatsoever of coming market behavior, yet consistently make profits out of the market's movements. Since they make no forecasts, and, on the whole, are a much more reserved lot than those who are given to voicing their predictions at every opportunity, the techniques of this quiet class of market operators seems to have been overlooked entirely by the formula planning fraternity.

Success Through Following-the-Trend

This little publicized group bases its operations primarily upon one thesis and that is that a price trend once established is more likely to continue than reverse itself. And statistical evidence points unerringly to the mathematical probability that the chances are five to three that a trend once established will continue rather than reverse.

The writer's thesis is that this fundamental mathematical probability should be incorporated into every formula plan to displace any other trade-delaying device. Instead of selling on any predetermined percentage advance, or after a predetermined elapsed time, the sale should be made only after the advance has run its course. Similarly, purchases should be made after the next reaction is complete. At least one plan has already adopted this innovation with immediate improvement in its timing operations. This same plan also uses the trend-following method in its individual selection of stocks.

Formula planning is still in its infancy and it will be 25 or maybe 50 years before all its advantages and weaknesses will be fully appreciated. In the meantime it is well to keep eyes and ears open to any innovation which will improve formula-planning efficiency.

Aigeltinger Will Hold Cocktail Party

Aigeltinger & Co. is extending an invitation to all investment dealers and members of the financial press to attend an open-house cocktail party in the Jansen Suite at the Waldorf Astoria Hotel on March 14 at 4 o'clock to meet Clifton C. Cross, Technical Director and Manager of the development of the properties of United Canadian Oil Corp. Mr. Cross is a well-known independent oil operator in Western Canada; he is Chairman of the Board of Trans-Empire Oil Co., Ltd., and a director of the Western Canada Petroleum Association, an organization representing practically all the oil companies operating in Western Canada.

The purpose of the cocktail party is to introduce Mr. Cross to investment dealers and the press and to inform them of some of the problems confronting the development and operation of Western Canadian oil properties. A period will be set aside during the cocktail party to answer any questions regarding the United Canadian Oil Corp.'s properties and the oil situation in general.

House Values Today—And Tomorrow

By ALBERT W. LOCKYER*
President, New York State Society of Real Estate Appraisers

Calling attention to growing importance of mortgage loan business of savings institutions, prominent real estate appraiser stresses need for careful appraisals, if this business is to prove a pillar of strength and not a future headache. Cites method of appraisal of old houses, and pros and cons of new styles of construction. Concludes there's more permanency in traditional architecture of homes of the past.

The estimated volume of mortgage debt outstanding in non-farm homes at the end of 1951 was $53 to $54 billion. This figure represents a 170% increase over the amount outstanding at the end of 1945. I will never calmly accept the magnitude of the stake now held by banks and loaning institutions in the residential real estate of the nation. As a novice trustee, I am acutely conscious of the fact that my bank is a partner in real estate ownership to the tune of over 50% of its total deposits. The growing importance of this mortgage loan business and its inherent strength and weaknesses has prompted the theme of this discussion.

Albert W. Lockyer

The mortgage loan placed today may provide the pillar of strength of tomorrow, or it may result in the future headaches of the real estate management business. Nothing supersedes in importance, therefore, the direction of the mortgage underwriting policy of the savings institution.

Appraisal of Residential Properties

This discussion is to be limited to the first step of the underwriting process—the appraisal of the property. It is further limited to the appraisal of residential properties. It will not extend to the process of rating the borrower's credit or to those broad economic trends which affect the entire mortgage portfolio.

During the later years of the war and carrying through to 1945 and 1946, I appraised numerous residential properties for an institution which subsequently sold the entire portfolio to an out-of-town bank. These appraisals were based upon a 1940 dollar and were processed during a period of real estate liquidation. I have been informed that a substantial portion of these mortgages have been paid off in full. In the majority of cases, the properties were refinanced on the basis of the present market and the slipping dollar value. I mention this because it indicates that amortized loans are likely to be readjusted far before their maturity. In almost 100% of such payoffs, the property is refinanced at a higher level. This practice requires the reappraisal of the real estate and reassessment of the future economic life of the improvements. For this reason, and because of the large percentage of loans now being placed on old houses, I would like to discuss some features and facts pertaining to the appraisal of the older type house.

The average age of savings bank trustees is not young. To say the least, they are usually a group of mature men who have been brought up in the early part of the century, lived through two World Wars and a severe depression. They have the benefit of experience and a wholesome fear of booms and depressions. They have been "aged in the wood" and "burned around the edges." For this reason, there is a tendency to favor the old, the traditional, the conventional, and to shun the new, the different, and the unconventional in housing. To mention one instance of this, I call your attention to the so-called "look alike" housing. Those of us who were raised in the early 1900's are rank individualists, and we are unwilling to accept the kind of living represented in rows of houses all identical in design to the point where one cannot tell his own home from that of his neighbor. This may not apply to the new generation.

Need of Conservative Appraisals

In an economy as uncertain and explosive as the present, such a quality of conservatism is a necessary ingredient of a mortgage loan policy. Carried to extremes, however, this attitude may result in missing some good loans and accepting some poor ones. For the sake of balance, it might be a good idea if at least one member of the trustees were not over 35 years of age, so he may contribute the modern viewpoint.

Building movements are subject to cyclical variation. Booms are followed by depressions, depressions by booms. The revival of building after a lull is always characterized by a trial-and-error period. Architecture reaches out for a new style, planners propose new types of subdivision, builders seek more economical methods of construction, and building supply men introduce new materials. Wars spur progress and produce, through necessity, new methods of manufacture and construction. A shortage of housing space, increased cost of building, new labor-saving household appliances, shortage of domestic help, increased speed of travel and communication, and a changed pattern of living all contribute to these changes, with the result that the new house is vastly different from the old.

It is now nearly seven years since V-J Day. Enough time has passed to test some of the innovations in housing and to measure the advantages or disadvantages of these changes. It is the purpose of this discussion to cover some of these features as observed from the viewpoint of a practical appraiser, and to evaluate such facts in connection with mortgage lending procedure.

First let's discuss some of the features of old houses. Let us roughly define the old house as any residence built prior to the depression of 1930—about 20 to 25 years ago. During the years immediately following 1930 to about 1936, few houses were built in America; and those built in the period 1936 to 1941 are still relatively modern in comparison to the 1920 variety.

The old house suffers principally from incurable obsolescence and from deferred mainte-

Continued on page 26

*An address by Mr. Lockyer 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.

Continued from page 12

America at the Cross-Roads

words must be sealed by brave deeds. On a perimeter of 19,000 miles, communistic imperialism is pressing for advantage from Korea through Western and Southern Asia to Turkey and along the Iron Curtain in Eastern Europe stretches a boundary that has experienced the tensions caused by the open or subversive measures of the Politburo.

Through six long years we have been called upon to build alliances, expand armament and grant billions in direct aid, in order to meet this challenge. Yet with all this effort we have so far barely held the line and some Americans have begun to despair of the Republic because they feel that we cannot keep up our prodigal giving forever and that Russian power will ultimately conquer Europe. This pessimism has a basis in fact but the prophets of despair have overestimated the power of the U. S. S. R. and ignored certain evidences of America's power. On the internal front Russia has faced difficulties that would erupt into Civil War except for the constant vigilance of the secret police. Thousands of liquidations and millions sentenced to forced labor are grim evidences of disruption and discontent, unhappy satellites, exploited by the Politburo are trouble by economic difficulties which have resulted in the flight or liquidation of former Marxists. Jugoslavia's defection is underlined by the rise of Titoism in Czechoslovakia and Poland, and the U. S. S. R. maintains its hegemony in Eastern Europe solely by assassination and terrorism. Russia's ability to hold the line in Eastern Europe arises not so much out of Russian strength but out of the weakness of the war-battered satellite states and the ruthless elimination of all critics of the Cominform.

Russian ruthlessness while the natural result of Stalin's Marxist principles, is also born of the driving necessity to build up agricultural and industrial production and even though the means adopted by the Politburo tends to defeat its ends the unrelenting pressure continues. Stalin and his aides, as long as they aim at world domination, must strive to achieve industrial equality with the country that "Pravda" denounces as *decadent* America.

In 1951 this "decadent" America having only two-thirds the population of the U. S. S. R. and two-fifths the area far outranked that country in strategic fields of production as the following comparison indicates:

	U.S.	USSR
Steel Units	3	1
Oil Units	7½	1
Motor Cars Units	19	1
Home electrical equipment	20	1

In the communication field, a single state (Illinois) has more all-weather roads than all of Russia; American railroad mileage has an actual ratio of 5 to 1 and on the basis of comparative areas a ratio of 12 to 1.

The limitations of automotive power and the lack of railroad facilities would be a serious handicap to the U. S. S. R. in the conduct of war. Of this weakness, along with the limitations of production, the masters of the Kremlin are fully informed. Therefore they may well apply their philosophy of the "long view" of history and decide to attain by the slow attrition of time what they cannot achieve directly today. The Marxian theory of the decadence of the capitalistic system and the inherent weakness of democracy is the basis for Russia's postwar policy. She believes that another great depression will spell the ruin of the United States and once we are in the throes of economic chaos we will be easy prey for the shock troops of Communism. This belief is the basis for the constant pressure exerted in Europe and Asia, for the Politburo wishes to exhaust American power and await the time when such depletion will bring us to the breaking point. Then, according to the Marxian theory, we will defeat ourselves.

And at this point the writer finds a certain area of agreement with the practitioners of permanent revolution, for there is a hard core of truth in the implication that internal conditions would be the basic cause for America's fall. It is with this point that the remainder of this paper will be concerned. For at long last we have come to realize the real reason why America has to fear the developments of the next decade centers in our internal weakness. Russia cannot defeat us, but we can defeat ourselves.

The record of the past 70 centuries is studded with evidence of derelict civilizations, mute evidence of the moral and spiritual decadence of man. From Egypt through Rome to modern Europe it was not the invader from without but inner decay that brought disaster.

Bread and circuses, corruption, an indifferent citizenship can be as potent for destruction in industrial America as they were in imperial Rome. Waste, inefficiency and corruption mean the same in English as in Latin and these evils cannot be cured by joining "gimme" groups whose demands give more impetus to the vicious spiral of inflation. The budget for 1952 is dominated by the expenditures for wars, past and present, with more than $50 billion allocated to the defense effort. Broken down into particular allotments, the Federal Government's 1952 dollar will be divided into:

1. Direct military expenditures	58c
2. Aid to allies	10c
3. Interest on debt (largely war debt)	8c
4. Veterans and pension	7c
Total	83c
All other expenditures	17c

As of 1952, all these expenditures may be necessary, but this observation does not alter the fact that our economy must be strained to produce goods which will not produce more utilities but will go as sheer waste into the hungry maw of the so-called cold war. Russian communistic imperialism is acting on the principle that our nation can be undermined and ultimately destroyed by disrupting our economic system through dislocating the regular channels of production and consumption that are important in the system of private enterprise.

The Marxian theory is that, left to itself, capitalism becomes topheavy and like the mesozoic dinosaur goes down to death and disaster because it has too small a brain to control its unwieldy body. But Joe Stalin is not averse to hastening the realization of this communistic hypothesis. Every failure to balance our budget, every complacent defense of deficit finance is greeted with cheers by the leaders of the U. S. S. R.

Our industrial production and technological achievements can furnish the answer to every Russian threat if we are ready to use but not abuse our advantage. Inefficiency, selfishness and bureaucratic complacency can all play a part in our ultimate collapse unless we meet the challenge given us because of our place as the one bulwark between an orderly society and world revolution. And as we stand at the cross-roads we might note a score of signs warning of the dangers ahead on the road to security. But today I have only time to deal with one such challenge, a challenge, however, that conditions all our decisions both on the domestic and foreign front. I refer to the problem of inflation.

Not so long ago a cabinet officer declared that few of us are hurt by inflation. I would say to him, ask the man of 65 and his wife whose early payments as of 1914 pay back 35c and of 1936 pay back 54c. Ask the industrialist who must estimate costs of replacement ten years hence when the dollar might be worth 40c or if the present rate of decline keeps up less than 30c. Ask the banker who has to persuade me to buy government bonds at the very time when my 1941 bonds are returning me a purchasing power of 60c on the dollar.

I expect to buy more bonds because of duty and hope, duty inspired by the knowledge that the young soldier in Korea is sacrificing infinitely more than the home folk; hope because I am one of those who believe that America, as in the past, will act before it is too late.

The story of the decline of the great British Empire is involved at least in part with the decline of the pound from $4.86 in 1914 to $2.80 in 1952. And if you look at the financial record of France you note a franc worth 19c in 1914, 3c in 1921 and ¼c in 1952. The story of France's internal anarchy and her ultimate collapse before the psychopath, Hitler, is contained in this brief recital of frenzied finance. When nations engage in the mad gyrations of deficit financing somebody must pay the piper and that payment comes doubly high when you arrange a budget on the cost of goods this year and find the dollar cost upped 20 to 25% by 1953.

Thus inflation feeds on itself and snowballs into a veritable avalanche that can carry our economy to destruction. Escalator clauses in the wage contract, readjustment of parity prices, cost of living bonuses, have been offered as a remedy for injustice, but they merely create more inequities, while they offer a temporary refuge from reality. That reality is expressed in the phrase "You can't get something for nothing." (Even mink coats have to be bought at a price.) But pressure groups continue to function and when one segment of our economy secures a concession, others must hasten to get their share while the getting is good.

Every time we ask for special consideration, every time we join a "gimme" group we are contributing to the rising tide of inflation and giving aid and comfort to the Politburo. Stalin, following the example of Lenin, has declared that America would be the last bulwark of bourgeois institutions. He recognized the achievements of private enterprise but declared that the system carried within itself the seeds of its own destruction.

The Russian dictator, who is in fact no more socialistic than Napoleon or Julius Caesar, is enlisting Marxist ideology for service against representative government. Our answer cannot be made in terms implying compromise or surrender. We must recapture the ideals of our pioneer ancestors and find in American individualism and enterprise a new birth of freedom.

As liberty loving Americans we must become aware of the danger we are facing and accept the sacrifices we must make to meet it. The comparison of our great tradition with the shoddy ideology of Marxism should inspire us to renewed effort. From the Mayflower Compact, the Declaration of Independence and the Constitution we can recapture the inspiring expression of our essential liberties. And from the traditions, the heritage of the past, the lessons of the frontier and the sacrifices of the soldiers of peace and war we can renew our faith. These are fateful times but is is no time to despair of the Republic. The Roman and the British civilizations endured for 800 years before the sun went down on their once proud empires. Hitler ranted about a Nazi hierarchy that would last one thousand years—only to have his mad career end in the bunkers of Berlin. Now imperialistic communism with one-fourth of the world in thrall, dreams of world dictatorship — but other similar representatives of force and nihilism ended in ultimate failure. Russia will not succeed in perpetuating its system, but the assurance of ultimate futility of the disciples of anarchy would be poor solace indeed if the American dream should fail.

The important, the immediate consideration is the survival of Western culture, and that survival is linked with the fate of America. In our hands at the beginning of this half century lies the last best hope of modern man. If we still have faith in the integrity of the individual, if we still hold to the beliefs of our fathers in the fatherhood of God and the brotherhood of man, the hour is not too late, for if we hold that faith and act upon it even the obvious failures and the grave derelictions of the present can be the invitation to a future of conservation and construction. There are rough days ahead but we have no more right to despair of the Republic than our ancestors. Valley Forge, the civil wars of the Confederation, the Great Rebellion, Pearl Harbor — all brought with them a challenge and an appropriate response. 1952 brings a new challenge, difficult because it is more universal, and disconcerting because it is less tangible. These dangers, however, are no darker to the senses of our generation than were the crises of an earlier day to that age. Living in the most productive area known to history, with scientific technological equipment undreamed of by our grandfathers, we need to recapture their optimism and their sense of destiny. If we keep faith with the past and master the present surely the future will be secure.

Continued from page 5

Observations . . .

observe, "the price of Kreuger and Toll stock was inevitably headed for zero—short selling or no short selling."

As the explanation for a fall in individual stocks or the market as a whole, the short seller is merely a convenient scapegoat and alibi.

Debunking the Short Seller's Omniscience

According to an age-old widely-embraced credo, the short-selling bears constitute a coterie having more omniscience than the rest of the speculating public, or at least with professional abilities affording an "edge" over the uninitiated in anticipating the price movements of the market as a whole as well as of individual issues. The de-bunking of this fiction constitutes one of the most interesting and constructive elements of the study. Even in "the old days" bear raiding frequently was unprofitable. In recent times too, as demonstrated on several charts, it shows that leading speculative stocks have shown a far greater tendency to *increase* the size of their short position as their prices *declined*. Over the entire interval from 1931 to 1939 it is shown that the short position of the market declined by 90% in the face of an absence of net change in the market average (for ex. in the "Standard Statistics" Stock Price Index); and during shorter periods the bears more often than not illogically enlarged their commitments as prices fell, in lieu of the obviously more intelligent converse.

Getting Bearish at Bottoms

In 1931 and 1932 the shorts sensibly reduced their position as prices declined, and likewise 1935 and 1936 the two series rose together. But from the time of the July 1932 depression bottom to the close of 1933, the two series moved in opposite directions, the short position falling while prices were rising. In 1938, after the market had reached its bottom, prices and the size of the short interest also moved in opposite directions, the former declining rapidly while prices advanced—once again evidencing the bears' foible of subscribing to the fiction that the higher they go, the cheaper they are.

These findings of the Survey showing lack of short sellers' prescience in appraising the relative height of the market as a whole, accords with this column's observations on numerous occasions; and with the findings of others, as those based on examination of fluctuations in odd-lot short-sellers' short commitments. Thus, Garfield A. Drew in *"New Methods for Profit in the Stock Market"* has reported that the odd-lot short seller has been even less "right" than the average odd-lot trader; that odd-lot short selling tends to reach its maximum around the market's low points, and vice versa (p. 205).

The Macaulay study further concludes that short-selling operations are largely concentrated in leading issues with active markets, to avoid the difficulties subsequently entailed in covering in issues with thin markets; and furthermore, that short selling of stocks other than market leaders, especially of those really inactive, are actually not real short-selling at all, but merely selling against the box of one variation or another.

Today short-selling is discouraged not only by the stringent SEC and Stock Exchange prohibitions on order executions, but also by the subjection of such profits to ordinary income-tax rates in lieu of the long-term capital gains ceiling.

The Valuable Conclusions

Setting forth the over-all conclusions (1) that while in the early days short selling often exerted a temporarily disorganizing effect on the price movements of a particular stock and sometimes of the market as a whole, but (2) that it was never a serious factor in determining the larger- and longer-term movements of the market in general or even of individual stocks; (3) that its influence on major market movements has been completely negligible in recent years; and (4) even the sporadic outbursts have been eliminated by the regulations and policing of the Securities Exchange Commission and the New York Stock Exchange Commission; the Macaulay study is performing a constructive service for the investor, the speculator, the academician, and also for the enlightenment of the conscientious politician.

Another Great Sales Year

for Lorillard's Fine Tobacco Products

CONSOLIDATED STATEMENT OF INCOME AND EARNED SURPLUS

For the Year Ended December 31, 1951 *With Comparative Figures for 1950*

	1951	*1950*
Sales, less Discounts, Returns and Allowances	$188,447,430.83	$167,936,931.43
Cost of Goods Sold, Selling, General and Administrative Expenses	176,034,189.06	154,552,502.91
Operating Income	$ 12,413,241.77	$ 13,384,428.52
Other Income and *Expense* (net)	*92,233.22*	291,632.96
	$ 12,321,008.55	$ 13,676,061.48
Interest on Long-Term Debt	$ 1,034,700.63	$ 839,272.50
Amortization of Debenture Discount and Expense	30,058.56	12,611.27
Other Interest	312,777.08	191,409.53
	$ 1,377,536.27	$ 1,043,293.30
Income before Taxes on Income	$ 10,943,472.28	$ 12,632,768.18
Provision for Federal Income Tax	$ 5,302,000.00	$ 5,087,000.00
Provision for Federal Excess Profits Tax	286,000.00	564,000.00
Provision for State Income Taxes	229,000.00	244,000.00
	$ 5,817,000.00	$ 5,895,000.00
Net Income for year	$ 5,126,472.28	$ 6,737,768.18
Earned Surplus at beginning of year	27,372,160.03	25,476,604.10
	$ 32,498,632.31	$ 32,214,372.28
Dividends on Preferred Stock ($7 per share)	$ 686,000.00	$ 686,000.00
Dividends on Common Stock (1951, $1.50 per share; 1950, $1.85 per share)	3,669,426.91	4,156,212.25
	$ 4,355,426.91	$ 4,842,212.25
Earned Surplus at end of year	$ 28,143,205.40	$ 27,372,160.03

Depreciation provided—1951 $815,827.07 • 1950 $703,831.25

CONSOLIDATED BALANCE SHEET—DECEMBER 31, 1951 *With Comparative Figures for 1950*

ASSETS

CURRENT ASSETS:	*1951*	*1950*
Cash in banks and on hand	$ 7,530,826.46	$ 5,933,736.34
Accounts receivable—trade (less reserves 1951, $639,172.85; 1950, $686,508.30)	8,952,647.07	9,075,919.78
Other accounts and notes receivable	448,284.60	425,947.34
Inventories, at cost:		
Leaf tobacco	88,118,881.73	74,585,495.96
Manufactured stock and revenue stamps	9,124,404.40	6,013,436.71
Materials and supplies	4,752,392.55	3,862,248.15
Special deposits—contra	666,212.75	1,126,785.34
Total current assets	$119,593,649.56	$101,023,569.62
PROPERTY PLANT AND EQUIPMENT:		
As adjusted December 31, 1932 by authorization of stockholders, plus subsequent additions at cost, less retirements	$ 21,342,441.13	$ 19,433,534.84
Less: Reserves for depreciation	7,141,605.80	6,698,748.90
Total property, plant and equipment	$ 14,200,835.33	$ 12,734,785.94
BRANDS, TRADE MARKS AND GOODWILL	$ 1.00	$ 1.00
DEFERRED CHARGES:		
Prepaid insurance, advertising and taxes	$ 680,323.69	$ 595,652.70
Unamortized debenture discount and expense	450,361.04	63,254.60
Miscellaneous	560,225.45	370,212.56
Total deferred charges	$ 1,690,910.18	$ 1,029,119.86
	$135,485,396.07	$114,787,476.42

LIABILITIES

CURRENT LIABILITIES:	*1951*	*1950*
Notes payable—banks	$ 26,000,000.00	$ 18,700,000.00
Accounts payable—trade	3,405,015.63	3,235,630.11
Twenty Year 3% Debentures (due within one year)	600,000.00	600,000.00
Accrued taxes	6,331,960.97	6,385,940.78
Accrued payrolls	435,069.35	599,333.03
Accrued interest	274,500.00	258,071.87
Other accrued liabilities	222,760.43	210,256.35
Dividends, etc.–funds on deposit, contra	666,212.75	1,126,785.34
Total current liabilities	$ 37,935,519.13	$ 31,116,017.48
LONG-TERM DEBT:		
Twenty Year 3% Debentures, due October 1, 1963 ($600,000 to be retired annually 1952-1962)	$ 16,000,000.00	$ 16,600,000.00
Twenty-Five Year 3% Debentures, due March 1, 1976 ($350,000 to be retired annually 1954-1975)	15,000,000.00	—
5% Gold Bonds, due August 1, 1951	—	6,195,450.00
Total long-term debt	$ 31,000,000.00	$ 22,795,450.00
CAPITAL STOCK AND SURPLUS:		
Capital Stock:		
7% Cumulative Preferred, par value $100 per share: Authorized 99,756 shares Issued 98,000 shares	$ 9,800,000.00	$ 9,800,000.00
Common, par value $10 per share: Authorized 5,000,000 shares Issued 2,496,281.89 shares	24,962,818.90	22,466,818.90
Paid-in Surplus	3,643,852.64	1,237,030.01
Earned Surplus, as per statement ($19,872,160.03 not available for cash dividends on common stock under provisions of debenture indenture)	28,143,205.40	27,372,160.03
Total capital stock and surplus	$ 66,549,876.94	$ 60,876,008.94
	$135,485,396.07	$114,787,476.42

We'll be glad to send you a copy of our illustrated Annual Report for 1951. Write P. Lorillard Company, 119 West 40th Street, New York 18, N. Y.

P. Lorillard Company

AMERICA'S OLDEST TOBACCO MERCHANTS · ESTABLISHED 1760

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Chewing Tobaccos
BAGPIPE
HAVANA BLOSSOM

The Hard Money Policy in Britain

By PAUL EINZIG

Dr. Einzig reports considerable resistance to a policy of "hard money in Britain," despite growing realization among experts that adoption of this policy is inevitable. Says there is grumbling among businessmen against higher interest rates and tighter credit. Looks for a new British Treasury funding loan, because of discontinuance of policy forcing loans from banks under system of issuing Treasury Deposit Receipts.

LONDON, Eng.—There is a growing realization among experts and in the intelligent nonpolitical section of British opinion that in prevailing circumstances the adoption of a policy of hard money is inevitable. Life-long supporters of a policy of cheap money have reluctantly changed their opinion under the pressure of inexorable facts. In spite of this the government's task in tightening money conditions remains very difficult. For resistance to the hard money policy is stiffening. Nor is it confined to Socialists. The mailbags of Conservative members of Parliament contain many letters from staunch Conservatives, complaining about the hardships inflicted on them by the very moderate tightening of money conditions that has been applied since the change of government in October. Judging by some of the correspondence it seems that every businessman or private individual whose banker, acting on government pressure, has refused an overdraft, may have become an addition to the Socialist vote. In face of the private problems these people have to face they are inclined to become nostalgic for the return of the "good old days" when Dr. Dalton authorized additional expenditure with a song in his heart, and when he pursued a policy aiming at the reduction of interest rates to a level at which they would do no more than cover the cost of the clerical work involved in banking activity.

Dr. Paul Einzig

There is indeed much grumbling among British businessmen, and many of them are inclined to play for safety by liquidating their stocks of raw materials and manufactures and by reducing their productive activities. This is precisely what is aimed at by the hard money policy. The possibility of a curtailment of bank credits tends to bring stocks on the market, thereby counteracting the upward trend of prices. It also tends to moderate the demand for labor, thereby reducing the extent of overfull employment. The need for such painful remedies is realized by many businessmen. Others, however, wish the Socialists were still in office, because their inflationary policy went a long way towards making up for their hostile attitude towards capital and enterprise. From such quarters pressure is brought to bear on the government in favor of moderating, if not abandoning altogether, its hard money policy. The government can well afford to ignore this pressure. On the other hand it had to yield to pressure against the increase of interest charges on borrowing by local authorities for the purpose of financing housing schemes. The Minister of Housing and Local Government announced recently that the additional burden would be offset by a corresponding increase of government subsidy to local authorities. This means that the burden of the higher interest rates will be borne by the taxpayer instead of the ratepayer.

When the Bank rate was raised from 2% to 2½% many adherents of the hard money school criticized the move on the ground that the 2% bank rate should first have been made effective. Although on a few occasions Discount Houses had to borrow from the bank on their Treasury Bills at the "penalizing rate" of 2%, the market rate of Treasury Bills is even now barely 1%. The discrepancy between market rate and bank rate is therefore exactly as wide as it was before the increase of the bank rate. The Treasury is understandably reluctant to raise the cost of its own short-term borrowing, and is hoping to be able to create tight money conditions without any further appreciable increase of the Treasury Bill rates. In doing so it is partly prompted by the desire to avoid Socialist criticism of deliberately increasing the earnings of banks on their Treasury Bill holdings. Although such criticism is singularly ill-informed, since the banks have lost heavily as a result of the depreciation of their long-term securities caused by the higher interest rates, it tends to influence the public which in such matters is if possible even more ignorant than politicians are.

Quite recently the Treasury made a gesture indicating that it wants to break with the system under which it is in a position artificially to keep down interest rates on its own short-term borrowing. During the early part of the war a device was adopted as a result of which the Treasury was placed in a position to fix at will those rates. It was empowered to commandeer the resources of the banks in the form of short-term loans against Treasury Deposit Receipts. If at any time the response of the market to the Treasury Bill tenders was unsatisfactory the Treasury was in a position to make up for the deficiency by instructing the banks to lend the amount required. For precedents we have to go back to the Middle Ages and the 16th and 17th centuries when some of the Kings sought to evade Parliamentary control over taxation by forcing bankers and others to lend against their wish. This practice was brought to an end in 1640 and was not revived until exactly three centuries later, in 1940, but this time it was done with Parliament's approval.

Initiated in 1940, the system of Treasury Deposit Receipts was used extensively throughout the war and early postwar period. The peak figure of loans under the system was reached in September, 1945 at £2,225 million. When Mr. Butler launched his new monetary policy the amount was down at £175 million, compared with £525 million at the beginning of last year. At the end of February it was decided not to use the system any longer and by the beginning of March the last of the Treasury Deposit Receipts were repaid. Although the Treasury has retained the power to raise money by such means it is not likely to be resorted to except in case of major emergency. For the present the Treasury will rely on the market to supply it voluntarily with all the short-term funds it needs. The absence of the likelihood of compulsion to lend the Treasury on the terms fixed by the latter tends to cut both ways. On the one hand the banks are once more in a position to hold out for higher Treasury Bill rates without being exposed to the risk of being forced by the Treasury to lend on Deposit Receipts. On the other hand the market is no longer exposed to being drained of funds through large-scale borrowing on Deposit Receipts. What the net effect of these conflicting considerations will be on Treasury Bill rates remains to be seen.

To some extent the change has relaxed the pressure in favor of credit restrictions. Since amounts lent on Deposit Receipts could not be cashed until maturity they were considered to be less liquid assets than holdings of Treasury Bills. This means that the disappearance of Deposit Receipts has enabled the banks to increase their proportion of liquid assets. As a result there is now less inducement for them to cut credits for the sake of maintaining their liquidity. To offset this effect the Treasury may have to carry out another funding operation in order to reduce the amount of its floating debt.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The Bank of the Manhattan Company of New York opened an office on March 10, at 269 Madison Avenue between 39th and 40th Streets, which replaces its office heretofore at 295 Madison Avenue. The new office is air-conditioned, equipped with modern fixtures and designed to provide the best in banking service. It is managed by George W. Morris, Jr., Assistant Vice-President, under the supervision of Charles C. Fagg, Vice-President in charge of the bank's midtown offices. In January the bank opened an office at Fifth Avenue and 44th Street.

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At a meeting of the board of directors of **The National City Bank of New York** held on March 4, Gaillard B. Smith was appointed an Assistant Vice-President; and B. Douglas Hill was appointed an Assistant Cashier. Mr. Smith will be located at Head Office and Mr. Hill has been assigned to the Middle Western District.

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Central Savings Bank of New York has announced that at a meeting of the Board of Trustees of the bank, held on March 10,

Ralph T. Reed James A. McLain

Ralph T. Reed and James McLain were elected trustees. Mr. Reed is President and Director of the American Express Company, Chairman of the board of directors of Wells Fargo & Company, trustee of the United States Trust Company, Director of American Woolen Company, Western Union Telegraph Co. and Stone & Webster, Inc. Mr. Reed is a graduate of the University of Pennsylvania. Mr. McLain is President and Director of Guardian Life Insurance Co. of this city, a director of Life Insurance Association of America and of the Insurance Society of New York. Mr. McLain is a graduate of Urbana University, Case School of Applied Sciences and Carnegie Institute of Technology.

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Clarence E. Stouch, President of Publication Corporation and The Crowell-Collier Publishing Company, has been elected a member of the Advisory Board of Rockefeller Center Office of **Chemical Bank & Trust Company of New York**, it was announced on March 8 by N. Baxter Jackson, Chairman. Mr. Stouch is a trustee of The Knapp Foundation of New York and The Knapp Foundation of North Carolina, and is a director of various other companies.

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A secondary offering of bank shares was oversubscribed on March 5 with the marketing of 117,250 shares of capital stock of **Irving Trust Company of New York** by Kuhn, Loeb & Co. in association with M. A. Schapiro & Co., Inc., and a large group of dealers. The stock was priced at $22 a share to the public. The offering does not constitute new financing by Irving Trust Company but represents holdings of private investors. Irving Trust Co. has outstanding 5,000,000 shares of capital stock with a par value of $10 a share.

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Robert W. Sparks, First Vice-President and Treasurer of **Bowery Savings Bank, New York**, and consultant to U. S. Treasury, has been elected a member of the Advisory Board of the 100 Park Avenue Office of **Chemical Bank & Trust Company, of New York** it was announced on March 13 by N. Baxter Jackson, Chairman. Mr. Sparks, who has just returned from Europe on a mission for the government, is a director of the Financial Public Relations Association and of the National Service Fund, Disabled American Veterans; a trustee of Brooklyn Masonic Guild. He is a member of the Board of Managers, F.P.R.A. School of Northwestern University; New York Public Library Advisory Board, and Board of Regents; Graduate School of Banking, Rutgers University.

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Robert C. Shriver has been appointed Secretary of **United States Trust Company of New York**, it has been announced by Benjamin Strong, President. Mr. Strong also announced the appointment of Elmo P. Brown as Assistant Vice-President: Edward K. Block as Assistant Comptroller; Robert Craven as Assistant Secretary; and Ralston V. Hyde as Auditor. Mr. Shriver, who has been with the trust company since 1940, was appointed an Assistant Secretary in May, 1948. He is presently an Assistant Vice-President in the banking department. Mr. Brown, who has been with the company's investment department since May, 1934, was appointed an Assistant Secretary in 1943; Mr. Block has been with the trust company since June, 1937. He was appointed Auditor in 1950; Mr. Craven, who is with the company's investment department, entered the service of the company in 1937; Mr. Hyde has been with the company since October, 1934.

H. C. Maginn, Executive Vice-President of the Calaveras Cement Company and President of the San Francisco Police Commission, has been elected a director of **Transamerica Corporation.** Mr. Maginn replaced William H. Draper Jr., who resigned as a director of Transamerica upon his acceptance of an important European post for the U. S. Government.

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On Feb. 1 the capital of the **Franklin National Bank of Franklin Square, New York,** was increased to $2,830,000 from $2,790,000 following the declaration of a stock dividend of $40,000.

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The capital of the **Columbus National Bank of Providence, R. I.,** was enlarged on Jan. 22 from $500,000 to $625,000 by the sale of $125,000 of new stock.

A new $1,000,000 issue of 3½% convertible preferred stock was authorized on March 5 by stockholders of the **Bank of Passaic and Trust Co., of Passaic, N. J.,** it is announced by Thomas E. Prescott, President. The stockholders, at a special meeting, Mr. Prescott stated, "overwhelmingly voted in favor of the new issue recommended unanimously by the directors and approved by Warren Gaffney, State Commissioner of Banking for New Jersey. Sale of the new preferred stock will add $1,000,000 to the bank's capital funds. Stockholders will have a priority right to subscribe to the offering of 40,000 shares of the 3½% preferred at par of $25 in the ratio of 3 64/100 shares for each share of common. Rights expire on June 30. The preferred will be convertible into common from July 1, 1952, to July 1, 1957, at the rate of five shares of preferred for one of common and thereafter at six preferred for one common. The current book value of the common is approximately $129 per share, and the new issue will raise the total capital of the bank to just under $2,500,000. "Although present stockholders have a priority right to subscribe to the new stock and many have indicated their intentions to exercise the right," Mr. Prescott said, "the directors expect that a limited number of shares will be available for investment by customers and the public."

A reference to the plans incident to the issuance of preferred stock appeared in these columns Feb. 28, page 874.

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The First National Bank of Toms River, N. J., which increased its capital in December from $650,000 to $675,000 by the sale of $25,000 of new stock has since further increased the capital to $700,000, effective Jan. 31, by a stock dividend of $25,000. The earlier addition to the capital was noted in our issue of Jan. 3, page 36.

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The name of the **Second National Bank & Trust Company of Red Bank, N. J.,** was changed on Feb. 1 to **The Second National Bank of Red Bank.**

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As of Feb. 21, the **Central-Penn National Bank of Philadelphia, Pa.** (common stock $3,040,000) and the **City National Bank of Philadelphia** (with common capital stock of $1,000,000) were consolidated under the charter and title of the **Central-Penn National Bank.** Reporting this, the March 3 Bulletin of the Comptroller of the Currency stated that "at the effective date of consolidation the consolidated bank had capital stock of $3,540,000, divided into 354,000 shares of common stock of the par value of $10 each; surplus of $10,000,000 and undivided profits of not less than $3,260,000." Branches of the Central-Penn National and the City National, authorized since Feb. 25, 1927, and several others, will be continued by the consolidated bank. An item bearing on the proposed consolidation appeared in these columns Dec. 6, page 2159.

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In accordance with plans detailed in these columns Jan. 24, page 394, **the Calvert Bank of Baltimore, Md.**, and the **Fidelity Trust Company** of that city were merged on Feb. 4 under the charter and title of the Fidelity Trust Company. The former main office of the Calvert Bank and its four branches are operated as branches by the Fidelity Trust.

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A stock dividend of $100,000 has brought about an increase in the capital of the **National Central Bank of Baltimore, Md.**, from $400,000 to $500,000. The new capital became operative on Feb. 8.

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Augmented by an increase of $1,000,000, as a result of the sale of new stock, the capital of the **Winters National Bank & Trust Co. of Dayton, Ohio**, has been enlarged from $4,000,000 to $5,000,000; the increase became effective Feb. 14.

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The **City National Bank & Trust Company of Chicago** increased its capital, effective Feb. 26, from $5,000,000 to $6,000,000 by the sale of $1,000,000 of new stock. Earlier the same month (Feb. 8) the stockholders of the bank approved splitting the 50,000 shares of the capital stock into 200,000 shares and selling an additional 40,000 shares at $40 a share, par $25 per share. This was noted in our issue of Feb. 21, page 790.

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On Feb. 14 the capital of the **Waukesha Bank of Waukesha, Wis.**, was increased from $540,000 to $750,000; of the increase $150,000 resulted from the sale of new stock, while the additional $60,000 increase came about through a stock dividend.

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The First National Bank of Tampa, Florida, now has a capital (effective Jan. 21) of $2,000,000, increased from $1,500,000 by reason of a stock dividend of $500,000.

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Announcement that C. Edward DeRochie has been assigned to the head office at **San Francisco** of the **Bank of America National Trust & Savings Association** to assume the position of Vice-President and Trust Officer has been made by L. M. Giannini, President of the bank. Mr. DeRochie, a graduate of Loyola University, Los Angeles, joined Bank of America in Los Angeles in 1928 and served as escrow clerk and court trust administrator. In 1935 he was appointed Assistant Trust Officer at San Diego Main Office and was named Trust Officer in 1942, from which post he now moves to San Francisco.

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Shareholders of the **United States National Bank of Portland, Ore.**, approved on March 4 the recommendation of the directors to increase the bank's capital stock from $12,000,000 to $14,000,000 and its surplus from $12,000,000 to $15,000,000. The action will provide the bank with paid-up capital and surplus of $29,000,000. In addition, there is more than $13,000,000 in undivided profits, giving the bank a working capital base of more than $42,000,000, according to E. C. Sammons, President. The plan approved by the shareholders provides for the sale of 100,000 additional shares of common stock at $50 per share, bringing the total number to 700,000. The new issue is offered to present shareholders on a pro-rata basis of one new share for each six shares now held. At the same time the dividend rate was increased from $2 to $2.40 per share per year, effective July 1. Shareholders of the bank now total more than 3,500, of which 77% are residents of Oregon, Mr. Sammons pointed out. Blyth & Co. heads a group of security houses to underwrite the new shares of stock. The plans to increase the capital were referred to in our March 6 issue, page 993.

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The New York Agency of the **Swiss Bank Corporation** has received notice from their head office that at the 80th annual meeting of shareholders held at **Basle, Switzerland**, on Feb. 29, approval was given to distribution of a dividend of 7% for 1951 as against 6% in 1950. The meeting also decided to allocate 1,000,000 Swiss francs to the Pension Fund for the staff; to add 1,000,000 francs to the reserve for new buildings; and to credit 4,000,000 francs to the special reserve. An amount of 2,153,049 francs will be carried forward. Mr. Henry Droz was appointed General Manager by the board of directors. The bank's net profits for 1951 were 19,769,062 francs compared with 16,849,123 francs in 1950. Total assets of the bank at Dec. 31, 1951, were 2,734,097,053 francs against 2,670,682,131 a year earlier.

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The Hollandsche Bank-Unie N.V. general management recently made known plans for the opening of a Montevideo office in Uruguay on Jan. 28. Management of the new office is entrusted to Drs F. Linder, heretofore submanager of the bank's Buenos Aires office. The new office is located at 501, Calle 25 de Mayo. Letters should be addressed to: Banco Holandes Unido, Sucursal Montevideo, Apartado 888, Montevideo (Uruguay), and telegrams to Bancolanda — Montevideo. Similar to other branches, the Montevideo office will render complete banking service.

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The election of T. H. Atkinson as a director of **The Royal Bank of Canada**, head office **Montreal**, was announced this week by the bank. Mr. Atkinson has been General Manager of the bank since 1949. He joined the bank in 1911 and was named Supervisor of Quebec, New Brunswick and Eastern Ontario branches in 1938. He was appointed Assistant General Manager in 1943.

Canadian Securities

By WILLIAM J. McKAY

The Canadian Bank of Commerce, in its current review of Canadian economic development, publishes an interesting analysis of the national debt of Canada, in which it notes that, despite the tremendous increase in the funded debt, the bulk of it represents issues payable in Canada, and the Dominion no longer depends on foreign investors to absorb a portion of its public indebtedness. Moreover, there has developed in Canada, as in the United States, widely diverging attitudes toward national indebtedness and nature of its "burden."

Tracing these developments in the last 35 years, the Bank's publication states:

"The financing of World War I marked the beginning of a new fiscal era in Canada. The nature and significance of the change is indicated by the fact that during World War II the country financed a gross debt which accumulated at an average annual rate about equal to the total debt incurred in the years 1914-20. There were also outstanding differences in the fiscal policies followed during the two war-time periods. In World War I the average interest rate rose 40%, about a fifth of the funded debt was payable outside Canada, and five of the six issues sold up to the end of 1919 were tax exempt. In World War II the average interest rate declined 28%, the portion of the debt payable outside Canada dropped to about 3% and there were no tax-exempt issues. The major shift in domicile of the funded debt during the war years resulted from the purchase by the Government of Canada of practically the whole of its funded debt held in the United Kingdom, this being one of the means chosen to provide the United Kingdom Government with the funds needed for its war-time expenditures in Canada. Refinancing operations in 1944 and 1946 likewise reduced the debt payable in United States funds or gold, which had for the most part been contracted while the gold standard was still intact.

"With the foregoing as background we may consider the widely diverging attitudes toward the national debt. On the one hand, there is the school of thought which applies to the national debt principles identical with those that should govern sound private finance, and which is therefore alarmed at any increase in the debt that seems disproportionate to the national income. At the opposite swing of the pendulum is another school which regards the national debt largely as an economic and social instrument.

"What is the 'burden' of the national debt? It has been noted that the debt is of two general types—that incurred for the construction of productive capital equipment and that incurred on account of expenditures for other purposes. Not all of the debt of this second character can be classed as unproductive, however. War-incurred debt is usually considered to be unproductive. This, however, is a negative, and in many respects unreal, conception of a debt which was the price of victory. Moreover, that part of war-time borrowing which was spent on improving or creating domestic capital equipment should not be classed as unproductive. So with depression-bred debt. The alternative to debt-financed relief may be social strife and it can hardly be maintained that payments out of borrowed capital which keep the social system in being are unproductive. In view of such considerations, therefore, it seems illogical to make categorical distinctions between 'productive' and 'unproductive' debt.

"If the burden of the debt is considered to be the actual size of the national debt, then it is possible to say that the burden has increased though the national income has also increased and the average rate of interest on the debt decreased. Moreover, the proportion of the national debt held outside Canada has been decreasing until quite recently.

"If it is maintained that the servicing of an internally-held debt is no burden since payments are merely transfers from one citizen to another, it should be pointed out that for this to be strictly true the distribution of the debt as among its holders must be very even indeed. Otherwise certain groups will have their cash position increased at the expense of other groups. It is necessary, therefore, to take into account the investment habits of net interest recipients and the taxation and social welfare structure of the economy. If it should appear that a certain group holding large amounts of government bonds is receiving a very large share of interest payments, this does not necessarily mean that the service of the debt is burdensome to all other groups. If the interest payments are used to pay taxes which support a broad structure of social security benefits, then the supposed burden is cancelled by the benefits received. Then, too, to the extent that the interest payments are used to create new productive facilities, the burden of these interest payments is cancelled for the economy as a whole, although the members of the community employed because of the expenditure of the interest payments may not be the ones who paid the taxes which made the original interest payment possible."

Commenting on the interaction of the national debt and the national income, the review of the Canadian Bank of Commerce remarks:

"While the national debt at the close of the 1950-51 fiscal year was about 105% of the national income compared to 48% in 1929-30, the service charge on the debt as a percentage of national income is relatively stable. This is partly because the average rate of interest has declined during this period by nearly half. It is likely that more people in the low and medium income brackets held bonds in 1950 than in 1939, so that the net burden of interest payments which might be supposed to have existed in respect to these groups in 1939 diminished considerably in the following nine years.

"It can be seen from the foregoing that management of the national debt is not a routine matter concerned only with such things as the term and rate of bond issues, the negotiation of refunding issues and the payment of interest, nor is it a subject that can be confined to the examination and measurement of a limited number of simple factors. The considerations that arise in the planning of debt management reach into the fields of taxation, money, credit, prices, interest rates and capital formation, and have the most direct bearing on the ability of the country to face and overcome economic fluctuations and other unforeseen emergencies. Not only has the debt of Canada since 1945 been larger than ever before in absolute amount and in relation to national income, but its influence upon our opportunities for material progress and development has become immensely more complicated."

The review concludes its analysis by stating that "careful management of the national debt in a time of inflation can do much towards maintaining the real value of investments, which policy in turn will tend to facilitate any increase in the debt which might be required in an emergency."

Jean Marchand

Jean Marchand, widely-known public relations officer of the Canadian Pacific Railway at Quebec City, died suddenly March 6 at the age of 36. He was returning to his office from a Red Cross meeting when he became ill. He went to a nearby hospital for an examination and died in the office of a doctor.

Well, Let's Get at It!

"The majority of the Committee [Joint Committee on the Economic Report] has indicated approval of the principles outlined in the proposed report, namely, that the cash budget should be balanced and that a sufficient reduction — approximately $10 billion—should be made in government expenditures budget, both civilian and military, to accomplish this purpose. While the closing of tax loopholes was discussed by members of the Committee, there was agreement that no general increase in tax rates should be recommended.

Sen. J. C. O'Mahoney

"Much of the discussion in the Committee revolved around the extent to which specific cuts should be recommended. The majority seemed to be inclined to believe that the details of the cuts must be left to the consideration of the appropriate committees."—Senator Joseph C. O'Mahoney.

We have often had occasion to disagree with Senator O'Mahoney. We have not always found ourselves in full agreement with the work or the findings of his Joint Committee on the Economic Report.

It is, accordingly, a pleasure to support the Committee's recommendation of a substantial reduction in government expenditures.

We take the liberty also of hoping the "appropriate committees" will not be slow or negligent in giving effect to these recommendations.

Continued from page 6

The Business Temperature—Hot and Uncertain!

exists, we must prepare—and remain prepared—to meet it. These preparations will soon be absorbing almost 20% of the gross national product. Barring a full-scale war, which obviously would materially alter present calculations, it is hard to see how this percentage will remain so high for very long. Once the productive facilities are constructed and the output of finished war goods accelerates, it is likely that the burden of defense spending will decline, for it is doubtful that the armed services will want to accumulate excessive stocks of weapons to rust and become obsolete.

Effects of Increasing Production Facilities

The construction of factories for war production, as well as the actual output of weapons, and the tremendous expansion of our civilian productive facilities have all been adding purchasing power to the spending stream without increasing the supply of consumable goods — merchandise which you and I can eat, wear or use like food, clothing or automobiles. Such spending has been aptly described as "high powered" money because it is so effective in stimulating the demand for all kinds of goods. The high level of activity in the capital goods industry generally has been an additional factor contributing to business volume and adding firmness to the price structure. This trend may have reached its maximum intensity. The very extent to which these capital goods programs have been carried—even after giving recognition to the intensifying effect which high taxation, accelerated amortization and steadily mounting labor rates have provided—suggests that the thermometer has registered record summer temperatures. Some cooling off seems certainly a logical prospect.

Commodity prices, too, enter the picture in an important fashion. There is no need to spend time describing their spectacular upward climb. This is known to every businessman and every housewife. At the present time commodity prices are higher than they ever have been before by a substantial margin, but this is not the only interesting point. The chart of commodity prices is a series of broad low valleys and high sharp peaks. Traditionally, once a peak has been reached it is not long sustained; yet commodity prices have been poised on their present pinnacle for a considerable duration of time. This in itself suggests a prospective change in temperature. As a matter of fact, for several weeks basic raw commodity prices have been exhibiting softening tendencies. This development carries the implication of lower consumer prices in the not distant future. Should a trend of this nature get under way it could become cumulative, with remarkable effects on business.

There have also been natural phenomena affecting business which were not originally accurately appraised. The war caused great population shifts which accentuated the postwar demand for housing and community services. Mere mention of the spectacular development that has occurred on the West Coast, in Texas and in the Mountain States illustrates the dynamics of this population shift. Consider, also, the unanticipated increase in marriages and births which have confounded the population experts. This, too, has stimulated the demand for housing, furniture and educational facilities. In 1946, the marriage rate, according to Roger W. Babson, reached the all-time high of more than 120 marriages for each 1,000 unmarried females over 15—more than double the 56 marriages per 1,000 in 1932. Throughout the '40s the marriage rate was relatively high. The large baby crops of the '20s have now been married off. This high rate of family formation has been providing a background for the extraordinary level of building activity in recent years. But what of the future! The smaller baby crops of the depressed '30s are now reaching marriageable age. As a result, Mr. Babson expects marriages during the next five years to be 20% lower than the recent average—a loss of about 350,000 marriages a year. The implications of this dismal prospect are substantial for the building industry, for house furnishings, for many other lines of business.

Hindsight, therefore, suggests many reasons why business activity has been sustained at an unusually high level for the six years following the war. The present year will be the seventh. It is safe to say that the shortages of consumer goods (such as automoblies, refrigerators and soap) created by war-time conditions have been satisfied. The productive capacity of the nation has also been rather thoroughly rehabilitated by the capital goods output of recent years, and has been expanded to accommodate a much greater amount of production. The sustaining effect of these business factors appears to be moderating.

What will keep the volume of business up after 1952? A full scale war would obviously do it, but that eventuality would mean the virtual end of civilization as we know it today. Continued Government spending can help maintain a high level of business activity, but to the extent that we continue deficit financing, we are living in a fool's paradise; we are mortgaging our future and bringing about a further depreciation in the value of the dollar. We are also providing additional discouragement to the driving force of private initiative, which has been the principal bulwark of the country's greatness.

We can continue to waste our heritage by lavish Government spending and we can hardly expect the present Administration to reverse a course it has been so instrumental in establishing. We may rant and rave, but the average citizen—the average voter—seems to like inflation and until he recognizes inflation for the scourge that it is, we can hardly expect him to register a vigorous objection at the ballot box. But until he protests at the polls the Government is unlikely to alter its course, regardless of the party in power, and the country will get the kind of Government the average citizen wants—the kind he richly deserves.

The thermometers of business have reached all-time peaks and have stayed there for a prolonged period. It is hard to say whether it is July, August or September; but, at least, it is no longer spring. Autumn could be near at hand. Were I venturing far into the economic woods, I would take fall clothing along in my knapsack.

Public Utility Securities

By OWEN ELY

Delaware Power & Light Company

Delaware Power & Light and its subsidiaries supply electricity to substantially the entire state of Delaware, and portions of the states of Maryland and Virginia, the total area being about 5,100 square miles with a population of about 462,000. The territory is widely diversified, including Wilmington (population approximately 110,000) and the surrounding industrial area, and also the predominantly agricultural area extending south from Wilmington to below Cape Charles, Va. The company supplies gas in Wilmington and adjacent areas; gas is purchased from Philadelphia Electric Company, although a standby plant is maintained. System revenues exceeded $23,000,000 in 1951. Approximately 85% was derived from electric operations and 15% from gas operations.

Substantially all electric requirements are now supplied by the two principal steam-generating plants, the large new Edge Moor plant at Wilmington and the Vienna plant in Maryand. Net effective capacity approximates 252,000 kw. (mostly modern) compared with 1951 peak demand of 185,000 kw. The transmission lines of the company are interconnected with those of Philadelphia Electric Company and Atlantic City Electric Company.

The Company has an interchange agreement with Philadelphia Electric, the effect of which is to coordinate generating facilities of the two utilities and certain other systems so as to produce the greatest advantages from the viewpoint of overall costs and capacity requirements. Prior to the completion of the Edge Moor plant last July, substantially all of the electric requirements of the company's Northern Division, which includes Wilmington, were purchased from Philadelphia Electric. Residential electric revenues average 3.6 cents per kwh., which is above the national average.

The company recently issued $5 million 4.56% preferred stock which was offered at $103.64 by a syndicate headed by Blyth & Co. and First Boston Corp. Including the new issue, capitalization is approximately as follows:

	Millions	Percent
Long-term debt	$47	49%
Preferred stock	19	20
Common stock equity	30*	31
	$96	100%

*Excluding intangibles.

The company has enjoyed good growth, with electric revenues increasing some 85% in the postwar period. Further expansion should result from the expanding industrial activity in the area, construction of important new bridges, etc. The company's engineers estimated a demand for 297,000 kw. in 1956 as compared with 185,000 at the end of 1951, or an anticipated five-year gain of 60%. Growth continues uniform throughout the system, and there will be 15,000 kw. new industrial output in the area this summer. Steel expansion is an important factor. The estimated $40 million expansion program for 1952-54 will remain flexible. however, to permit readjustment if growth slows down, though the Edge Moor plant will be completed in any event.

The company's plants are reported to be in fine shape, 60% having been built in the last six years and 40% in the last three. The Edge Moor units are very efficient, operating at less than 10,000 btu. per kwh. The company forms part of a large power pool, and the pool as a whole now has a reserve of about 35%, the excess power being sold profitably.

Gas, which is obtained from Philadelphia Electric and contains some natural gas, is now sold with 800 btu. as compared with 520 formerly. The company's own gas plant has been improved to take better care of peak demands, etc. There is a good demand for gas for housing heating. The company is trying to get its own supply of natural gas—an FPC hearing on the question is scheduled for April; if this is not received, the company will have to ask for higher rates. The company may also decide to ask for an electric rate increase of some 6-7% (about $1 million revenues per annum).

Labor relations with the two unions are said to be excellent, and customer relations are also reported good.

The estimated potential gain of 14 cents a share in earnings which will result from accelerated depreciation of defense plant will go into surplus account, it is understood, which means conservative accounting. No increase in the common dividend rate ($1.20) seems likely this year. Share earnings are estimated at around $1.60 in 1952, plus any additional amount obtained in rate increases, as compared with $1.68 in 1951. The EPT earnings base is estimated at over $2 a share.

Delaware Power & Light stocks is currently selling around 24 to yield 5%. The price-earnings ratio is 14.3 times.

Securities Salesman's Corner

By JOHN DUTTON

Prestige Advertising

The value of consistently applied repetition, through effective advertising of a brand name, has been demonstrated conclusively in practically every field of business activity. In the securities industry, there have been only a limited number of firms that have made any progress toward building a wide acceptance of their offerings and services, through the use of continuous advertising. In certain cases, where large underwriting firms have made the headlines over a period of many years, a degree of confidence in the "firm name" has been established. But, these instances are probably the outgrowth of special circumstances rather than because of the planned direction of advertising programs.

The salesman who sells you a "Manhattan" shirt, a "Chrysler" automobile, a "Remington" typewriter, or any other accepted product, has the edge on the fellow who tries to compete with a less well-known brand, no matter how good a value it may be. There can be little argument as to the correctness of this conclusion. It does seem possible then, that investment firms operating in local areas could build up a very profitable return from a planned program of advertising, that would be directed toward making their name the best known, and most readily recognized in their community. The immediate returns from such a campaign would quite likely not be very impressive. But eventually, if the prestige value of the advertising was sufficiently acceptable to the potential investor clients located in the firm's market area, such a campaign could eventually place that firm in an enviable position in respect to the volume of new business that could be acquired.

Prestige Attracts Good Salesmen

If there is anything that a salesman likes to hear when he picks up the telephone to contact a prospect, it is something like this: "Oh yes, Mr. Smith, I've been noticing some of your advertising. Of course, you flatter me a bit when you suggest that you would like to discuss securities with me, but even though I can't promise you any business, if you would like to come to see me I'd be pleased to have you call." Surely, that is a lot more encouraging to any salesman than to have the fellow on the other end of the line, stutter out something like this: "Who? What? Who did you say you were—what do you want to talk about; what kind of business is your firm in?" And it happens far too often in the retail securities business.

Good salesmen will overcome obstacles . . . they are constantly doing this in every phase of sales work. But when there is an opportunity for increased public acceptance of a product, the best salesmen will eventually gravitate to such a market. It is my opinion that a well-planned, coordinated program of consistent advertising in the newspapers, and possibly such other mediums as radio and outdoor billboards, would of itself attract the better equipped salesmen, both from outside, and inside, the investment business.

The Mass Market

If we are ever to tap that great, almost untouched area of people, who are now placing the bulk of their investment funds in savings and loan associations, savings banks, government bonds, and other mediums of savings backed up primarily by debt obligations rather than equities, it seems logical that an effort must be made to reach these people in the same manner as the merchandisers of other products have always done it. They have simplified their appeals. They have used constant repetition. They have made it easy to buy. They have broken down buyer resistance through the use of that age-old formula, which says . . . reach the emotions!

One good slogan, repeated over and over again, one effective phrase tying in personal savings and American industry, plus a continuous use of one or two outstanding locations for outdoor advertising, and a good "spot announcement" on the radio, should eventually make the same successful impact upon a market area, whether or not you were selling securities or any other product. Of course, I am assuming that the advertising ideas themselves were sound. No long-term campaign such as this should be considered, unless the best advertising abilities available assisted in the preparation of the campaign.

There seems to be an opportunity for some progressive retail organizations to step into this field, and make a huge success of such a program in their own individual communities. At least, they could do a much more effective and profitable job of advertising their business than that which seems to be the usual procedure at the present time. A friend of mine, who is a very successful advertising executive, and who has studied the advertising of investment firms for years has said to me: "I have never seen anything exactly like it in any other business. You fellows in the securities business get one idea today and you think it is the greatest thing in the world. But tomorrow you are already cold about it. Then you get another one and off you go. I don't know why this is so. Possibly it is the very nature of your business that causes you to be so changeable. If any one of you got a toe hold on one good, sound merchandising idea, and you kept at it until you made it go, just like we do in other lines of business, I think you'd have the answer as to what ails your advertising and your promotional work."

It appears to me that there is a lot of sense in that remark!

Wainwright, Ramsey to Assist Montgomery

Mayor W. A. Gayle of Montgomery, Ala., announced that the city has engaged the New York firm of Wainwright, Ramsey & Lancaster, consultants on municipal finance, to assist the city in developing a sound financing program to provide sewage treatment required by the State.

Engineers are now bringing up-to-date project cost estimates made several years ago. It is anticipated that revenue bonds will be sold later this year. In addition, the consulting firm will assist the city with any other financing which may be undertaken in the next few years.

Madison & Burke Formed

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Madison & Burke is engaging in a securities business from offices at 80 Post Street. Officers are John A. Sullivan, President; Thomas L. Dempsey, Vice-President; Frederic L. Winsor, Treasurer; and Chester F. Robbin.

With Davis, Skaggs

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Richard S. Miller has been added to the staff of Davis, Skaggs & Co., 111 Sutter Street, members of the San Francisco Stock Exchange.

First California Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Jack Tinger has been added to the staff of the First California Co. Inc., 647 South Spring Street.

Sydonia B. Masterson Investment Counsellor

FRESNO, Calif. — Sydonia B. Masterson, formerly Manager for Francis I. du Pont and Co. members of the New York Stock Exchange, has become a Licensed Investment Counsellor in the State of California, and has formed her own firm under a sole proprietorship, in order to carry on her work. Her office is at 603 Cambridge Avenue.

Mrs. Masterson has had a long and successful career in the securities business, and has been associated with Nelson, Douglass & Co. which firm was purchased by First California Company. H. R. Baker & Co. now Walston, Hoffman and Goodwin, and later joined Merrill, Lynch, Pierce, Fenner & Beane.

Mrs. Masterson belives that by acting as an Investment Counsellor, rather than as a broker's representative, she will be able to give a higher standard of service to her clients giving full and due consideration to their individual needs.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Operating results for most of the major fire and casualty insurance companies for 1951 have been issued.

Although convention reports providing detailed information on all companies are not yet available, those that have been released together with figures provided in annual reports give a good idea of the underwriting and investment experience last year.

The overall operating figures are in line with previous expectations. Underwriting profits on a statutory basis were substantially below those of 1950 primarily because of the unsatisfactory results on automobile coverages and workmen's compensation insurance. Even though the general fire lines continued relatively profitable, increased losses also reduced the earnings from this source.

While there were individual exceptions to these general trends, depending upon the concentration of premium volume among the different classes of insurance, many companies reported underwriting losses and in most cases profits, where shown, were nominal. As pointed out by a number of companies, the statutory underwriting results for 1951 in certain cases were the worst ever experienced.

As the volume of business, in most instances, showed a sizable gain, the equity of the stockholder in the unearned premium reserve was higher. Thus, on an adjusted basis the underwriting results were not so unfavorable as appear at first glance. Nevertheless, losses were numerous and profits considerably below those of 1950.

Concerning investment results, the showing of 1951 was better than a year earlier. An increase in investment funds plus improved yields on fixed income obligations helped income from this source. A continued high level of dividend payments was also a contributing factor. The net result was that most companies were able to show some gain in income from investments.

Federal taxes on income were lower, primarily as a result of the lower statutory underwriting profits. The final result was that adjusted operating earnings, while lower did not decline as much as might have been indicated by the underwriting experience.

Geyer & Co., 63 Wall Street, specialists in bank and insurance stocks, have recently published the preliminary operating results of 35 fire and casualty insurance companies for 1951. The figures for 25 of these companies are shown below:

	Underwriting Profit	Net Acquisition Exp. Incurred	Adjust. Underwriting Profit	Net Investment Income	Operating Profit Before Taxes Incurr.	Fed. Income Taxes Incurr.	Operating Earnings After Taxes 1951	Operating Earnings After Taxes 1950
	$	$	$	$	$	$	$	$
Aetna Cas. & Surety	—5.66	3.75	—1.91	7.63	5.72	0.10	5.62	6.28
Aetna (Fire) Insur.	—5.05	3.27	—1.78	4.17	2.39	*Cr*0.12	2.51	5.33
Amer. Automobile	—5.02	—0.53	—5.55	3.47	—2.08	---	2.08	1.66
Boston Insurance	—2.52	2.11	—0.41	4.27	3.86	---	3.86	4.82
Camden Fire Insur.	0.08	0.47	0.55	1.75	2.30	0.32	1.98	1.69
Continental Cas. Co.	1.64	0.82	2.46	4.74	7.20	2.15	5.05	6.05
Continental Insur.	—0.69	0.61	—0.08	4.71	4.63	1.40	3.23	5.30
Fidelity & Deposit	5.60	1.21	6.81	4.10	10.91	3.01	7.90	8.65
Fidelity-Phenix Fire	—1.23	0.73	—0.50	5.05	4.55	1.38	3.17	5.63
Fire Assoc. of Phila.	—5.20	3.84	—1.36	5.72	4.36	---	4.36	5.96
Great Amer. Insur.	—1.12	0.70	—0.42	2.95	2.53	0.36	2.17	3.38
Hanover Fire Insur.	0.24	0.87	1.11	2.86	3.97	1.10	2.87	4.35
Ins. Co. of No. Am.	0.51	0.85	1.36	4.52	5.88	1.01	4.87	4.99
Jersey Ins. Co. of NY	5.96	0.44	6.40	4.30	10.70	3.95	6.75	9.26
Maryland Cas. Co.	—1.52	0.89	—0.63	2.35	1.72	---	1.72	3.28
National Fire Ins.	—1.14	2.62	1.48	5.38	6.36	0.84	6.02	5.63
North River Ins.	1.36	0.24	1.60	2.02	3.62	1.13	2.49	2.63
Northern Insurance	—1.18	0.87	—0.31	4.21	3.90	0.02	3.88	4.91
Phoenix Insurance	—2.22	2.23	0.01	5.82	5.83	---	5.83	6.56
Providence-Wash.	—0.56	0.37	—0.19	2.55	2.36	*Cr*0.04	2.40	0.02
St. Paul F. & M.	0.12	0.32	0.44	1.47	1.91	---	1.91	2.53
Springfield F. & M.	—0.30	1.44	1.14	3.43	4.57	0.52	4.05	5.18
U.S. Fidelity & Gty.	—3.76	1.95	—1.81	3.90	2.09	*Cr*0.03	2.12	5.58
U.S. Fire Insurance	2.22	0.35	2.57	2.67	5.24	1.79	3.45	3.55
Westchester Fire	1.25	0.20	1.45	1.65	3.10	0.96	2.14	2.20

Cr—Credit.

To Acquire NYSE Membership

On March 20th the New York Stock Exchange will consider the transfer of the Exchange membership of the late George J. Eising to Saleh R. Masri.

Nathaniel Barker Opens

(Special to THE FINANCIAL CHRONICLE)

PRESQUE ISLE, Maine — Nathaniel Barker is engaging in a securities business from offices at 231 Main Street. In the past he was with F. L. Putnam & Co., Inc.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Ides of March is casting a shadow upon the Government security market, but this reflection is not nearly as deep or as important as had been expected some time ago. The capable handling of this difficult operation by the monetary authorities appears to provide evidence that income tax periods will come and go in the future, without more than passing notice. Short-term rates have hardened slightly but this was not unexpected, and probably just about represents the amount of concern that is in the money markets over what would happen when March 15 approached.

The longer-term obligations continue to move within the fairly well established trading range, up one day and down the next with considerable regularity. Volume is light and it does not take very many buy or sell orders to influence quotations in either direction.

Meetings between commercial bankers, investment bankers, savings bankers and the powers that be, about future Treasury financing has not brought forward any concrete developments yet, according to reports.

The approach to the important income tax date of March 15 is creating some apprehension in the Government market. Nonetheless, it is not expected that more than minor and temporary tension will be witnessed in the money markets. The modest firming in short rates, which has been going on the last week or so, is evidence that the authorities are prepared for this operation. Although there is a not unimportant amount of caution around, there is nevertheless a firm feeling of confidence in the ability of the powers that be to cope with a situation that will most likely become less important with the approach of future income tax periods. It is becoming more evident each day that the monetary authorities are anxious to keep the money markets on an even keel and in order to maintain this balance nothing of an upsetting nature is likely to take place, if it can be helped by the authorities.

Discussions on New Treasury Borrowings

Despite the talks, meetings, conferences and rumors about the coming Treasury financing, which is supposed to involve billions, there appears to be nothing definite yet about what will take place or when it is likely to happen. Consideration is reportedly being given to several propositions, with the views of commercial bankers, investment bankers and savings bankers being sought as to what they might consider feasible under various kinds of circumstances. Also it is reported that not a small amount of consideration has been given to ideas that have been concerned only with ways and means of dealing with the question of new eligibility, which will become an accomplished fact in the very near future. To be sure as long as the inflation pressure is on and the loan curve continues to be on the up, commercial banks are not likely to be very greatly concerned with the newly eligible tap bonds. This seems to put a questionable value on eligibility for the time being at least.

The longer-term Treasury obligations have been racing up and down the ladder in a merry game of chase, with very little being accomplished pricewise. Volume is as light as ever and there are no indications that this relative inactivity is going to be changed much in the immediate future. Because of the limited action, it still takes only a few bonds on either side of the scale to push quotations up or down. These gyrations, however, have been maintained within the established trading areas. There is nothing on the horizon at the moment to indicate any change in this type of market procedure. There appears to be a balance between buyers and sellers in the longer end of the Governmnt market and Federal, it seems, is interested in keeping it that way.

Long Market at Stalemate

The market action of the higher income securities has been almost systematic with the regularity of the up days and the down days. When buyers come into the market for a not too sizable amount of bonds, then it is the up days. This could also be state pension fund day, since these funds are in the long market quite frequently and have a marked effect upon prices on the upside. On the other hand, when sellers appear in the market, such as savings banks and insurance companies, it is the down day. Because there are no dealers positions from which to supply the demand and no heroic buyers when liquidators appear, it seems as though the long Treasury market is going to continue to move in this more or less regular up and down cycle until something new comes into the picture to change it.

More Attractive Savings Bonds?

There appears to be more than a passing amount of attention being given by many money market followers to the belief that Savings Bonds will be given a new look soon. The rate, it is believed, will be held at 3% because there is no desire to ask Congress to approve a higher one. On the other hand, more favorable redemption values and maturity schedules would be used to add glamour to the old girl.

Savings bank deposits, it is reported, continue to show sizable increases. This means little, if any liquidation of Governments by these institutions.

Curb Clearing Corp. Appoints Officers

Bertram R. Lowenfels, a partner in Richard K. Kaufmann, Alsberg & Co., was reappointed President of the New York Curb Exchange Securities Clearing Corporation, according to an announcement following the corporation's regular board meeting.

David U. Page was reappointed to the Vice-Presidency. Philip F. Hartung of Harris, Upham & Co. was named second Vice-President. Thomas H. Hockstader of L. F. Rothschild & Co. was named Secretary and Treasurer. Robert A. Kugler of Shearson, Hammill & Co. was appointed Assistant Treasurer and C. E. Sheridan was reappointed Assistant Secretary.

Charles J. Kershaw, former Vice Chairman of the board of governors of the Exchange and Mr. Lowenfels and Mr. Kugler were elected directors of the corporation.

Reynolds President Of Albert Frank Co.

Frank J. Reynolds

Frank J. Reynolds was elected President of Albert Frank-Guenther Law, Inc. at the annual meeting of the board of directors, it was announced by Howard W. Calkins, Chairman. Mr. Reynolds since October, 1950, served as Vice-Chairman of the board, prior to which time he had been President of Albert Frank-Guenther Law, Inc. from September, 1932. Mr. Reynolds has been identified with the company since 1908. The office of Vice-Chairman was left vacant.

E. J. Keresey With Lee Higginson Corp.

Lee Higginson Corporation, 40 Wall Street, New York City, announces that Edward J. Keresey has joined the firm in the institutional sales department. Mr. Keresey has previously been associated with F. S. Moseley & Co. and Estabrook & Co. In the past he conducted his own investment business in New York City.

Schering Common Stk. Offered at $17½ a Sh.

Offering of 1,760,000 shares of 15¢ par value common stock of Schering Corporation was made on March 11 by an underwriting group headed by Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co., and Drexel & Co. The stock was priced at $17.50 per share.

No proceeds from the sale of these shares will be received by the company. A total of 440,000 outstanding shares of common stock were purchased at competitive sale by the underwriters from the Attorney General, who owned all of the authorized, issued, and oustanding shares of the corporation. These shares were changed into 1,760,000 common shares on the basis of four new shares for each old share.

Outstanding capitalization of the corporation will consist solely of the stock currently being offered.

Schering Corporation is engaged in the purchase, processing, manufacture, distribution and sale of pharmaceutical, proprietary and cosmetic products and preparations. The major part of its sales are of "ethical" products—that is, those advertised solely to the medical profession and manufactured primarily for use by or on the prescription of a physician. For the last decade the corporation's sales have been predominantly in the field of hormone products, x-ray diagnostics, and, more recently, antihistaminics and chemotherapeutic agents, such as sulfonamides. It has recently introduced other ethical products including a nonbarbiturate hypnotic and an anticholinergic agent. The corporation also markets a bulk laxative and an antihistamine as proprietary products and a suntan lotion and a depilatory as cosmetic products.

The corporation's ethical products are sold for the most part to wholesale druggists, prescription pharmacies, physicians' supply houses, chains and hospitals. Its proprietary and cosmetic products are sold by wholly owned subsidiaries to wholesale druggists, chain and independent drug stores, department stores and other trade outlets.

Continued from page 9

A Business View of Foreign Economic Policy

we reduce imports, we automatically face a reduction in exports.

The United States Objective

The United States can exercise world leadership toward international economic expansion if we work now to avoid a depression.

First and foremost — we must put a stop to inflation whenever and wherever it rears its ugly head. For surely every living American has suffered enough from its disastrous consequences. And stop it we can if we and those who represent us in government have the mind, the determination and the patriotism to do so. Stop it we can if we as a nation demand an end to extravagant and reckless government spending and taxation. Stop it we can if management in industry is permitted to think in terms of sharing reduced costs resulting from technological progress and increased productivity with our customers, our stockholders and our workers, and not be forced by some powerfully organized groups to favor them to the exclusion of investors and any possible price reduction. In short, stop it we can if we and our government heed the dictates of reason and fairness and call a halt to this indefensible and dangerous practice of yielding to high pressure demands.

It is hardly necessary to emphasize that inflationary tendencies here in America have an immediate adverse effect on the economic situation abroad. So our obligation is not confined to our children and grandchildren. We owe it to our allies to keep our inflation in check. Only then, because of the interdependence of civilized people, can they check their own inflations.

By the same token, we must realize that if Europe is to defend itself adequately, it must first achieve some measure of financial stability; otherwise Soviet objectives will be furthered by social discontent and economic distress.

Second, unless inflation is checked the second point in this proposed program cannot be achieved — i. e., bringing into equilibrium of balances of paypayments, the maintenance of external solvency of countries.

Domestic inflation in Europe has always resulted in increased imports and diminished exports. This situation usually produces a condition known as a balance-of-payments crisis. But those difficulties have also been caused by the impact of American inflation on world prices of raw materials.

Third, there are very good chances now — and I say this guardedly in spite of the reappearance of monetary crises in Europe—for decisive steps in the course of 1952 in the direction of currency convertibility. Courageous Canada has shown the way and American policies must support this movement.

Fourth, in order to place the balances of payments of friendly nations on a healthy basis, we must accept more foreign-produced goods. This is in our interest, for it will reduce the need for continuing foreign aid and grants which we no longer can afford. It is also in the interest of international economic stability. It is hardly consistent for the United States to preach trade liberalization to foreign countries year in and year out and then not to make it easier for them to sell in the American market—so long as such imports do not endanger the living standards of American workers.

Our Crusading Fervor

With a crusading fervor we have told the Europeans for five years that **they** must lower **their barriers** to free trade and liberalize commerce by **remitting tariffs and quotas.** We have declared in our national policies that **their** only salvation is the **acceptance of competition** and the **ending of national restrictions.** Meanwhile, we have imposed new and higher quotas against the goods they would like to ship to this country.

We must approach these problems with a realization of the place which the United States now occupies in the world. We are the world's number one creditor nation and the world's most efficient producer of manufactured goods. We should, therefore, exercise the greatest restraint in the raising of tariffs except in critical situations after careful and fair examination of all the facts involved.

Let us not forget that imports **can** serve as anti-inflationary devices by increasing the amount of goods available to the American consumer in those periods when domestic production of such goods may be unable to keep pace with consumer income.

All these are matters for which we must plan now. And that is not all. As soon as rearmament requirements permit it, we must aim at the gradual reduction of government interference with activities rightfully falling into the realm of business.

These are some of the things which I believe we must do in our domestic and foreign economic policies and we must begin now in anticipation of the end of rearmament. By adopting these policies we will offer effective cushions in the maintenance of an expanding economy. The proper way to prepare for the reconversion day is to make allowance for it, especially in our foreign economic policy, and not to treat reconversion as a separate problem.

Post-Rearmament Steps

There are other steps that we can take now, so as to be ready to move promptly **after** rearmament tapers off:

(1) We can think in terms of investing more private capital abroad. Private capital and industrial know-how going abroad will be vital measures in keeping the various economies going.

(2) Very much will depend on the attitudes of governments in the capital importing countries. For their own economic wellbeing these governments should be inspired by principles of fair treatment.

Last November the International Chamber of Commerce meeting in Paris appealed to governments everywhere to stand forcefully behind the sanctity of contracts. This statement was issued in full realization of last year's developments in the Middle East.

We stated that the foundation of international trade lies in respect for contractual agreements. Any tendency to cancel such contracts without fair compensation and without recourse to any reasonable court of appeals can only end in canceling out trade altogether.

Irresponsible action by government in meeting the basic concepts of contractual obligations is a condition which **must** be corrected between nations if foreign investments are to be rightfully protected and the flow of such capital is to continue abroad.

The decree of President Vargas of Brazil which alters retroactively the basis for remittance of profits and dividends from Brazil has, to say the least, aroused serious concern among American investors and prospective investors. This decree, unless rescinded, will undoubtedly impede the economic betterment of Brazil. And I have no hesitancy in stating that unless and until this situation is corrected, the United States Council will not proceed with its efforts to encourage American investments in Brazil. The time has come when United States business should convince our government that all forms of aid whether private finance or government grants must be limited to those countries whose governments respect contractual agreements.

And now my third and final point. In an expanding world economy we can count on exporting more goods. As American private enterprise builds more factories abroad, standards of living can be expected to rise with a resultant greater demand for American goods.

We businessmen can assist in formulating and inspiring appropriate policies for the transition period leading to peacetime conditions. We can help attain these objectives if we cooperate sensibly with other segments of society. To this end we must discard our prejudices. We must not be guided by considerations of political expediency. We must preserve the integrity of economic life at home and abroad. We must uphold and strengthen the dignity of the individual. We must move forward in a free world of high promise.

Clarence H. Adams Now With Putnam & Co.

Clarence H. Adams

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Clarence H. Adams has become associated with Putnam & Co., 6 Central Row, members of the New York Stock Exchange. Mr. Adams in the past was Securities Commissioner for the State of Connecticut.

Edw. Ernst Appointed By Bank of Montreal

MONTREAL, Que., Can. — Edward R. Ernst has been appointed Superintendent of the Bank of Montreal's foreign department it has been announced. He succeeds John H. F. Turner who has been named Assistant General Manager in charge of the bank's western division.

Mr. Ernst was formerly Assistant Superintendent of the bank's foreign department in which capacity he traveled to many parts of the world, including Australia, New Zealand, Honolulu and Fiji. From 1928 to 1943, he was attached to the bank's New York agency.

Two With Sheehan Wolf

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Joseph Fromkin and James J. Collins have joined the staff of Sheehan & Wolf, Inc., 114 Northeast Second Avenue, members of the Midwest Stock Exchange.

Railroad Securities

Profit Margins of Carriers in 1951

Last week we ran a tabulation showing the transportation ratios for 45 of the major railroads of the country. It was pointed out that this was the most important factor in operating costs. It is not, however, the only determinant of earnings or the only criterion of efficiency. There are, also, the maintenance outlays and traffic and general expenses. There are property taxes which in many cases are fixed regardless of the level of traffic or earnings. There are joint facility rents and charges for hire of equipment, either or both of which may result in a net credit.

The sum total of all of these expense factors is measured by the per cent of gross carried through to net operating income before Federal income taxes. This is known as the "Profit Margin." In the tabulation below we show the profit margins for 45 individual carriers and for all Class I roads for the past four years and for the prewar year 1941. The roads are listed in descending order of their profit margins for last year. For all Class I carriers the profit margin last year is for the 11 months through November. Presumably for the full year the margin was somewhat lower than for the 11 months.

It needs little more than a single glance at this tabulation to realize why it is, and presumably alway will be, impossible to consider all railroads as a cohesive group or all railroad securities as a single investment problem. The industry as a whole last year had a profit margin of something under 14%. The individual roads ranged all the way from 38.6% for Virginian to 3.9% for Chicago & North Western. All-in-all there were nine roads with profit margins of less than 10% and seven with profit margins over 25%. Obviously those roads with the higher profit margins have a far better cushion than have the low margin group to absorb any further increase in costs or to survive a downturn in traffic. It is also interesting to note that there were 10 roads that last year had wider profit margins than in 1941, and that they were predominantly in the western part of the country.

PROFIT MARGINS

Per cent of Gross Carried to Net Operating Income Before Federal Income Taxes

	1941	1948	1949	1950	1951
Virginian	49.8%	37.3%	27.5%	40.8%	38.6%
Norfolk & Western	44.0	33.4	20.8	31.4	31.4
Western Maryland	30.5	29.3	25.8	31.5	30.2
St. Louis Southwestern	23.9	31.4	27.3	33.0	30.1
Kansas City Southern	24.1	37.4	32.5	30.7	29.9
Western Pacific	19.1	15.8	12.2	29.6	27.6
Denver & Rio Grande Western	17.4	22.6	16.1	21.7	26.2
Chesapeake & Ohio	35.8	20.1	13.5	25.4	†24.4
N. Y., Chicago & St. Louis	32.1	27.3	22.4	28.6	23.7
Texas & Pacific	25.0	16.5	13.3	21.5	20.8
Chicago, Burlington & Quincy	18.7	22.5	13.9	25.2	20.5
Louisville & Nashville	29.2	15.6	11.4	23.1	19.8
Atchison, Topeka & Santa Fe	22.9	20.7	18.1	27.0	18.9
Seaboard Air Line	15.6	14.0	12.3	19.5	18.7
Southern Railway	27.7	17.1	14.1	21.7	18.5
Gulf, Mobile & Ohio	14.8	15.8	12.9	19.3	17.6
Delaware & Hudson	25.8	17.6	9.7	17.6	17.0
St. Louis-San Francisco	19.9	15.2	13.0	20.8	17.0
Great Northern	27.2	15.6	13.8	19.4	16.6
Union Pacific	14.9	17.6	9.4	20.0	16.4
Reading	25.3	15.5	11.1	15.9	16.3
Missouri-Kansas-Texas	11.4	16.4	15.0	18.6	15.7
Lehigh Valley	19.1	11.4	8.1	13.7	15.6
New Orleans, Texas & Mexico	23.1	21.7	19.1	18.5	15.6
Illinois Central	19.0	16.4	14.1	19.5	15.5
Northern Pacific	25.1	13.4	10.3	21.9	15.2
Wabash	19.8	19.0	11.4	18.0	†15.2
Erie	20.9	16.4	8.6	17.4	15.1
Chicago & Eastern Illinois	12.6	8.4	4.1	17.8	14.3
Southern Pacific	19.8	12.6	10.8	16.7	13.4
Chicago, Rock Island & Pacific	18.2	17.7	16.0	16.6	13.1
Chicago Great Western	17.5	14.3	10.5	15.3	12.3
Del., Lackawanna & Western	18.5	16.3	10.3	13.6	12.0
Atlantic Coast Line	20.5	5.3	7.6	12.7	11.8
Missouri Pacific	21.5	15.6	8.8	18.2	11.3
Baltimore & Ohio	21.6	13.4	10.1	12.2	11.0
Chicago, Mil., St. Paul & Pac.	20.2	7.8	5.8	13.1	8.5
Boston & Maine	19.3	10.8	7.1	11.3	7.6
Minn., St. Paul & S. S. Marie	11.8	9.8	7.3	10.0	7.6
Central RR. of New Jersey	11.7	10.2	7.0	10.9	7.0
Pennsylvania	20.0	9.3	5.4	7.6	6.6
N. Y., New Haven & Hartford	13.0	8.8	6.4	10.4	6.5
New York Central	14.7	5.0	4.9	6.9	5.4
Central of Georgia	19.9	5.6	0.6	6.5	5.1
Chicago & North Western	17.4	7.1	1.2	6.5	3.9
Class I	21.9	15.0	11.0	17.3	*13.9

*Eleven months through November. †Approximate.

Buys Half Stock of Realty Trust Co.

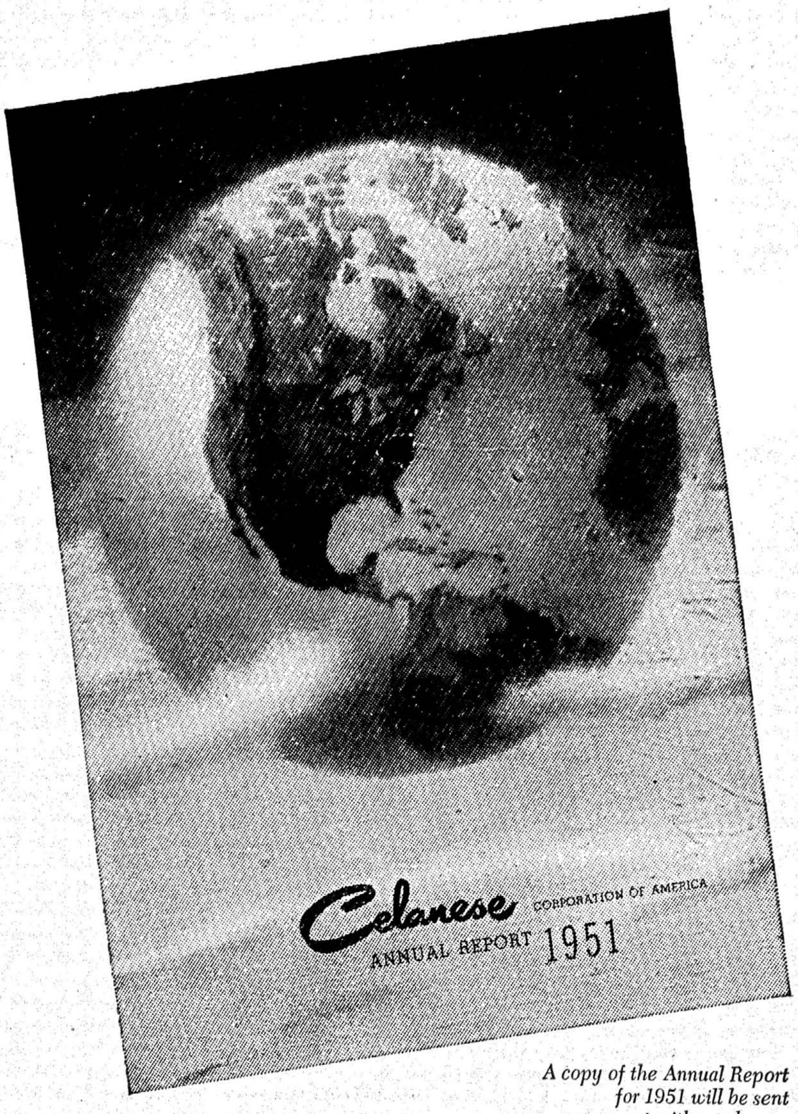
DALLAS, Tex.—W. Ray Montgomery has purchased one-half of the capital stock of the Realty Trust Company from Dallas Rupe & Son and has become President of the 33-year old mortgage loan firm.

Sale of a half interest in the wholly-owned subsidiary was announced March 1 by D. Gordon Rupe, Jr., President of Dallas Rupe & Son, and was effective immediately. Headquarters of the company will be in the Kirby Building.

Established in 1919 by Dallas Rupe & Son, Realty Trust Company is the oldest firm of its kind in Texas.

Celanese

marking 27 years of



A copy of the Annual Report for 1951 will be sent on request without charge. Please address Dept. 143.

The year's operations: Over a period of years we have expanded our domestic plant capacity to meet the growing requirements of the textile industry in the United States. With the completion of our acetate staple fiber unit at our Celriver plant, we believe we will have made adequate provision for the requirements of the textile industry for the foreseeable future.

As a result of the increasing demand for chemicals, construction was started on a new petro-chemical plant near Pampa, Texas.

Petrocel Corporation, a subsidiary, was formed to carry on oil and gas exploration and development work, with a geological and explorations office at Corpus Christi, Texas. This was another step in our long-range program designed to augment, rather than replace, existing sources of the basic raw materials used by our Company.

Through our chemical operations in the United States and through our affiliates in Canada we are rapidly approaching our goal, which is the assurance of basic raw materials for the manufacture of our principal products—acetate yarn and staple fiber.

Sales, earnings and dividends: Sales for the year amounted to $202,651,014, compared with $232,-483,942 in 1950 and $171,292,005 in 1949. Earnings for the year amounted to $24,800,263, compared with $40,361,166 in 1950 and $20,640,826 in 1949.

The earnings per share of Common Stock, based on the number of shares outstanding at each year-end and after providing for Preferred Stock Dividends, were $3.56, compared with $6.38 in 1950 and $3.19 per share in 1949.

A quarterly dividend rate of 75¢ per share on the Common Stock was paid throughout the year. This amounted to $17,534,862 on the 5,844,954 shares of Common Stock outstanding. The dividends on the Preferred Stocks amounted to $4,005,551. The total payments for dividends in 1951 were $21,540,413, compared with $17,093,288 paid in 1950. This was a record disbursement for the Company.

Taxes: Provision for Federal taxes on income and excess profits tax for the year amounted to $27,250,000, compared with provision for taxes in 1950 of $41,000,000 and $13,000,000 in 1949.

Compared with earnings of $3.56 per share on the Common Stock, and dividends of $3.00 per share paid on the Common Stock, the total direct taxes paid by the Company to Federal, State and Local Governments were equal to $5.47 per share of the Common Stock.

Financial position: At the end of the year net current assets amounted to $102,757,948 against $80,683,298 a year earlier. Cash with banks and on hand, including Government securities, aggregated $58,683,399, compared with $61,682,887 at the close of 1950.

During 1951 the Company took a series of steps to consolidate and simplify its capital structure. These financings revised the Company's financial structure so that at the end of the year there were outstanding $101,188,000 of funded debt; 1,000,000 shares of Preferred Stock, Series A, 4½%; 34,163 shares of 7% Second Preferred Stock (after deducting 1,545 shares held in treasury); and 5,844,954 shares of Common Stock.

CELANESE

CHEMICALS • CHEMICAL YARNS AND

Reports on 1951

of growth and progress
Celanese Corporation of America

Canadian companies: Columbia Cellulose Company, Limited, completed the first phase of its plant construction at Prince Rupert, British Columbia. Operations of the pulp plant were commenced in May. Production has been on an increasing scale, with the difficulties usually encountered in the start-up of a new plant gradually being overcome. At the outset the major emphasis was placed on training employees in their duties.

Engineering work is proceeding on the second phase of construction which will increase the plant's capacity to 300 tons a day. As the full volume of production is realized, the output of this plant should be a constructive factor in alleviating the continuing world-wide shortage of cellulose.

Construction of the petro-chemical plant and chemical yarn and fiber plant at Edmonton, Alberta, by Canadian Chemical Company, Limited, was well advanced by the year end. The total capital funds arranged for are $20,000,000 in the form of Capital Stock and $43,000,000 in the form of bonds.

The Edmonton plant will produce a variety of industrial chemicals some of which will be used at the plant in the manufacture of cellulose acetate, acetate staple fiber and filament yarns. In addition to such volume as is consumed in the operations of the plant, it is planned to market chemicals and cellulose acetate in Canada and foreign countries. The staple fiber and filament yarns will be sold principally to the Canadian textile industry.

Plans of the Celgar Development Company, Limited, which were announced immediately following the end of the year, for an integrated forest industry in the Arrow Lakes district of British Columbia, constitute the third phase of the Canadian development program which was initiated four years ago. The development, which is expected to provide employment for 2,000 persons in the mill and logging operations, is estimated to cost $65,000,000, but this amount may be increased by the addition of plywood and board mills.

Mexican and South American affiliates: Both Celanese Mexicana, S.A. and Viscosa Mexicana, S.A., two of our affiliates in Mexico, increased their production of acetate and viscose chemical yarns and fibers during the year. Production of viscose staple fiber commenced at the plant of Viscosa Mexicana, S.A. and provided the Mexican textile industry with a supplement to the acetate staple fiber produced by Celanese Mexicana, S.A. Production of chemical yarn and fibers will be further increased during 1952 by both companies.

Celulosa Nacional, S.A., another affiliate, has completed construction of its cellulose plant at Rio Bravo in the State of Tamaulipas and has now begun production. The plant produces high alpha cellulose from raw cotton linters obtained from Mexican cotton.

Another affiliate, Claracel, S.A., was formed during the year for the manufacture of acetate film for packaging and wrapping purposes. Equipment was installed in a modernized building in Mexico City, with production scheduled to start shortly.

In South America, the construction of the acetate filament yarn plant of Celanese Colombiana, S.A., at Yumbo, near Cali, Colombia, was completed in record time despite difficulties of construction due to the distances involved in shipment of equipment. The plant was constructed and put in operation in less than twelve months. Steps already have been taken to increase substantially the initial capacity of the plant and to provide for production of staple fiber.

During the year Celanese Venezolana, S.A., was formed and financed jointly by our Company and Venezuelan investors, many of whom are leaders in the textile industry of that country. Construction on the plant near Valencia was started late in 1951 and is proceeding rapidly. Plans are also under way for the production of viscose filament yarn and staple fiber.

. . . From the President's Report, in the 1951 Annual Report to Stockholders

CORPORATION OF AMERICA

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FIBERS • TEXTILES • PLASTICS • CELLULOSE

Continued from first page

As We See It

restricted too much and the corrective lies merely in allocating more metal to civilian products. Would an unfettered automobile production, if it were possible on other grounds, quickly absorb these metal overages? That, of course, depends on whether the true demand for automobiles at this stage is much above the four to four and a half million car level of current production."

Miserable Failure

In these words the "Fortnightly Review" of Carl M. Loeb, Rhoades & Co. presents one of the aspects of what to us is obviously a miserable failure in planning and executing the rearmament program. It is not only in metals that the planning or the production agencies (or probably both) have badly miscalculated and mismanaged. It has been obvious for long while past that there was something badly out of whack in the rearmament effort. Expenditures have persistently lagged behind promises and are still lagging. No one in his right senses would object to the fact that the national government is not spending as much as it said it would or as we expected it to spend if only we were getting the things it said we had to have to protect ourselves, or even if we were getting what seems to be a reasonable return for the moneys actually being spent. One could forgive some miscalculations in the timing or the requirements of the rearmament program, if the political wiseacres had not made so much noise about what they were going to do that serious repercussions throughout the economy resulted—and are still in evidence.

This is, of course, an election year—and all those now in office and harboring a desire to remain in office had for a long time a morbid dread of "inflation," by which they usually meant simply a damaging rise in the cost of living. They still have much to explain away in this connection, but if one is to judge from a good deal of discussion and hints of various sorts going the rounds, there is now a growing disposition to wonder whether "deflation," by which is, apparently, meant a train of events which leads quickly to extended unemployment, may not be a more potent factor in the election results this autumn than the cost of living. And this after two years of time to get rearmament fully under way and before the program reaches its peak — to say nothing of any "post defense" situation.

More Than a Forecast Gone Sour

There is, of course, much more in this situation than a forecast gone sour. The fact is that if anything in the nature of a real recession is in store for us in the months to come, it may be laid upon the doorstep of the economic planners, the defense managers, and the political moguls. They are the ones who talked and talked about impending shortages of this and that. It was they and their pronunciamentos which sent the ordinary citizen into the stores to buy while buying was good. It is to them that the responsibility must be assigned for the rise in prices which came close upon the heels of the outbreak in Korea and the drafting of rearmament plans.

They are the ones who insisted that controls must be placed upon many things, and in so insisting led Tom, Dick and Harry to suppose that they must go out and "beat" the forthcoming controls in any way that they could. These same groups are, as a matter of fact, now insisting that controls be continued and strengthened—and in some instances at least are still sticking to their story of probable shortages, and hence the necessity of giving government powers which are safe (if they are ever safe) only in direst emergencies. It may be, of course, that Humpty-Dumpty is off the wall by now, and that all the King's horses and all the King's men will find it difficult to restore Humpty to its former vantage point, but, if so, one is obliged to wonder what the need of controls now is.

It is unfortunate for the President and his aides, and certainly unfortunate for the country, that we should have got ourselves into this mess at this time. We were lectured just the other day by the President, or what he would probably call the doubting Thomases were, about the "folly" of not doing what the President tells us to do about the extension of foreign aid. Much the same sort of outpourings are heard daily from those who urge Congress to extend the authority of the Administration to control various facets of our economic life. Of course, we shall presently be asked to give the Administration a national vote of confidence — and that quite without regard to whether the President himself is the Democratic candidate this autumn.

Failure of a System

One danger is that all too many will see in all this a mere failure of one Administration and one political party. That Administration and that party have failed us horribly. There is no doubt about that, but the fact remains that much more than any Administration and any party is at stake in all this. Managed economy (whether called by that name or some other) has been on trial during the past two or three decades—and it has been a consistent failure. It will fail no matter who is in the White House or who is in the legislative halls. Let no one make any mistake about that. It is a system which has always failed, and in our judgment always will. What troubles us greatly is whether or not the voter this autumn will find himself in any position to register his views on this basic issue.

If no such opportunity presents itself the failures of the past year or two will inevitably be an unrequited cost to the people of this country.

Continued from page 14

House Values Today & Tomorrow

nance. We estimate that the average cost of rehabilitation to the new owner when purchasing a 1928 house is approximately 10% to 15% of the purchase price. This includes such items as painting and decorating, modernizing kitchen, modernizing bathrooms, plumbing and heating repairs, electrical work, new hardware, and other miscellaneous items. These are the curable items. Not included are such items as changes in interior plan; elimination of free standing radiators; major alterations in exterior design; installation of additional baths, lavatories, and additional garage space. Even after such rehabilitation, it is still an old house in an old neighborhood subject to all those undesirable influences that usually creep into neighborhoods when they are over 20 or 25 years old. Progress has by-passed these neighborhoods. The new development is taking place in the suburbs. The automobile, new express highways, school bus service, etc., have obviated the necessity of being within walking distance of station, schools, and shops. Here is a definite well defined trend. It must be recognized. Neighborhoods suffer a form of obsolescence.

In appraising the loan value of an old house, I have often used the following rather unique "rule of thumb." Take it with a grain of salt. Estimate the sale price of the old house as of 1940. Since 1940 it has suffered further depreciation for 10 or 12 years, but the value of the dollar has depreciated too. Add 50% to the 1940 sale price. Example: 1940 sale price, $8,000; add $4,000; total, $12,000. The house sells for $20,000 in 1952; application is for loan of $13,000. Keep loan under $12,000, preferably 10% to 20% below or about one-half the purchase price. This should preserve some equity if values drop 40%. Values dropped 50% from 1928 to 1938-42, with static mortgages. With amortized mortgage, this margin should be safe. The people of America want new things—new cars, new refrigerators, new television, new gadgets. We have a dynamic economy based on changing the new for the old, and that applies to a new house. Be cautious, therefore, when you make a loan on a house that "only a grandmother could love." In my opinion, many of these houses are oversold at prices which do not take the full loss through depreciation into account. I further believe that we have lost sight of the terrific cost of acquisition when these properties are foreclosed. All of the abovementioned factors of depreciation are multiplied many times during the "orphan" period when the owner loses interest in the property.

New House Appraisals

The new house is usually in a new neighborhood. Few people want new houses in old neighborhoods. New subdivisions are usually on the perimeter of the town or city. In late years, new neighborhoods have often been created by professional operators and floated on slim governmental financing. The cash stake is not very heavy. When the development is completed, these operators often "silently fold their tents and steal away." This is not true of the large developers of national repute, but it is true of many of those of the come-and-go variety. The result is that the neighborhood looks rather distressful in appearance, and the first impression of the loan committee is to turn down any loans in new developments.

An all too familiar statement concerning many such projects is "there are the slums of tomorrow." This phrase is overworked and is not generally true. Young people have bought these houses, and by one process or another, with many heartbreaks, they will make a home. They have a tenacity and a courage far beyond the estimate of the aging trustees. Excepting those which are obviously "Jerry Built," five years from today these developments will be "over the hump." They will have a high degree of pride of ownership. The grounds will be landscaped, the house repainted over the builder's prime coat, and the public pressure exerted by a large number of voters will result in good roads and an improvement in public services of all kinds.

I have witnessed this result in Westchester County and on Long Island. Within one year after Levittown was completed, owners were able to take substantial profits on their houses if they desired. Turnover, however, has been very light. So do not be afraid of a new subdivision; and do not be too concerned with houses that look alike. Maybe the older residents on the other side of the track protest, but the young folks must recognize the economy of mass construction, and perhaps the very fact that the houses are similar leads to a wholesome spirit of true democracy in the community.

The chief weakness of the new house is lack of adequate living space for the average family. This contraction of space has been brought about in order to meet a price. There is no doubt that the modern family requires much less space than their grandparents, but shrinkage has in many cases gone to the extreme.

Immediately following the war, builders produced basementless houses. Slab foundations became popular. This type of construction was relatively inexpensive, and the new radiant heating system could be poured in with the foundation. The trend is now definitely back toward houses with basements. A house without a basement inherits a factor of obsolescence when it is built. Nothing is wrong with a slab foundation if it is properly installed, insulated, and drained. But such construction can be a headache if not properly installed. The chief objection lies in the lack of storage space for such items as screens, storm sash, porch or garden furniture, garden equipment, and other paraphernalia incidental to family life. Where is a man going to have a little shop, or temporary relief from the wife and children? So favor a basement on your building loans. It is an almost impossible job to put one in under a slab foundation after the house is built.

The next most important feature in new houses is the lack of space for expansion. The story-and-a-half house is the best answer to this problem and is proving the most practical type of residence. The second floor offers the cheapest, easiest, most satisfactory manner of expanding the living space. Such expansion of living space requires no foundation, sidewalls, or roof; and a fair mechanic can build two bedrooms and space for a bath with his own hands. Meanwhile, the family enjoys ample attic storage space or playroom for the children on a rainy day. Birthrates have been steadily increasing during the past few years. As the children grow up, they need separate rooms. The two-bedroom house is rapidly outgrown, and the expansion attic offers the alternative to selling and buying another home. Favor the expansion attic and give it credit in your loan.

Small bedrooms, dining space instead of a dining room, small kitchens, and the elimination of halls and vestibules are all necessary in the interest of economy and are being accepted by the younger generation. Closet space is often small and offers a further argument for the expansion attic and basement in small houses.

Some of us have a prejudice against prefabricated houses. This dates back to those we saw built 25 years ago. There is no comparison between the ready-cut houses of the 1920's and the carefully engineered mass-produced prefab of this age. In general, the materials, the planning, the engineering, and the fixtures used in the better known prefabricated homes are as good as, if not better than the conventional product. The questionable factor is the method of putting the house together. The manufacturer cannot control such items as the proper drainage of the basement or the manner in which his product is nailed together. It has been my experience that the prefabricated house, when built in quantity, offers more space with better planning at less money than the conventional building. Look carefully at the basements, the roof, and the flashings around the doors, windows, and chimney. These are the danger spots. The reputation of the builder is important in respect to new housing. What has been his history? What is his record in the community?

As to new materials, here are some proven facts:

(1) Dry wall construction is now generally accepted on all except luxury housing. In the Midwest, only commercial buildings are built with plaster interior walls.

(2) Plywood sheathing and subflooring is a strong if not stronger than conventional sheathing board.

(3) Maple, beech, and selected

hard pine are all good substitutes for oak flooring.

(4) Radiant heat is perfectly satisfactory if properly installed; better in ceiling than in concrete slab; best in baseboard panels. But the best proven heating system for small houses is by far forced warm air with cold air returns—most direct, quickly responsive, and most economical. This system leaves nothing to drain or to freeze up when the family goes away. The best fuel to be used is dependent upon the section of the country in which the house is built.

The University of Illinois has featured tests and experimentation with new materials and this information is available to your appraiser. Do not be afraid of the new house simply because you think "they did not build them like that in the good old days." They may be built much better.

A Mongrel Composite Structure

If it were possible to draw a picture of a composite house representing all the styles built since the war, it would most certainly result in a mongrel house. It would be about 1¼ stories in height with a part excavation and a shallow pitched roof with some colonial, some ranch and some modernistic influence. Which of these influences will be most durable over a period of time? Which will be the most popular five or ten years from today?

I believe a house should be suited to the locality in which it is built. It should be adapted to the climate, the topography, and the tradition of the particular location. Why build a New England farmhouse in Florida or in California; why a Mediterranean or Moorish type in the suburbs of Boston; and why build the so-called cowshed or hencoop type anywhere? Let your prime requisite in the matter of design be that it look like a house—not like an out-building. Very few people like to live in a house about which the neighbors say, "There goes the man who lives in that crazy house."

I still believe that the most lasting architecture will be that which preserves in some degree the tradition of the homes of the past; and while we deviate from these traditions now and then, the tendency is to return to these basic designs in subsequent years.

People want to live now on one floor so houses will be lower. This is a definite trend. There appears to be a melding of the ranch type with its long low lines, and the colonial with the peaked roof rather than the flat variety. As a matter of fact, we are building a type of house which, in the days of 1920, was generally referred to as a bungalow. In my territory, Westchester County, the traditional colonial style has maintained its value; the so-called English type built in the 1920's was a dead-end movement and is less popular. The Spanish or Moorish type is out of place and not wanted. Of the new houses, the colonial type with modifications is still popular and will continue to be so. The so-called ranch type is popular too, but expensive when built on one floor. Radical, functional designs are experimental; they lack real beauty, and they do not wear well with the years. As they weather, they look seedy rather than mellow. A house, like a person, should grow old gracefully. This cannot be expected of some of this "out-building architecture."

Houses are seldom built without mortgages, so the mortgagee controls the building movement both as to its velocity and its duration. It can have further control over the kind of buildings which are to be built. This is a heavy responsibility and requires a constant and alert attitude toward all phases and trends of the residential real estate market.

Continued from page 5

The State of Trade and Industry

industry would turn out 23,956 less cars than the 1,006,000 permitted by the government for this year's quarter.

"Brightening prospects for March are strong daily rates and Saturday overtime at Ford, steady General Motors and maximum 21-day Chrysler assembly plus higher volume at Willys compared with several weeks ago," "Ward's" observed.

Concluding, it said: "Indications are several car makers, which otherwise would be forced to shut down part of the month or operate at restricted rates, will instead work a full complement of 21 days."

It is learned this week from the United States Department of Commerce's office of Business Economics that personal income in January dropped to an annual rate of $257,000,000,000. This was a decline of $1,000,000,000 from the previous month. The drop was blamed mainly on lower corporate dividends and farm income. Personal income includes wages and salaries, net income and proprietorships and partnerships, and other types of individual income. Wages and salaries, it was pointed out, accounted for almost two-thirds of the total annual rate.

Steel Output This Week to Surpass All Previous High Weekly Records

The market outlook for the steel industry this week indicates that more decontrols on steel and other metals are in the making, says "Steel," the weekly magazine of metalworking.

Coming soon are decontrols on steel mill secondary products, those which are not of prime quality and by mid-year, all light flat-rolled steel products may be decontrolled, government controllers reveal. In the Washington offices of the National Production Authority you would be given a sporting chance if you bet a few dollars that all steel products will be out from under controls by next Jan. 1, this trade journal declares.

Authority for the report that secondary steel will be decontrolled very shortly is Herbert Johnson, chief of NPA's iron and steel division. He explains that steel users are reluctant to cash their Controlled Materials Plan tickets for faulty material when they can get better quality. An initial move in recognition of this was NPA's establishment last week of three new classifications of irregular or off-grade tin plate and terne plate to help move large quantities of off-quality material backing up at mills and warehouses.

Frank T. McCue, assistant director of NPA's iron and steel division, told a house committee that "we have at least nine months to go before controls on steel can be lifted." That means there's a possibility of a lifting of steel controls around Jan. 1, "Steel" notes.

A few weeks ago chrome stainless steel was decontrolled. Now the trend toward a balance between demand and supply of steel and other metals is reflected by release by the Defense Production Administration of 30,000,000 pounds of aluminum, largely sheet and 20,000,000 to 25,000,000 pounds of brass, largely sheet, for supplemental allotments for second quarter. Further increases in these supplements is possible by April, it adds.

Easiness, the magazine states, has penetrated the steel market far enough to begin influencing attitudes of steel company scrap buyers. They're insisting on getting the grades they specify; they're showing further sensitivity to the market. A Detroit mill sent scrap brokers a letter warning them not to go long on its account. Chicago mills for several weeks have received scrap slightly in excess of their melting rate despite capacity operations. Demand for cast scrap continues slow, and in some areas there are no buyers at any price, it asserts.

Except for easing in prices of cast scrap, all iron and steel market prices remain firm at ceilings, concludes "Steel."

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be 101.8% of capacity for the week beginning March 10, 1952, equivalent to 2,114,000 tons of ingots and steel for castings, or an increase of 0.5 of a point above last week's production of 2,104,000 tons, or 101.3% of rated capacity.

The latest week sets a new record for 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 100.1%, or 2,079,000 tons. A year ago production stood at 100.1%, or 2,001,000 tons.

Electric Output Rises Above Level of a Week Ago

The amount of electric energy, distributed by the electric light and power industry for the week ended March 8, 1952, was estimated at 7,496,710,000 kwh., according to the Edison Electric Institute.

The current total was 80,744,000 kwh. above that of the preceding week. It was 702,193,000 kwh., or 10.3% above the total output for the week ended March 10, 1951, and 1,560,124,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Recover Ground in Post-Holiday Week

Loadings of revenue freight for the week ended March 1, 1952, totaled 755,624 cars, according to the Association of American Railroads, representing an increase of 72,256 cars, or 10.6% above the preceding week when loadings were reduced by the Washington's Birthday holiday.

The week's total represented a decrease of 30,237 cars, or 3.8% below the corresponding week a year ago, but a rise of 181,175 cars, or 31.5% above the comparable period two years ago, when loadings were reduced by a general strike at bituminous coal mines.

U. S. Auto Output Falls About 2% Under Previous Week

Passenger car production in the United States the past week, according to "Ward's Automotive Reports," declined to 84,350 units, compared with the previous week's total of 86,450 (revised) units, and 139,595 units in the like week a year ago.

Passenger car production in the United States rose last week about 2% below the previous week. Output of cars last week was close to 39% under the like period a year ago.

Total output for the current week was made up of 84,350 cars and 24,737 trucks built in the United States, against 86,450 cars and 24,910 trucks last week and 139,595 cars and 30,485 trucks in the comparable period a year ago.

Canadian output last week rose to 5,070 cars and 2,500 trucks, against 4,327 cars and 2,710 trucks in the preceding week and 8,031 cars and 2,744 trucks in the similar period of a year ago.

Business Failures Move Slightly Upward

Commercial and industrial failures rose to 170 in the week ended March 6 from 163 in the preceding week, according to Dun & Bradstreet, Inc. While casualties exceeded last year's comparable total of 153, they remained considerably below the 221 in 1950 and were down 41% from the 1939 level of 286.

Failures involving liabilities of $5,000 or more increased to 144 from 130 in the prior week and 114 in the comparable week a year ago. This size group accounted for all of the week's rise; on the other hand, small casualties, those with liabilities under $5,000, dipped to 26 from 33 and were not as numerous as in 1951 when 39 concerns failed in this liability class.

Wholesale Food Price Index Strikes New Low for Year

A further mild decline in the Dun & Bradstreet wholesale food price index last week brought the March 4 figure to $6.56, a new low for the year and the lowest since Nov. 7, 1950, when it stood at $6.52. The latest index compared with $6.58 a week ago, and showed a drop of 9.8% from the year-ago number of $7.27.

The index represents the sum total of the price per pound of 31 foods in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Reflects Mild Decline In Latest Week

The gradual downward movement in the general price level continued through the past week, bringing the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., to a new 1952-low of 301.05 on March 4. This compared with 303.13 a week earlier, and with 324.00 on the corresponding date last year.

Grains continued under pressure the past week, particularly in the early part of the period, and prices moved generally lower. Selling was largely influenced by weakness in other commodities and the receipt of some moisture in the dry areas of the Great Plains. Despite the lull in export buying, wheat clearances for the season through March 1 were reported at about 300,000,000 bushels. According to a Department of Agriculture report, farmers placed almost 210,400,000 bushels of their 1951 wheat under price support through January, 1952, compared with 194,500,000 for the 1950 crop. Parity prices as of February 15 were increased one cent for wheat, barley and rye, with corn and oats unchanged. There was a substantial increase in corn marketings last week with arrivals at principal markets totaling about 8,000,000 bushels.

Due to heavy liquidation, transactions in all grain futures on the Chicago Board of Trade last week increased sharply to a daily average of about 42,000,000 bushels, from 32,000,000 the previous week, and compared with 45,000,000 bushels a year ago.

Domestic flour business was small in volume, reflecting the balanced supply position of most buyers and an absence of any important price developments. Cocoa values were firmly maintained at or close to ceiling levels, reflecting the continuing tight spot market condition. Demand for coffee improved somewhat at the week-end; final prices were slightly below a week ago.

The domestic raw sugar market developed considerable strength, aided by commission house and investment buying and a steady demand for refined sugar.

After a strong start, spot cotton prices moved irregularly lower last week. Early steadiness was largely influenced by trade price-fixing and short covering. Declines in the latter part of the week were attributed to weakness in outside markets, continued slowness in the goods market, and reports of further curtailment in mill activity. Trade volume in the ten spot markets was light, with total sales for the week reported at 87,000 bales, as against 73,900 bales reported in the preceding period. The mid-February parity price for cotton was announced at 34.47 cents a pound, up slightly from 34.35 a month earlier.

Trade Volume Somewhat Lower Again in Past Week

Hindered by inclement weather in some parts, retail shoppers reduced their spending to some degree in the period ended on Wednesday of last week, Dun & Bradstreet, Inc., reports in its current summary of trade. Retailers in most lines except food were unable to match the sales figures of a year ago. While shopping was noticeably hindered in New York, Philadelphia and Washington by snow, the Miami tourist trade was reported at an all-time peak.

The country's retail dollar volume for the period noted was estimated by the above agency 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 —3 to —7; East and Midwest —2 to —6; South —2 to +2; Southwest —4 to —8; Northwest —1 to —5; and Pacific Coast —6 to —10.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended March 1, 1952, decreased 15% from the like period of last year. In the preceding week a decrease of 12% was registered below the like period a year ago. For the four weeks ended March 1, 1952, sales declined 10%. For the period Jan. 1 to March 1, 1952, department store sales registered a decline of 11% below the like period of the preceding year.

Retail trade in New York continued the past week to reflect a lower volume than in the like period of 1951. Although the decline was about 15% under a year ago, business actually was "normal" since scare buying in the comparative period was staging a last flurry.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended March 1, 1952, decreased 16% below the like period of last year. In the preceding week a decrease of 11% (revised) was recorded below the similar week of 1951, while for the four weeks ended March 1, 1952, a decrease of 11% was registered below the level of a year ago. For the period Jan. 1 to March 1, 1952, volume declined 15% below the like period of the preceding year.

Continued from page 11

McCormick Urges Easing Rules on Underwritings; Favors Frear Bill

praisal of the junior securities of even the large well-known industrial leaders is not needed for the high grade bonds, because the latter will not be affected by many business changes that inevitably have a direct and immediate impact on the value of the junior securities.

Treatment of Private Placements

I suggest, therefore, that the SEC be urged to use the authority granted it under Sections 7, 10—particularly 10(b)2 and 10(b)4—and 19(a) of the Securities Act to place bonds of institutional grade in a special classification which could be registered through the filing of an abbreviated registration statement and could be sold on the basis of a short offering circular. Registration could be accomplished through the filing of a copy of the indenture, a specimen of the bond, opinion of counsel as to the legality of the bonds, a copy of the underwriting contract, and a prospectus which would (1) state by whom orders will be executed; (2) identify the security, the issuer, its business, and the assets securing the security; (3) state the price of the security; (4) state the specific rate of return; (5) state the price at which, the conditions upon which, and the time when, the security may be redeemed or converted or exchanged; (6) state whether the security is listed or to be listed on any securities exchange (optional); (7) state whether the security is a legal investment for savings banks, fiduciaries, insuranec companies, or other similar investors under the laws of any State or Territory or the District of Columbia (optional); (8) state the extent to which the issuer has agreed to pay any tax with respect to the security (optional); (9) state the purpose of the issue; (10) state the underwriting spread; and (11) furnish a recent condensed balance sheet and a summary of earnings for the last 10 years.

The plan, in my opinion, provides clear benefits without sacrificing any information essential to an informed judgment. I wish to emphasize that the abbreviation of the registration procedure is justified because of the position of the security in the structure of the company and not because a company is large and has been prosperous.

(5) Section 4(2) of the Securities Act of 1933 should be amended by the Congress to resolve the existing conflict of opinion concerning its fair interpretation. This Section provides an exemption from the requirements of Section 5 of the Act for, "Brokers' transactions, executed upon customers' orders on any exchange or in the open or counter market, but not the solicitation of such orders." It is the opinion of those engaged in the securities business that the intendment of this exemption is that when a broker, without any prior solicitation whatever on his part, receives an order to buy or sell securities, the subsequent transaction effected by him pursuant to the unsolicited order is exempt from the requirements of Section 5 of the Act and, consequently, the broker need not ascertain whether the security in question is registered under the Act, nor need he supply a prospectus to the customer if the stock be registered. It is, however, the opinion of the Commission that the exemption is far more limited in scope and is not available to the broker, if the transaction so effected is part of a distribution by a person in a control relationship to the issuer within the meaning of Section 2(11) of the Act.

It is the position of myself and other representatives of the securities industry that this restrictive interpretation of the exemption granted by the Congress is not correct, cannot be clarified without expensive litigation, and should therefore be made definite and certain by the expression of the exemption in unequivocal terms. We believe that, when Congress said that transactions effected by brokers pursuant to unsolicited orders should be exempt, it meant the exemption to apply to all such orders and implied no such dual caveat as the Commission engrafted upon the statute, first in **Ira Haupt & Company**, SEA of 1934, Release No. 3345, Aug. 21, 1946; and in its more recent promulgations applicable to trading in Canadian securities distributed in this country without registration.

Functions of Securities Business

I should like to close my statement to the Committee by quoting a portion of an address delivered in 1947 before representatives of the investment industry by a distinguished scholar and serious student of the investment scene, the late Francis Adams Truslow, my predecessor as President of the New York Curb Exchange:

"The securities business performs three broad functions. It raises capital for industry; it invests capital for individuals; and it provides a market for the purchase and sale of documents evidencing the capital which industry has acquired and individuals have invested. . . . A peek into the future indicates to me that our industry will be called upon during next few years to perform all three of its functions upon a greater scale than ever before.

"Will we be prevented from accomplishing that job by the Securities Acts (Securities Act of 1933 and the Securities Exchange Act of 1934)? In my opinion and from my experience the answer is unqualifiedly 'No!' . . . There are three reasons:

"**First:** There is no provision of either Act which in practice today prohibits or prevents an honest and informed man in our business from negotiating out, offering, and selling a new issue of securities, whatever others may think of its merits, or from investing his own capital or advising his clients how to invest theirs, and there is no provision of the Exchange Act as now administered (with the possible exception of the margin regulations and the statutory provisions relating to what securities may be dealt in on exchanges) which prohibits or prevents the existence of a free market on exchanges.

"**Second:** Our industry has become familiar with the provisions of the Acts and has raised and dealt in billions of dollars' worth of securities in the 13 years since their adoption.

"**Third:** The present attitude of the Securities and Exchange Commission, which administers these Acts, reflects the knowledge and understanding which it has acquired in 13 years of practice and is constructive and helpful in carrying out the duties entrusted to it by law."*

*"The Securities Business and Securities Acts," by Francis Adams Truslow, President, New York Curb Exchange, Commercial and Financial Chronicle, Aug. 28, 1947, p. 811.

* * *

Why Mr. McCormick Favors Frear Bill

Amplifying his recommendation of the Frear Bill, which would require corporations with unlisted securities and having assets of $3 million and at least 300 security holders to file annual statements similar to those required of companies listed on registered exchanges, Mr. McCormick, in answer to a question by Rep. Heller, "If the Frear Bill is passed would there be much difference between the sales over-the-counter and the sales on the national exchanges?" replied:

"It is my opinion more securities would be listed on exchanges if the Frear Bill were passed, because of the fact that they would have the same requirement imposed upon them as listed securities and I believe that the advantage of having and providing the investors an exchange market would be so overwhelmingly great that a great number of the companies would list."

Mr. Heller: "Well, do I understand you to say that many of the over-the-counter securities would be listed if the Frear Bill were passed; would be listed on the national exchanges?"

Mr. McCormick: "That is correct.. I think that would be the result."

Mr. Heller: "And likewise would mean a larger volume of trading on the exchanges, and likewise business for the Curb?"

Mr. McCormick: "That is my appraisal of the situation; that is correct."

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York announces that their annual bowling meet with the Investment Traders Association of Philadelphia will be held Thursday, April 17 at the regular STANY alleys, at City Hall Bowling Center, 23 Park Row, from 5:30 p.m. to 8:00 p.m. There will be a dinner following the bowling at the Grand Street Boys' Clubhouse, 106 West 55th Street, at 9:00 p.m. A charge of $7.50 per STANY member.

For reservations contact Sidney Jacobs, Sidney Jacobs Co., 111 Broadway, New York 6, N. Y. (WOrth 4-6394).

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League Standing as of March 6, 1952 are as follows:

TEAM	Points
Kumm (Capt.), Ghegan, R. Montanye, Krassowich, Manson	77
Goodman (Capt.), Weissman, Farrell, Valentine, Smith	69
Bean (Capt.), Lax, H. Frankel, Werkmeister, Ried	69
Mewing (Capt.), G. Montanye, M. Meyer, LaPato, Klein	69
Donadio (Capt.) Rappa, O'Connor, Whiting, DeMaye	65½
Serlen (Capt.), Gold, Krumholz, Young, Gersten	60
Leone (Capt.), Tisch, O'Marra, Nieman, Bradley	57
Hunter (Capt.), Craig, Fredericks, Weseman, Lytle	56
Krisam (Capt.), Gavin, Gannon, Jacobs, Murphy	56
Burian (Capt.), Siepser, Hunt, Growney, Kaiser	48½
H. Meyer (Capt.), Swenson, A. Frankel, Wechsler, Murphy	48
Greenberg (Capt.), Siegel, Cohen, Strauss, Voccoli	48

200 Club

Arthur Burian ____234 & 202
George Leone ____214
Ricky Goodman ____213

5 Point Club

Ricky Goodman

Our next bowling night is March 13, 1952, our next schedule is

Kumm vs. Greenberg
Burian vs. Meyer
Serlen vs. Mewing
Hunter vs. Goodman
Donadio vs. Krisam
Bean vs. Leone

Next Week Is Position Nite!

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia will hold its annual summer outing June 13 at the Whitemarsh Valley (Pennsylvania) Country Club.

SECURITY TRADERS ASSOCIATION OF DETROIT AND MICHIGAN

The Bond Club of Detroit and The Security Traders Association of Detroit and Michigan, Inc., will hold their bi-annual joint summer outing on June 16 and June 17, 1952; (June 16 at the Detroit Boat Club and June 17 at the Lochmoor Country Club).

TWIN CITY SECURITY TRADERS ASSOCIATION, INC.

The Twin City Security Traders Association is having their annual summer outing "Operation Fishbite No. 4" at Grandview Lodge on Gull Lake, June 20, 21, and 22.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—Charles F. Doerr is now associated with State Bond & Mortgage Co., 26½ North Minnesota Street.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Ralph L. Nafziger, Jr. is now with Hamilton Management Corporation, Grand Avenue Bank Building. He was formerly with Waddell & Reed, Inc.

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Paul J. Basford is now with King Merritt & Co., Inc. He was formerly with Waddell & Reed, Inc.

Joins Stifel, Nicolaus

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Lloyd C. Ainsworth has become associated with Stifel, Nicolaus & Company, Incorporated, 314 North Broadway, members of the Midwest Stock Exchange. He was previously with Taussig, Day & Co., Inc.

Husky Oil Stock Placed

The sale of 170,000 shares of common stock of Husky Oil Co., Cody, Wyo., by certain of its stockholders has been arranged privately by Blyth & Co., Inc., it was announced on March 10.

The company owns a majority of the common stock of Husky Oil & Refining, Ltd., a producer of crude oil, which, in turn, owns a refinery at Lloydminster, Saskatchewan, Canada.

Elmer E. White Joins Harker & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Elmer E. White has become associated with Harker & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. White was formerly with Holton, Hull & Co. as Stock Exchange representative.

Walter Connolly, Jr. Joins Goodbody Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Walter J. Connolly, Jr. has become associated with Goodbody & Co., 50 State Street. Mr. Connolly was formerly Treasurer and Manager of the Trading Department for Walter J. Connolly & Co., Inc.

Greenshields Co. Admit Two to Firm

MONTREAL, Que., Can. — Announcement has been made that the Viscount Hardinge and W. D. Stanley Campbell have become partners of Greenshields & Co. and Directors of Greenshields & Co., Inc., 507 Place d'Armes.

Cecil M. Rhodes With Eppler, Guerin Co.

HOUSTON, Tex. — Cecil Mack Rhodes has been named a special Fort Worth representative for the Texas investment banking firm of Eppler, Guerin & Turner. Fort Worth offices for the investment house are in the Neil P. Anderson Building.

Mr. Rhodes was formerly associated with the First Bank and Trust Company of Hendersonville; the Central National Bank of Richmond, Va.; the City National Bank of Galveston as Vice-President and Trust Officer, and most recently he resigned as Vice-President and Trust Officer of the First National Bank of Paris to join Eppler, Guerin & Turner.

Walston, Hoffman Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—A. J. Bellizzi has become affiliated with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Joins King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mo. — William J. Stokes has been added to the staff of King Merritt & Co., Inc., Woodruff Building.

Joins June S. Jones

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—Herbert R. Bachofner has become associated with June S. Jones & Co., U. S. Bank Building. He was formerly with Foster & Marshall.

Henry Swift Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Alfred Edell has been added to the staff of Henry F. Swift & Co., 490 California Street.

Continued from first page

Honorary Pallbearers!

Stock Exchanges and the securities groups all over the country.

Nothing new will be developed.

Then, too, the place and the personnel of the forum are unfortunate. Why before the SEC? If the Commission were opposed to Title V, it had ample opportunity to speak its piece when the bill was under consideration. Why should it be the judge where its own powers and the interpretation of them are at issue? Why shouldn't it be a supplicant like the rest of us?

The SEC having taken the position that Title V is mandatory and that its proposal thereunder is proper, does it, in view of the vast weight of contrary opinion, have the stature to say we relent, we were wrong, we withdraw the proposal?

That the National Association of Securities Dealers has come out flatly against the SEC proposal is gratifying indeed. In what may be termed a brochure entitled "Comments of National Association of Securities Dealers, Inc. in Opposition to Certain Fees and Charges Proposed by the Securities and Exchange Commission," the NASD is unequivocal in its opposition.

The rationalizing of this NASD memorandum is pretty much a resume of the opposing reasons heretofore assembled by us editorially.

In giving an account of its birth through the Maloney Amendment to the Securities Exchange Act of 1934, the NASD couldn't resist the temptation to toot its own horn. Outside of the fact that this had no place in the argument we were reminded of the fellow who, describing his family tree, was careful to perch himself on a topmost branch.

On the whole, however, the instant NASD performance is courageous and does, for a change, represent a service to the securities industry.

The immediate prayer of the memorandum is that "The Effective Date of the Regulation Should Be Stayed Pending Congressional Action."

Calling attention to the pending Busbey bill which would eliminate the problems raised by the proposed regulation respecting fees to be charged to broker-dealers, the NASD says, "This bill has been referred to the Committee on Interstate and Foreign Commerce. Though it is not known when hearings on this bill will be held, it is obvious that it would be a sound exercise of discretion for the Commission to stay the effectiveness of its proposed regulation pending final disposition of the bill."

Our readers will recall that last week we called attention to this piece of pending legislation, saying in effect, it was well intentioned and okay as far as it went, but we expressed misgivings concerning its constitutionality because only broker-dealers were made the beneficiaries.

We pointed out that the clearest, most timely and most effective remedy in the interest of the country as a whole would be the immediate repeal of Title V.

Among the latest additions to the opponents of the SEC proposal are the New York Curb Exchange and the National Security Traders Association. The President of each group has communicated its attitude to the SEC.

The Investment Bankers Association of America has just submitted a strong memorandum in opposition, to which it has added an appendix citing legal authorities in support of its position. [Full text of the memorandum is given in this issue of the "Chronicle" on page 10.]

According to that memorandum the Investment Bankers Association argues: (1) that Title V constitutes an unconstitutional delegation of legislative power by the Congress to the heads of Federal agencies; (2) the proposed registration fees for broker-dealers and their employees are not such fees as were intended to be authorized by the Congress under Title V; and (3) that the proposed fees are not "fair and equitable" within the standards prescribed under Title V.

The Investment Bankers Association also asks for delay but its grounds are not tied up with the Busbey bill.

The Investment Bankers Association calls attention to the fact the Bureau of the Budget is presently studying the very Commission problem under discussion and requests that the SEC take no further action on its proposal until an overall policy has been established.

Not within our memory has any proposal of the Commission so stirred the securities industry.

This current attempt by the SEC to implement Title V has constituted the last straw.

There is evidence of an adamant determination that business generally, operating through the Congress and the SEC, in order to preserve our free institutions, shall act as honorary pallbearers of Title V and the Commission's proposal.

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.

HON. LOUIS B. HELLER
U. S. Congressman from N. Y.
Chairman, SEC Subcommittee

Editor's Note: As a consequence of a resolution introduced by Rep. Leonard W. Hall of New York, and seconded by Rep. John A. McGuire of Connecticut, both members of Congressman Heller's Subcommittee which is currently investigating the SEC, the Commission announced that it would have a public hearing at its Washington office on March 14 on its proposal to levy fees on brokers and dealers, etc., Chairman Heller made public on March 5 the following communications:

To Members of Congress:

Because of your interest in the proposal of the Securities and Exchange Commission to amend its rules with respect to fees and charges, I am enclosing copy of a letter this Subcommittee has sent to Mr. Donald C. Cook Chairman of the Securities and Exchange Commission, requesting it to hold public hearings on this matter.

In response to this request, I am advised by the Securities and Exchange Commission that public hearings will be held beginning March 14, 1952.

LOUIS B. HELLER,
Chairman.

* * *

Honorable Donald C. Cook,
Chairman
Securities and Exchange
Commission
Washington 25, D. C.

Dear Mr. Cook:

At an executive session of this Subcommittee held at 2:00 p.m. today, Mr. Leonard W. Hall proposed the following resolution which was seconded by Mr. John A. McGuire and unanimously adopted by the Subcommittee:

"RESOLVED that it is the opinion of this Subcommittee that the Securities and Exchange Commission should hold public hearings regarding its notice of Jan. 31, 1952, which proposes to adopt new rules and amend existing rules with respect to fees and charges by the Commission to implement the provisions of Title V of the Independent Offices Appropriation Act, 1952."

Very truly yours,
LOUIS B. HELLER, M. C.
Chairman.

Editor's Note: The Securities and Exchange Commission Subcommittee of the House Committee on Interstate and Foreign Commerce comprises the following members:

Louis B. Heller, N. Y., Chairman; William T. Granahan, Pa.; Leonard W. Hall, N. Y.; John A. McGuire, Conn.; Hugh D. Scott, Jr., Pa.; Harley O. Staggers, W. Va.; John B. Bennett, Mich.

JOSEPH T. JOHNSON
President, Investment Bankers Association of America

Editor's Note: The IBA transmitted to the Securities and Exchange Commission under date of March 7 a lengthy memorandum setting forth its reasons for opposing the SEC proposal to levy new fees on brokers and dealers and other charges. The memorandum in full text is given in today's "Chronicle" on page 10. Mr. Johnson, who is also President of The Milwaukee Co., Milwaukee, addressed the following letter to the SEC in connection with the memorandum:

The Securities and Exchange
Commission
422 Second Street, N. W.
Washington, D. C.

Gentlemen:

I am enclosing herewith a memorandum in response to your invitation for comment on the proposed new fees and charges to be imposed by the Commission, notice of which was contained in your release dated Jan. 31, 1952.


Joseph T. Johnson

This memorandum reflects the general views of the Board of Governors of our Association on this proposal as a result of thorough discussion at a recent meeting. The text itself has the approval of our Executive Committee and I believe also that the memorandum reflects the general views and feelings of our entire membership.

It is my understanding that you are contemplating either a private or public hearing on this proposal in the near future. We should like to appear and be heard at any such hearing so I would appreciate it if you would advise our general counsel in Washington, Mr. Murray Hanson, 1625 K Street, N. W., Washington, D. C., of the exact time and place of any such hearings.*

Very truly yours,
JOSEPH T. JOHNSON,
President, Investment
Bankers Association of
America.

*Ed. Note: The SEC has announced that it will hold hearings in the matter on March 14 and on March 31.

CLARENCE A. BICKEL
Chairman, Board of Governors of NASD, and Partner of Robert W. Baird & Co., Milwaukee, Wis.

Editor's Note: The National Association of Securities Dealers, Inc. has transmitted to the SEC a lengthy brochure citing its reasons for opposing the Commission's proposed fees on brokers and dealers, etc. Relative to the document, the NASD issued a statement on March 11, as follows:

"WASHINGTON, D. C.—Speaking for 2,900 members and over 30,000 of their employees, the National Association of Securities Dealers today struck out at government efforts to clamp a head tax on brokers and dealers and to force them out of business if they fail to pay it.


Clarence A. Bickel

"The Securities and Exchange Commission has no Congressional 'directive' to collect registration fees from broker-dealers, plus a head tax for those who work for them, the NASD told the SEC in a formal request for indefinite delay of the proposal pending review by Congress.

"The SEC proposes to charge all securities firms an annual registration fee of $50, plus $10 annually for each officer, partner and salesman.

"Registering a broker or dealer is in no sense a licensing of those engaged in the securities business, the NASD said, pointing out that anyone may register with the SEC, whereas to get a driver's license or a barber's license certain skills are required by law. Registration by the Commission, the Association pointed out, provides nothing of value to the registrant, but is purely a convenience to the SEC. To put firms out of business because they fail to pay fees for such registration, the Association said, 'is grossly arbitrary and illegal.'

"The cost to the government of registering brokers and dealers, the NASD said, 'could be nothing more than the cost of printing and distributing forms and the cost of filing them when they have been returned.' The $50 annual fee and the $10 'head tax,' the Association said, bear 'no relation whatever to the cost of preparing the necessary form and filing it away for future reference.'

"The SEC proposals, the Association argued, do not strike at 'big business' or at 'Wall Street.' Of the 2,900 members of the Association located all over the country, 2,300 employ fewer than ten who would be subject to a personnel tax. The Association argued that the vast majority of its members are small firms who cannot 'afford to waste money.'

"'The proposed fees,' the NASD said, 'are not authorized by the statute because registration is not a thing of value or benefit to the persons registered. Congress intended that Federal agencies should make fair charges to special beneficiaries for genuine services rendered; but it did not authorize arbitrary exactions for agency functions such as broker-dealer registration which confer no benefit on the registrant, but exist merely to provide a legal basis for future action.'

"The Association recited what was involved in registration with the SEC—likening it to the filling-out of a census form—with the Commission performing no 'serv-

Continued on page 30

Continued from page 29

ice' or 'benefit' to persons registering. 'Registration,' said the NASD, 'is the sheerest technicality. The sole 'service' performed by the Commission in connection therewith is the furnishing and filing of the form.'"

EDWARD T. McCORMICK
President, New York Curb Exchange

Editor's Note: Following is text of a letter sent by Mr. McCormick under date of March 5 to the Securities and Exchange Commission.

"This will refer to your recent proposal to adopt rules with respect to fees and charges to be assessed by the Commission, as set forth in Securities Exchange Act Release No. 4669, and has particular reference to the proposal promulgated under the caption 'Rule X-15B-7-Registration and Filing Fees for Brokers and Dealers.'

E. T. McCormick

"This Rule if adopted, will require every registered broker and dealer to pay to the Commission in 1952, and in every year thereafter, the sum of $50.00, plus $10.00 for each person in his employ who participated in a securities transaction on the registrant's behalf, supervised such a transaction, or was a member of registrant's management.

"This proposal had its genesis in Title V of the Independent Offices Appropriation Act of 1952, wherein it is stated to be '. . . the sense of the Congress that any work, service, . . . benefit, privilege . . . license . . . registration, or similar thing of value or utility performed . . . granted . . . or issued by any Federal agency . . . to or for any person . . . shall be self-sustaining to the full extent possible, and the head of each Federal agency is authorized by regulation . . . to prescribe therefor such fee . . . as he shall determine . . . to be fair and equitable, taking into consideration direct and indirect cost to the Government, value to the recipient, public policy or interest served, and other pertinent facts. . . .'

"As we understand it, the total annual receipts from broker-dealers will approximate $455,000, which must be turned into the general fund of the Treasury and not be retained by the Commission itself.

"On behalf of its members, the New York Curb Exchange wishes to express its opposition to the rule, and respectfully requests that the Commission in the exercise of the discretion vested in it under Title V, refrain from imposing a levy so unwarranted, unfair, and inequitable. Quite apart from the questionable validity of this delegation of taxing authority to the Commission, we believe that the proposed rule is subject to such serious infirmities that it ought not to be adopted. Fundamentally we fail to see what, if any, work, service, or benefit is conferred by the Commission upon broker-dealers which bears any practical relation to the amount of the assessment, whether viewed individually or on an overall basis. Such work or service as is performed, or benefit conferred by the Commission in the process of its regulation of the activities of broker-dealers, is performed for and conferred directly upon members of the general public in whose interests the Exchange Act was adopted. A cursory reading of Section 2 (1) of the Securities and Exchange Act which sets forth the reasons for the adoption of the statute makes it abundantly clear that the regulation was imposed in the national public interest to protect interstate commerce, the national credit, the Federal taxing power, and the National banking system, and to insure the maintenance of fair and honest markets in transactions carried on by the public generally. It would seem not merely fair and equitable, but a matter of simple logic, that those for whose benefit regulations are enacted should bear the expense of their administration and enforcement, and that the cost of administering and enforcing the broker-dealer provisions of the Act should be borne by the Treasury from taxes paid by the public as a whole.

"If the fee be considered one for license or registration, it must be deemed both unfair and inequitable, for the cost to the Government of the simple process of examination of the registration statements of broker-dealers and the amendments thereto could bear no reasonable relationship to the amount of the assessment, whether it be computed upon an individual or an aggregate basis.

"So far as members of this Exchange themselves are concerned, we believe that the proposed rule is patently unjust, unfair and inequitable. As you know, this Exchange and every other registered national securities exchange, is required by Section 31 of the 1934 Act to pay to the Commission, by March 15 of each year, a fee based on the dollar volume of the securities transactions effected on the Exchange during the previous calendar year. You must know as well, that this annual assessment is paid, and can be paid by the Exchange, only by imposing fees upon its members. So that impact of the assessment under Section 31 of the Act falls squarely on the shoulders of Exchange members. In this connection, your attention is directed to Rule 393 adopted by the Board of Governors of this Exchange.

"It is perfectly apparent, therefore, that the adoption of a rule such as X-15B-7 would subject those members of the Exchange who are also registered with the Commission as brokers or dealers to a double tax upon their business—an exorbitant effect which I am sure neither the Congress nor the Commission intended.

"I believe that a personal discussion of this entire problem would be mutually beneficial."

FROM A NEW YORK CITY DEALER
[Name withheld on request—Ed.]

Our minds have been running exactly in the same channels, apropos the "Chronicle" articles on the proposed SEC charges. I wanted to write to you and contribute $25 or so to send articles to Congress, Associations and dealers, etc. I was very much disturbed that there should be created a taxing power within a taxing power by an Act of Congress (provided the SEC interpretation is upheld). You have taken hold of the subject so thoroughly that you covered my points almost 100%.

However, with relation to that power possibly being abused, that is something that needs immediate attention.

The Act was created to watch us, etc. Who watches them? I have read so much within the past few years of Government officials, etc., going astray, Mink-Coat wise and otherwise—that I wonder if the SEC can claim they are beyond human possibilities of this sort, 100%. Suppose the SEC now has on its payroll some relatives and/or friends and/or pals, who don't do any or an honest day's work, etc. (Congressmen had them), and supposing more are hired, how would I know? At the end of the year the SEC would just bundle up its outlay vs. Congressional allowances and take the difference and proportion it amongst our industry. Are we going to have to petition Congress for a watchdog to watch the watchdog? I think some lawyer over there dreamt that thing up when Congress chased him out. (No. publicity to my name, please.)

H. RUSSELL HASTINGS
President, National Security Traders Association, Inc.

Editor's Note: Mr. Hastings, who is also a partner of Crouse & Co., Detroit, has furnished the "Chronicle" with a copy of a letter sent to the SEC under date of March 5, on behalf of the NSTA. The letter is reproduced herewith:

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

Gentlemen:

In your release No. 3433 of Thursday, Jan. 31, 1952 regarding Notice of Proposal to Adopt and Amend Rules with respect to Fees and Charges by the Commission, you propose among other things, to require a payment of $50 per firm along with a charge of $10 for each officer, partner, employee, etc., engaged in selling securities or supervising such activity. You state that all interested persons may submit data, views and comments in writing to your Main Office on or before Feb. 20, 1952, which date was later extended to March 10, 1952.

H. Russell Hastings

Accordingly we wish to take this opportunity to express our views in absolute opposition to this tax or charge.

The National Security Traders Association Executive Council has instructed me to submit to you that we are of the belief—

That this would be an extra expense upon our profession which is decidedly unjustified;

That you have been delegated with authority to protect the public interest in securities transactions and that Congress intended appropriations sufficient to carry out this responsibility be paid out of public funds;

That any fee or tax charged to our business by the Commission would be in addition to charges which we now pay to the NASD, our various State Commissions and Stock Exchanges;

That we have been burdened with duplication of inspections by you and the various bodies listed above and now it is proposed that we be burdened with an extra expense to carry on supervisory services that are already being performed.

We gratefully acknowledge your invitation to express our views and trust that in the event a hearings date is set in this matter, that we likewise have the opportunity to be heard in opposition to this proposal.

Yours very truly,
National Security Traders Association, Inc.
H. RUSSELL HASTINGS
President

cc—"The Commercial & Financial Chronicle"

WALTER MAYNARD
President, Association of Stock Exchange Firms

Editor's Note: Mr. Maynard who is also a partner of Shearson, Hammill & Co., New York City, announced March 8 that he had sent a letter under date of March 1 to the heads of a large number of other trade associations "calling attention to the Securities and Exchange Commission's action in interpreting Title V of the Independent Offices Appropriation Act of 1952 as conferring the right to impose fees and charges without regard to value to the recipient—one of the standards set up in the act." Text of the letter reads as follows:

Re: Title V and the Securities and Exchange Commission:

Knowing of your interest in events affecting one industry which may have repercussions upon other industries, I take this occasion to call your attention to a proposal by the Securities and Exchange Commission in a release dated Jan. 31, 1952, to assess upon the securities industry, registered investment companies, public utility holding companies, and others a schedule of "Fees and Charges." The proposed schedule of fees and charges insofar as it applies to the Stock Exchange business of the members of this Association is not particularly onerous—$50 per firm annually plus $10 per salesman. However, the important thing, we feel, is the principle involved, namely that charges are imposed without regard to services rendered. This means that the charges are, in effect, taxes; and if the principle is to be accepted, there is no limit to the extent to which such a subsidiary and uncontrolled system of taxation may be developed.

Walter Maynard

From your point of view, you should be aware, we think, that these proposed fees and charges are to be levied under the provisions of Title V of the Independent Offices Appropriation Act of 1952 which, under the SEC's interpretation, permits any Federal agency to impose such charges as it may wish.

The actual language of Title V (in part) is as follows:

"It is the sense of Congress that any work, service, publication . . . benefit, privilege, authority, use, franchise, license, permit, certificate, registration or similar thing of value or utility . . . furnished . . . by any Federal agency . . . shall be self-sustaining to the full extent possible, and the head of each Federal agency is authorized . . . to prescribe therefor such fee, charge, or price . . . as he shall determine . . . to be fair and equitable, taking into consideration direct and indirect cost to the Government, value to the recipient . . . and other pertinent facts."

If the SEC's extremely broad interpretation of the powers conferred upon it by Title V can be sustained, then the way would seem open for every other Government agency to go about as far as it liked in justifying the appropriations which it demands from Congress by pointing to the revenues which it produces. The incentive which such a line of reasoning provides for a vicious circle of taxation to be created is very great.

We think that the dangers inherent in this situation are real and are worthy of the attention of all businesses which actually or potentially are subject to Federal regulation. It seems evident that the language of Title V needs clarification to provide unequivocally that any charges made should bear some clearly ascertainable relationship to value to the recipient.

We trust that you will join us in protesting against the SEC's proposals, and in addition you may wish to consider the possibility of obtaining a clarification of Title V.

Sincerely yours,
Association of Stock Exchange Firms
WALTER MAYNARD,
President

THOMAS GRAHAM
The Bankers Bond Co., Inc., Louisville, Ky.

Editor's Note: Mr. Graham has furnished the "Chronicle" with copies of replies received by him from Senators Irving M. Ives (N. Y.) and A. Willis Robertson (Va.) in response to his letters protesting against the SEC proposal. The letters received by Mr. Graham are reproduced herewith:

Dear Mr. Graham:

This will acknowledge your recent communication calling attention to the proposal by the Securities and Exchange Commission with respect to fees and charges to be paid by brokers and dealers.

I shall be pleased to see that your comments are brought to the attention of the Securities and Exchange Commission. Should you care to write directly to this agency, such protests in writing are being received by it until March 10.

It is my understanding that Congressman Heller's Subcommittee investigating the functions of the Securities and Exchange Commission in all probability will look into this matter, too. In addition, I shall be glad to see that it is brought to the attention of the Subcommittees of the Appropriation Committees of the Senate and the House which handle the Independent Offices Appropriations Bill.

Please be assured of my interest and support in this matter.

Sincerely yours,
IRVING M. IVES.

* * *

Dear Mr. Graham:

Your letter of Feb. 18 has been received and I note your objection to the proposal of the Securities and Exchange Commission to license security dealers as authorized under Title V of the Independent Offices Appropriation Act of 1952.

I shall bear your views on this in mind in our consideration of future appropriation bills.

Sincerely yours,
A. WILLIS ROBERTSON.

THOMAS L. LEWIS
Joe McAlister Co., Greenville, South Carolina

I take pleasure in voicing the following comments in connection with your very able editorials on Article V (fees and charges of the SEC).

Your editorials cover the subject most thoroughly and I shall not attempt to enlarge upon them but rather suggest a means of combating this unconstitutional act.

It is either constitutional or it is not. Pending a decision by the Supreme Court, I think that every securities dealer and every other organization affected should pay the proposed fees only under protest.

I believe that if Congress knew of the concerted action of the industry, they would think twice before allowing the SEC to take the proposed action.

PAUL I. MORELAND

President, Moreland & Co., Detroit, Mich.

Editor's Note: Mr. Moreland has furnished the "Chronicle" with a copy of his letter of March 4 to the SEC, text of which is as follows:

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

Gentlemen:

Upon first reading of your proposal to impose registration fees upon broker-dealers as outlined in your release of Jan. 31, 1952, my reaction was "insanity prevails."

Paul I. Moreland

I do, however, well know of the problems of hundreds of bureaus in trying to maintain themselves and increase their importance and the personal well being of those who work therein. I have long maintained (and expressed these views to Congress) that SEC Commissioners and key employees are not adequately paid for the service that they perform to the general economy of the nation and more specifically to the some 12,000,000 investors. I, therefore, do not at all blame you for your efforts to somehow gain more income. This same problem, very frankly, is confronting Moreland & Co., and I do not as yet have the answer. Should I fail to find the answer in an honest, equitable and adequate way, we have but one solution—go out of business (as so many small broker-dealers are being forced to do with mounting cost).

I feel, however, that your proposal is not honest and equitable. I am sure that Congress meant under the Independent Offices Appropriations Act of 1952, fees and charges should be imposed upon those who receive the benefits from your efforts, namely, the general public through Congressional appropriations from general taxation and transfer taxes; issuers through the imposition of specific charges for specific services; broker-dealers through specific charges for specific information or photostats or other services performed, and fees imposed upon the investing public who are the direct beneficiaries of the SEC as is the objective of the Acts.

I do not subscribe to the tremendous duplication of work and efforts that exists in the bureaus in Washington and of which you are a part, such as your statistical work, which is duplicated in part by at least five other bureaus. This is a luxury that we cannot as a democracy afford nor forever endure. I know, however, that your commission is as much a victim as a participant and that unless and until a general move toward efficiency and economy is made, you alone can do very little to eliminate your own expensive duplication.

But in all fairness, logic and governmental theory, why should you ever even propose to tax the regulated rather than the beneficiaries? Is it the political expediency of injury to the few rather than the many? If so, I am indeed surprised because I have known most of the Commissioners of the past and know two of the present and many of the staff. My respect for all has been far above such a type of political action.

Members of my firm and myself are definitely opposed to your proposal and further believe that responsible broker-dealers, stock exchanges and industry associations who have cooperated wholeheartedly with the Commission for many years, as well as the NASD which is supported by the industry and has given you valuable relief and support, are entitled to a full explanation of your reasons and thinking in making such a proposal.

I appreciate your invitation and the opportunity to submit our views.

Very truly yours,
PAUL I. MORELAND.
President.

From a San Francisco Dealer

[Name withheld on request.—Ed.]

We are heartily in accord with the sentiments expressed in the article, "Closing In," which appeared in your issue of Feb. 7. The fundamental point is that Title V never should have been passed. Now it should be repealed or modified. We have written our representatives and senators and have had a reply only from one representative. Ironically enough he was one we have always opposed in elections, as have most of the investment fraternity. However, he merely wrote the SEC for information as to intended charges and passed them back to us which we already had and was why we wrote him in the first place.

What a merry-go-round! The sad thing is that with distractions and costs increasing at such a rate the small firm may be forced out of business.

LINDLEY JOHNSON, JR.

Partner, Johnson, Keen & Co., Philadelphia, Pa.

Editor's Note: Mr. Johnson has furnished the "Chronicle" with a copy of his letter of Feb. 29 to Wallace Fulton, Executive Director of the NASD, text of which follows:

Mr. Wallace H. Fulton,
1625 K Street, N W.,
Washington 6, D. C.

Dear Mr. Fulton:

The "Release" of the "SEC" dated Jan. 31, 1952, page 1 [Proposed Rule (4)], impresses me very unfavorably, and I feel that the NASD might well consider the wisdom of arousing its members to a "United Objection," headed by it, against the imposition of any **"Annual Registration Fee for Brokers and Dealers."** I am further prompted in my objection by another "Notice" dated Feb. 18 which recently came from the Commission.

I have seen no figures from the "SEC" which show how much revenue was derived from the present 1-cent Registration Fee required for each $500 worth of stock sold on stock exchanges. It seems probable, however, that the figure may well run into the tens of thousands of dollars.

If a **real** need exists for increased revenues, why not double-up the present fee or impose a like charge on **purchases?** To add now to the overhead expenses of the dealer, who is afflicted with more than his share of worries, taxes, rules, regulations, audits, permits, fees and so forth, is not conducive to his general state of health nor peace of mind, and it might well mean his retirement from the investment business. Small houses such as that one of which I am a partner would be particularly hard hit.

There have been far too many "grabs" by government to extend its Socialistic theories and paternalistic supervision over the lives and business affairs of the American citizen and it is becoming more and more necessary for us to block any and every further step in that direction.

An **honest effort** to cut expenses of government has yet to be tried. Lip service and broken promises can **not** reduce our outrageous tax burden. Too many of our politicians seem obsessed by the smell of money and hateful of those who have it. They are squander-minded (if they, themselves, hold the money bags), and anybody with brains in his head ought to be fearful of the result.

The one group above all others in the land which needs watching seems to me to be that composed of those peculiar people known as politicians, whose acts are often inexplicable.

The NASD was supposedly formed to act as watch dog over its own Investment Fraternity. To my mind, there is no justification whatsoever for the SEC to enter the picture and to extend its authority (if it has any such as proposed) over those who, despite the tremendous uncertainties of the times in which we live, are doing their best to guide their clients in their selection of sound investments.

Very truly yours,
LINDLEY JOHNSON, Jr.

Continued from page 10

Text of IBA Memorandum Condemning SEC Fee Proposals

between $455,000 and $780,000 which will presumably still not make this activity of the Commission more than "self-sustaining."

What are the activities of the Commission in connection with broker-dealer registrations and filings that should be considered in any such determination of direct and indirect costs to the Government? It is our understanding that broker-dealer registrations and supplemental filings in connection therewith are processed by a part of the staff of the Trading and Exchange Division of the SEC. Of course, the original registrations of most of the broker-dealers presently registered have long since been processed and paid for out of the general funds of the Treasury. The number of new registrations per year is relatively small, and then there are the annual filings by broker-dealers, amendments, etc. It is our understanding that not more than 16 or 17 employees of the Trading and Exchange Division are assigned to this work on this Division's organization chart, and that considerably fewer than even this small number of employees are actually engaged in this work, with an occasional assist from an inspector in a regional office. So, irrespective of what figure we take between $455,000 and $780,000, and even if we add something for overhead, it must be clear that no such sum is necessary to make this activity of the Commission "self-sustaining," even assuming it is the subject of an appropriate charge under Title V.

In presenting its annual budget to the Congress, the Commission certainly during the past two years, has laid great stress on the necessity and importance of its surprise inspection work of broker-dealer firms. We believe this a useful activity in the interests of investors and the public generally, but if there is any thought that this work is the appropriate subject of a charge only to broker-dealers under Title V, we respectfully submit that it clearly cannot be brought within the intent of Congress of charging only for services to special beneficiaries.

That these services are in the general public interest and the interest of investors, as should be obvious, as distinguished from the direct interest of the firms investigated or the special interest of broker-dealers generally, we would like only to cite the testimony of Chairman Cook in support of the Commission's budget on Jan. 16 of this year (Hearings before the Subcommittee of the Committee on Appropriations, House of Representatives, 82nd Congress, Second Session, Part I—Independent Offices Appropriations for 1953, pages 271-272):

"When Chairman McDonald was here last year he stressed the importance of making regular and periodic examinations of the accounts of the 3,900 firms registered with us as brokers and dealers. None of our functions are more important if we are to afford the investors the protections the Securities Exchange Act contemplates.

* * *

"With respect to the investigation of violations of the securities laws, I should like to mention to the Chairman of the Committee that with our present small staff of 72 investigators we are able to handle only matters involving, well really, **the broadest public interest.**" (Underscoring supplied.)

It would seem clear, therefore, that these policing activities or "services" of the Commission are not the appropriate subject of a tax or fee only on broker-dealers, but should be shared by all taxpayers as services rendered generally in the public interest.

The only other services which we can think of supplied by the Commission to broker-dealers, presently without charge, are the various releases, opinions, reports, analyses, speeches, etc., which are available if one gets on the Commission's mailing list. But these are also available, as we understand it, to members of the public generally upon request, so we hardly think this a special service to broker-dealers. Indeed, we would think that this is a type of service for which the Commission might well make an appropriate charge under Title V to anyone requesting it, and we are rather surprised that such a charge was not imposed in view of the other proposals made. But however that may be, we are clear that this is not an item of cost which can appropriately be included in the proposed broker-dealer registration and filing fees.

If our analysis, therefore, of the applicability of this standard of "direct and indirect cost to the Government" is anywhere near correct, we think that the proposed charges for broker-dealer registration are grossly excessive, clearly bear no relation to the costs of such services, and are therefore neither fair nor equitable, even assuming they are the appropriate subject of any charge.

"Value to the Recipient"

What is the value of broker-dealer registration, supplemental filings, the processing thereof, and broker-dealer inspections to individual recipients? If this "special service" were available only upon request and payment therefor, and not mandatory under the law, the answer would be made very clear, and quickly, by the operation of the law of supply and demand. Perhaps one good test of this value is the number of dealers in purely exempt securities which are registered with the Commission, even though no charge is made for such registration at present.

As stated above, broker-dealer registration and supplementary filing are part of the regulatory or policing scheme of activities in securities markets and primarily the over-the-counter market. They impose a continuing burden, rather than a benefit, on those subject to this policing scheme, and any value would seem clearly to inure to investors and the public generally, as is clearly recognized in Section 2 of the 1934 Act and, indeed, Section 15 thereof. Thus, in Section 15(b), the Commission's rules and regulations with respect to applications for registration must be such as are "necessary or appropriate in the public interest or for the protection of investors." This same test is controlling in all other actions to be taken by the Commission under the other paragraphs of that section.

It should be noted also that broker-dealer registration and such supplementary filings as are required to keep it up-to-date does not constitute a franchise or exclusive privilege, vis-a-vis any other registered broker or dealer. Registration is available automatically to any citizen upon application, other than those covered by the fourth paragraph of Section 15(b), and is merely a prerequisite to a broker-dealer using the mails or means or instrumentalities of interstate commerce in the conduct of his business in other than exempt securities.

We find it exceedingly difficult, therefore, in applying the test of "value to the recipient" to find any value whatsoever in broker-dealer registration of the "special services" character which we believe the Congress had in mind, and we think, therefore, that no fee or charge is indicated upon the application of this standard or test.

Again, assuming for purposes of argument, that the Commission's surprise inspection work of broker-dealer firms should be examined as the subject of an appropriate charge or fee under Title V, what is the value to the recipient thereof? Here, certainly, the charges proposed cannot be justified on any basis of value to the individual recipient. The best evidence of this is Mr. Lund's testimony, as contained in the Hearings Before the Subcommittee of the Committee on Appropriations, United States Senate, 82nd Congress, First Session, Independent Offices Appropriations, 1952. On page 363 he states that:

"We have never been given adequate people to make a coverage of more than once in, say, 4 or 4½ years."

On page 368 of the same Hearings, Mr. Lund indicated to Senator Cordon that there were, as of that time, 1,688 firms that never have been inspected.

The following colloquy on pages 368-369 is also very pertinent to the point under discussion:

"Senator Cordon: I would think you would turn aside from your constant inspection of a few and take at least one look at those that you have never looked at.

"Mr. Lund: We are often in the position where we must inspect those where we know there is trouble. We often do not get a chance to go into those that are large and have a good reputation, and where we have no information that they are operating improperly.

"Senator Cordon: Do you only inspect on complaint?

"Mr. Lund: No, sir; but we do have so many complaints, it keeps us busy on certain houses. We know through experience that there are probably 100 houses or more that need watching. We keep a close eye on those, more so than we do on certain of the larger New York Stock Exchange firms, where we have very little reason to believe at the moment they are doing anything seriously wrong.

"Senator Cordon: Then this 1,688 to a very great extent are the ones with respect to whom your information would indicate that they are competent, reliable, and operating in a legal manner?

"Mr. Lund: That is generally true, sir. They are largely members of stock exchanges. They are

Continued on page 32

Continued from page 31

Text of IBA Memorandum Condemning SEC Fee Proposals

old houses of many years' standing, large houses. The New York Stock Exchange checks them, or one of the other stock exchanges do. We have not felt it necessary."

Also pertinent to the question of fairness and equity of the charges proposed on the basis of "value to the recipient" is the situation of those broker-dealers covered by the New York office of the SEC. Taking the Commission's own figures from testimony by Chairman Cook, as contained in Part 1 of the Hearings Before the Subcommittee of the Committee on Appropriations, House of Representatives, 82nd Congress, Second Session, Independent Offices Appropriations for 1953, on page 271, Mr. Cook indicated that there are 1,693 registered firms in the New York area, that 15 inspectors are assigned there, and that these inspectors were able to complete 146 inspections in 1951. Assuming no additional inspectors, and the same rate of inspection, it is readily apparent that firms in this region can expect an inspection on the average only about once every eleven years.

In light of this situation, it is exceedingly difficult to see how, in fairness and equity, the individual firms can be asked to pay the fees proposed for the type of inspection service performed by the Commission on the basis of any "value to the recipient." It is clear that this proposal, therefore, would amount to a tax on the many large and other houses, which are not inspected at all, to carry the cost of the Commission's policing the few on the fringe. This would seem clearly not within the intent of Congress, quite apart from the constitutional question which it would squarely raise.

Of course, if any broker-dealer should ask the Commission to go over its operations to see that it was in all ways complying with the law and the rules and regulations of the Commission, and the Commission's inspector should make such an inspection, we would think that might be an appropriate case for the Commission to impose a fee or charge, but lacking any such request we see no "value to the recipient" as an individual firm or, indeed, any fairness and equity in charging this particular group of citizens for the police work which the Commission is required to perform in the interest of investors and the public generally.

"Public Policy or Interest Served"

If anything is clear in this controversy, it is that the Commission is supposed to operate in the public interest and the interest of investors as distinguished from the special interests of broker-dealers or others subject to its jurisdiction. It is so stated many times throughout the '34 Act. It hardly seems necessary to belabor this point with the Commission.

The fact that regulation of brokers and dealers by the Commission is done solely in the public interest was admirably stated by Chairman Cook during recent hearings before the Subcommittee of the Committee on Appropriations of the House on the SEC's 1953 budget, on page 297:

"**Mr. Cook:** . . . Additionally, we have jurisdiction over brokers and dealers, and you get another type of situation there. Brokers and dealers have custody of large amounts of cash and securities of customers.

"**Mr. Yates:** As I remember Chairman McDonald's testimony last year, are not those policed pretty much by the private concerns?

"**Mr. Cook:** No. I would say this, that the private organization, the NASD (National Association of Securities Dealers), and indeed the New York Stock Exchange, also, polices their own members. Each does a substantial amount of policing work. **But Congress has designated the SEC to do the policing for the public, and there is a great deal of difference between attempting self-regulation on the part of an association and the kind of regulation which Congress might determine as appropriate in the public interest. . . .**" (Underscoring supplied.)

We find no justification, therefore, for the proposed fees upon applying this standard but rather very compelling arguments against them.

"Other Pertinent Facts"

We are sure the Commission is mindful of the substantial amount of money, and, even more important, the great amount of volunteer time and service, which broker-dealers are already contributing to so-called cooperative self-regulation of the securities business through the various exchanges and the National Association of Securities Dealers.

We think it appropriate for the Commission to keep in mind that, when the Maloney Act was under consideration by Congress in 1938, the Senate Banking and Currency Committee, in Senate Report No. 1455, and the House Committee on Interstate and Foreign Commerce, in House Report No. 2307 (75th Congress, Third Session, 1938) stated in their Reports:

"The Committee believes that there are two alternative programs by which this problem (of adequate regulation of over-the-counter market) could be met. The first would involve a pronounced expansion of the organization of the Securities and Exchange Commission; the multiplication of branch offices; a large increase in the expenditures of public funds; an increase in the problem of avoiding the evils of bureaucracy; and a minute, detailed, and rigid regulation of business conduct by law. It might very well mean expanding the present process of registration of brokers and dealers with the Commission to include the proscription not only of the dishonest, but also of those unwilling or unable to conform to rigid standards of financial responsibility, professional conduct, and technical proficiency. The second of these alternative programs, which the Committee believes distinctly preferable to the first, is embodied in S. 3255. This program is based upon cooperative regulation, in which **the task will be largely performed by representative organizations of investment bankers, dealers, and brokers,** with the Government exercising appropriate supervision in the public interest, **and exercising supplementary powers of direct regulation.**"

As a very pertinent fact, it almost goes without saying that there will be little inducement to broker-dealers to continue this expensive and time-consuming, and thus far successful, scheme of cooperative regulation if those who are doing and paying the most in this effort are to be subjected to double taxation, in effect, so that the Commission will be reimbursed, in effect, for regulating and inspecting those who contribute the least, if anything at all. We have greatest difficulty of all in finding fairness and equity upon the application of this test, if it can be called one, to the facts set forth above.

After applying these several so-called standards, therefore, to the fees proposed, and assuming that the services discussed are of a type within the compass of Title V, we think the fees proposed are obviously neither fair nor equitable for the reasons given above and that the rule should, therefore, not be adopted in any event.

Imposition of Any New Fees by the SEC Should Be Postponed Pending Completion of Current Study of This Whole Problem by the Bureau of the Budget.

As the Commission doubtless knows, the Bureau of the Budget, on Jan. 28, 1952, released a "Progress Report on the Review of Charges for Services and Products." In this report the Bureau of the Budget states that, for the past two years, it has been and is still engaged in a project for the examination of charges presently made for Government services and products and of services rendered to special beneficiaries without charge. The purpose of this project is "to obtain for the Government adequate compensation for such services and products where it is appropriate, and to obtain policies that provide reasonably equitable treatment for similar services rendered by different departments or to different clientele."

In this report, at page 9, the Bureau of the Budget admirably states the real nature of the problem:

"The entire subject involves a number of basic considerations of public policy. Merely illustrative of these considerations are the following questions which occur with respect to any given service which may be examined: Is the particular service one which is rendered primarily for the benefit of the public at large which ought to be payable from general taxes, or is it a service for the benefit of particular individuals or groups and properly to be paid by those benefiting? Is it a service the cost of which should be shared by the general taxpayer and by those getting particular benefits? If the Government should receive compensation for rendering the service, should the return be based upon the cost of performing the service, upon comparable prices for having similar services performed commercially, or upon some other standard? Where the cost is used for a standard of pricing, what elements of costs (direct cost, depreciation, overhead, etc.) should be included in the computations?"

This report states further (page 10) that the Budget Bureau is taking the following steps:

"(1) Preparation and submission to Congress of draft legislation to make possible the increases in rates which already appear to be desirable as a result of the limited evaluation to date and as a result of the current studies in selected agencies described.

"(2) Follow-up with respect to the rent policy circular to see that it is made fully effective.

"(3) Specific study of a group of services which are common to a number of agencies; for example, the issuance of Government **publications, registration** and permit **fees,** interest on loans, and testing services. **Such studies should lead to recommendations to the President for the establishment of uniform policies in each of these fields,** to be promulgated and carried out in a manner similar to the policy on employee rentals. They may also lead to additional legislative proposals. The attachment indicates a tentative list of areas selected for such intensive study (exhibit 9).

"(4) Specific study of fees for specialized services in selected agencies, such as the Patent Office, **the Securities and Exchange Commission,** and the Weather Bureau. These may lead to both legislative proposals and administrative action." (Underscoring supplied.)

Since the Bureau of the Budget is thus at the moment engaged in a specific study of appropriate fees, if any, to be charged by the SEC in light of an over-all policy to be determined with respect to appropriate fees to be charged by other agencies, this to assure a maximum degree of uniformity and equity, it would seem to us highly inappropriate for the Commission to promulgate its proposed rule, or any other like rule, at least until this Budget Bureau survey has been completed.

Indeed, it would seem that the Congress in enacting Title V had this study by the Budget Bureau very much in mind, because, if there is any absolute directive to the heads of Federal agencies in Title V, it is that any regulations imposed thereunder prescribing fees "in the case of agencies in the executive branch, **shall** be as uniform as practicable and subject to such policies as the President may prescribe." (Underscoring supplied.) We know of no policy as yet promulgated by the President with respect to fees, if any, for registrations with agencies in the executive branch, and in the absence of any such policy we would think this provision of Title V, in and of itself, controlling on the Commission on the particular point under discussion.

Bearing on this point, also, on March 4 we checked with the other principal regulatory agencies subject to Title V (the Interstate Commerce Commission, Federal Communications Commission, Federal Power Commission and the Federal Trade Commission) and found that none of them have increased their fees and charges or proposed the imposition of additional fees and charges, although they are purportedly authorized so to do by Title V, if the SEC is. The one exception was the Federal Power Commission, which has increased the price of its publications. Otherwise, they appear to be giving the problem varying degrees of study, pending further advice from the Bureau of the Budget on over-all policy referred to above. When one considers the nature of the services rendered by some of these agencies to really "special beneficiaries," and the value thereof, such as the granting of licenses to operate radio and television stations to one applicant rather than another, permits to construct dams, etc., it points up only more sharply the inadvisability and inequity of the Commission proceeding with its proposal at the present time to impose fees upon broker-dealers for registration, which is certainly primarily in the general public interest as distinguished from any conceivable interest of broker-dealers.

Conclusion and Recommendations

In light of the above, we respectfully submit, even assuming that Title V does not constitute an unconstitutional delegation of legislative power to the heads of Federal agencies, (1) that the proposed registration fees for broker-dealers and their employees under proposed Rule X-15B-7 are not such fees as were intended to be authorized by Congress under Title V because broker-dealers and their employees are not special beneficiaries of services from the SEC and (2) that the proposed fees are not "fair and equitable" within the standards prescribed in Title V. Accordingly, we recommend that the proposed rule not be adopted.

However, if the Commission concludes to consider further the possibility of imposing such fees on broker-dealers and their employees, we recommend, in view of the studies presently being made by the Bureau of the Budget, the directive in Title V that any such fees shall be as uniform as possible and "subject to such policies as the President may prescribe", the fact that the other principal regulatory agencies covered by Title V are apparently awaiting further advice from the Bureau of the Budget or the President as to an over-all policy, and the fact that the Bureau of the Budget is presently studying the very Commission problem under discussion, that the Commission take no further action on this proposal until an over-all policy is established. This will have the added advantage of permitting representatives of the securities business and the Commission to go before the Appropriations Committees of the Congress and endeavor to have Title V made more definite and certain with respect to the problem under consideration. We have already requested such a hearing.

APPENDIX A

Title V of the Independent Offices Appropriation Act of 1952 is an Unconstitutional Delegation of Legislative Power by Congress to the Heads of Federal Agencies.

The federal courts of the United States have consistently held the delegation of authority by Congress to administrative officials to be an unconstitutional delegation of legislative power when Congress did not establish *definite standards* as guides for action by such administrative officials. *Schechter v. United States,* 295 U. S. 495 (1935), holding section 3 of the National Industrial Recovery Act of June 16, 1933, to be unconstitutional; *Panama Refining Co. v. Ryan,* 293 U. S. 388 (1935), holding section 9(c) of Title I of the National Industrial Recovery Act of June 16, 1933, to be unconstitutional; *Butler v. United States,* 78 F. (2d) 1 (1935), holding taxing provisions of Agricultural Adjustment Act of 1933 to be unconstitutional; *Larabee Flour Mills Co. v. Nee, and twenty-three other cases,* 12 F. Supp. 395 (1935), holding taxing provisions of the Agricultural Adjustment Act of 1933 to be unconstitutional; *Gebelein, Inc. v. Milbourne,* 12 F. Supp. 105 (1935), holding taxing provisions of the Agricultural Adjustment Act of 1933 to be unconstitutional; *Vogt v. Rothensies,* 11 F. Supp. 225 (1935), holding taxing provisions of the Agricultural Adjustment Act of 1933 to be unconstitutional.

With specific regard to delegation by Congress of its power to tax, the United States District Court for the Western District of Missouri, in *Larabee Flour Mills Co. v. Nee, and twenty-three other cases, supra,* held that the Agricultural Adjustment Act of 1933 contained an unconstitutional delegation of taxing power to the Secretary of Agriculture. The Court, in holding that Congress had not prescribed sufficiently definite standards by which the Secretary of Agriculture could determine the rate of taxation, stated at page 403:

"It cannot be questioned that Congress can delegate to the Secretary of Agriculture the administrative duty of determining what shall be the rate charged as to the processing of a particular commodity, provided Congress sets out a definite and intelligent standard by which the determination of the actual rate is to be made. Thus Congress might levy a tax upon the processing of wheat and might provide that the tax shall be at a rate equal to the difference between the current average market price of wheat on the Chicago market on the first of January, 1930, and the first of January, 1931. Or Congress might levy a tax upon the processing of corn and provide that the rate should be as many cents per bushel as the tide rises in feet on some fixed day at some fixed place; for Congress has really fixed the rate (and the fixing of a rate is a legislative power) when it has provided a certain, definite, and intelligible standard by which the rate is to be ascertained.

"What Congress cannot do is to delegate to an administrative official not only the power to fix a rate of taxation according to a standard but also the power to prescribe the standard. Congress must prescribe the standard, and it must be a real standard, an intelligible standard, a definite standard. It must be like a yardstick which is three feet long by whomsoever it is used, not one which in the hands of one man is three feet long, in the hands of another two feet long, and in the hands of a third four feet long, elastic at the will of the individual applying it.

"The standard provided for in the Agricultural Adjustment Act for the fixing of the rate in the processing of any of the commodities mentioned in the Act does not satisfy the requirements here set out. To say that the rate shall be the difference between X, the current average price of a commodity, and Y, the fair exchange value of the commodity, is to provide a definite and intelligible standard only if X and Y are definitely ascertainable amounts. If either is a variable, uncertain, and speculative term, then the so-called standard is not a standard and certainly is not a definite and fixed standard.

"It may be conceded that what is the average farm price in the United States of a given commodity, for example, wheat at any given time, may be determined with reasonable certainty from available statistics. Any two intelligent and experienced men, from such statistics, working independently of each other, would arrive at essentially the same figure. But certainly that cannot be said concerning the determination of what is the fair exchange value of a given agricultural commodity such as wheat.

"The act defines the term 'fair exchange value' as 'the price therefor that will give the commodity the same purchasing power, with respect to articles farmers buy, as such commodity had during the base period'. The base period is defined (on all agricultural commodities except tobacco) as the pre-war period, August, 1909, to July, 1914. It is scarcely conceivable that anything could be more indefinite and uncertain than this language. It leaves to the Secretary of Agriculture the power arbitrarily to determine what articles farmers buy. It leaves to the Secretary of Agriculture the power to select the particular time (or whether he will seek an average) during the base period of five years as to which he will determine the purchasing power in terms of articles farmers buy of agricultural commodities. One Secretary of Agriculture might well determine that the fair exchange value of wheat was one sum, and another Secretary might determine that it was an entirely different sum, greater or less. Each easily could support the result reached by statistics. It is absurd to say that this is a standard by the use of which wholly different results are reached when it is applied by different individuals.

"The courts have gone far in upholding legislation by Congress which has been challenged upon the ground that it involved a delegation of legislative power. But they have never even distantly approached approval of such legislation as this when challenged on that ground."

(It should be noted, in passing, that the Court in the Larabee Case also held that a subsequent amendment to the Agricultural Adjustment Act by Congress in 1935, providing that "The taxes imposed under this Title, as determined, prescribed, proclaimed, and made effective by the proclamations and certificates of the Secretary of Agriculture or of the President and by the requirements of the Secretary with the approval of the President prior to the date of the adoption of this amendment, are hereby legalized and ratified . . . ", was not effective retroactively to validate the taxes imposed under the Act but that the amendment operated only prospectively to validate the taxes from the date of the amendment. While appeals from this decision were pending in the Circuit Court of Appeals for the 8th Circuit, the Supreme Court of the United States, in *United States* v. *Butler*, 297 U. S. 1 (1936), held that the Agricultural Adjustment Act was unconstitutional because the taxing power could not be employed by Congress to enforce regulation of a matter with respect to which Congress had no authority.)

Other courts have followed the same principle upon which the decision in the Larabee Case was based in holding the delegation of taxing authority to the Secretary of Agriculture under the Agricultural Adjustment Act of 1933 to be unconstitutional because the standards prescribed for the Secretary of Agriculture to fix the rate of taxes were too indefinite. For example, the District Court for the District of Maryland, in *Gebelein, Inc.* v. *Milbourne, supra*, stated at pp. 115-117:

"In my opinion the taxing feature of the Act is also invalid because it involves an invalid delegation of legislative power to the Secretary of Agriculture. It is not disputed that, under our constitutional system of Government, powers that are truly legislative in character may not be delegated by Congress, although administrative officers or boards may validly be authorized to execute in detail legislation enacted by Congress, where standards for action, based on appropriate findings of fact, are declared with sufficient definiteness by the Congress itself.

* * *

"The mathematical problem may be simple when the determining factors are stated, but the ascertainment of one of the governing factors is itself a complex problem."

Similarly, the Circuit Court of Appeals for the 1st Circuit, in *Butler* v. *United States, supra*, stated at page 7:

"The power to impose a tax and to determine what property shall bear the tax can only be determined by the legislative department of the Government. If Congress undertakes to lay down a guide for an administrative officer to follow in carrying out its mandate, it must be by an intelligible and a reasonably definite standard. . . . The balance btewen production and consumption of certain commodities, or the equalizing of the purchasing power between widely separated periods alone forms no such standard."

Applying the principles of these cases to Title V of the Independent Offices Appropriation Act of 1952, we submit that Title V is an unconstitutional delegation of legislative power by Congress to the heads of Federal agencies. Title V authorizes the head of each Federal agency to prescribe "such fee, charge, or price, if any, as he shall determine, ... to be fair and equitable taking into consideration direct and indirect cost to the Government, value to the recipient, public policy or interest served, and other pertinent facts". This delegation of authority by Congress in Title V is obviously more defective than the delegation of authority in the Agricultural Adjustment Act because Title V not only contains standards which are too vague and uncertain, but **Title V is fundamentally defective in that it, in effect, leaves determination of the standards in the hands of the administrative officials to whom authority is delegated by permitting heads of Federal agencies to consider among the standards "other pertinent facts."** Under this blanket delegation of authority different heads of Federal agencies would find different facts to be "pertinent" and would thereby establish different standards in prescribing rates, charges or prices.

However, aside from the fundamental defect of permitting heads of Federal agencies to consider "other pertinent facts" and thereby to establish their own standards, the standards which are prescribed in Title V are too vague and too uncertain to constitute valid standards by which administrative officials can determine the amount of any fee, charge or price because those standards, in the language of the United States District Court for the Western District of of Missouri in the Larabee Case, might well be "three feet long" in the hands of the head of one Federal agency and "two feet long" in the hands of another. One man considering "value to the recipient", one of the standards specified in Title V, might well determine such value to be one sum while another intelligent man working independently might well determine that such value was an entirely different sum.

Consequently, it appears that the delegation of authority to the heads of Federal agencies by Congress in Title V of the Independent Offices Appropriation Act of 1952 is an unconstitutional delegation of legislative power because Congress not only fixed insufficiently definite standards for determining fees, charges or prices, but Congress delegated to the heads of Federal agencies authority to determine what some of the standards should be ("other pertinent facts") in determining the amount of such fees, charges or prices.

Continued from page 13

Savings in Today's Economy

banks set out to eliminate the differential between themselves and the savings banks. The consequence, of course, was pressure from the savings banks for the Banking Board to raise its rate ceiling.

A final and decisive event was the action of Congress last year in making undistributed earnings of savings institutions subject, for the first time, to Federal income tax at the rate of 52%.

Monumentally Stupid Tax-Happiness

This, in my estimation, was a piece of monumental stupidity on the part of Congress, worthy of the present tax-happy Federal administration.

Savings banks and savings and loan associations are nonprofit, mutual institutions, with a long and useful history in our country of encouraging little people to save, to become independent, to get ahead in life.

The earnings not paid out in dividends are used to increase surplus and reserves so as to protect the savings in these institutions. It seems to me altogether inappropriate, even in these times, to tax the earnings of these institutions at the savage rate of 52%.

The experience of the banking crisis of the 30's showed that 12% in surplus accounts is none too much to meet the emergencies of hard times. I am not convinced that providing for hard times is an obsolete precaution.

Moreover, the tax will work in a wholly unsound and unfair way. Those established institutions that by good management and hard work have accumulated surplus, undivided profits, and reserves of 12% will have to pay a 52% tax on all future earnings after dividends. Other institutions, younger, or perhaps less well managed, that have smaller surplusses will be tempted by the law to pay out maximum dividends and avoid forever the accumulation of sufficient surplus to make them subject to tax. Thus the law puts a penalty on the stronger and better managed banks and a premium upon less sound practices.

Among the eager advocates of the tax were some commercial bankers who believed that their competitive position would be improved if savings institutions were subjected to the Federal corporate income tax. To my way of thinking, this was a shortsighted view. Here in New York that attitude has boomeranged, for the new 52% tax on undistributed earnings of savings institutions greatly strengthened the case of the savings banks for a higher ceiling on dividend rates.

Speaking for myself, the tax factor clinched the argument. The facts were that nearly all of the savings banks of the state were in a position to pay higher dividends. A refusal by the Banking Board to raise the ceiling would have been tantamount to drawing a huge draft for millions of dollars upon the savings of many thrifty people in favor of the U. S. Treasury. By allowing some of that money to be paid out in dividends, it will be taxed to the depositors, as it should be, at rates appropriate to their income, and not at 52%.

I recognize, nevertheless, that the raising of the dividend ceiling has opened the way for a further round of strenuous competition, based on interest rates. Some of my good friends, especially among the commercial bankers, seemed to feel that this danger was so great that the Banking Board ought not to have changed its regulation. My own feeling is that we must trust the banking community to handle the increased freedom and responsibility involved in this move. One reason why I favored a change was because the old 2% figure had ceased, as a practical matter, to be a ceiling and had become the effective rate. I felt the Board should try, as far as possible, to avoid fixing rates but rather should establish a ceiling beneath which the banks could adopt varying rates.

Finally, I felt that if our banking community could not be trusted with a half a per cent leeway on interest rates without plunging into an orgy of unsound and destructive competition, then, indeed, the days of the free banking system were surely numbered.

We ought all to have learned a lesson from the experiences of the '20s when competition among banks to pay high rates of interest led bankers to reach out for higher yielding, more risky loans and investments. If there develops a tendency to repeat that experience, it is to be hoped that the banking authorities will check it sharply.

The current year may be such a time of temptation for thrift institutions. It promises to be a year of high aggregate savings. Government defense spending, in spite of the new stretchout, is scheduled to rise by $24 billion to an annual rate of $60 billion. Expenditure plans of American industry for plant and equipment this year add up to a record-breaking $21 billion. These factors alone insure a high and rising level of income. Production, employment, and national income are almost certain to set new records in 1952. But will it be a year that brings a renewal of the great price rise that was set off by Korea? Will the danger of inflation return to threaten our economy and our national safety?

The answer to those questions will not be given by the price controllers, tax collectors, and regulators of the Washington bureaucracy. It will depend on whether our people continue or relax the remarkable savings achievement of the past 12 months.

That means, of course, that savings institutions by their effectiveness in promoting thrift will have a decisive influence on our economy.

The American habit of saving, inculcated by our thrift institutions from the earliest times of our Republic, offers us at this moment our one best hope of overcomng the threat of inflation.

The men and women who guide the savings banks, savings and loan associations, and other savings institutions in the country have today, more than ever before, a vital role to play in our national life. In keeping with the great tradition of the savings industry, they will, I know, play that role ably and with distinction.

Texas Eastern Stock Offer Underwritten by Dillon, Read Group

Dillon, Read & Co. Inc. heads a group of investment bankers underwriting an offering by Texas Eastern Transmission Corp. of 610,937 additional shares of common stock, par value $7 per share, to its common stockholders. The warrants entitle the common stockholders the primary right to subscribe for the new stock at $17 per share at the rate of one share for eight shares held at the close of business on March 7, 1952, with the additional right to subscribe at the same price, subject to allotment, for shares not taken under the primary rights. The warrants expire at 4 p.m., Eastern Standard Time, March 26, 1952.

Texas Eastern will use the proceeds of the sale of the new common stock in connection with its expansion program which is designed to increase Texas Eastern's peak day delivery capacity of natural gas by approximately 475 million cubic feet. The expansion program involves the construction of approximately 791 miles of 30-inch pipeline and compressors which will be substantially completed in the third quarter of 1952 and the development of underground natural gas storage facilities in Western Pennsylvania which will be placed in full operation by 1956.

The new pipelines will extend from Kosciusko, Miss., to Connellsville, Pa., with a 35-mile lateral from the main line to the storage area. Texas Eastern estimates that the cost at Dec. 31, 1951 of completing its expansion program begun in 1951 will be $59,000,000.

Texas Eastern owns and operates a pipeline system for the transmission and sale at wholesale of natural gas, supplying customers in Louisiana, Missouri, Illinois, Indiana, Ohio, West Virgina, Pennsylvana, New Jersey, and New York. The system owned by the company extends from the Texas Gulf Coast area to New Jersey and includes the so-called Big Inch and Little Big Inch pipelines.

For the year ended Dec. 31, 1951, total operating revenues were $84,148,323 and net income was $9,467,143.

With Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Richard C. Fornoff has become affiliated with Hornblower & Weeks 134 South La Salle Street. He was previously with Lamson Bros. & Co.

Geo. C. Lane Adds

(Special to The Financial Chronicle)

NEW HAVEN, Conn. — John W. Boynton has become affiliated with George C. Lane & Co., Inc., 70 College Street.

Gordon Graves Adds

(Special to The Financial Chronicle)

MIAMI, Fla. — George F. A. MacKay has become affiliated with Gordon Graves & Co., Shoreland Building.

Mutual Funds

By ROBERT R. RICH

Industry May Have New Fund; Assets Put at Ten Million

A new investment company, which will offer prospective investors the opportunity to invest in the industries of Canada's dynamic and expanding economy, is said to have 800,000 shares in registration process with the Securities and Exchange Commission, "The Chronicle" learned exclusively late Wednesday afternoon.

Reliable sources reported that this new mutual fund is being registered as a closed-end company in order to stabilize and facilitate the initial stock flotation of 800,000 shares, at a price rumored to be approximately $13. It is said the fund will open-end after the initial offering is completed.

This new method of starting a mutual fund should give it the advantage of total net assets of over $10 million to start.

Although the statement could not be confirmed before press time, it is said that Kidder, Peabody will head the underwriting group of hundreds of investment dealers, with Dominick & Dominick as co-manager.

The new mutual fund will be under the investment management of a well-established firm in the mutual funds field. The sales charge on the offering price, after the fund is open-ended, will be about 7%.

CASHION OPINION discussions between the full Investment Company Committee of the National Association of Securities Dealers and the Securities and Exchange Staff have not been resumed, an authoritative source declared as he denied the basis in fact for current news stories reporting meetings between the two groups.

Although both the SEC staff and the NASD Committee are studying the problem of the role and scope of mutual fund retail advertising and although there are now informal discussions between individual members of each group, a full-fledged meeting is reportedly not in prospect for several weeks, and no early solution to the advertising problem is foreseen.

A BILL HAS been introduced into the State Senate of New York to amend the banking law, in relation to the investment of funds of savings banks. This bill, No. 2773, says in part that savings banks may invest funds in "stocks or shares of an investment company . . . provided all of the stock and shares, other than stock or shares required by law to qualify directors, of such investment company are or are to be owned by savings banks and that such company may invest only in such investments as are eligible for savings banks."

CENTURY SHARES Trust is surveying its stockholders on an amendment to the declaration of trust in order to clear the way for a 3-for-1 split.

The Fund, in its proxy statement, said, "The resulting reduced liquidating value per share is expected to permit more flexibility in the distribution of shares of the trust by bringing the price of a share down to a level more appealing to prospective investors and within the usual price range of shares of open-end investment companies." Current price per share is now over 40.

Century has about 750,000 shares outstanding at present.

Two other funds have recently made arrangements for a stock-split—Texas Fund on March 30 is to be split 3-for-1 and Stein, Roe & Farnham on Feb. 20 completed a 3-for-1 split.

SHAREHOLDERS of Composite Bond and Preferred Stock Fund, one of two mutual investment funds sponsored by Murphey Favre of Spokane, Wash., voted at their annual meeting held March 4 to amend the Articles of Incorporation to permit investment in common stocks as well as in bonds and preferred stocks, and to change the name of the Fund to Composite Bond and Stock Fund.

This Fund with year-end assets of $3,210,000 was organized by Murphey Favre, Inc. in 1939 and while originally established largely for distribution to the investment firm's own clients in the Pacific Northwest, holders now reside in 23 states and several foreign countries.

For the first nine years investments were restricted to bonds only. In 1948 preferred stocks were made eligible investments and now, with approval of stockholders, the Fund may invest in all classes of securities. The proportions of the various classes of securities held from time to time will be subject to the judgment of the management.

"During the 13 years of the Fund's operation emphasis has been placed on stability," said R. M. Williams, President, in commenting on this change of investment policy. "The basic long-range investment objectives of the Fund are not being changed; however, lifting of former restrictions limiting investments to specific types of securities should permit the Fund to function henceforth as a more complete and well-rounded, yet conservative, investment program for its shareholders."

Composite Fund, which places investment emphasis on common stocks and is also sponsored and distributed by Murphey Favre, Inc., had year-end assets of $1,309,000.

THE FORMATION of a special division to assist employers in the Philadelphia area in the establishment of employee retirement plans was announced Monday, March 10, by F. P. Ristine & Co., the New York Stock Exchange firm which this year is celebrating its 50th anniversary.

William A. Stinson, Manager of the investment firm's research department for the past 18 years and Manager of the mutual fund department, was named to head the new division. Mr. Stinson, a resident of Haddonfield, N. J., is widely known throughout the South Jersey area as a lecturer on financial topics. He is a former instructor of the Wharton School of Business and Finance of the University of Pennsylvania from which he has a B.S. in Economics and a Master's in Economics.

The new retirement plan division is one of the first of its kind to be established by an investment firm in the Philadelphia area. It will function as an advisory source for employers on all phases of retirement plans with special emphasis on investment problems under such plans.

Employee retirement plans, according to F. P. Ristine & Co., can be expected to have the widest degree of acceptance in the Philadelphia area during the next two years. There are many reasons for this, the firm pointed out. One is the competition for workers as the defense program expands. Another is the tax savings available to a corporation and its employees under the existing and high income tax.

The new retirement plans division under the direction of Mr. Stinson, the statement concluded, rounds out the investment facilities of F. P. Ristine & Co., and at the same time enables the firm through its direct service to employers to participate in one of the most important developments in the financial field in recent years.

F. EBERSTADT & Co., managers and distributors of Chemical Fund, and Labouchere & Co. N. V. Bankers of Amsterdam, Holland, announced March 12 the listing of the shares of Chemical Fund on the Amsterdam Stock Exchange. Trading will begin on March 19.

This development will facilitate the purchase of Chemical Fund shares by Dutch and other European investors, and may constitute in due course a large potential market for American open-end investment companies of the management type. This represents the second open-end fund to be listed on the Amsterdam Exchange — the other being Television Electronics Fund.

Certificates representing shares of Chemical Fund will be issued to foreign purchasers by the Administratiekantoor "Interland" N. V., Amsterdam, subsidiary of Labouchere & Co. N. V. The actual shares of Chemical Fund underlying the Dutch Certificates will be deposited in the name of Administratiekantoor "Interland" and held on behalf of foreign investors by the Guaranty Trust Company in New York City.

THE RECENTLY published list determining the eligibility of mutual investment funds that may be purchased by employees of Socony-Vacuum Oil Co. Inc., under its savings plan, now includes National Stock Series, a $36,000,000 common stock fund, according to Henry J. Simonson, Jr., President of National Securities & Research Corporation, the sponsors, underwriters and managers of the fund.

"Many observers feel that the Socony-Vacuum Employees Savings Plan is a significant step forward in improving employees' goodwill," said Mr. Simonson. "The plan is timely since it tends to broaden the base of ownership of American industry at a time when the world seems to be dividing itself into two opposing camps of capitalism and democracy vs. Communism and a State-controlled economy. A partial hedge against the declining purchasing power of the dollar may be effected through the ownership of common stocks of our industrial corporations."

OPEN-END REPORTS

SHAREHOLDERS of The George Putnam Fund at the 15th annual meeting approved an amendment to the Declaration of Trust permitting fractional share interests. George Putnam, Chairman of the Trustees, stated, "As a result of this amendment, the management expects to offer to investors in the near future a modern periodic savings plan. This is part of our program to encourage thrift, not

MUTUAL FUND DIVIDEND ANNOUNCEMENTS

All listings are quarterly unless otherwise noted

Fund—	Per Share	When Payable	Holders Of Record
Bond Fund of Boston Semi-annual	13c	3-27	3-17
Century Shares Trust	30c	3-26	3-17
Eaton & Howard Balanced Fund	25c	3-25	3-15
Eaton & Howard Stock Fund	15c	3-25	3-15
Investment Co. of America	12c	4- 1	3-14
Investors Management Fund	17c	4-15	3-31
From 1951 Capital Gains	5c		
Investors Selective Fund	9c	3-21	2-29
Keystone Custodian Fund B-4	30c	3-15	2-29
Pioneer Fund	18c	3-15	3- 5
Putnam Fund	15c	4-21	3-31
Republic Investors Fund	4c	3-31	3-14
Scudder, Stevens & Clark Common Stock Fund	25c	3-20	3-11
Scudder, Stevens & Clark Fund	40c	3-20	3-11
State Street Investment	45c	4-15	3-31

only by providing a medium of investment which offers a satisfactory reward for saving, but also by having a plan that makes it relatively easy for investors to invest small or large amounts of money in the Fund on a regular basis."

Mr. Putnam reported to the meeting that the steady growth of the fund is continuing, with total net assets now in excess of $53 million, a gain of $5,500,000 over a year ago. Number of shareholders is now at a new high of more than 18,000.

In his remarks to the meeting Mr. Putnam said that the management is leaning more toward the conservative side these days in their investment policies.

He emphasized, however, that a retreat into high-grade bonds was not, in their opinion, the answer to the prudently minded trustee's problem under present conditions. Mr. Putnam suggested that the solution might be found in making certain shifts within the Common Stock section to more conservative groups. In this connection, the meeting was informed that since the first of the year, the Fund had invested over $800,000 in insurance stocks.

SCUDDER, STEVENS & Clark Common Stock Fund reports total net assets of $3,361,601 on March 10, which is approximately double their total net assets of $1,773,668 a year ago. Per share net asset value of $29.11 on 155,476 outstanding shares, compared with $27.12 per share on 65,400 shares outstanding on March 10, 1951.

SCUDDER, STEVENS & Clark Fund reports total net assets of $37,560,784 on March 10, 1952, equal to $57.80 per share on 649,825 shares outstanding on that date. This compares with total net assets of $35,523,887 a year ago, equal to $57.25 per share on 620,519 shares outstanding at that time.

Mutual Fund Notes

CHINATOWN office specializing in the sale of mutual fund shares has been opened by S. B. Cantor Co., 79 Wall Street. The new office, in the heart of New York's Chinatown, is at 197 Worth Street under the management of Frederick Chow.

STEIN, ROE & Farnham Fund, under a registration statement effective March 29, 1951, sold a total of 23,530 shares of capital stock for an aggregate of $1,506,391. The remaining 51,470 were removed from registration on Feb. 25.

DIVERSIFIED FUNDS, under a registration statement effective Feb. 16, 1951, sold 932,789 shares of 23 series of special stocks for a total of $24,625,630. The remaining 67,211 shares were removed from registration on Feb. 25, 1952.

PERSONAL PROGRESS

APPOINTMENT of Walter Benedick as its Vice-President in charge of all Retail Sales Offices was announced by John Livingston Thomas, President of First Investors Corporation. Mr. Benedick has been in charge of the Home Office Sales Department since 1936. The company's sales of Mutual Fund shares and Periodic Investment Plans for the accumulation of Mutual Fund shares amounted to over $27 million during 1951.

SEC REGISTRATIONS

BULLOCK FUND on Feb. 28 filed a registration statement with the Securities and Exchange Commission covering 150,000 shares of capital stock to be offered at market.

CENTURY SHARES Trust on March 3 filed a registration statement covering 200,000 shares of capital stock (par $1) to be offered at market through Vance, Sanders.

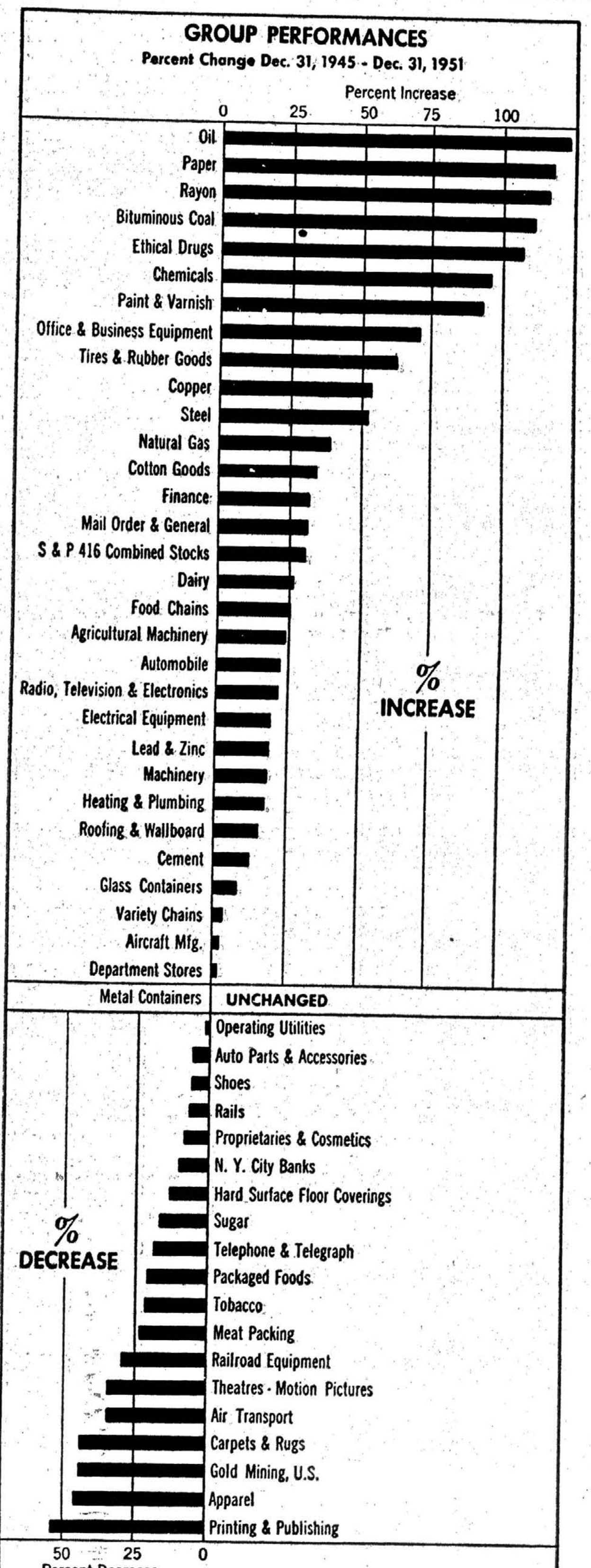
INVESTMENT TRUST of Boston on Feb. 28 filed a registration statement covering 300,000 shares of beneficial interest. Underwriter is Securities Company of Massachusetts.

INSURANCE SECURITIES, Oakland, Calif., on March 7 filed a registration statement covering 6,750 units of $1,000 Single Payment Plan Series U and 10,000 units of $1,200 Accumulative Plan Series E, 10 year. No underwriter.

MASSACHUSETTS INVESTORS Trust, Boston, March 7 filed a registration statement covering 892,024 shares of Beneficial Interest. Underwriter is Vance, Sanders.

SCUDDER, STEVENS & Clark Common Stock Fund, Boston, March 7 filed a registration statement covering 78,480 shares of capital stock. No underwriter.

Bullock Chart Stresses Importance Of Selection and Risk Diversification



This chart of group performances of common stocks during the period 1945-1951 illustrates the vital importance to the average investor of spreading his investment risk among many industries. The chart, prepared by Calvin Bullock's Investment Management Department, also demonstrates the necessity of competent security analysis and portfolio supervision. For the small investor, mutual funds are the most important and economical method by which sufficient risk-spread and competent investment management can be obtained.

Continued from page 12

Stressing Income From Mutual Funds

arial tables indicate in his or her remaining life span. A summary table of the facts, showing other related facts as well, is a sure-fire interest getter. "What's your age? Forty-five? The insurance actuaries will bet that you'll live to be 71½ (75½ if its a woman you're talking to). That gives you 20 more working years till you're 65, and then you'll have to draw on your savings to pay your living costs for the remaining 6½ years. But the table shows that if you live to age 65, the actuaries will bet you'll reach age 77, so you really need to plan to live for 12 years on your savings — maybe more if any more new miracle drugs are developed."

Does it seem unbecoming for a security salesman to approach a prospect or a customer with that kind of arithmetic? I don't believe it is. Some of you may be saying to yourselves, "How serious can you be with a prospective customer?" You know the answer. Is there anything more seriously desired by people than a ripe old age and the wherewithal to enjoy it? See how all of this leads logically to a better return on accumulated savings. Let me pursue the subject of arithmetic further.

The maximum benefits payable under Social Security are $120 a month for a worker and wife, both over 65. That's $1,440 per year. Obiviously, it's not enough, especially if we have more inflation. And some people aren't covered, you know. Professionals like doctors, lawyers, accountants, engineers and others are excluded. Why wouldn't a table of the facts about Social Security payments fit into your kit of working tools? People are interested in those facts even if they're not covered under Social Security. Perhaps they have a morbid curiosity about what they're missing. Estimating the difference between what Social Security pays and what a man thinks he'll need to live on is far from a parlor game; it makes many a man take stock of where he's headed financially. That's a good atmosphere to create for a serious discussion of investing.

For a retired person to whom we must and should say, "We cannot promise you a specified rate of return in mutual funds; if you're lucky you may average 4% over the years," it is sometimes a revelation to learn that that 4% on a $30,000 investment will produce $100 per month. Take your pencil and see how much capital is needed to produce $100 per month if the capital earns less—or more.

For the man who is not planning to retire for 20 years or more, but would prefer to let income accumulate, the same arithmetic shows that at 4%, the income on a $10,000 investment would amount to $8,000 at the end of 20 years. This is without the benefits of compounding, which help defray taxes on the income. It does not take into account the possibility that income might grow. It's still impressive arithmetic. Look at those figures another way. Suppose a man secured an average 4% return over the 20 years but was unlucky enough to see the value of his initial investment lower after 20 years. Is it not likely that the $8,000 of income would make his original $10,000 investment "whole" again? Is the value of mutual fund shares costing $10,000 likely to shrink to $2,000 over a 20-year period?

This leads me to a little exercise in logic. It has appealed to people who are concerned about risk to capital in funds. Only one of three things can happen to the value of mutual fund shares over a given period of time, as compared with their original cost to the buyer. The value can be lower, or the same, or higher. If we can reasonably assume that the income experience over a period of years will offset or partially offset a lower capital value, aren't funds worth owning? Because the only two possibilities remaining in the way of over-all investment experience would then be good, or excellent.

If you are encouraged to set up some simple arithmetical tables, to bring home to people the contribution that income can make toward better living now or later, don't fail to take a look at insurance costs. A 4% return on $5,000 investment is $200 per year. Let's suppose that some year the investment will pay only 3% or $150. That doesn't sound like much. But a man of 40 can invest $5,000 and then buy close to $15,000 of 10-year term life insurance with the $150 annual return on his investment. If anything happens to him before age 50, his family has $15,000 of extra insurance paid for by a reasonable return on an investment and the family will still have the investment. Even if the value of the investment shrinks below his cost, his family is better off than would have been the case had you not talked about the arithmetic of income to the regrettably deceased father.

Facts of Life Expectancy

There is one additional idea I want to present to you. It was brought forcibly to mind by a news report some months ago about the arrest of vagrancy of a very decrepit, very old man. This fellow had been a millionaire when he was 50. He quit work, figured how much he'd need per year to live on, using both principal and income, and gave the rest of his money to charity. When he was arrested, he claimed he was over 90—that his plans had gone wrong because he'd lived too long. The moral of the story is obvious. People dependent upon their accumulated wealth had better avoid spending principal if a better rate of return can be made to meet their day-to-day living costs. Most of us are going to live to a riper older age than our forefathers. This brings me back to where I started. There is no time to lose in informing people of the facts about life expectancy, years of retirement and the contribution that a better return on savings can make for those years.

Needless to state, I've barely scratched the surface in sketching for you some of the applications of arithmetic to the sale of mutual funds. The people you deal with are of all ages, of varying financial means and with differing personal plans and problems. Yet every one of them is likely to learn something useful from one or more of the kinds of facts I have mentioned. If you have those facts in your sales kit and will present them in a sequence that makes the most sense in each individual instance, this session on the science of numbers will have had value for your customers and for yourselves.

Dresser, Escher Join Goodbody & Co.

Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announce that Gardiner S. Dresser, Franklin Escher and Hugh W. Escher, former partners in the firm of Dresser and Escher, have become associated with them.

Continued from first page

International Price Stabilization—A Hoax

the formation of monopolies, exempting farmers and labor. Labor monopolies are growing stronger by the year and they pose a problem that some day may have to be tackled just as resolutely as the problem of what to do with industrial trusts. The Sherman Anti-Trust Act has compelled business in the United States to be competitive. It prevents collusion among businessmen to stabilize their own economy. It stresses the importance of the free market. If there is any outstanding contribution which the United States has made to world economic thinking, it is the development of the idea of the free market and open competition, with a vivid demonstration of the beneficial results to the public that flow from the policy. Measured by the results achieved in contrast to different systems prevailing in Europe, the record speaks for itself. But I did not come here to boast. I came here to be constructive in my comments. Also, I exempt from comparison the present situation, for, under the stress of feverish preparation for defense and the imposition of controls in my country, the United States record is naturally distorted.

Occupied, as many of you are, with the difficult task of finding and developing new ore supplies, it is not to be expected that you would have time to study the forces that, in the last analysis, determine whether you operate or close down. Perhaps, therefore, you may welcome a few broad comments which may help stimulate your thinking on some fundamental issues.

My first observation is don't fall for the stabilization mania to surrender your liberties. Have you ever seen any stabilization effort in the metals succeed? Stabilize, according to Webster, means to hold steady to prevent fluctuations. Stability is found nowhere in the world, unless it is in the grave. Nature sees to that. We have the four seasons. We have night following day. We have our storms and subsequent calmness. There is a certain extremely valuable stimulus to mankind in all this. Show me areas on the globe where you have tranquility, or evenness of temperature, as in the Artic or the Tropics, and I will show you spots that are noted for their lack of conspicuous contributions to our civilization. We don't even have political stability anywhere.

The stabilizers do away with the stimulation of change. They have such a horror of depressions, or unemployment, that they are willing, indeed, to advocate government intervention to prevent it. They have a sublime faith in the ability of a government to function in commerce and industry. And so they have evolved grandiose schemes to order our lives. They tell us life is too complex in the machine age for us to handle our own affairs without creating depressions, and that planning from the top is necessary. They forget that life was much more trying before the machine age.

One thing has always struck me forcibly when listening to these individuals. They are nearly always a few intellectuals from our schools of learning who have had only a remote, if any, contact with the struggle to make a living by actually producing something. Also, that the planning they envisage is usually enormous in its scope. They wouldn't think of planning for a village, or for the City of Toronto, a county, the smaller government units such as a province, or a State. No, they must plan for the entire country. They go even further. Now, it's the whole world they must control. Wouldn't you think they would welcome a trial of their ideas at the city or provincial level before submitting an entire country to their ideas? Do you know why they don't? Largely because their plans must involve supreme power, and they must therefore be near the source of the one government instrumentality that represents life or death to a community, i.e., the power to print and issue money, and to regulate its flow.

One of the first things they usually do is to discourage confidence in gold or silver as a currency base, and to surround the country with exchange regulations, or licenses, that stifle domestic and foreign trade. Anything to get away from the decisions of a free market as to what a currency is actually worth. It was a recent revelation to me to travel in Europe and see what passes for money in most European countries today. Paper and aluminum coins—that seems generally to be Europe's idea of money. But who am I to criticize? The United States is also drifting away from gold. We have made it a crime to hold gold. Imagine, you can be put in jail in the United States for possessing a gold coin illegally. The citizen nearly everywhere has had the power of the purse adroitly taken away from him so that inflation can proceed indefinitely.

Some leaders teach the coming generation of college students to distrust gold. Here is a textbook on Economics[1] widely used throughout the United States in over 100 of our greatest universities, stating that the gold standard ". . . made each country a slave rather than a master of its own economic destiny." It goes on to say:

"Of course it had some advantages, but alas, poor gold standard! It was a casualty of World War I, and since then all the kings' men couldn't put it together again, and many wouldn't want to if they could."

How does that strike you gold miners? Have you ever examined the textbooks on economics used in your own schools? It is an illuminating experience.

Only a few years ago the pound sterling cleared the lion's share of world commerce, and the benefits which came to Great Britain in insurance, international banking and brokerage, because of confidence in the gold pound were incalculable. It is inconceivable to me that such a favorable condition can ever return, so long as the pound sterling is a managed paper currency, subject to the current of devaluation.

Now I shall give you a good example of modern international planning in action as it affects the mining industry, not only in my own country, but yours as well, in which currency manipulation does not yet play a part. The rearmament program has given a great impetus to the global planners. They have been having a wonderful time. What better opportunity for the planners than war, or rearmament? They plan today not only under the strict provision of the law, or the Defense Act, as it is known in the States, but also informally, without authority, as I shall show you.

The International Materials Conference

One of their latest creations is the International Materials Conference, in which both our respective countries are represented. I don't know who started it, the Labor Government of Great Britain, or the State Department in Washington. The existence of this conference group is not well known in my country, and perhaps not in yours. At any rate, it is a governmental agency similar to the International Trade Organization repudiated by the Congress, seeking to divide scarce metals and other materials among the nations of the free world. Please don't ask me which nations consider themselves free, and which are not. If the present trend continues, none of us will remain "free." The dividing line is apparently the iron curtain of the communist countries. The International Materials Conference would seem to be superfluous to European Nations, inasmuch as the United States has tied its hands internationally, by fixing ceiling prices generally well below the world market—until recently — and so enabling foreign countries to outbid the United States with impunity for all the copper, lead and zinc and other metals they need. (This accounts for shortages in the United States.) Our Mexican, Australian, Canadian, African, South American and other friends have been able easily to obtain higher metal prices than miners in the States. They are to be congratulated for not following our example. For years to come they will benefit from the great stimulus which high metal prices have given their mineral economies.

The International Materials Conference functions through committees under the auspices of the United States State Department, which admits the IMC has no statutory authority. It alleges that the IMC merely makes recommendations that may or may not be observed by cooperating countries. But I note they have set up a means not only of checking the execution of their recommendations, but they have also provided for appeals from their recommendations. If the Conference is such an informal agency, why the follow up?

Although, as I say, the International Materials Conference alleges it is a purely voluntary consultative organization with no authority whatsoever, the instructions of the IMC to participating countries states: "The governments of participating countries will be responsible for seeing that their allocations are respected." This is followed with detailed instructions for purchases in line with authorization from the IMC and control through export licenses. Voluntary? You be the judge.

The Conference has coined a significant and ingenious new term that you must note particularly. I think it will go down in history. The term is "Entitlement for Consumption." Isn't it descriptive? Can't you just picture the Conference Committees at work, statistics in hand, arguing among themselves as to who receives what on a continental scale, without any hearings, or by your leave! The operations of the IMC have not seen much daylight. Even Congressmen in the United States have never heard of it. One thing I learn, however, and that is, other countries consult and use the advice of businessmen experienced in international trade; the United States avoids this approach. There is no time to analyze the actual decisions of the IMC. India seems to have been a much favored country. For example, whereas India's industrial activity has increased about 10% over the last 12 months, its allocation and consumption of zinc has increased some 70%. India is not rearming. If anything, India is leaning to the communists and has denied us, to a considerable degree, the burlap we require in agriculture.

If you agree with the principle of the IMC, you must necessarily agree with the principle that an international group, formally or informally, can, and should, determine your standard of living. The reason is obvious. Give any international conference the power of cutting the cloth of consumption of say copper, wool and other essential materials, and you give it the power to decide your standard of living. Recently, the "recommendations" of the IMC, as implemented (there is another new designation of the planners) by the Defense Production agency in the States, were to cut down the available amount of copper which the automobile manufacturers could use without running afoul of the regulations. Unemployment appeared and threatened to grow in Detroit. When this was exposed in the United States Senate, materials suddenly became available.

The International Materials Conference is ambitious. Last November it announced that, "Although most of the Committees have not dealt with problems of prices, it is likely that the consideration of methods of increasing production and distributing of available supplies will require that they give attention to such problems." Presumably these further steps in the activities of the IMC will continue to be informal. It will be illuminating to learn of the recommendations to be issued to increase production. I am willing to hazard the guess they will involve more government intervention, and the same guess applies to any forthcoming recommendations for conservation in use. I'll wager they require government coercion and little consultation with industry.

Note, also, the reason given for this International Materials Conference is, and I quote: "The critical and serious problems of raw materials shortages were threatening to jeopardize defense production and the struggle against inflation in the countries of the free world, and international consultation and action were clearly required." Note how defense and inflation are lumped together. It is one thing to be concerned over the availability, for defense, of some metals and minerals that are only found in a few spots over the world, like manganese, tin and chrome, but it is quite another to include the great international commodities such as wool, copper, lead and zinc, paper pulp, etc., on the ground of a struggle against inflation. Why were foodstuffs and textiles omitted, if this is an anti-inflation move? As I have already implied, no European government has suffered for lack of a pound of copper, lead, or zinc in its defense efforts, for the simple reason that they did not hamper themselves with price ceilings, or if they did have a ceiling, it was well above the ceiling in the States. They were able to buy much more than they really needed for defense.

You may have read recently of the sale by the British of 30,000 tons of lead to the United States at the U. S. ceiling price of 19 cents per lb. This sale represents a loss of probably $2 million to Great Britain, which may not be much the way nations figure these days, but it shows the ease with which countries that have resorted to bulk buying of their needed raw materials, and centralized planning, can suffer losses. As late as August, 1951, the Ministry of Supply was reported to have bought 10,000 tons of Mexican lead at 22c per lb. for fourth quarter delivery, and 21¾c per lb. for first quarter delivery. Yet, here they are unloading 30,000 tons at 19c per lb. New York. Consumption of lead was at an all time high in Great Britain during 1951, with apparently little restriction in use, whereas in the United States consumers have been severely restricted.

If the IMC is seriously concerned with a fight against inflation, it will have to concern itself with the **internal**, not the external policies of countries that are cursed with inflation. Inflation is a domestic problem for each nation and occurs when a nation lives beyond its means. Inflation is different in Canada than in France, different in Belgium than it is in Great Britain. If nations are unwilling to make the internal adjustments necessary to bring their economies in balance, they suffer, and they usually issue paper currencies that depreciate in value, to pay their debts. Why should the IMC inject itself into this complicated civilian picture? Why could it not have confined its operations to the acquisition, or perhaps assistance, in procuring some of the rare metals that all nations seriously interested in rearmament need? That would have been all that was required. I seem to be asking many questions tonight!

The United Nations Economic Stability Program

I wouldn't devote so much of my discussion to the operations of the International Materials Conference, if it were not for another — and highly important—international development. I doubt very much if you have even heard about it. I refer to a recent report of the United Nations entitled, "Measures for International Economic Stability." (November, 1951.) In it five "experts" (that is the exact term used), appointed by the Secretary General, formulate and analyze "alternative practical ways of dealing with the problems of reducing the international impact of recessions." When you read the report, you discover that the recession the experts fear is a sudden cutback in rearmament, and " . . . that in future the real dangers to the economic stability of the rest of the world lies in recessions originating in the United States. . . ." My poor country gets so much blame and so little gratitude.

Well, one of the principal recommendations of the experts to reduce the international impact of recessions is that "Governments should reconsider the case for a series of commodity arrangements designed to stabilize world commodity markets in the face of the temporary ups and downs of demand and supply." There you have revealed in all its glory, international peacetime intervention to the nth degree. Specifically, what the international measures shall consist of is not detailed in the report. They are glossed over completely. How they shall be enforced internationally is also not described. What laws are to be passed, no one is advised. But you may be sure of one thing, any nation subscribing to such a grandiose super-cartel must provide, some place in the background, the strong arm of government compulsion through fine or imprisonment. Otherwise, the scheme is sure to break down. Stability, what crimes are to be committed in thy name! I won't hazard a guess as to whether or not my country will subscribe to the United Nations' philosophy of international government cartels. If it does, then it will have to revise sharply its historic policy of open competition, domestic and foreign, a policy which has brought about such rapid and tremendous benefits to my countrymen, that it would be a tragedy of the first magnitude if it were to be discarded. Also, it will have to confess that those policies are sound nationally, but not internationally; that a double standard of morality is approved, one for the citizens and one for government.

The experts in the United Nations report state that they do not believe any new international agency is necessary or practicable

1 *Economics*, 2nd Edition — by Paul Samuelson, McGraw-Hill Book Co., 1951.

to administer a comprehensive scheme for a range of different commodities. Why? You guessed it. Because, they state, such a body as the Interim Co-Ordinating Committee for International Commodity Arrangements, or the International Materials Conference already exist and can be used for the purpose. In other words, the IMC, created for the emergency, is to flower into a permanent United Nations instrumentality for stabilization. Perhaps you have already noted elaborate and impressive names given these organizations. I think we would appreciate their significance better if they were given simpler and, I may say, more accurate designations, such as the "International Copper Trust," or the "International Zinc Trust," for that is what they would become, with the important difference that they would be super-trusts cloaked, as they would be, with the mantle of government coercion. And only recently, international efforts were made to break up the great prewar German and Japanese commercial trusts! These events are confusing and difficult to reconcile. We must admit that the United Nations super-trusts, or cartels, would, of course be without ownership of the property they would control.

One serious objection to international cartels, and enough to condemn them, is their unwieldiness. By the time they have studied a situation, and acted, economic events might have completely changed the trade aspect. A good illustration is the recent thinking of the IMC. While the IMC was announcing the need for making recommendations for increasing production and restricting uses on an international sphere, the markets for copper, lead and zinc were becoming noticeably easier. As recently as three weeks ago, one official of the IMC was advocating export and import controls. Free markets are a thorn in the side of the planners. They have the annoying habit of completely upsetting their experts' plans, much to their discomfiture and bewilderment—not to say consternation.

Beneath all of these continental and intercontinental schemes is, of course, the objective of doing away with depressions and maintaining full employment. All nations are presumed to have subscribed to the full employment doctrine — Keynesian economics, to become technical. "Full employment" is a deceptive term, in that full employment is not necessarily synonymous with a high standard of living. Indeed, political fixation on full employment may produce public policies of government intervention that may actually prevent the standard of living being elevated. Some countries are so convinced that government planning, or socialism, can do for them what they cannot do for themselves, they have embraced government direction of their lives wholeheartedly. Government planning is to be found in varying degrees over the world, from the ironclad variety of Russia, through the government planning of dictatorships such as Argentina and Spain, to the moderate socialism of Great Britain. Based upon the record alone, nowhere, absolutely nowhere, has it been a success. We in the United States and Canada are fortunate in being able to witness the course and failure of socialism in other countries, from a distance. Let us profit from the observation!

The simple but little appreciated fact is that Socialism can never succeed, because planning, or socialism, paradoxically, leads to chaos. Think about it a moment and you will see what I mean. Assume you were a planner and planned the Canadian economy according to your ideas. Where would you start? With some of the great products of Canada? Naturally. Let's take zinc as an example. What price would you set? Well, you might have a survey made of the costs of production of all producers and then set a price. But that wouldn't do, because they all have different costs and different profits, probably different wages as well. And they all have different requirements for mine timber and other supplies, not to mention rail transportation. All of these items would have to be stabilized (there is that word again) before you reach a fair comparison. Are you beginning to see some of the difficulties in planning? The only reason why socialist countries are able to do any planning at all today is because they use the despised free market to help them. Without a free market available some place on the globe, they would be completely frustrated. And that is why socialism is bound to be a miserable failure—not to mention other objections. It can't replace the market place.

To sum it up in a few words: The stabilizers issue scholarly dissertations on methods of stabilizing our lives, on the assumption we wish to be stabilized. Well, I for one, prefer not to be stabilized, for I note that, behind all the schemes I have read to create stability, is the surrender of a precious freedom—the freedom of a free market—and the substitution of government coercion—the compulsory state. The price is too high. I note, also, that the stabilizers seldom, if ever, stress the fundamental reason for the economic instability with which the world seems constantly to be plagued—**War.**

It is war that violently disrupts our lives. It is war that devastates. It is war that enslaves and impoverishes people. It is war that causes cataclysmic fluctuations in property values. It is war that prevents the orderly functioning of the gold standard. But war is a political phenomenon, and while we all hope that the United Nations will prove to be successful in preventing war, it is rather disconcerting to find it promulgating economic theories and recommendations which would circumscribe the liberties of the people, subjecting them to government edict, presumably for the common benefit—a benefit that has yet to be demonstrated. It is noticeable that those countries today that have drifted away from government planning, or have not succumbed to its siren song, have made the best industrial progress on the continent of Europe, notably Germany and Belgium, as contrasted with conditions in Great Britain and France.

"The German recovery has been a triumph of free enterprise," concludes a New York bank. "Some think that Germany already is the strongest European power west of the Iron Curtain, in an economic sense. This is disturbing, of course, to leaders of some other European nations whose postwar economic opportunities have been superior but whose preoccupation with Socialist experimentation has been a deterrent to real recovery," it notes.

A free market is synonymous with our liberties. Destroy it and we destroy our freedom. Some nations have already surrendered many of their freedoms, so they may have more "security," more free wigs and eyeglasses, but these articles aren't free, as they are finding out—the hard way. Socialists abhor a free market. One can understand why. A free market is essentially ruthless. It doesn't care what any item costs. It doesn't care for government power, for it operates inexorably, whether or not governments attempt to interfere with it. In fact, if governments interfere, they generally have to conform to the decisions of the free market ultimately. We may impose price controls to curb inflation, but that merely postpones the inevitable adjustment that prices will have to make to the free market. The free market is supreme. It doesn't bow to kings or presidents.

We ought to thank our stars each night for the blessings of this great invention of mankind, which functions so quickly, quietly, efficiently, and with complete impartiality. And yet, note how every country has a group or groups who no longer trust it, but demand government intervention to prevent the discomforts which sometimes arise under it. In the West a few weeks ago, I listened to a succession of small mine operators relate to a convention the difficulties with which they were beset. Nearly all of them requested the government to come to their assistance. One of them was too far from the railroad to survive, he wanted the government to pay for the cost of shipping his output; another complained of inability to procure the necessary money to equip a property he thought should operate; another wanted the government to pay him a subsidy because his ore was apparently too low grade to be mined profitably. When they were through, a Canadian friend turned to me and said, "In Canada, when we have those difficulties, and we can't make her pay, we shut her down." How refreshing! May you, my friends in Canada, long continue to follow that sound precept. If you do, you will be defending your priceless heritage and the liberties that have characterized your mode of living.

Walston, Hoffman Display

The research department of Walston, Hoffman & Goodwin, 1370 Broadway, is receiving an assist this month for the benefit of customers through a window display featuring tuners, instruments and indicators. Investment sensitivity, however, has not been guaranteed.

Standard Oil Products Co. Inc., the country's leading manufacturer of television tuners, and its subsidiary, the Kollsman Instrument Corp., are currently occupying the window with an exhibit depicting television's outstanding growth during the last five years, and a supplementary demonstration of Kollsman products ranging from an altimeter to a jet speed indicator.

Raggio, Reed Join Harris, Upham & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Paul W. Reed and John Raggio have become associated with Harris, Upham & Co., 523 West Sixth Street. Both were formerly partners in Raggio, Reed & Co.

McPherson & Co. Formed

(Special to The Financial Chronicle)

HOWELL, Mich.—Hugh A. McPherson, II has formed McPherson & Co. with offices at 105 West Grand River Avenue to engage in a securities business. He was formerly with Watling, Lerchen & Co.

Leedy, Wheeler Adds

(Special to The Financial Chronicle)

ORLANDO, Fla.—Lenox H. Rand has joined the staff of Leedy, Wheeler & Alleman, Inc., Florida Bank Building. He was formerly with King Merritt & Company and Grimm & Co.

Joins Oscar Kraft

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — William S. Johnston has joined the staff of Oscar F. Kraft & Co., 530 West Sixth Street.

Continued from page 3

Rep. Vinson Changes Mind And Drafts New UMT Bill

will be impressed and will value them in the future.

I wouldn't allow much time for muttering or beefing, and certainly would not let them go home and, among other things, clutter up public transportation during so short a period of training. That is one reason I would completely exclude the Christmas holidays, permitting the training staffs to get their time off then and during the several summer weeks between the two groups. If we are going to teach military fundamentals and essential disciplines, let's do it and not sugar-coat it. If this could be achieved, my guess is that after it was over those who participated would tend to brag rather than beef about what had happened to them—much as all of us do who have actually been to battle.* In short, let's have the courage to lay on the line to these 18 year olds what it means to be a soldier instead of sending them home from a pink tea experience.

May I go further and point out that I would advocate closer approximation of field conditions than is likely to be found in the training centers that will be available or created. If all hands are working hard enough during the day, they will sleep better on a canvas cot or a thin mattress than they would on the best Simmons' mattress after a day which consists of puttering around and waiting for the next assignment.

I ought to confess that this idea comes from a personal experience in 1917. VMI ran three "pay your own way" civilian training camps at the Institute, which perhaps could be described as preparatory for the Officers' Training Camps that were then going on. I attended the second one in July and August, and have never gone to bed so tired as I did each night, or slept better on a two-inch mattress laid on the board floor of the tent, or have never been better satisfied that I learned more in such a short time. Without exaggeration I can say that in those two months, and starting from scratch, I learned more military fundamentals than I did in the 20 months from there on. So, when I hear about universal military training for 18 year olds (I had just graduated from college), I would urge that military brass either remember their own Academy days or go to any one of a dozen military schools where they have forgotten more about fast-moving, vigorous training than is ever thought of at Division Training Centers and the like.

*Mr. Lang's letter was dictated before House action of March 4 sent UMT legislation back to Committee by a roll call vote. He was a 1st Lieutenant in 129th Field Artillery in World War I.

TIMOTHY P. SHEEHAN

U. S. Congressman from Illinois

There is not much I can add to the forceful way in which Dr. Carothers has presented the case, except perhaps to enclose a copy of some remarks I inserted in the "Congressional Record" which also represent an important viewpoint. Assuming that we follow the policy of "government of the people, for the people and by the people," the wishes of the people in my District are unmistakable on this issue, as you will note from a perusal of the enclosed.

Editor's Note: The following is text of Congressman Sheehan's remarks as contained in the "Congressional Record" of March 4.

Mr. Speaker, in considering all of the pros and cons we have heard in the debate concerning universal military training from its various proponents and opponents, we can safely assume that the average American voter through the medium of the press and radio is fully informed of the facts.

Accordingly, when voting on this subject, I do not think I could find better guidance than the principles laid down by Abraham Lincoln. In June of 1836, the "Sangamon Journal" in an editorial asked for the various Representatives to show their hands and let the people know where they stood on various matters. Abraham Lincoln wrote a letter to the "Sagamon Journal" under date of June 13, 1836, stating how he stood on various subjects and then laid out the principle which served as a guide to govern his voting. It is a principle which many Members of Congress have lost sight of in the mistaken idea that they must follow the party leadership or the party itself when under our republican constitutional form of government all power should rest with the people.

Lincoln's principle, as he stated it, was:

"While acting as their Representative, I shall be governed by their will on all subjects upon which I have the means of knowing what their will is; and upon all others, I shall do what my own judgment teaches me will best advance their interests."

Lincoln's principles are good enough for me and I know the will of the people of the Eleventh Illinois District as it concerns their attitude on universal military training. The greatest majority of the people of the Eleventh Illinois District are opposed to the universal military training idea which is being foisted upon Congress. I will express the will of my constituents by voting against universal military training.

Recently I mailed out a post card survey on UMT to approximately 2,400 people in my district. The results of this poll are as follows:

	Number	Percentage
Opposed to universal military training	351	61.3
In favor of universal military training	148	25.8
Undecided about universal military training	21	3.7
Qualified approval or disapproval of universal military training	53	9.2
Total	573	100.0

Since January, 1952 I have received 166 letters about universal military training. Of these letters, 6 expressed approval of the idea and 137 opposed a program of UMT in the United States. Of this group of 166 communications, 20 were from organizational and church groups and others whose memberships number in the thousands. Sixteen of these groups were definitely opposed to UMT, 3 expressed approval, and 1 expressed qualified approval.

In addition, various parent-teacher organizations in the district have conducted polls on the question, and the results of these polls sent to me are as follows:

	Number	Percentage
Opposed to universal military training	371	80.8
In favor of universal military training	59	12.9
Undecided or qualified opinions on universal military training	29	6.3
Total	459	100.0

Combining all of the above results I find that out of those whose

Continued on page 38

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

From here on the Dow Theory will play an important psychological part in the stock market. The rails have about passed the previous old high of 90.08; the industrials still have to pass their old high of 276.37. According to the Theory, if both averages get above their previous highs a bull market continuance will have been signalled.

* * *

All the foregoing isn't new. It has been quoted time and again by more skilfull traders and analysts than this writer. There's hardly a holder of a single share of stock who hasn't discussed the famous theory, quoting it and distorting it all of its original meaning.

* * *

But while it's nice to have any principle or theory going your way, it isn't a substitute for profits. The discussion of theories or averages may be interesting in abstract. Yet few people buy averages; they buy stocks. And if the stocks they have don't go up, there's small comfort in pointing to any set of averages as proof for any point.

* * *

I emphasize the averages in this column for a reason that is hardly the generally accepted one. The public watches averages; sometimes it is swayed almost entirely by what they do. But because of this, the strict observance of average performance as a yardstick for your action must be tempered by considerable caution. First it must be pointed out that enthusiasm during a market advance is almost a sure way to get you losses. By the same token pessimism during a market decline should also be avoided.

* * *

Secondly, for every buyer there must be a seller. So ask yourself who is doing the selling while the market is going up and "everybody" is buying. Here's a partial answer. Selling in present day markets is best accomplished on strength just as accumulation is done on weakness.

* * *

Some weeks ago this column recommended buying on weakness. Now that there is strength, consideration should be given to either sitting pat or doing a little cashing in. Whether or not the averages confirm each other and make a new high should be only of academic interest to you. It's your individual stocks that should be of primary importance.

* * *

I believe stocks will go higher. But before they do I also think they'll do one of two things. Either they will react sharply in the immediate future or they will go into a period of dullness. In any event buying them here would seem to be inadvisable.

[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.]

Petroleum Finance Corp.

OKLAHOMA, CITY, Okla. — Petroleum Finance Corp. is engaging in a securities business from offices in the Liberty Bank Building. Officers are F. Parrott, President; E. F. Connors, Vice-President; and T. S. Williams, Secretary-Treasurer.

Curtis Lipton Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Virginia C. Lindroth is with Curtis Lipton Co., 338 South Western Avenue.

With Consolidated Inv.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Mary L. M. Smith is now affiliated with Consolidated Investments Incorporated, Russ Building.

Bliss Opens Office

DENVER, Colo. — Eleanor J. Bliss is engaging in a securities business from offices at 1377 Pearl Street.

Continued from page 37

Rep. Vinson Changes Mind And Drafts New UMT Bill

opinions I have 73% oppose UMT, 18% favor it, while 9% are undecided on the subject or have qualified their approval or disapproval of the legislation.

The will of the people of the Eleventh Illinois District is fairly well defined and, as Abraham Lincoln said:

"I shall be governed by their will on all subjects upon which I have the means of knowing what their will is."

D. W. HOGAN

President, City National Bank & Trust Co., Oklahoma City, Okla.

In his article, "UMT—Why It Is a Mistake," Dr. Carothers says: "The bitter rivalry among Army, Navy, Air Force and Marine Corps since 1945 is an illustration of the inflexibility of the military mind."

Dan W. Hogan, Sr.

I think Dr. Carothers is wrong when he refers to this as rivalry —it is really competition, such as we have in the free enterprise system, prevailing in the U. S.

He further points out Sen. Wayne Morse's four principles, to wit:

(1) Provide a pool of trained reserves.

(2) Save lives and time in case of war.

(3) Use manpower more efficiently.

(4) Divide the burden of war "democratically."

He refers to these principles, which are fundamental in our society, as "empty generalities as the best case for an institution vitally affecting the future of this nation." His comment here is a good example of "gobbledegook" . . .

Universal military training gives the members of the armed forces an opportunity to find the best talent the country has—"the night brings out the stars."

CHARLES L. WRIGHT

President, Union National Bank of Pasadena, Calif.

I have read with interest the article by Dr. Neil Carothers. I feel that his conclusions are sound, and I am sure that many others of your readers will agree on that.

He states that Germany, which was primarily a Military Country, went down to defeat, and I think that was one of the strongest points brought out.

RODNEY WASHBURN

President, The Mechanics National Bank of Worcester, Mass.

I am wholly sympathetic with the ideas expressed by Dr. Carothers and I am delighted to see you publishing this meritorious piece.

REV. NORMAN B. NASH

Bishop, Protestant Episcopal Church

Diocesan House, Boston, Mass.

Having read Dr. Carothers' article hastily, I find myself more in agreement with him than in opposition. But the paragraph beginning with the sentence, "The first and final truth in this matter is, etc.," is the kind of dogmatic statement with which I cannot agree. To single out one factor, namely, "death-dealing equipment," as "winning wars" and to say absolutely "no war has ever been won by prewar training" is the kind of argumentation which, it seems to me, has bedeviled the discussion of the whole issue in this country.

Very Rev. EDW. G. JACKLIN, S. J.

President, Saint Joseph's College, Philadelphia, Pa.

I have scanned the article quickly and look forward to reading it more carefully later. To me, the article makes sense. Like Dr. Carothers, I fail to see how Universal Military Training provides any solution to the difficulties confronting us. If it is tried, it may end in weakening rather than strengthening us.

LAWRENCE F. STERN

President, American National Bank & Trust Co. of Chicago

Since the House of Representatives has now voted to recommit the Universal Military Training bill to the Armed Services Committee, we can assume that for all practical purposes it is dead for this session of Congress. Any discussion of its merits at this time is therefore quite academic.

I have read over Dr. Neil Carothers' article which appeared in a recent issue of the "Chronicle" and I have found it to be pretty much a review of the stock objections which Americans have had to universal military training during the lifetime of our country. I am inclined to agree that at this particular time there is no special need for universal military training so long as the present draft quotas of 50,000 to 65,000 men a month are being filled.

It also seems quite likely that a system which would tie in military service with the high schools or colleges of the country might be more acceptable to the type of thinking we have in this country. I do not believe that the American public has reached a point where it will accept universal military training as a permanent part of our system. I do believe that were it enacted into law, it would not be on the books for long.

JOHN R. SCHMITT

Philadelphia, Pa.

Relative to the article, "UMT—Why It Is a Mistake," by Dr. Neil Carothers, I am pleased to let you know that I am in agreement with his thoughts.

BERKELEY WILLIAMS

Richmond, Va.

Demand for UMT being a historical sequence to wars, the demand for it in this country after three wars is consistent. However, the arguments against it presented by Dr. Carothers are unassailable and overwhelming.

Berkeley Williams

His arguments are supported by a multitude of witnesses in civilian and military posts who declare that UMT *"as now planned will cost enormous sums of money without providing any security whatever or in any way deterring possible aggressors."* So what?

If the present Administrations' political (emphasis is on political) policy of interfering with the affairs of other nations should be scrapped and attention to our home affairs substituted, the demand for UMT will be automatically scrapped.

With a population of 160 million people, the United States has become bound by treaties and by military occupation to defend a bankrupt population of over 560 millions. It costs a Korean woman about 80c to have a baby and each baby is costing us about $100,000 to kill it when it grows up. Just plain unadulterated foolishness.

The men of Yalta, Tehran and Potsdam must go.

With them will go the argument for UMT (and the cost).

SAMUEL N. STEVENS

President, Grinnell College, Grinnell, Iowa

Apparently the Congress has made the decision to put the whole problem of universal military training on the shelf for the current year so that any discussion is going to be largely an academic one.

Dr. S. N. Stevens

I have opposed universal military training for several reasons. In the first place, I think that the budgetary projections which the Defense Department has made for the first experimental unit indicate clearly that universal military training will be the most expensive way of going about the business of preparing the country for an eventual war. Military operations are uneconomical by their very nature. The whole operation is inefficient and dangerous. I see no use in pyramiding the inefficiencies which already exist.

In the second place, I am profoundly convinced that a selective service operation which we have already had will, in the future as it has in the past, adequately supply us with needed personnel. I have to be convinced that there will be better soldiers developed out of the program which Universal Military Training Commission has projected. I have been connected with the training operations for a good many years in Army, Navy and Air Forces. I suppose that I have set up more specific training programs which will make for technical expertness in the myriad functions which have to be performed by men attached to our military forces than any other civilian consultant in the United States. I know from first hand experience that we cannot get the results which we need to have from the program which has been proposed.

In the third place, I think as a matter of national policy we need to keep the total number of permanent full-time professional military men at a minimum. The longer universal military training goes on the larger nucleus of a professional Army we would have. I know that this is the exact opposite of what the participants of universal military training propose but I have seen the extended problems of organization which a full-blown UMT program would require. There is no way under the program to avoid the building up of a huge professional officer class and an even larger group of professional non-commissioned officers. Furthermore, under the plan we would have no way of avoiding the further encroachment of the military into our society and economic phase of life.

Finally, I see nothing in the present situation, dismal as it is, to justify the claim that UMT is a national necessity.

Therefore, I hope that the whole program will be put on the shelf and will be kept there.

HON. WAYNE MORSE

U. S. Senator from Oregon

My views differ radically from Dr. Carothers, as you will observe from the enclosed reprint. [Senator Morse set forth his reasons for favoring UMT in an article published in the "Presbyterian Life" of Jan. 19 and inserted by him in the "Congressional Record" of Jan. 21. The article reads as follows. — Editor.]

Sen. Wayne Morse

Events in Korea and elsewhere in the world during the last year have served to emphasize the validity of General Marshall's appraisal of the danger Communist imperialism presents to the United States and the rest of the free world. In his capacity as Secretary of Defense, General Marshall told the Senate Armed Services Committee last January: "We are confronted with a world situation of such gravity and such unpredictability that we must be prepared for effective action, whether the challenge comes with the speed of sound or is delayed for a lifetime."

Few responsible citizens will argue that the forces of Communism are no threat to our freedom way of life. I have no doubt that the Kremlin is out to subjugate the world—by indirect aggression if possible, and by war if necessary, unless the Soviet dictators are persuaded that such a course would be unsuccessful.

The issue presented by the threat of Communism is this: How can we build up and maintain our military strength so as to safeguard our security, and at the same time preserve our basic freedoms and democratic institutions?

While our country must continue to strive for an honorable, peaceful settlement of the causes of world tension, it seems plain to me that we cannot neglect our military defenses or hopefully assume that the aggressors will be inclined to negotiate while we are in a state of military unpreparedness.

A universal military training program, as approved in principle by the Congress last year and recommended in more detail recently by the National Security Training Commission set up by law to study the problem, should be put into effect as promptly as possible, because it will—

(a) Provide in the shortest possible time, and at less cost, a pool of trained reserves that can quickly be called into active service instead of maintaining huge standing forces;

(b) Save lives and time in the event of war, because the basic training provided by UMT will equip our men to deal with the dangers of combat more effectively and quickly;

(c) Make it possible to use manpower more efficiently, as the capabilities of UMT trainees will have been determined before an emergency so that each man will be more apt to be assigned to the job for which he is fitted;

(d) Insure that the burden of defense of our country is shared in the democratic way;

(e) Aid in the problem of civil defense, should our country be attacked, by making available in every part of the land men trained to meet emergencies.

In the last analysis, national defense rests on trained manpower. We will not have time to train the large forces needed after war begins. We can be prepared with the necessary strength either by maintaining huge standing forces or by having ready a reservoir of trained citizens. Of these choices, UMT and the reserve program will permit us to mobilize swiftly at less cost.

UMT will provide an annual flow of about 800,000 men into the various Reserve components. All will have had six months of training, divided between basic and technical training.

The National Security Training Commission tentatively estimates that the first year's cost of such a program would be about $4,000,000,000, and the recurring annual cost at approximately $2,000,000,000. It would cost a great deal more to maintain a standing force of similar size and readiness.

Civilian and military leaders are agreed that in the event of war great numbers of unnecessary casualties will be avoided if the men called to serve have had adequate training. The UMT program will insure that before men are committed to combat they will have been prepared through basic and technical training to meet the hazards of warfare.

In a time of mobilization, a criticism frequently heard is that the military too often assigns men to tasks for which they are not suited. The result is waste of talents, not to mention the serious effect on morale. With a UMT program, followed by participation in an efficient system of Reserve training, there would be time for the proper classification of every trainee.

The burden of defense is one which should fall upon all alike. Under UMT, the privileged and the poor will be trained alike, and if an emergency comes, the obligation to serve will be shared impartially.

When the attack came in Korea, the main source of trained replacements were the reservists and members of the National Guard, many of whom had served in World War II. Thousands of them are now suffering a second major disruption in their lives and careers, because of our shortsighted policy in not preparing younger men to answer the call to the defense of their country. The inequities and hardships resulting from our hit-and-miss policies in the past can in large part be avoided by a balanced UMT and Reserve program.

Men who have received military training are equipped to handle emergencies arising when disaster strikes. Should our country be attacked, it will be of great value to have in every section of the land men who have been taught how to act in emergencies and who know something of the measures necessary to protect life and property against the destruction of atom bombs.

The proposals of the National Security Training Commission make adequate provision for safeguarding the welfare and morals of trainees. Those assigned to train our youth will be carefully selected and thoroughly instructed in their responsibilities, with the aim of making the training period one of mental and physical growth for our young men.

We know there is no easy way to lasting peace, no sure formula for preventing war, and no magic words we can voice to dispel the dangers of aggression. But unpreparedness is a sure way to invite attack. Unless we build up our defenses, we increase the likelihood that boys of today and tomorrow will have to take up arms as unprepared as were their fathers before them. UMT is one important measure that we should adopt now in order to preserve this country.

BLAKE R. VAN LEER

President, Georgia Institute of Technology, Atlanta, Ga.

Dr. Carothers' article "UMT—Why It Is a Mistake" is the fairest presentation of the opposition I have seen. At least this is an honest presentation and is not intellectually dishonest as are most papers I have seen.

Blake R. Van Leer

In the order in which they occur in Mr. Carothers' article, I shall attempt to point out the fallacies of his argument and his conclusions.

Dr. Carothers says, "This country was settled by people escaping from the evils of militarism and conscription in Europe." That is true, and that is exactly what we advocates of UMT want to avoid. But what do we have today? **Conscription** in peace times. For the first time in the history of this country boys are taken against their will and compelled in **peacetime** to fight in Korea. That is historically and in fact un-American and contrary to our traditions. We advocates of UMT want to substitute as gradually and rapidly as possible a **training** program and a civilian army in being for the conscription which we have today and which is wrong.

Mr. Carothers makes much of the military brass who have testified for UMT. That has been at the highest level only. Most military men are opposed to UMT. They do not want training and a civilian reserve. They want and now have conscription. The opponents of UMT remind me of the church people who in prohibition days always lined and voted with the bootleggers. The military personnel are sitting pretty **now**. They have conscription in peacetime. They have the draftees, not just for training but for service, for fighting. Why change?

As an engineer, I share Mr. Carothers' high regard for superior equipment, but he neglects to take three things into consideration:

(1) You may have all the "A" bombs and "H" bombs in the world, but it is still true that from a military or political point of view you never control a single square foot of this earth's surface until you have a doughboy there with a bayonet in his hands.

(2) This infantry work is not as large proportionately as it once was, but it is still essential. If this were not so, what is stopping us in Korea? Furthermore, this sort of work can be done **only** by **young** men. Hence we must have first a professional Army, Navy, and Air Force of young men and a trained reserve at home—a civilian army of **young** men. We, of course, cannot, should not, try to match Russia's 25,000,000 or China's 30,000,000 men, but we are going to need, and do need now, at least 5,000,000 reservists whose names and addresses we have, who are already assigned to units and who could be called upon in a relatively short time. Atomic bombing will permit no less.

I have no special quarrel with Mr. Carothers' proposed reforms—except that he apparently does not know that much over 50% of the Army's officers did come from our civilian educational colleges. I have been on the Board of Visitors to both West Point and Annapolis, and their curricula today are essentially the same as those in our civilian engineering colleges. The only difference I could see was that because of better financial status they did a better job than most of our civilian schools are doing.

The advantages of UMT, as I see them, are these:

(1) It would not in any way interfere with a boy's high school or college education (if he subsequently had that opportunity).

(2) It is democratic and is required of all young men physically fit.

(3) It would give to all young men the basic military training which is good for him whether he ever has to go to war or not.

(4) It offers the Armed Services an excellent opportunity to sell to these young men a voluntary period of three years' **service** in the armed forces where they will receive the best food, clothes, medical care, and training in a vocation along with a patriotic life of adventure, travel, and romance. If this were properly used, conscription could be abandoned in a short period of time.

(5) For those who must return to their farms, homes, and factories, it provides that opportunity, but their names and addresses are still available in time of need.

(6) For the boys who can go on to college and pursue ROTC training, it provides an opportunity for them to obtain a college education and a commission in the Reserve.

UMT is like compulsory secondary education. That, too, was first opposed because the cost to our forefathers looked prohibitive, but we shall never have a complete, democratic and adequate military defense of our country until UMT is put into effect.

Mr. Carothers' computation of the labor man-years lost is not only amusing but grossly in error. If he can find anywhere in the United States a random 100 18-year-old boys among whom 50 are gainfully and regularly employed, I'll buy him a new hat. Eighteen-year-old boys cannot do very much, haven't many industrial skills, and a large fraction of them are either in college or are learning a trade. Besides, when we have over 2,000,000 adults continually unemployed, and when we are continually reducing the work-week and increasing the period of training required for the job, loss of a few hours of work by 18-year-old boys does not worry me very much.

What does worry me is that more and more people want to be preachers, teachers, doctors, engineers, lawyers, scientists, manufacturers — everything and anything, but **nobody** wants to fight for this country. In fact, it is beginning to look like nobody even wants to train so they **can** fight for our country if they must.

GEORGE L. TODD

President, The Todd Co., Inc., Rochester, N. Y.

I find myself leaning strongly in favor of UMT and unimpressed by Dr. Carothers' argument, much of which seems to me to be self-cancelling.

George L. Todd

Dr. Carothers states he has "no pretentions of being a military authority," yet he indulges in the most sweeping statements in regard to the purely military aspects of this question. He finds the reason for the defeat of France in 1870, 1914 and 1940. He categorically states that the next war will not be won with men, leading military authorities in and out of uniform to the contrary. He states the reasons why Germany has been twice defeated, overlooking the widely accepted theory that had we then been militarily strong there would have been no German aggression.

Dr. Carothers accuses the proponents of UMT, **specifically** Wayne Morse, of empty generalities. To the desirability of "a pool of trained reservists," Dr. Carothers counters with an equally generalized question: "Trained for what?" In advocating nontraining, isn't it equally fair to say: "Untrained for what?" He says: "No war has ever been won by pre-war training." How many have been won by lack of training? How many boys have lost their lives because of inadequate training; how many survived because of training?

I like to think there is no greater purpose, economic or otherwise, than survival of the greatest number of men who are asked to defend us. And at whatever the cost.

What more empty generality can there be than to state: "This nation has managed to win all wars in its history without UMT." In the only two great foreign wars we have fought, we have had allies holding a front line for us while we trained. That favorable factor an economist should be the first to admit does not exist today.

He states that it is obvious that "politics" framed the UMT Bill. He should know that the Hon. James J. Wadsworth deserves far more the appelations Patriot, Economist, Military Expert, than he does that of politician.

I agree heartily that senseless rivalry and waste in the services should be eliminated, and that productive energies of the country should be brought to the maximum, but those things alone do not provide a strong defense. I agree that our hope of winning the next war lies in Detroit, Pittsburgh, Wilmington, Oak Ridge and Los Angeles, but most certainly not there alone.

I agree that the military mind, like the academic, is inflexible, but does that in any way nullify the pleas of such men as General Dwight Eisenhower for UMT? The military pleads also for those things that Dr. Carothers would have us have. Or should we eliminate those things too because they are advocated by the military?

I am happy that Dr. Carothers seemingly rejects the "un-American," "militaristic," "totalitarian" arguments of the opponents of UMT. His argument appears to be that not only would UMT be of little value and costly, but also would be actually detrimental in that it would hamper the training of more skilled mechanics, technically trained men, more engineers and scientists. He should be in a better position than I to evaluate that question, yet I am in a good one. Industrially, I am concerned with just those problems, and much more potently, I am concerned as a father of an undergraduate who might have been a good engineer were it not for the harassment and insecurity of the present system under which we are trying to find adequate military manpower to make our avowed enemies respect us.

It should be noted that the Engineering Manpower Commission of the Engineers Joint Council is concerned **not** with UMT's effect on training an available pool of engineers, but on what might be the recall status of reservists. In view of the eminence of this organization, is that not deeply significant?

I hope some economist will reply to Dr. Carothers. I hope some qualified economist will find himself startled by Dr. Carothers' statement that the economy of France that led to its defeat in 1870, 1914 and 1940 resulted from conscription rather than from the combined effects of its extraordinary system of taxation, the maggots of Socialism, and perhaps, most of all, its medieval industrial thinking.

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. 16	101.8	101.3	100.1	100.1
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 16	2,114,000	2,104,000	2,079,000	2,001,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Mar. 1	6,367,200	6,365,800	6,225,300	6,016,350
Crude runs to stills—daily average (bbls.)	Mar. 1	¶6,816,000	6,599,000	6,552,000	6,596,000
Gasoline output (bbls.)	Mar. 1	22,281,000	21,528,000	21,566,000	20,489,000
Kerosene output (bbls.)	Mar. 1	2,359,000	2,630,000	2,662,000	3,043,000
Distillate fuel oil output (bbls.)	Mar. 1	11,072,000	10,552,000	9,866,000	9,717,000
Residual fuel oil output (bbls.)	Mar. 1	9,704,000	9,024,000	8,891,000	9,630,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 1	142,787,000	141,765,000	135,894,000	138,582,000
Kerosene (bbls.) at	Mar. 1	16,683,000	*17,669,000	20,101,000	12,794,000
Distillate fuel oil (bbls.) at	Mar. 1	52,489,000	55,055,000	62,390,000	47,560,000
Residual fuel oil (bbls.) at	Mar. 1	36,441,000	37,111,000	38,076,000	38,068,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Mar. 1	755,624	683,368	731,006	785,861
Revenue freight received from connections (number of cars)	Mar. 1	690,900	662,201	671,060	742,553
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Mar. 6	$296,645,000	$165,676,000	$167,130,000	$258,885,000
Private construction	Mar. 6	147,063,000	75,248,000	86,935,000	163,899,000
Public construction	Mar. 6	149,582,000	90,428,000	80,195,000	94,986,000
State and municipal	Mar. 6	110,650,000	48,249,000	52,464,000	57,393,000
Federal	Mar. 6	38,932,000	42,179,000	27,731,000	37,593,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 1	10,290,000	*10,215,000	10,400,000	11,363,000
Pennsylvania anthracite (tons)	Mar. 1	793,000	807,000	852,000	693,000
Beehive coke (tons)	Mar. 1	137,900	139,600	138,600	148,500
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Mar. 1	245	240	242	288
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 8	7,496,710	7,415,966	7,455,509	6,794,517
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Mar. 6	170	163	134	153
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 4	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	Mar. 4	$52.72	$52.72	$52.72	$52.69
Scrap steel (per gross ton)	Mar. 4	$42.00	$42.00	$42.00	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 5	24.200c	24.200c	24.200c	24.200c
Export refinery at	Mar. 5	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Mar. 5	121.500c	121.500c	121.500c	179.500c
Lead (New York) at	Mar. 5	19.000c	19.000c	19.000c	17.000c
Lead (St. Louis) at	Mar. 5	18.800c	18.800c	18.800c	16.800c
Zinc (East St. Louis) at	Mar. 5	19.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 11	96.76	96.53	96.66	100.39
Average corporate	Mar. 11	109.42	109.60	109.97	114.46
Aaa	Mar. 11	113.50	113.89	114.85	117.80
Aa	Mar. 11	112.56	112.75	113.12	117.00
A	Mar. 11	108.52	108.52	108.52	113.70
Baa	Mar. 11	103.80	103.64	103.80	109.24
Railroad Group	Mar. 11	106.39	106.39	106.39	112.00
Public Utilities Group	Mar. 11	109.06	109.06	109.79	114.08
Industrials Group	Mar. 11	113.12	113.31	113.70	117.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 11	2.72	2.73	2.73	2.47
Average corporate	Mar. 11	3.20	3.19	3.17	2.93
Aaa	Mar. 11	2.98	2.96	2.91	2.76
Aa	Mar. 11	3.03	3.02	3.00	2.80
A	Mar. 11	3.25	3.25	3.25	2.97
Baa	Mar. 11	3.52	3.53	3.52	3.21
Railroad Group	Mar. 11	3.37	3.37	3.37	3.06
Public Utilities Group	Mar. 11	3.22	3.22	3.18	2.95
Industrials Group	Mar. 11	3.00	2.99	2.97	2.79
MOODY'S COMMODITY INDEX	Mar. 11	437.9	433.9	442.5	524.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 1	200,560	173,186	236,845	345,004
Production (tons)	Mar. 1	199,579	211,365	205,239	245,830
Percentage of activity	Mar. 1	83	87	85	105
Unfilled orders (tons) at end of period	Mar. 1	355,197	355,934	405,520	758,562
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Mar. 7	142.7	143.4	145.4	154.1
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Feb. 23	32,096	26,181	38,975	31,129
Number of shares	Feb. 23	886,133	736,039	1,129,949	873,386
Dollar value	Feb. 23	$42,439,981	$33,312,942	$53,153,912	$37,903,344
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 23	23,518	21,955	32,777	29,026
Customers' short sales	Feb. 23	217	132	142	273
Customers' other sales	Feb. 23	23,301	21,823	32,635	28,753
Number of shares—Total sales	Feb. 23	683,497	606,221	939,882	814,516
Customers' short sales	Feb. 23	7,441	4,203	5,175	10,144
Customers' other sales	Feb. 23	676,056	602,018	934,707	804,372
Dollar value	Feb. 23	$30,255,711	$26,147,141	$40,273,722	$33,621,857
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 23	185,160	170,330	248,860	244,690
Short sales	Feb. 23	------	------	------	------
Other sales	Feb. 23	185,160	170,330	248,860	244,690
Round-lot purchases by dealers—					
Number of shares	Feb. 23	353,740	276,970	443,300	290,040
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES)					
Total Round-lot sales—					
Short sales	Feb. 16	216,920	286,500	331,420	362,670
Other sales	Feb. 16	5,556,030	7,914,370	8,593,880	9,207,890
Total sales	Feb. 16	5,772,950	8,200,870	8,925,300	9,570,560
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT FOR THE ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which they are registered					
Total purchases	Feb. 16	538,020	805,090	883,400	878,490
Short sales	Feb. 16	111,570	151,860	188,300	201,000
Other sales	Feb. 16	430,450	696,110	730,260	731,350
Total sales	Feb. 16	542,020	847,970	918,560	932,350
Other transactions initiated on the floor—					
Total purchases	Feb. 16	109,610	189,100	210,050	205,110
Short sales	Feb. 16	13,300	14,500	15,800	15,250
Other sales	Feb. 16	105,000	196,500	241,100	242,150
Total sales	Feb. 16	118,300	211,000	256,900	257,400
Other transactions initiated off the floor—					
Total purchases	Feb. 16	222,586	321,685	376,628	347,905
Short sales	Feb. 16	24,170	42,940	54,290	55,160
Other sales	Feb. 16	250,417	288,794	457,427	417,320
Total sales	Feb. 16	274,587	331,734	511,717	472,480
Total round-lot transactions for account of members—					
Total purchases	Feb. 16	870,216	1,315,875	1,470,078	1,413,505
Short sales	Feb. 16	149,040	209,300	258,390	271,410
Other sales	Feb. 16	785,867	1,181,404	1,428,787	1,390,820
Total sales	Feb. 16	934,907	1,390,704	1,687,177	1,662,230
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR— (1947-49=100):					
Commodity Group:					
All commodities	Mar. 4	111.4	111.7	------	------
Farm products	Mar. 4	106.2	106.3	------	------
Processed foods	Mar. 4	111.7	112.5	------	------
Meats	Mar. 4	112.6	112.4	------	------
All commodities other than farm and foods	Mar. 4	112.4	112.7	------	------

*Revised. ‡Not available. ¶Includes 559,000 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 November	72,246	72,647	62,740
Stocks of aluminum (short tons) end of Nov.	9,028	11,660	14,445
AMERICAN GAS ASSOCIATION — For month of January:			
Total gas (M therms)	5,645,436	5,076,636	5,134,336
Natural gas sales (M therms)	5,255,574	4,740,049	4,743,234
Manufactured gas sales (M therms)	154,900	137,515	234,838
Mixed gas sales (M therms)	234,962	199,072	156,264
AMERICAN ZINC INSTITUTE, INC.—Month of February:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	77,296	83,205	80,937
Shipments (tons of 2,000 lbs.)	77,448	78,403	69,380
Stocks at end of period (tons)	26,551	26,703	11,117
Unfilled orders at end of period (tons)	70,442	55,760	76,446
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. — U. S. DEPT. OF LABOR — Month of December (000's omitted):			
All building construction	$412,057	$534,974	$816,193
New residential	220,608	287,642	447,777
New nonresidential	135,535	180,742	292,865
Additions, alterations, etc.	55,914	66,590	75,551
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of February (in millions):			
Total new construction	$1,973	$2,124	$1,969
Private construction	1,379	1,472	1,518
Residential building (nonfarm)	665	720	827
New dwelling units	600	650	750
Additions and alterations	52	57	60
Nonhousekeeping	13	13	17
Nonresidential building (nonfarm)	399	404	384
Industrial	207	198	135
Commercial	73	83	121
Warehouses, office and loft buildings	35	39	46
Stores, restaurants, and garages	38	44	75
Other nonresidential building	119	123	128
Religious	29	31	35
Educational	26	28	27
Social and recreational	8	9	18
Hospital and institutional	32	32	31
Miscellaneous	24	23	17
Farm construction	75	80	76
Public utilities	235	262	226
Railroad	25	30	20
Telephone and telegraph	27	29	33
Other public utilities	183	203	173
All other private	5	6	5
Public construction	594	652	451
Residential building	66	67	30
Nonresidential building	251	267	212
Industrial	75	83	31
Educational	125	128	112
Hospital and institutional	30	32	37
Other nonresidential building	21	24	32
Military and naval facilities	115	125	29
Highways	55	75	65
Sewer and water	44	45	52
Miscellaneous public service enterprises	9	10	9
Conservation and development	51	59	49
All other public	3	4	5
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of February (000's omitted):			
Total U. S. construction	$788,429	$1,210,798	$1,271,045
Private construction	414,397	723,139	932,612
Public construction	374,032	487,659	338,433
State and municipal	222,341	332,731	260,680
Federal	151,691	154,928	77,753
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES— 1935-39=100—Adjusted as of Jan. 15:			
All items	189.1	189.1	181.5
All foods	232.4	232.2	221.9
Cereals and bakery products	190.6	190.4	185.4
Meats	273.8	274.6	265.5
Dairy products	215.8	213.2	202.6
Eggs	184.3	216.7	191.5
Fruits and vegetables	241.4	236.5	214.1
Beverages	346.7	346.8	340.6
Fats and oils	155.3	157.8	171.5
Sugar and sweets	185.9	186.4	185.6
Clothing	204.6	206.8	198.5
Rent	139.7	139.2	133.2
Fuel, electricity and refrigerators	145.0	144.9	143.3
Gas and electricity	97.6	97.5	97.2
Other fuels	206.8	206.6	202.3
Ice	156.3	156.3	152.0
House furnishings	209.0	210.2	207.4
Miscellaneous	169.6	169.1	162.1
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of December:			
All manufacturing (production workers)	12,906,000	*12,907,000	13,056,000
Durable goods	7,323,000	*7,324,000	7,254,000
Nondurable goods	5,583,000	*5,583,000	5,802,000
Employment Indexes—			
All manufacturing	157.5	*157.6	159.4
Payroll indexes—			
All manufacturing	444.1	*433.9	426.0
Estimated number of employees in manufacturing industries—			
All manufacturing	15,908,000	*15,902,000	15,789,000
Durable goods	8,996,000	*8,988,000	8,717,000
Nondurable goods	6,912,000	*6,914,000	7,072,000
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of Feb.:			
Industrial (125)	5.81	5.57	6.53
Railroad (25)	6.35	6.03	5.94
‡Utilities (24)	5.49	5.52	5.64
Banks (15)	4.50	4.41	4.48
Insurance (10)	3.41	3.38	3.52
Average (200)	5.73	5.53	6.27
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Feb. 29	$260,398,871	$259,813,143	$255,958,195
General fund balance	5,075,105	3,879,414	5,382,150
Net debt	$255,323,766	$255,933,729	$250,576,045
Computed annual rate	2.310%	2.311%	2.224%
ZINC OXIDE (BUREAU OF MINES)—Month of December:			
Production (short tons)	15,889	17,190	20,170
Shipments (short tons)	12,969	12,645	20,256
Stocks at end of month (short tons)	27,433	24,513	9,911

*Revised figure. ‡Not including American Telephone & Telegraph.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Alhambra-Shumway Mines., Inc., San Francisco, Calif.
March 5 (letter of notification) 700,000 shares of capital stock (par 10 cents) to be offered for subscription by stockholders of record March 6. **Price**—Five cents per share. **Proceeds**—To pay obligations and for operating expenses. **Office**—681 Market St., San Francisco 5, Calif. **Underwriter**—None.

★ Allied Kid Co., Boston, Mass.
March 11 (letter of notification) 25,000 shares of common stock (par $5). **Price**—At market. **Proceeds**—To Estate of F. M. Agoos. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass.

★ Aloha Lumber Corp., Aloha, Wash.
March 6 (letter of notification) 12,571 shares of common stock (par $10). **Price**—$12 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ American Air Filter Co., Inc., Louisville, Ky.
Feb. 28 (letter of notification) 3,000 shares of common stock (par $1). **Price**—At market (approximately $16.50 per share). **Proceeds** — To Richard H. Nelson. **Underwriters**—Reynolds & Co., New York, and Almstedt Brothers, Louisville, Ky.

● American Tobacco Co.
Feb. 14 filed 1,075,685 shares of common stock (par $25) being offered for subscription by common stockholders of record March 5 at rate of one share for each five shares held; rights to expire on March 24. **Price**—$52 per share. **Proceeds**—To reduce bank loans. **Underwriter**—Morgan Stanley & Co., New York.

★ Arizona Public Service Co. (3/26)
March 6 filed 400,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To repay loans and for new construction. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc.

● Arkansas-Missouri Power Co.
Feb. 18 (letter of notification) 18,965 shares of common stock (par $5) being offered for subscription by common stockholders of record Feb. 29 at rate of one share for each 18 shares held (with an oversubscription privilege); rights to expire on March 17. **Price**—$13.25 per share. **Proceeds**—For new construction. **Underwriter**—None.

★ Askins Oil Corp., Oklahoma City, Okla.
March 6 (letter of notification) 8,000 shares of class A common stock (par $10) to be offered in units of 10 or more shares. **Price**—$100 per unit of 10 shares. **Proceeds**—To produce oil and gas. **Office**—Fidelity Bldg., Oklahoma City, Okla. **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.

Beckman Instruments, Inc. (3/18)
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.

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. (3/14)
Feb. 13 filed 44,000 shares of common stock (par $20) being 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**—$26 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.

★ Brookville Manufacturing Co.
March 10 (letter of notification) 204 shares of class A and 1,899 shares of class B stock to be offered for subscription by contributors to the loan fund. **Price**—$12.50 per share. **Proceeds**—For acquisition of property and improvement and machinery. **Address**—P. O. Box 67, Brookville, Pa. **Underwriter**—None.

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.

★ Canadian Chemical & Cellulose Co., Ltd. (Canada) (3/27)
March 7 filed 1,000,000 shares of common stock (no par), of which 500,000 shares will be sold in the United States and 500,000 shares in Canada. **Price**—To be supplied by amendment. **Proceeds** — To a subsidiary of Celanese Corp. of America. **Underwriters**—Dillon, Read & Co. Inc., New York, in the United States; and Nesbitt, Thomson & Co., Ltd., and Wood, Gundy & Co., Ltd., in Canada.

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 Oklahoma Oil Corp., Oklahoma City, Okla.
March 3 (letter of notification) 90,000 shares of common stock (par 10 cents). **Price**—At market (approximately $1 per share). **Proceeds**—To Celesta M. Ross, the selling stockholder. **Underwriter**—Israel & Co., New York.

● Christiana Oil Corp., Wilmington, Del.
Feb. 25 (letter of notification) $240,000 of notes and 15,998 shares of common stock (par $3). to be offered in units of $1,000 of notes and 50 shares of stock; remaining 3,998 shares will be sold, 1,999 shares each to underwriter and Jackson, Douglas & Whitaker. **Price**—$1,187.50 per unit and $3.75 per share for the 3,998 common shares. **Proceeds**—To develop oil properties. **Office**—948 Delaware Trust Bldg., Wilmington, Del. **Underwriter**—Laird & Co., Wilmington, Del.

★ Colorado Central Power Co.
March 7 (letter of notification) 17,306 shares of common stock (par $1). **Price**—$15.75 per share. **Proceeds**—For new construction. **Office**—3470 South Broadway, Englewood, Colo. **Underwriter**—None.

★ Colorado Fuel & Iron Corp., Denver, Colo.
March 3 (letter of notification) 4,900 shares of common stock (no par). **Price** — At market (approximately $20.37½ per share). **Proceeds**—To Mount Olive & Staunton Coal Co., St. Louis, Mo., the selling stockholder. **Office**—Continental Oil Building, Denver 2, Colo. **Underwriter**—None.

Continued on page 42

NEW ISSUE CALENDAR

March 14, 1952
Bridgeport Hydraulic Co. — Common
(Smith, Ramsay & Co. and associates)
National Foods Corp. — Common
(Weber-Millican Co.)

March 15, 1952
Quaker Oats Co. — Common
(Glore, Forgan & Co.)

March 17, 1952
Petroleum Finance Corp. — Common
(George F. Breen)
Publicker Industries, Inc. — Common
(Merrill Lynch, Pierce, Fenner & Beane)
Southwestern Gas & Electric Co. — Bonds
(Bids 11:30 a.m. CST)
Union Bank & Trust Co. of Los Angeles — Common
(Blyth & Co., Inc., and others)

March 18, 1952
Beckman Instruments, Inc. — Common
(Lehman Brothers)
Pacific Gas & Electric Co. — Bonds
(Bids 8:30 a.m. PST)

March 19, 1952
Koehring Co. — Common
(Loewi & Co.)
Middle South Utilities, Inc. — Common
(Bids 11 a.m. EST)
Narragansett Electric Co. — Bonds
(Bids noon EST)
Nova Scotia (Province of) — Debentures
(Smith, Barney & Co. and Wood, Gundy & Co., Inc.)
United Air Lines, Inc. — Preferred
(Harriman Ripley & Co. Inc.)

March 20, 1952
Indiana Associated Telephone Corp. — Preferred
(City Securities and Associates)

March 24, 1952
Great Western Petroleum Co. — Common
(Steele & Co.)
Oklahoma Gas & Electric Co. — Bonds
(Bids to be invited)

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)

March 26, 1952
Arizona Public Service Co. — Common
(First Boston Corp. and Blyth & Co., Inc.)
Chic., Rock Island & Pacific Ry. — Eq. Trust Ctfs.
(Bids noon CST)
Shamrock Oil & Gas Corp. — Debentures
(The First Boston Corp.)
Southern Production Co., Inc. — Debentures
(Eastman, Dillon & Co.)

March 27, 1952
Canadian Chemical & Cellulose Co., Ltd. — Com.
(Dillon, Read & Co. Inc.)
Portland General Electric Co. — Common
(Blyth & Co., Inc.)
Reading Co. — Equip. Trust Ctfs.
(Bids noon EST)

March 31, 1952
Mountain States Tel. & Tel. Co. — Common
(Offering to stockholders. No underwriting)
Texas Power & Light Co. — Bonds
(Bids 11:30 a.m. EST)

April 1, 1952
Erie RR. — Equip. Trust Ctfs.
(Bids to be invited)
San Diego Gas & Electric Co. — Bonds
(Bids to be invited)
Tung-Sol Electric, Inc. — Preferred
(Harriman Ripley & Co., Inc.)
West Penn Power Co. — Bonds
(Bids 11 a.m. EST)

April 2, 1952
Interstate Power Co. — Bonds & Common
(Bids 11:30 a.m. EST)

April 3, 1952
Metals & Chemicals Corp. — Common
(Beer & Co.)
Pittsburgh Plate Glass Co. — Debentures
(The First Boston Corp.)

April 7, 1952
Western Air Lines, Inc. — Common
(Blyth & Co., Inc.)

April 9, 1952
Tennessee Production Co. — Common
(Stone & Webster Securities Corp. and White, Weld & 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)

April 30, 1952
First National Bank of Portland — Common
(Offering to stockholders—not underwritten)

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)

Continued from page 41

★ Commercial Benefit Insurance Co.
March 3 (letter of notification) 45,000 shares of capital stock (par $1), to be offered in units of 45 shares each. **Price**—$75 per unit. **Proceeds**—For surplus funds. **Office**—Commercial Insurance Bldg., Phoenix, Ariz. **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.

★ Cribben & Sexton Co., Chicago, Ill.
March 3 (letter of notification) 900 shares of 4½% cumulative preferred stock (par $25). **Price**—At the market (approximately $13 per share). **Proceeds**—To Harold E. Jalass, the selling stockholder. **Underwriter** — Wayne Hummer & Co., Chicago, Ill.

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**—Cohu & Co., New York, to offer unsubscribed shares to public.

● 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. Statement effective March 4.

★ El Paso Perlite Co., Inc., Las Cruces, N. M.
March 3 (letter of notification) 25,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For mine development. **Office** — 137 West Griggs St., Las Cruces, N. M. **Underwriter** — None.

★ Falleen Drop Forge Co., Inc., Manistee, Mich.
March 6 (letter of notification) $250,000 of 6% debentures due March 1, 1967, of which $113,225 principal amount will be offered in exchange for outstanding preferred stock, par for par (in denominations of $100 each). **Proceeds**—To retire preferred stock and for working capital. **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.

★ Fidelity Electric Co., Inc. (Pa.)
March 4 (letter of notification) 55,230 shares of common stock (par $1). **Price**—$3.25 per share. **Proceeds**—To acquire all of stock of Everite Pump & Manufacturing Co., Inc. of Lancaster, Pa. **Office**—332 North Arch Street, Lancaster Pa. **Underwriter**—None.

★ Fox-Shulman Publications, Inc.
March 4 (letter of notification) 150,000 shares of 7% cumulative preferred stock. **Price**—At par ($1 per share). **Proceeds**—For operating expenses. **Office**—22 addon Avenue, Camden, N. J. **Underwriter**—None.

★ Friendly Finance, Inc., Paducah, Ky.
March 10 (letter of notification) 15,000 shares of 6% cumulative preferred stock (par $10) and 15,000 shares of common stock (par $1), to be offered in units of one share of each class of stock. **Price**—$12.37½ per unit. **Proceeds**—For working capital. **Office**—107 South Fourth Street, Paducah, Ky. **Underwriter**—W. L. Lyons & Co., Louisville, Ky.

● General Alloys Co., Boston, Mass.
Feb. 11 (letter of notification) 47,260 shares of common stock being 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 Alloys Co., Boston, Mass.
March 5 (letter of notification) 25,000 shares of common stock (no par), of which 15,025 shares are to be offered for subscription by officers of the company at $3 per share and 9,975 shares by certain key employees at the same price (latter part to be underwritten at $2.78 per share). **Proceeds**—For working capital. **Underwriter**—William S. Prescott & Co., 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. (3/24-29)
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.

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.

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.

★ Hemisphere International Corp., New Orleans, La.
March 3 (letter of notification) 50,000 shares of common stock (par $1), of which 18,334 shares will be offered to present preferred stockholders on basis of converting each share of present preferred stock (par $10) into 3⅓ shares of common stock, and 31,666 shares will be offered to present common stockholders and officers of company at $3 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ Hurt (Joel) & Co., Atlanta, Ga.
March 6 (letter of notification) 3,750 shares of common stock (par $10) and $187,500 of subordinated convertible 10-year debenture notes to be offered in units of two shares of stock and $100 of notes. **Price**—$120 per unit. **Proceeds**—For working capital. **Office**—101 Marietta Street, N. W., Atlanta, Ga. **Underwriter**—None.

★ Idaho Consolidated Mines, Inc.
March 6 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To replace equipment and for working capital. **Office**—4109 Arcade Bldg., Seattle, Wash. **Underwriter**—None.

★ Illinois Bell Telephhone Co.
March 7 filed $25,000,000 of first mortgage bonds, series C, due April 1, 1984 (company also plans to offer 682,454 shares of capital stock to stockholders for subscription on or before July 1, 1952, at par, $100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co., which owns 99.31% of Illinois Bell outstanding stock. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Morgan Stanley & Co.; Glore, Forgan & Co. and Union Securities Corp. (jointly).

● Independent Plow, Inc., Neodesha, Kan.
Feb. 15 (letter of notification) 120,000 shares of common stock (par 25 cents) to be offered to stockholders of record about March 13 or 14; rights to expire 14 days thereafter. **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.

★ Insurance Securities Inc., Oakland, Calif.
March 7 filed 6,750 units of $1,000 Single Payment Plan, Series U, and 10,000 units of $1,200 10-year Accumulative Plan, Series E. **Underwriter**—None.

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. (4/2)
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 at 11.30 a.m. (EST) on April 2.

★ Interstate Power Co., Dubuque, Iowa (4/2)
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 at 11:30 a.m. (EST) on April 2.

★ Johnston Adding Machine Co., Carson City, Nev.
March 5 (letter of notification) 150,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—To purchase tools and materials and office equipment. **Underwriter**—None.

★ 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.

★ Knox Glass Bottle Co., Knox, Pa.
March 7 (letter of notification) 11,999 shares of common stock. **Price**—At par ($25 per share). **Proceeds**—to increase working capital. **Underwriter**—None.

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.

★ Leadville Lead Corp., Denver, Colo.
March 7 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For working capital. **Office**—500 E. & C. Building, Denver, Colo. **Underwriter**—None.

★ Lewiston (Ida.) Baseball Club, Inc.
March 5 (letter of notification) 7,500 shares of common stock and 2,500 shares of preferred stock. **Price**—At par ($10 per share). **Proceeds**—To purchase a franchise in the Western International Baseball League. **Office**—Chamber of Commerce, Lewiston, Ida.

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.

★ Loch-Lynn Gas Corp. (N. J.)
March 5 (letter of notification) 1,000 shares of common stock. **Price**—$100 per share. **Proceeds**—For working capital. **Office**—15 Exchange Place, Jersey City 2, N. J. **Underwriter**—None.

● 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. Statement may be withdrawn. Financing arranged privately.

★ **Massachusetts Investors Trust, Boston, Mass.**
March 7 filed 892,024 shares of beneficial interest. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Vance, Sanders & Co., Boston, Mass.

★ **Matheson Co., Inc.**
March 10 (letter of notification) $60,000 of first mortgage bonds dated March 1, 1952 and due March 1, 1967. **Price**—At principal amount. **Proceeds**—For additional working capital and for retirement of preferred stock. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y.

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.

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**—To be received up to 11 a.m. (EST) on March 19.

● **Mississippi Valley Public Service Co.**
Feb. 21 (letter of notification) 15,000 shares of common stock (par $10) being offered initially to stockholders of record March 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.

★ **Mohawk Farms Co., Phoenix, Ariz.**
March 7 (letter of notification) $100,000 of 5½% 10-year redeemable debenture notes and 1,180 shares of 6½% cumulative preferred stock (par $100) and 109,000 shares of common stock (par 20 cents) to be sold in units of one $500 note and 250 shares of common stock and/or five shares of preferred stock and 250 shares of common stock. **Price**—$550 per unit. **Proceeds**—For land purchases and operating capital. **Office**—Security Building, Phoenix, Ariz. **Underwriter**—None.

★ **Mountain States Telephone & Telegraph Co. (3/31)**
March 7 filed 318,624 shares of capital stock, to be offered for subscription by stockholders of record March 28 in ratio of one share for each four shares held. **Price**—At par ($100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co., parent, which owns a majority (over 84.81%) of present outstanding stock. **Underwriter**—None.

★ **Mutual Fund of Boston, Inc.**
March 4 filed 10,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Russell, Berg & Co., Boston, Mass.

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: Halsay, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; The First Boston Corp.; Lehman Brothers; White, Weld & Co. **Bids**—To be received up to noon (EST) on March 19 at company's offices, Room 516, 49 Westminster St., Providence, R. I.

★ **National Foods Corp., Pittsburgh, Pa. (3/14)**
March 7 (letter of notification) 299,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For new equipment and working capital. **Office**—210 South Beatty Street, Pittsburgh 6, Pa. **Underwriter**—Weber-Millican Co., New York.

★ **New York Wire Cloth Co.**
March 4 (letter of notification) 22,000 shares of common stock (par $1), of which 14,667 shares will be for account of company and 7,333 shares for account of Louis D. Root, Chairman of the Board. **Price**—$13.50 per share. **Proceeds**—For capital improvements and working capital. **Office**—63 Park Street, New Canaan, Conn. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

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.

★ **Norris Oil Co., Bakersfield, Calif.**
March 3 (letter of notification) 1,000 shares of capital stock (par $1). **Price**—$4 per share. **Proceeds**—To Walter N. and M. N. Hubbard, selling stockholders. **Office**—Suite 7, Haberfelde Bldg. Arcade, Bakersfield, Calif. **Underwriter**—None.

★ **Nova Scotia (Province of) (3/19)**
March 7 filed $12,000,000 12-year debentures to be dated March 15, 1952, and to mature March 15, 1964. **Price**—To be supplied by amendment. **Proceeds**—For refunding of Provincial debentures and for advances to The Nova Scotia Power Commission; and for capital expenditures. **Underwriters**—Smith, Barney & Co. and Wood, Gundy & Co., Inc., New York.

● **Oklahoma Gas & Electric Co. (3/24)**
Jan. 30 filed $12,000,000 of first mortgage bonds due March 1, 1982. **Proceeds**—To retire bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); The First Boston Corp.; Equitable Securities Corp.; Lehman Brothers and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Smith, Barney & Co. **Bids**—Expected to be received on March 24.

● **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 60,000 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.

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.

● **Petroleum Finance Corp. (3/17)**
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.

★ **Pittsburgh Plate Glass Co. (4/3)**
March 11 filed $40,000,000 sinking fund debentures due 1967. **Price**—To be supplied by amendment. **Proceeds**—For further expansion and diversification. **Underwriter**—The First Boston Corp., New York.

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.

★ **Portland General Electric Co. (3/27)**
March 10 filed 250,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To pay bank loans and for new constructin. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

★ **Progressive Fire Insurance Co., Atlanta, Georgia (4/1)**
March 7 (letter of notification) 10,901 shares of capital stock to be offered on April 1 first to stockholders of record Feb. 11; unsubscribed shares to be offered to public on April 15. **Price**—To stockholders $25 per share, and to public $27.50 per share. **Proceeds**—For working capital to increase volume of business. **Office**—107 Cone Street, Atlanta, Ga. **Underwriter**—None.

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. (3/15)**
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.

★ **Radio Honolulu, Ltd. (Hawaii)**
March 4 (letter of notification) 20,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To construct and operate a radio station. **Office**—1071 Bishop St., Honolulu, Hawaii. **Underwriter**—None.

★ **Raisin Markets, Inc., Los Angeles, Calif.**
March 5 (letter of notification) 10,000 shares of preferred stock. **Price**—At par ($25 per share). **Proceeds**—For working capital. **Office**—5320 West 104th St., Los Angeles, Calif. **Underwriter**—None.

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.

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.

★ **Scudder, Stevens & Clark Common Stock Fund, Inc., Boston, Mass.**
March 7 filed 78,480 shares of capital stock. **Underwriter**—None.

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.

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 determinted 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. (3/26)**
March 5 filed $12,500,000 of 15-year convertible debentures due March 1, 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, and to retire 4% convertible preferred stock. **Underwriter**—Eastman, Dillon & Co., New York.

● **Southwestern Gas & Electric Co. (3/17)**
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 March 17 at 11:30 a.m. (CST). Statement effective March 11.

★ **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.

★ **Sterling Petroleum Co., Seattle, Wash.**
March 6 (letter of notification) 1,250,000 shares of capital stock. **Price**—10 cents per share. **Proceeds**—For equipment and drilling costs and working capital. **Office**—823 Joshua Green Bldg., Seattle, Wash. **Underwriter**—None.

★ **Swanton (Harold R.), Inc., Los Angeles, Calif.**
March 5 (letter of notification) $150,000 of 6% unsecured promissory notes to be issued in varying principal amounts to approximately 20 individuals who have business relationships with the company. **Price**—At par. **Proceeds**—To cancel loans and for materials and equipment. **Office**—1708 South Grand Ave., Los Angeles, Calif. **Underwriter**—None.

● **Texas Eastern Transmission Corp.**
Feb. 21 filed 610,937 shares of common stock (par $7) being offered for subscription by common stockholders of record March 7 on a basis of one share for each eight shares held (with an oversubscription privilege); rights will expire March 26. **Price**—$17 per share. **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. Placed privately.

● **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: (1) For bonds only: First Boston Corp.; Drexel & Co., and Hemphill, Noyes, Graham, Parsons & Co. (2) For deben-

Continued on page 44

Continued from page 43

tures only: Harris, Hall & Co. (Inc.). (3) For bonds and debentures: Halsey, Stuart & Co. Inc.; Lehman Brothers; Union Securities Corp.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Tentatively expected at 11:30 a.m. (EST) on 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.**
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 12 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), being offered for subscription by stockshares held (with an oversubscription privilege); 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.

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.

★ **Tung-Sol Electric, Inc. (4/1)**
March 10 filed 50,000 shares of cumulative convertible preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Harriman Ripley & Co., Inc., New York. **Offering**—Expected early in April.

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 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.

★ **U. S. Thermo Control Co.**
March 4 (letter of notification) 21,000 shares of common stock (par $1). **Price**—At the market (approximately $3.37½ per share). **Proceeds**—To Blanche M. Numero, the selling stockholder. **Office**—44 South 12th St., Minneapolis 3, Minn. **Underwriter**—None.

Viking Plywood & Lumber Corp., Seattle, Wash.
Oct. 19 filed 22,500 shares of common stock (no par) to be offered to employee-stockholders in minimum units of 125 shares per unit. **Price**—$20 per share. **Underwriter**—None . **Proceeds**—To purchase 50% of capital stock of Snellstrom Lumber Co. 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 at 11 a.m. (EST) on April 1.

★ **Western Air Lines, Inc. (4/7)**
March 10 filed 165,049 shares of common stock (par $1), to be offered for subscription by stockholders of record April 7 at rate of three new shares for each 10 shares held. **Price**—To be supplied by amendment. **Proceeds**—To be added to working capital and used for purchase of additional equipment. **Underwriter**—Blyth & Co., San Francisco, Calif., and New York.

★ **Wix Accessories Corp., Gastonia, N. C.**
March 3 (letter of notification) 10,000 shares of common stock, to be offered for subscription by stockholders. **Price**—$18 per share. **Proceeds**—For working capital. **Underwriter**—None.

★ **Wonder Lode Claims, Inc., Salmon, Ida.**
March 4 (letter of notification) 10,000 shares of capital stock. **Price**—$1 per share. **Proceeds**—To develop claims. **Address**—Box 756, Salmon, Ida. **Underwriter**—None.

Young (Thomas) Orchids, Inc., Bound Brook, N. J.
Feb. 18 (letter of notification) 2,000 shares of capital stock (par $1). **Price**—$49 per share. **Proceeds**—To Hope Y. Haynes, the selling stockholder. **Underwriter**—None, but Smith, Barney & Co., New York, will act as broker. No public offering is planned.

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 Gas Corp.**
March 7 sought SEC authority to issue and sell $4,000,000 first mortgage bonds, series C, due 1971. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co., Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Salomon Bros. & Hutzler, Equitable Securities Corp. and Carl M. Loeb, Rhoades & Co. (jointly).

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.

● **Bank of Passaic & Trust Co., Passaic, N. J.**
March 5 stockholders approved the issuance of $1,000,000 of 3½% convertible preferred stock (par $25). They will be offered rights to subscribe to the 40,000 shares in the ratio of 3.64 preferred shares for each share of common held.

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 Electric Power Co.**
March 13 the company announced tentative plans are being made for a public financing late in 1952 or early in 1953 to raise funds to repay bank loans and to provide at least a portion of new capital requirements for 1953. Prior to this financing, the company hopes to be able to effect full conversion of the remainder of its two convertible preference stock issues.

● **California-Pacific Utilities Co.**
Feb. 29 it was reported company expects to offer about $2,000,000 of debentures within the next two months. Proceeds will be used to pay for additions and improvements to property. **Traditional Underwriters**—First California Co., Inc., San Francisco, Calif.

Case (J. I.) Co.
Jan. 18 it was announced that stockholders will vote April 17 on increasing the authorized common stock from 1,200,000 shares, par $25, to 4,000,000 shares, par $12.50, and on issuance of two new shares in exchange for each share presently held. Following split-up, it is planned to set aside 100,000 of the new shares for sale to employees under stock purchase options, and to offer to common stockholders one new share for each five shares held. **Price**—To be determined later. **Underwriters**—Probably Morgan Stanley & Co. and Clark, Dodge & Co.

★ **Central Hudson Gas & Electric Corp.**
March 7 it was announced stockholders will vote March 25 on increasing authorized preferred stock (par $100) from 150,000 shares (130,300 shares outstanding) to 225,000 shares to enable company to meet future capital requirements. There are no immediate plans for sale of any additional preferred stock.
March 4 it was reported company plans the sale this Fall of about $5,500,000 first mortgage bonds. Latest bond financing was done privately in March, 1951 through Kidder, Peabody & Co.

★ **Chicago & North Western Ry.**
March 7 company sought ICC authority to issue and sell $6,825,000 of equipment trust certificates to be dated May 1, 1952 and payable in 15 annual instalments from 1953 to 1967, inclusive. Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. Hutzler; Bear, Stearns & Co.

● **Chicago, Rock Island & Pacific RR. (3/26)**
Bids will be received by the company, Room 1136, La Salle Street Station, Chicago 5, Ill., up to noon (CST) on March 26 for the purchase from it of $6,000,000 equipment trust certificates, series M, to be dated April 1, 1952 and to mature semi-annually to and including April 1, 1967. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago & Western Indiana RR.
Jan. 23 company sought ICC permission to issue $52,500,000 of first and refunding mortgage bonds, series E, without competitive bidding. The bonds will be dated not earlier than March 1, 1952 and mature not later than Sept. 1, 1962. **Proceeds**—To pay at maturity $49,988,000 of 4% non-callable consolidated first mortgage bonds due July 1, 1952, and the remainder used for capital improvements. **Underwriters**—Expected to be The First Boston Corp. and Halsey, Stuart & Co. Inc.

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.**
March 3 it was reported early registration of approximately 966,000 shares of common stock is expected, with offering late in March or early in April. This is in accordance with a plan filed by Mission Oil Co. and its holding company subsidiary, Southwestern Development Co. designed to effectuate compliance with the Holding Company Act. **Underwriter** — Union Securities Corp., New York.

Columbia Gas System, Inc. (4/15)
March 11 filed an application with SEC for authority to issue and sell $60,000,000 of debentures due 1977. **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. **Bids**—To be opened April 15.

★ **Columbus & Southern Ohio Electric Co.**
March 7 it was announced company expects to enter the permanent financing market about the middle of 1952 with 150,000 to 200,000 shares of new common stock. **Proceeds**—For construction program. **Underwriter**—Dillon Read & Co., Inc., New York.

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.

★ **Copperweld Steel Co.**
March 3 it was announced stockholders on April 30 will vote on increasing the authorized indebtedness from $5,000,000 to $15,000,000 (none presently outstanding) and the authorized preferred stock (par $50) to 137,727 shares from 37,727 shares, which are all outstanding. **Traditional Underwriter**—Riter & Co., New York.

★ Crane Co., Chicago, Ill.
March 5 it was reported that company is understood to be planning sale of additional securities in the not immediate future. **Underwriters** — Morgan Stanley & Co. and Clark, Dodge & Co., New York.

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.

★ First National Bank of Portland (4/30)
March 10 stockholders approved sale of 200,000 additional shares of common stock (par $12.50) to common stockholders of record April 30 at rate of one new share for each five shares held; rights to expire on May 29. Unsubscribed shares would be purchased by Transamerica Corp., which owns a controlling stock interest in the bank. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Florida Power Corp.
Jan. 11 it was announced that additional financing will be necessary to complete the company's construction program and it is contemplated that the balance of new capital needed will be obtained from the sale of common stock and first mortgage bonds. Company has borrowed $4,000,000 under a bank credit recently arranged which provides for short-term bank borrowings of not more than $10,000,000. Previous bond financing was done privately. Common stock may be offered to common stockholders, with Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane acting as agents.

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.

★ Gulf States Utilities Co.
March 5, Roy S. Nelson, President, announced that subject to FPC approval, this company expects to sell in April enough common stock to yield $6,500,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly); Blyth & Co., Inc.

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.

★ Indianapolis Power & Light Co.
March 7 company applied to Indiana P. S. Commission for authority to issue and sell 196,000 additional shares of common stock and 30,000 shares of preferred stock to finance a $13,800,000 expansion program.

Illinois Central RR.
Nov. 16, the directors authorized, pending a favorable market, the issue and sale of up to $25,000,000 of consolidated mortgage bonds. **Underwriters** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co. **Proceeds** — To retire debt maturing in next four years and to replace depleted working capital.

International Bank for Reconstruction and Development ("World Bank")
Feb. 5 it was reported bank expects to issue and sell $50,000,000 to $100,000,000 additional bonds in April or May.

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 (Ernst), 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.

★ Long Island Lighting Co.
March 5 it was announced company plans to finance in part its 1952 $41,000,000 construction program by the sale of $35,000,000 of new securities. **Underwriters**—For any common stock, may be Blyth & Co., Inc. and The First Boston Corp. (jointly); for any preferred, W. C. Langley & Co., and for any bonds to be determined by competitive bidding, with the following probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co.; Smith, Barney & 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.

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.

★ National Supply Co.
March 7 it was announced stockholders will vote April 2 on increasing authorized indebtedness from $20,000,000 to $50,000,000. There are no immediate plans for sale of any securities, but company may start using long-term bank loans to secure working capital instead of relying on short-term loans.

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.
March 5 it was reported company plans offering of about 1,000,000 shares of additional common stock. **Proceeds**—To be used for exploration development, etc. Properties are located primarily in British Columbia, Alberta, and Montana. **Underwriter**—Allen & Co., New York.

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.

Continued on page 46

Continued from page 45

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.

Pacific Northwest Pipeline Corp.
Jan. 7 the company applied to the FPC for authority to build a 2,175-mile natural gas pipeline from southern Texas to the Pacific Northwest at an estimated cost of $174,186,602. The line is sponsored by Fish Engineering Corp. of Houston, Tex. Probable underwriters: White, Weld & Co. and Kidder, Peabody & Co., New York. (See also accompanying item on "Spokane Gas & Fuel Co.")

Pan American Sulphur Co.
Feb. 9 stockholders approved an increase in the authorized common stock from 1,500,000 shares (par 10 cents) to 2,000,000 shares (par 70 cents). A part of the increase is expected to be offered for subscription by stockholders. Proceeds would be used for construction and exploration program in Mexico.

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.

★ **Pressed Steel Car Co., Inc.**
March 4 it was announced stockholders will vote April 17 on increasing the authorized common stock from 1,280,000 shares to 3,280,000 shares (1,045,500 shares presently outstanding). The new shares would be issued when directors decide, in connection with diversification program. No immediate financing is planned. **Traditional Underwriter**—Kuhn, Loeb & Co., New York.

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 Co. of New Hampshire**
March 6 it was announced company intends, in May or June, 1952, to issue $4,000,000 of first mortgage bonds and $2,500,000 of preferred stock, and toward the end of the year to issue sufficient common shares to raise approximately $4,000,000. **Proceeds** — To retire bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; The First Boston Corp. and Coffin & Burr, Inc. (jointly); White, Weld & Co.; Kidder, Peabody & Co. and Blyth & Co., Inc (jointly). (2) For preferred stock — The First Boston Corp.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co., Inc. (3) For common stock—Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. and Lehman Brothers (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. (3/27)**
Bids will be received by the company, Room 423, Reading Terminal, Philadelphia 7, Pa., up to noon (EST) on March 27 for the purchase from it of $8,340,000 equipment trust certificates, series T, to be dated April 15, 1952 and to mature semi-annually to and including April 15, 1967. 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.

★ **Scott Paper Co.**
March 7 it was announced stockholders will vote April 24 on increasing the authorized common stock from 3,000,000 to 5,000,000 shares, and the authorized indebtedness from $4,000,000 to $25,000,000. The company said it will announce later any plans for future financing. **Underwriters**—Drexel & Co.; Merrill Lynch, Pierce, Fenner & Beane; and Smith, Barney & Co.

★ **Solar Aircraft Co., San Diego, Calif.**
March 10 filed an application with SEC for the issuance of 120,000 shares of common stock (par $1). **Price**—To be announced later. **Proceeds**—For working capital and to finance increased output of defense orders. **Underwriters**—Smith, Barney & Co., New York, and William R. Staats & Co., Los Angeles, Calif.

● **Southern California Edison Co.**
March 8 company applied to California P. U. Commission seeking exemption from bidding of a proposed offering of 800,000 shares of common stock. **Proceeds**—For construction program. **Underwriters**—Previous equity financing was underwritten by The First Boston Corp. and Harris, Hall & Co. (Inc.). **Offering**—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.

★ **Tennessee Production Co. (4/9)**
March 6 it was announced that company, now a subsidiary of Tennessee Gas Transmission Co., plans to file a registration statement by March 20 covering the sale of 1,400,000 shares of common stock, of which it is expected that 1,250,000 shares will be publicly offered about the middle of April. **Proceeds**—To retire $12,800,000 of debt and for working capital. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., New York.

Texas Electric Service Co.
Jan. 23 it was reported company was planning issuance and sale of $8,000,000 of first mortgage bonds and $5,000,000 of debentures, with registration expected in April for bidding in May. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Lehman Brothers and Blyth & Co., Inc. (jointly); Salomon Bros. & Hutzler; Harriman Ripley & Co., Inc.; Union Securities Corp.; Hemphill, Noyes, Graham, Parsons & Co. and Drexel & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.

Texas-Ohio Gas Co., Houston, Tex.
Oct. 17 company applied to FPC for authority to construct a 1,350-mile natural gas transmission line extending from Texas into West Virginia. The project is estimated to cost $184,989,683. **Underwriter**—Kidder, Peabody & Co., New York.

Transcon Lines, Los Angeles, Calif.
Feb. 11 it was reported company plans to offer about $200,000 market value of new common stock (around 30,000 shares), first to present common stockholders. **Price**—$6.75 per share to stockholders and about $7.12½ per share to public. **Offer**—Expected in mid-March. **Underwriter**—Cruttenden & Co., Chicago, Ill.

Union Bank & Trust Co. of Los Ang. (3/17)
Feb. 14 it was announced company will offer for sale 10,000 shares of capital stock (par $50), first to stockholders of record March 17 at rate of one share for each 7½ shares held; rights to expire on April 8. **Price**—$120 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Blyth & Co., Inc.; Stern, Frank, Meyer & Fox; Lester, Ryons & Co.; A. W. Morris & Co., and Wm. R. Staats & Co.

United 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.**
March 5 it was reported company plans issuance and sale in May or June of about $12,500,000 1st mtge. bonds and to raise approximately $14,000,000 more through the sale to common stockholders of additional common stock probably at the rate of one new share for each six shares held. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Salomon Bros. & Hutzler (jointly); Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Glore, Forgan & Co.; The First Boston Corp.; Union Securities Corp. and Harriman Ripley & Co., Inc. (jointly). The common stock offering may not be underwritten.

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

Underwriters found potential investors in a rather "testy" mood this week after the favorable response which greeted the several large new emissions of the preceding period.

Prospective buyers, with a rather wide field to choose from, appeared disposed to crawl back into their shells and adopt a waiting attitude. At any rate there was no concerted rush to soak up the several offerings brought to market through the medium of competitive bidding.

It may be that apprehension over the possibility of a money squeeze toward the end of the week when the March 15 tax date rolls around carried some influence in their thinking. But the reason for the current hesitation was regarded generally as a bit more deep-seated.

Pricing of current new issues probably was regarded as a little full, for one thing. Moreover, buyers of the type who would be interested in new issues now emerging are marketwise and realize that a heavy calendar is ahead through the balance of the month.

Furthermore, it is pointed out that the run of private deals, or direct placements, still is an element to be reckoned with and that such operations naturally give the biggest of the institutional investors, the insurance companies, an outlet which frequently carries more appeal for them.

By and large most of the new issues appearing this week were a bit on the sluggish side. There were exceptions, as usually is the case, such as Illinois Power Co.'s $20,000,000 of bonds and Metropolitan Edison Co.'s $7,800,000 of new bonds and 40,000 shares of preferred. Both these issues moved with celerity.

However, Potomac Electric Power's $15,000,000 of new 3¼s, priced at 100.837%, to yield 3.21% were slow, along with Central Power & Light's $10,000,000 of 3½s.

Meanwhile Pacific Power & Light Co.'s $12,500,000 of first mortgage bonds, priced at 100.45 appeared to be arousing some interest.

Looking Ahead

The forward calendar embraces several issues which will require the efforts of sizable banking syndicates. Next Tuesday, for example, Pacific Gas & Electric Co., will open bids for its offering of $50,000,000 of first and refunding, 33-year bonds.

On the same day bankers underwriting United Airlines' offering of 224,112 shares of cumulative, convertible preferred stock will put that issue forward, first to common holders of that date, who have pre-emptive rights.

The following week will bring out two other large public utility issues. Consolidated Edison Co.'s $50,000,000 of 30-year first and refunding mortgage bonds is due up for bids on March 25 along, with $30,000,000 of new 30-year first and refunding bonds of the Southern California Gas Co.

A New Name Looms

Pittsburgh Plate Glass Co. went into registration with SEC this week for its first public debt offering which will take the form of $40,000,000 of 15-year sinking fund debentures.

This issue, which will provide large investors with an opportunity for adding a new name to their portfolios, is slated for offering early next month. Proceeds will be added to general funds for expansion and diversification expenses.

Meanwhile, Columbia Gas Systems Inc., has registered for $60,000,000 of new debentures and an additional $20,000,000 to be raised through bank loans.

Equitable Securities Offers Gas Co. Stock

Financing by Mississippi Valley Gas Co., for the primary purpose of acquiring and operating the natural gas business and properties of Mississippi Power & Light Co., was undertaken on March 12 with the initial public offering of 400,000 shares of common stock, $5 par value, of Mississippi Valley Gas Co. Equitable Securities Corp. heads a banking group which is offering the common stock at $11.25 per share and has also agreed to arrange for the private placement of $7,700,000 of the new company's first mortgage bonds.

Proceeds from the sale of stock and bonds will be used to acquire the existing gas system and business of Mississippi Power & Light Co., to finance plant additions and construction during the early months of the current year and for initial working capital requirements. The new company intends to continue in the business of purchasing, transmitting and distributing natural gas to industrial, commercial and domestic users in the western part of Mississippi, including the city of Jackson.

Operating revenues derived by Mississippi Power & Light Co. from gas operations in the year 1951 totaled $5,632,826 and net operating revenues from gas operations were $634,045. Capitalization of Mississippi Valley following the current financing will consist of $7,700,000 of long-term debt and 400,000 shares of common stock.

Bankers Offer Ohio Edison Preferred Stock

The First Boston Corp., Lehman Brothers and Bear, Stearns & Co. jointly head an investment group which is offering publicly today (March 13) a new issue of 150,000 4.56% preferred shares, $100 par, of Ohio Edison Co. The stock is priced at $102.375 per share and was awarded to the group at competitive sale on March 11.

Proceeds will be applied by the company mainly towards the cash requirements of its $40,600,000 construction program during 1952. Chief items in the program are two 106,000 kw. generating units of the new steam electric station at Niles, Ohio and two additional generating units, each of 135,000 kw. capacity, at the R. E. Burger plant. Part of the proceeds will finance a $2,400,000 increase in the company's equity in Pennsylvania Power Co., a subsidiary. The latter expects to spend $8,025,000 on new construction in 1952, chiefly to complete a third generating unit of 85,000 kw. capacity at its New Castle plant.

Ohio Edison supplies electricity to 570 communities in Ohio, including Akron, Alliance, Elyria, Lorain, Mansfield, Marion, Massillon, Sandusky, Springfield, Warren and Youngstown. For 1951 the company reported operating revenues of $96,075,290 and net income of $13,887,228, both on a consolidated basis.

DIVIDEND NOTICES

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn 22, New York

The Board of Directors of the American Manufacturing Company has declared the regular quarterly dividend of 25c per share on the Common Stock, payable April 1, 1952 to Stockholders of Record at the close of business March 13, 1952. Transfer books will remain open.

COLUMBUS MOISE, Treasurer.

The Colorado Fuel & Iron Corporation

Correction—The Colorado Fuel & Iron Corporation previously announced that a regular quarterly dividend in the amount of sixty-two and one-half cents per share would be payable on March 31, 1952 to holders of record on March 8, 1952, of the corporation's shares of 5% cumulative preferred stock, series A.

Inasmuch as such shares of stock were issued on January 14, 1952 the dividend payable on March 31, 1952 to holders of such shares of stock, in accordance with the provisions thereof, will be that amount which has accrued since the date of issue, which is $.5347 per share, and a full quarterly dividend will not be payable on March 31, 1952, as previously announced.

D. C. McGREW, Secretary

DIVIDEND NOTICES

LONG ISLAND LIGHTING COMPANY

Notice of Quarterly Dividend

Preferred Stock, 5.25%, Series A

The Board of Directors has this day declared a quarterly dividend of $1.3125 per share on the Preferred Stock, 5.25%, Series A, of the Company, payable April 1, 1952 to stockholders of record at the close of business March 21, 1952.

VINCENT T. MILES
Treasurer

March 5, 1952

Exide BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY

206th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of fifty cents ($.50) per share on the Common Stock, payable March 31, 1952, to stockholders of record at the close of business on March 14, 1952. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer

Philadelphia, March 3, 1952.

GT GENERAL TIME

GENERAL TIME CORPORATION

Dividends

The Board of Directors has declared the following dividends:

PREFERRED STOCK

Regular quarterly dividend of $1.06¼ per share, on the 4¼ per cent Cumulative Preferred Stock, payable April 1, 1952 to shareholders of record March 14, 1952.

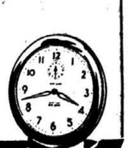
COMMON STOCK

A dividend of 50 cents per share on the Common Stock, payable April 1, 1952 to shareholders of record March 14, 1952.

JOHN H. SCHMIDT
Secretary-Treasurer

March 5, 1952.

WESTCLOX • BIG BEN
SETH THOMAS
STROMBERG RECORDERS
HAYDON MOTORS



DIVIDEND NOTICES

United States Plywood Corporation Weldwood®

For the quarter ended January 31, 1952, a cash dividend of 35c per share on the outstanding common stock of this corporation has been declared payable April 11, 1952, to stockholders of record at the close of business April 1, 1952.

SIMON OTTINGER, Secretary.
New York, N. Y., March 5, 1952.

New York & Honduras Rosario Mining Company
120 Broadway, New York 5, N. Y.
March 12, 1952.

DIVIDEND NO. 398

The Board of Directors of this Company, at a Meeting held this day, declared an interim dividend for the first quarter of 1952, of Seventy-five Cents ($.75) a share on the outstanding capital stock of this Company, payable on March 29, 1952, to stockholders of record at the close of business on March 20, 1952.

W. C. LANGLEY, Treasurer.

Old Town CORPORATION
Manufacturers of DUPLICATING MACHINES
CARBON PAPERS • RIBBONS

DIVIDEND No. 39

The Board of Directors has declared a dividend of 30 cents per share on the Common Stock of the Company, payable on April 2, 1952 to stockholders of record at the close of business on March 24, 1952.

JEROME A. EATON, Treasurer
March 11 1952

RADIO CORPORATION OF AMERICA

RCA

Dividend on First Preferred Stock

At the meeting of the Board of Directors held today, a dividend of 87½ cents per share, for the period January 1, 1952 to March 31, 1952, was declared on the $3.50 Cumulative First Preferred Stock, payable April 1, 1952, to holders of record at the close of business March 17, 1952.

ERNEST B. GORIN,
Vice President and Treasurer

New York, N. Y., March 7, 1952

International MINERALS CHEMICALS

Mining and Manufacturing
Phosphate • Potash • Fertilizer • Chemicals

★

Dividends were declared by the Board of Directors on Feb. 28, 1952, as follows:

4% Cumulative Preferred Stock
40th Consecutive Regular
Quarterly Dividend of One Dollar
($1.00) per share.

$5.00 Par Value Common Stock
Regular Quarterly Dividend of
Forty Cents (40¢) per share.

Both dividends are payable March 28, 1952, to stockholders of record at the close of business March 14, 1952.

Checks will be mailed.

Robert P. Resch
Vice President and Treasurer

★

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

General Offices: 20 North Wacker Drive, Chicago 6

DIVIDEND NOTICES

MRS. WAGNER'S PIES

WAGNER BAKING CORPORATION

The Board of Directors has declared the regular quarterly dividend of $1.75 per share on the 7% Preferred Stock, also a dividend of 15 cents per share on the Common Stock of this Corporation. Both dividends payable April 1, 1952, to stockholders of record March 21, 1952.

J. V. STEVENS, Secretary.

ROYAL TYPEWRITER COMPANY, INC.

A dividend of 1¾%, amounting to $1.75 per share, on account of the current quarterly dividend period ending April 30, 1952, has been declared payable April 15, 1952 on the outstanding preferred stock of the Company to holders of preferred stock of record at the close of business on March 24, 1952.

A dividend of 50¢ per share has been declared payable April 15, 1952, on the outstanding common stock of the Company, of the par value of $1.00 per share, to holders of common stock of record at the close of business on March 24, 1952.

ROBERT S. MILLER
Secretary

March 12, 1952

ROYAL

SAFEWAY STORES
INCORPORATED

Preferred and Common Stock Dividends

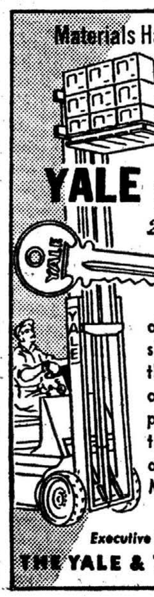
The Board of Directors of Safeway Stores, Incorporated, on March 4, 1952, declared quarterly dividends on the Company's $5.00 par value Common Stock and 4% Preferred Stock.

The dividend on the Common Stock is at the rate of 60¢ per share, and is payable April 1, 1952 to stockholders of record at the close of business March 19, 1952.

The dividend on the 4% Preferred Stock is at the rate of $1.00 per share and is payable April 1, 1952 to stockholders of record at the close of business March 19, 1952.

MILTON L. SELBY, *Secretary.*

March 4, 1952.



Materials Handling Equipment
• Locks
Builders' Hardware

YALE & TOWNE

254th Dividend since 1899

On March 7, 1952, dividend No. 254 of fifty cents (50¢) per share was declared by the Board of Directors out of past earnings, payable on April 1, 1952, to stockholders of record at the close of business March 17, 1952.

F. DUNNING
Executive Vice-President and Secretary

THE YALE & TOWNE MFG. CO.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—If you are doing any defense business with the government, one agency to fasten your eye on is the Renegotiation Board, for if you haven't heard about it yet you will—sooner or later.

In a nutshell, the Renegotiation Board exists for one sole purpose. Should a defense contractor come out of this show with a handsome profit, despite constant re-pricing by the procurement agencies themselves, cost absorption under OPS, or wage absorption under union pressure, then there is one final Federal agency that can come along and check the books and scoop up any remaining "excessive profits."

It is entirely within the discretion of this Board, subject only to broad statutory inhibitions that the contractor must be allowed a "fair and reasonable profit" to determine what is an "excessive profit." If any manufacturer doesn't like it, he can just go to court. Then maybe by the time his children are grown up, the issue will be adjudicated and he can find out—after he has also had the matter of taxes determined—how much he has got left.

In a word, the little-appreciated significance to the investment trade of the existence and operation of the Renegotiation Board is that the published earnings and profits of today of any company doing a substantial defense business are in no sense final. They will only become final when this new watchdog of "excessive profits" has given the company's books a final look over and OK.

Of course this is not the job of the Renegotiation Board as that Board itself sees it. The Board sees its job as one primarily of preventing excessive profits on defense contracts before they occur. The profits policeman on the beat, the Renegotiation Board is to discourage the fellow from heaving the brick through the window and grabbing Uncle Sam's lettuce.

One of the advantages asserted for the Renegotiation Board is that when the Board has cleaned up the business baby and pinned on a new diaper of its OK, then that business will forever be free of the charge that it has profiteered on the government.

This beautiful theory is little understood or appreciated outside Renegotiation Board circles. Few will naively hope that because there exists such a thing as a Renegotiation Board to certainly recapture "excess profits," that this will cause either demagogues or kept Administration columnists from charging "profiteering" on any and all occasions.

If the responsibilities of the Renegotiation Board were construed literally, then Harry Truman could say to Phil Murray, Walter Reuther, and the taxpaying public, "You guys don't need to worry about these high war profits, because we are going to get them back, even before we have to levy the excess profits tax on them, so don't worry." Here's a cooky that says Harry never says anything remotely like that.

* * *

Actually the Renegotiation Board is a creature Congress created in an act of last year. The Renegotiation Board can operate not only on any contract for the Army, Navy, and Air Force, but also upon any defense contract (so-called) of the General Services Administration and some 14 other procurement agencies.

The board has received much less attention than it would seem to observers to deserve. It was set up last October and has hardly got going.

There is one type of contractor's profits exempt by statute from the Board's purview. The Board cannot review or recapture profits on the sale of raw products which have not been processed in any way. Since the government does about as extensive a business in procuring raw products for defense as it does in buying snowballs for the Eskimos (except for materials contracts already hedged and double-hedged), this exemption doesn't excite very many.

All other contracts are subject to the Board's final say on profits before taxes. This includes fixed price contracts as well as negotiated contracts.

The Army, Navy, and Air Force themselves have the right to "re-price" periodically. The cost inspectors can constantly swarm over the books of even fixed price contractors, determining if, in the judgment of the cost inspectors, the contractor is doing too well. In such cases, the procurement agencies can force the contractor to sell for less than the government agreed to pay.

The Renegotiation Board follows after re-pricing. Even if the services, in their zeal to cut down profits so as to be able to buy more, fail to spot an "excessive profit," then the Renegotiation Board can do the same.

* * *

All defense contractors' profits (including profits from contracts let on the basis of competitive bidding) earned or accruing from Jan. 1, 1951, are subject to the jurisdiction of the Renegotiation Board.

Defense contractors are required to submit statements to this Board annually, at the end of the corporation's fiscal year, of their income and profits and costs. These are reviewed by the Board's staff.

The Board's regional staffs look these all over. In general, where a contractor's costs are in line with allowable costs of the Bureau of Internal Revenue, they will not be questioned.

On the other hand, when the Board feels it has spotted an "out of line" cost, it is entitled to look at the company's books and satisfy itself that the cost is legitimate and allowable. If the Board feels that is not legitimate, then the Board can subtract this cost from the contractor's allowance, forcing thereby a reduction in the contractor's receipts on his defense work.

The manufacturer or contractor may appeal this to the tax court if he does not agree.

In a sense the Board is not a "contract renegotiation" agency but a "profits renegotiation" board. Its interest is in excessive profits. It looks both at the level of profits and what it might consider to be excessive costs leading to or being the cause of undue profits.

There is no statutory definition of an "excessive profit." The Board may determine this case by case. It may "reward" an efficient "honest producer who has played fair with the government" with a higher profit than an inefficient producer, or one that the Board in its wisdom suspects of having tried to pull a fast one.

The standard of a "fair and reasonable" profit is said to be the standard of the individual company rather than an industry standard, such as OPS attempted futilely to work, and OPA in War II also failed on.

While the government has no comparable machinery for renegotiating the contract or profit of the contractor who bid too low and lost his shirt, some relief will be afforded by the Renegotiation Board to that contractor who has more than one defense contract. If he should lose his shirt on one contract, the Board, it is said, "will take this into account" before recapturing "excessive profits" on another contract.

* * *

E. H. Boeckh & Assocates of this city, consulting valuation engineers and source of indices on real estate values, has done a job on Mr. Truman's proposed Budget for the fiscal year 1953.

Mr. Boeckh took the actual expenditures of the government, agency by agency, for the average of the three years 1926-29, and established this as a base of 100 for computing the rising costs of these agencies as proposed by Mr. Truman for 1953.

The smallest boost in the proposed index of expenditures of any branch of the government was for the Congress. Its proposed expenditures for fiscal '53 will amount to 413.8% of the average amount the Congress expended upon itself during the years 1926-29.

On the other hand, the Office of the President showed the largest increase in spending, with proposed expenditures of 207,105.1% of the amount the Office of the President expended during the years 1926-29.

The 1953 index for other main agencies was as follows: Justice department, including the Judiciary, 821.3; Department of State, 2,310.3; Department of Defense, 7,371.5; Department of Agriculture, 1,045.4; Department of Commerce, 2,770.8; Department of Labor, 2,555.6; Department of the Interior, 901.2; Treasury, 4,094.2; Independent Offices (less Veterans Administration), 2,181.6; Veterans Administration, 1,037.2; Post Office for postal deficit, 917.4.

* * *

Senator Homer Ferguson (R., Mich.) is trying, but without much success, to get some interest raised in the International Materials Conference. This is the organization which unofficially, and without a statute or legal power whatever, has been allotting total supplies of scarce raw materials among virtually all of the countries of the free world.

Ferguson says that the State Department has no authority to subtract scarce materials from the U. S. economy for diversion to other countries, and he especially decries the fact that these materials are allocated for maintenance of the civilian economies of other countries, not merely for the purpose of sustaining the war production programs of countries actively to arm against the menace of Russia.

(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

"Congratulations, Mr. MacWeasel—you now have two beautiful little exemptions!"

Business Man's Bookshelf

Antitrust Law Symposium: 1952 —Commerce Clearing House, Inc., 214 North Michigan Avenue, Chicago 1, Ill.—paper—$2.00.

Communism: Where Do We Stand Today?—A Report of the Committee on Communism—Chamber of Commerce of the United States, Washington 6, D. C. —paper—50¢ (lower prices on quantity orders).

Economics of Full Employment —An Analysis of the U. N. Report on National and International Measures for Full Employment—Wilhelm Ropke—American Enterprise Association, Inc., 4 East 41st Street, New York, 17, N. Y.—paper—50¢.

Expanding Your Income—Ira U. Cobleigh—David McKay Co., Inc. 225 Park Avenue, New York 17, N. Y.—cloth—$2.00.

Par Values and Transfer Agents — Bi-monthly service — Fleming Publishing Co., 548 South Spring Street, Los Angeles 13, Calif.—$12.00 per year.

Regulations Concerning Dealings in Gold and Foreign Exchange in Belgium—First Supplement — Bank for International Settlements, Basle, Switzerland—paper—Sw. francs 15 (plus postage). (Price of the complete work original compilation with first supplement is Sw. francs 25 plus postage.)

Security Dealers of North America: Directory of Stock and Bond Houses in United States and Canada—newly revised 1952 Edition—Herbert D. Seibert & Co. Inc., 25 Park Place, New York 7, N. Y.—fabrikoid—$10.00.

Tax Systems—13th edition, 1952 —Commerce Clearing House, Inc. 214 North Michigan Avenue, Chicago 1, Ill.—hard fabrikoid binding—$17.50.

Theory of Price Control, A — John Kenneth Galbraith — Harvard University Press, Cambridge Mass.—Cloth—$2.00.