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EDITORIAL

As We See It

Whether President Truman likes it or not, our foreign policy has in a number of its aspects become a "political issue." Whether it will later come into the area of serious public discussion and debate, and, what is more important, public decision at the polls next November, remains for the future to disclose. What the present Administration demands, like its predecessor and perhaps more or less like all political regimes, is that this subject be "kept out of politics" by the simple expedient of having the whole country accept uncritically its own notions, attitudes and programs without alterations or exceptions. This, in our judgment, would be unsound, unwise and unsafe.

The time has come, indeed it came a good while ago, when the people of this country should, indeed must, sit down with themselves and work out their own attitudes and their own programs and their own decisions in this field of international relations. To leave it longer in the hands of the day dreamers, the slogan manufacturers or the professionals who have not infrequently corrupted their wisdom by reason of their brightness—to employ a slightly modified observation of the well known Hebrew prophet—would be hazardous in the extreme.

The people of this country, particularly the great rank and file living in the vast inland areas of the United States, have traditionally been indifferent to international affairs save as they were very directly affected, or thought they were directly affected, by them—as, for example, in the case of protective tariffs. There are many who would like to have us believe that this his-

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European Experience Proves Need for Sound Money

By PER JACOBSSON*

Economic Adviser and Head of Monetary and Economic Department of Bank for International Settlements

Dr. Jacobsson, tracing Continental developments since the end of World War II, finds: (1) a country can solve most of its external problems through proper internal measures, as budget-balancing and stiff credit policy; (2) internal balance must be achieved by central banks in lieu of politicians; (3) increase in the rates of interest is indispensable for checking undue expansion of credit; and (4) prices in the world markets are largely determined by United States price movements.

It is very instructive to compare the developments which took place and the policies and modes of thought which prevailed after World War I with those which have followed World War II. Such a comparison is especially interesting in the monetary field. After the first world war there was practically unanimous agreement that a stabilization of currencies ought to be brought about with the least possible delay, and this meant, for all practical purposes, a return to the gold standard.

Dr. Per Jacobsson

My first public appearance of any consequence was at a meeting in Stockholm in February, 1920, where representatives of the three parties in Sweden—the Conservatives, the Socialists and the Liberals—joined together for the purpose of urging upon the central bank the need for a restrictive monetary and credit policy in order to check the inflationary rise in prices. For the Conservatives, the speaker was Professor Eli F.

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*An address by Dr. Jacobsson before the National Industrial Conference Board, New York City, Jan. 23, 1952.

The Elusive Mandate!

Hearing on SEC proposal to implement Title V of Independent Offices Appropriation Act. Oral hearing surplusage. No new arguments. Commission in cozy position of sitting in judgment on its own creature. Repeal of Title V is sole sweeping remedy.

Came the 14th day of March and in its building on 2nd Street, N. W., at Washington, D. C., the Securities and Exchange Commission sat in judgment on the proposal of the Securities and Exchange Commission to implement Title V of the Independent Offices Appropriation Act of 1952.

How cozy for the SEC!

Chairman Cook called the hearing to order, the other Commissioners present being McEntire, Rowen and Millonzi.

In reviewing the record of that day's hearing we are confirmed in our view, expressed editorially last week, that nothing new would be developed and that, except as a basis for time consumption during which legislative relief might be obtained, the hearing would be mere surplusage.

In an opening statement Chairman Cook promptly placed the Commission on the defensive. He quoted Title V verbatim, said that with regard to the present SEC proposal statements "have been made and widely publicized to the effect that the Commission is attempting to free itself of budgetary control by the Congress and to usurp the Congressional power of taxation."

Commissioner Cook found these statements hard to understand "since the proposal to charge fees did not originate with us, and represents merely the Commission's attempt to carry out the expressed sense of the Congress."

Chairman Cook claimed that since the proposed fees would go into the Federal Treasury, they

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

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Union Oil Company of California—George V. Honeycutt of Harbison & Henderson, Los Angeles, Calif. (Page 2)

Dan River Mills, Inc.—N. Leonard Jarvis, partner, Hayden, Stone & Co., New York City (Page 2)

GEORGE V. HONEYCUTT

Harbison & Henderson, Los Ang., Cal.

Union Oil Company of California

The famous orange and blue "76" sign displayed on Union Oil stations all over the West is well known, and is a fitting symbol of the company since organization in 1890. With all due respect to past excellent managements, it is my opinion—from close observation of the company for over 20 years — that today the the Union Oil Co. of California, headed by dynamic Reese H. Taylor, has the most astute and aggressive management in its history. And that is a big factor in leading me to select their common stock as THE SECURITY I LIKE BEST in the "Chronicle's" forum.


George V. Honeycutt

While it has pioneered many things, the growth of Union Oil has not been spectacular, but gradual—showing constant improvement. It prospered from the beginning, and since 1890 has rewarded its stockholders with dividends in every year but two (1914-15). To obtain some idea of growth, the records indicate that back in 1910, when they were 20 years young, the company did an annual business of $12 million. Today it does an annual business of over $250 million.

Union Oil today is engaged in all branches of the oil business, its products being distributed principally in the Pacific Coast states, Arizona, Montana, Idaho, Nevada, Hawaii and Alaska. However, there are now 28 distributors in 34 Eastern states marketing its products.

As with other petroleum companies, their problem is meeting the demand of the time and keeping their products in balance. On the West Coast the population growth has increased the demand for gasoline. This shift in demand was a special problem for Union because it has been generally regarded as a heavy crude producer and refiner. In order to improve the quality of their crude receipts, they recently acquired several important properties: (1) the Los Nietos Co., with estimated gross crude reserves of high gravity oil totaling 48 million barrels; (2) the Doheny leases, with estimated 40 million barrels of gross reserves of light refining crude oil; and (3) leases formerly held by the Havenstrite Oil Co., with reserves of approximately 10 million barrels of light crude. These reserves are all in California.

Union Oil has also been making rapid strides both in refining techniques and capacity. At present they have well under way the construction of a fluid catalytic cracking plant having a capacity of 28,500 barrels a day. Completion of this unit will give Union the largest total catalytic cracking capacity on the West Coast.

In 1950, Union took a major step in sales expansion by invading the lubricating oil market east of the Rockies, and already their oils are being handled by 7,000 retail outlets in 15 states in the Rocky Mountain, Midwest and Atlantic Seaboard areas. Only the development of new solvent refining techniques, in which Union research played a major role, made it possible for them to produce a superior lubricant from western crudes. This in turn made it possible for them to step into the highly competitive eastern territory.

As their future also depends on exploration, let's see what they are doing. At present, their exploration program is the most intensive and extensive in the company's history. This search for new sources of oil and gas is being carried on in 17 states and in Canada. In West Texas they have made important oil discoveries, including a major field. Their Louisiana gas reserves are currently delivering 30 billion cubic feet per year under long-term contracts to three gas pipeline companies. Union has over 2 million acres under lease in the new Williston Basin in Montana and North Dakota. In Canada they hold some 3 million acres under lease, some of which are jointly held with other companies. Their drilling to date in Canada has resulted in the discovery of large gas reserves, and one joint well brought in in October, 1951, had a rated potential flow of 66 million cubic feet per day.

In 1950, they acquired the United Geophysical Co., headed by Mr. Herbert Hoover, Jr., which operates in the United States and Canada; and the United Geophysical, S. A., which operates in foreign countries. Mr. Hoover is now on the board of directors of Union Oil. This purchase gives Union a research organization by which they can keep abreast of new developments in this field, and also contributes to Union's earnings by their contract work for other companies.

At the moment, their common stock, listed on most major exchanges in the country, can be purchased at approximately $36 per share. Last year the stock had a high of 42¼ and a low of 33⅞. Earnings for 1951 are estimated at $4.50 per share, compared to $3.09 for 1950. The company is strong financially, and the annual dividend should be a minimum of $2 this year. In the past three years their crude receipts are up 16%, sales volume has increased 27%, and the book value per common share has risen from $38 to $43. Thus, to me, the future outlook for Union Oil is very bright.

N. LEONARD JARVIS

Partner, Hayden, Stone & Co., New York City

Dan River Mills, Inc.

Generally, equities of textile manufacturers have been for some months and continue to be in public disfavor. However, as is frequently the case, depressed industries frequently offer situations which are particularly interesting for one or more special factors. In this connection, we believe that Dan River Mills common stock has strong long-term attraction not only because the company is a well-established manufacturer of cotton and blended fabrics but because the company's "research-mindedness" is beginning to produce tangible results. Today, research to many industries such as chemical, petroleum, rubber, pharmaceutical, etc., is an accepted and important segment of overall operations. However, in the textile industry Dan River Mills is unique in that it is aggressively conducting a continuing research program to broaden the uses of its products and to create high demand fabrics, as well as to improve its production efficiency.


N. Leonard Jarvis

Started in the early 1940s, the company's research program was given added impetus after the war and constant study is being directed toward the application of Dan River's chemical processes to the natural cotton fibres and to synthetic fibres for the production of natural and blended fabrics of greater appeal to compete with present day, man-made, test-tube textiles.

An outstanding accomplishment of Dan River's research program is the manufacture of "WRINKL-SHED" a cotton cloth treated by a chemical process of Dan River's own development. Untreated cotton, because of its molecular structure, does not have the resiliency of wool and wrinkles do not hang out. However, by application of the "WRINKL-SHED" process, the cotton molecules are "tied together" giving the fibre wool-like snap-back. "WRINKL-SHED" fabrics do not need starching, have permanent shrinkage control, stay clean longer, wash and iron easier, dry faster, resist mildew and retard perspiration odors. "WRINKL-SHED" has received press notices in many magazines and newspapers throughout the country and apparel manufacturers, along with consumers, are accepting this product with enthusiasm. Thus, it seems that Dan River has solved one of the first problems it set for itself 10 years ago; that is, to make a cotton cloth with new qualities and new utility values.

A more recent development is the chemical process called X-2, which the company expects to exploit commercially beginning this spring. This new chemical process when applied to viscose rayon fabrics is said to extend both the flat abrasive strength and the flex-life of these fabrics far beyond accepted standards, giving greatly increased wear-life and positive shrinkage control. The X-2 process also conveys the

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Capitalization of Dan River Mills—

Promissory Notes, 3¼%, due 1971	$8,550,000
Preferred Stock, 4½% cum. ($100 par)	32,324 Shs.
Common Stock ($5 par)	1,500,000 Shs.

LETTERS TO THE EDITOR:

Vinson Says UMT Bill Awaits Action on New Army Reserve Plan

Chairman of House Armed Services Committee writes members of Senate Armed Services Committee urgng immediate action on House-approved reserve measure, but does not indicate he will reintroduce UMT measure this session. "Chronicle" publishes more comments on Dr. Carothers' article.

A United Press dispatch from Washington, dated March 16, reveals that Rep. Carl Vinson of Georgia, Chairman of the House Armed Services Committee, in a letter to members of the Senate Armed Services Committee, urged swift action on the House-approved reserve bill "before we again take up Universal Military Training."

In his letter, Rep. Vinson called attention to the lack of an overall reserve program as one of the chief arguments raised by UMT critics when the House voted 236 to 162 earlier this month to send the training bill back to the Armed Services Committee.

The House military reserve bill would divide reservists into three groups viz: the ready, stand-by and retired reserves. The President is given the power to call up the ready reserves after declaring a national emergency but only after Congress decided how many men to allow him. Under the UMT bill, 18-year-old youths would take six months' military training, followed by seven and a half years in the ready reserves.

In view of the continued interest in UMT, the "Chronicle" publishes below additional comments of readers elicited by the article of Dr. Neil Carothers, entitled: "UMT — Why It Is a Mistake," which appeared in our issue of Feb. 21.

WILLIAM GREEN
President, A. F. of L.

The attitude of the American Federation of Labor in regard to UMT is as follows by unanimous action of the 1951 Convention:

"In view of the present war emergency, the Executive Council favors limited universal training; however, that it shall end with the emergency, that it shall not become part of our educational system and that it shall in no way transgress upon or become part of our civilian system of service, production and distribution, or be used in any way to limit, restrict or interfere with the rights of labor individually and/or collectively."

William Green

You are probably aware that on March 4 the House of Representatives recommitted the bill, H. R. 5904, by a vote of 236 to 162 and, of course, this kills the legislation for the present session of Congress.

The bill as presented to the House by the Armed Services Committee did not contain amendments which would take care of the A. F. of L. Convention's requirements and, therefore, we were obliged to oppose it in the form reported.

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

Dr. Carothers' statement is a provocative one which should be made required reading for every legislator and businessman in the United States. Perhaps it will help stimulate the type of clear and unbiased thinking we need in our approach to a situation that could ultimately have a seriously detrimental or unusually good effect upon America and its future, depending upon one's immediate approach.

John W. Barriger

In any event, I heartily agree with Dr. Carothers' contention that all of the universal military training in the world will be completely worthless if our scientific and technological developments do not remain at least one jump ahead of everyone else.

PAUL C. SMITH
Editor, San Francisco "Chronicle" San Francisco, California

As you may realize, five or six years ago, just after the end of the war, the San Francisco "Chronicle" took a stand against universal military training. We felt then that such a program would constitute a great step toward the militarization of the U. S., and that the subtraction of a year from the life of a budding young scientist or engineer, might do the military a great deal more harm than good. These, we felt, were valid arguments against UMT.

Since that time, however, we have had the steady pressure of the Russian policy of world-wide domination ever upon us. And we have had the Korean war. These things have served strongly to change our point of view.

In fact, it now seems to us that UMT, in today's circumstances is

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The Hounds of Spring

By IRA U. COBLEIGH

Author of "Expanding Your Income"

A running account of the economic importance of the Greyhound, and of certain security issues which his velocity has generated.

Now that the Saint Bernard dogs have started to come down off the mountains for refills, and town and country dog-walkers are lengthening their stop-and-start hikes because the weather's so nice, it's as timely an occasion as I'll get to write about the big breadwinners in the dog family—the greyhounds. In the last ten years, this particular quadruped, teamed up with pari-mutuel betting, has created an important industry, a fascinating spectator sport, and permanent employment for a non-multiplying variety of rabbit.

Ira U. Cobleigh

If you think the impact of racing dogs on our economy is too slight to receive particular consideration, then just glance over the 1950 "handle"—the total amount of money bet on dog races in five leading states where they flourish.

Dog Racing Total Handles—1950

Florida	$85,546,438
Massachusetts	44,054,557
Arizona	6,345,182
Colorado	13,426,821
Oregon	11,358,078
Total	$160,731,076

$160 million is quite a gross and it generates important and esteemed net revenue for the states which have legalized the sport. For instance, in Massachusetts, all pari-mutuel wagering and license fees from dog racing go into the Old Age Assistance Fund; and many a genteel little old lady today is a rockin' out her sunset years in contentment, just because several hundred dogs keep busy running for her. The Revere Track, alone, turned in $26 million to this fund in the decade beginning 1940.

As for the popularity of the sport, there is a famous track in Havana, the Havana Greyhound Kennel Club, over a dozen parks in Florida, two in Arizona, three in Colorado, one in Portland, Ore., and two big ones in Massachusetts, and one in Tijuana. It's a year 'round pastime with devotees following the sport around the country like old-time horse players. On one night last Summer at the Mile High Kennel Club in Denver, a check of the parking lot showed car licenses from every state in the Union, except Delaware! Brother, that's enthusiasm, and as for bets, the average greyhounder spends $25 a night buying mutuel tickets and some tracks have reported per capita wagering, at a single session, as high as $90.

The various tracks have a race season ranging from 60 days to five and a half months. Between 500 and 700 greyhounds make up the race entries in the average 60 day barkeroo. The favorite distance is five-sixteenths of a mile with special events at three-eighths and seven-sixteenths. Greyhounds and, you'll pardon the expression, lady greyhounds, both race and there have been top champions from each sex. Whereas there has been an occasional whisper about jockeys deciding, in advance, the winner of a horse race, there is no record of collusion of that sort among the hounds! You may bet on a slow greyhound, but you'll never bet on a crooked one.

It doesn't take as long to get the hounds off as it does horses, so each day offers you usually 10 races. Weights of the speedsters vary from 45 to 75 pounds and champions can bring $20,000. As for names, you couldn't tell 'em from horses! Colonist, Rapid Robin, Daisy Patch, Darling Flash, Hobo Tan, Lotus, Safe Bingle—these are all monickers from the pooch paddock.

It seems to be pretty well established that ownership of a well-located, well-equipped dog park is usually a profitable venture. Evening racing, and a relatively low admission charge spurs patronage, and with the great decline in bookmaking resulting from the Kefauver Inquiry, it is felt that "on track" mutuel betting should increase importantly in 1952.

From the investor standpoint, however, dog stadia securities are hard to come by. Nearly all are privately owned. Some parks may, in due course, make public security offerings, but right now there are only two canine certificates traded on the market. They are both over-the-counter.

The larger issue is 1,296,750 shares of common (sole capitalization) of Revere Racing Association, Inc. This represents the ownership of Wonderland Park at Revere, Mass. Accessible to a dense population area of over 2,500,000, including Boston, Wonderland, now in its 18th season, does a wonderful business.

All its races are held at night and admission charge of only 25 cents allows the sport to compete effectively with horse racing, baseball and other amusements. A long season—100 days—between April and October gives the coursing enthusiasts in the area plenty of opportunity to become hound handicappers; and also attracts thousands of visiting vacationers.

Lest any careless trainer allow his hound to guzzle water before the race (and as a result, pursue the electric rabbit languidly) the dogs are in the hands of vets for some hours before each race. They are also (the dogs not the trainers) inspected under state supervision. There is obviously a sincere desire to keep the sport clean—clean as a hound's tooth!

For the fiscal year ending April 30, 1951, 1,256,725 hound hounds paid track admissions at Revere. They bet $30,762,077, providing gross commissions and breaks to the track of $2,933,639. Operating expenses, taxes and depreciation reduced this balance to $1,018,351. Add to this $443,000 as the take from admissions, programs and concessions, and resulting net before taxes was $1,461,604. (After taxes, $839,000.)

This is pretty good earning power, but the management hopes to get it back up where it was in the all-time peak year—1947—when attendance reached 1,627,154, and bets were almost $50 million. Since 1947, dividends of 80 cents a share have been paid, yielding just 10% on Revere stock, now quoted around 8.

A lesser enterprise is the Mile High Kennel Club, Denver, Colo., with 400,000 shares of common quoted around 5¾ with, I believe, 50 cents in 1950 dividends. Net income for year ended Jan. 31, 1951, was $233,538. Management is progressive, and aggressive promotion of the park holds forth some promise of higher earnings.

It's obvious that these two items, the only equities in hound tracks available to the public, are not going to replace duPont in many portfolios, but they probably have some fascination and logic in their speculative appeal to the vary same people who attend the dog parks. Further, here's another investment channel for those who wish highly extensive diversification.

While we're still on the subject of greyhounds, however, I do have another nominee that might make a more orthodox appeal to fastidious investors—Greyhound Corp.—listed on the N. Y. Stock Exchange, and selling now at 11½. Paid $1 in 1951 on each of its 10,000,000 common shares outstanding.

The principal property of Greyhound Corp. consists of the securities of affiliated bus lines owning as of 12/31/50 5,517 buses. Operations extend into 46 states, the District of Columbia and seven Canadian provinces. Through interline tariffs, Greyhound provides a uniform national transportation system. Earnings per share were about $1.20 for 1951 and the company has had a generous dividend record, unbroken since 1936, having split 4-for-1 in 1936 and 3-for-1 in June, 1947. A generous yield, a progressive management, Greyhound Corp. common qualifies as a dog in name only.

This unusual article leaves you perhaps with a new knowledge of assorted greyhounds, some value appraisal of outstanding securities in the field (to be buttressed, of course, by reference to latest financial statements) and a sustained recognition of the native American willingness to take a ride or a risk. If you favor mechanical rabbits, you may like the first two items; if you favor mechanical greyhounds, you'll no doubt prefer the third entry. In any event, you'll be treating with a special breed of man's best friend—Greyhounds—my selection for the "hounds of Spring."

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert D. Cathcart is now affiliated with Paine, Webber, Jackson & Curtis, 626 South Spring Street. He was formerly with William R. Staats Co.

Cruttenden Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Ray C. Coberly has been added to the staff of Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

The Business Prospect Thru 1952

By A. W. ZELOMEK*

Economist, International Statistical Bureau, Inc.

Holding there are better times ahead, Mr. Zelomek lays causes of bad First Quarter business to government fiscal policy, weakness of speculative markets, unfavorable international situation, reduction in wholesale demand, and excessive inventories. Says no further deflationary moves are necessary at this time and points to continued upward trend in disposable income as favorable business factor. Predicts better business will begin sometime in second quarter of year.

There are some interesting questions about the business prospects during the remainder of the year. When I can come out this way and have a good dinner, and then talk to what I am sure is a very intelligent audience afterward, it almost convinces me that I really know what the business outlook is.

A. W. Zelomek

Now I don't mean by that last remark to imply that you should have no confidence in my opinion. I think as a matter of fact that my opinion about this question really is worth while. We have a lot of people in our organization, who are out in different markets and who study different industries, who follow such important questions as defense policies and foreign political trends, and I don't believe that so many people could work so hard without coming up with some conclusions which have both interest and value.

On the other hand, you realize we have no crystal ball. What all of us economists try to do is to study and evaluate all the important factors, balance one off against the other, and make what can be called either a forecast or an intelligent and well informed guess. None of us use exactly the same system, or get exactly the same answers; and every so often, in this very troubled world, some international development will come along and cause us a lot of trouble.

This very variety of effort, however, as well as its intensity, does give us a viewpoint and understanding which is impossible for those who have to concentrate most of their energy and attention on specific business problems, like you do. I know you have been very busy and that you will continue to be very busy with your credit and financial management functions.

Better Times Ahead

Right now it is easy enough to hear complaints about bad business. This is true among retailers, where sales in many cases have continued to show losses from a year ago. It is also true among soft line industries, particularly textiles and apparel, and in and around New York City which is such an important center for these activities.

I know that you people in the credit and financial management field see present difficulties and uncertainties just as clearly as I do. My only fear is that your own viewpoint and experience may have been a little distorted, and may have caused you to be a little more pessimistic than is justified. For I can tell you right now that there are two good reasons for expecting a better trend in business activity in the last six to nine months of this year.

(1) One reason is that the recent recession hit soft lines, particularly textiles and apparel, harder than it did anything else. However, there has already been a substantial period of inventory liquidation and I do not believe there is much doubt but what there will be a pick-up in new orders, an increase in production, and an improvement in prices and financial positions in these industries beginning sometime in the second quarter and lasting through the year.

(2) A second reason is that many other industries, with which you are less directly connected, have not been at all seriously affected and have favorable prospects, either because of expanding defense work, or because allotments of metals for civilian goods are not going to be cut as much as was expected only a few months ago.

Previous Expectations

Here I am, however, talking to you at a time when conditions are generally bad, and telling you that in due course they will be better. If I can point out to you that I previously expected the first quarter to be bad, you may have more confidence in what I tell you about an improvement later on.

Why First Quarter Business Is Bad

There are a number of reasons why first quarter business has been bad. I want to review these briefly, but I want to point out first that these reasons could have been foreseen in advance. We shouldn't be too surprised, or shocked, or discouraged, by what is happening now.

(1) **Government Fiscal Position:** As is usual in the first quarter of the year, the Treasury is taking in much more cash than it is paying out. This year's cash surplus is the largest in some time, reflecting the higher tax rates, the lag in some forms of spending, and the fact that corporations are "catching up" to a current basis. Many companies and individuals may be temporarily pinched for cash around March 15.

In the past this has frequently caused liquidation of futures contracts and sometimes of spot inventories. *The general influence of this factor is unfavorable to prices and business activities, and this year is no exception.*

(2) **Price Trends:** Speculative

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*An address by Mr. Zelomek before the Woman's Group of the New York Credit and Financial Management Association, New York City, March 6, 1952.

Loftus Exec. V.-P. Of R. S. Dickson

Edgar J. Loftus has been elected Executive Vice-President and a member of the board of directors of R. S. Dickson & Co., investment banking firm. He will also serve on the Executive Committee. Mr. Loftus makes his headquarters in the firm's New York office, 30 Broad Street.

Mr. Loftus has been in the investment business since he was graduated from the University of Pennsylvania in 1923 and with R. S. Dickson & Co. since 1946. He served as Lieutenant Colonel in the Army Air Forces 1942-45.

John Edward Burnside, President of Home Finance Group, Charlotte, N. C., was also elected a director of R. S. Dickson & Co.

Loewi & Co. Underwrite Koehring Stock Offer

Koehring Company is offering to its common stockholders of record March 8, 1952 the right to subscribe on or before March 26 for 60,715 additional shares of common stock (par $5) at $26.75 per share at the rate of one new share for each four shares held. This offering has been underwritten by a group of underwriters headed by Loewi & Co. An additional 20,000 shares are offered for subscription by such employees of the Koehring Co. and its subsidiaries electing to purchase same under the Restricted Stock Option Plan.

The net proceeds will be added to the company's general funds. Increased inventories and accounts receivable resulting from expansion of operations and greater volume of sales have increased the company's requirements for working capital. The company intends to apply its general funds to meet these and other working capital requirements.

Koehring Co., incorporated in Wisconsin on March 5, 1907, as Koehring Machine Co., has been engaged continuously in the business of manufacturing various types of construction equipment. Its name was changed to the present title in February, 1921.

Western Central Pet. Stock Offered at 50c.

S. B. Cantor Co., New York, is offering "as a speculation" an issue of 599,000 shares of common stock (par 10 cents) of Western Central Petroleums, Inc. (Del.) at 50 cents per share.

The corporation intends to use the net proceeds for the purpose of operating and developing the oil, gas and mineral interests presently owned by it, as well as to expand its business generally.

The company in February, 1952, acquired two producing oil and gas leasehold interests (subject to outstanding royalty interests) known as the Fehr and Yoesel leases, which leases cover 200 acres of land in the Barada Field, Richardson County, Neb. This acreage now has four producing oil wells thereon.

The State of Trade and Industry

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

Notwithstanding a brief walkout of rail workers in the Midwest which hampered output for a few days, nationwide industrial production inched upward slightly in the period ended on Wednesday of the previous week. It was further noted that aggregate output which was bolstered by many defense orders, was about even with the high level of a year ago, despite the declines in many consumer goods. The employment situation in the latest week revealed that claims for unemployment insurance benefits continued to decline.

Anent the rail strike, Federal Judge Emerich B. Freed in Cleveland on Tuesday of last week declared that continuation of the railroad tie-up would "endanger national security and cause irreparable injury to the United States."

Judge Freed on that day signed a temporary injunction restraining the unions from prolonging their strike against the Western Division of the New York Central System and the St. Louis Terminal Railroad Association. The court order also prohibited the unions from calling strikes against other railroads. On March 19 (Wednesday), Judge Freed was scheduled to hold a hearing on a permanent injunction.

This week the steel mills, threatened by a nationwide walkout of the CIO Steelworkers, set for Sunday, next, scheduled the highest output in the industry's history. Operations were slated at 102.4% of capacity, against 101.8% last week. If this week's projected rate is attained, it will result in a record production of 2,127,000 tons of ingots and castings, or 13,000 tons above the previous high, set last week.

President Murray will confer with the union's top policy makers today on the government's request for postponement of the walkout until at least April 8. By this date, the Wage Stabilization is expected to issue its recommendations for settlement of the steel wage dispute.

The cost of price control in the United States in terms of dollars for the period July 1, 1951 to the close of February, 1952, is placed at $45,000,000, according to Price Administrator Ellis Arnall.

This total for eight months of operation was out of a budget allocation of $71,000,000 for the fiscal year to end June 30, 1952. In an interim report on the Office of Price Stabilization, Mr. Arnall said his work force jumped from an average of 7,405 persons in 1951 to 11,796 at the end of February.

For the third straight week steel ingot production rose to a new all-time high; at 102.4% of capacity it is fractionally above last week's level of 101.8%.

The margin of uncertainty over steel wages and prices is rapidly narrowing, according to "The Iron Age," national metalworking weekly. All parties feel an urgent demand to get down to business, bringing the highest officials into rapid and final negotiation through their intermediaries.

Regardless of the hope for eleventh hour strike postponement, the steel industry will lose vital production this week. On the chance that the steelworkers' wage policy committee would refuse to postpone the strike deadline, the industry had to be prepared. This meant it had to start idling facilities by midweek, so that a strike wouldn't cause undue damage to them, this trade authority states.

There was little doubt that Wage Stabilization Board recommendations would win quick support from the union. Almost forgotten now are the early days of the bargaining when it was generally conceded that the union was entitled to only 5c to 7c per hour under the wage stabilization formula. Now the Steel Panel has stated that any figure from 9c to 23c can be granted.

The biggest obstacle to quick settlement is that the Administration has been unwilling to allow an equally liberal interpretation of price stabilization. In the case of prices, officials have unswervingly insisted on liberal interpretation to the letter of the law. In addition they have offered $2 to $3 per ton price increases under the Capehart Amendment as bait—even though the industry is entitled to this regardless of a wage increase, this trade weekly points out.

Cost analysis by steel companies shows that it would take at least $6 a ton to cover a 15c wage increase; or more than $7 to cover 18½c. That's why they have been taking dead aim at the $2 to $3 trial balloon that has been floating their way from Washington. If there is a strike, this will be the crux of it. They will not trade the recommended wage increase for that amount of price relief.

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Observations . . .

By A. WILFRED MAY

Toward Intelligence in Stock Pricing

Is Schering Corporation common stock "worth" 21 or 10 times its last year's earnings, 18 or nine times its three-year average earnings, 2½ or 1¼ times its book value? This extremely wide deviation in value measures, reflects the differing judgment displayed by the nation's experts in their last week's competitive bidding for purchase of this stock from the Attorney General. The very wide range of the bids, with the highest being double the amount of the lowest (submitted by another chemical company), importantly demonstrates the inexactitude and difficulty of equity appraisal in the market place, in addition to the dependence of valuation on the use to be made by the respective purchaser.

A. Wilfred May

But neither such result, nor the various specific appraisal difficulties, eliminate the desirability of basing investment commitments on value criteria in lieu of forecasting market movements.

Value analysis with the present capitalization of future return is not to be foresaken because of the numerous imponderables and uncertainties entailed in calculating an enterprise's future earnings, in judging the "quality" of the management in its use of the asset value, etc., etc. The revealed difficulties in the way of hard-and-fast scientific appraisal should rather prompt the search for price representing a *favorable buying opportunity* in lieu of rigid *appraisal.*

Giving Practical Meaning to Yield

Such buying value-determination should depend on a number of factors, classified according to the kind of company being considered; but in any event giving practical and definable meaning to the dividend yield and multiplier, rather than having them merely conform to tradition or other arbitrary determination. Earning power and balance sheet factors should be scrutinized cold-bloodedly by the investor as media for the preservation and profitable employment of his capital, rather than as scorekeeping figures in a game.

The Simple Liquidating Situations

First in the category of companies offering opportunity for calculating the profitable return on capital invested, come to mind the liquidating and semi-liquidating propositions. Perhaps the most clearly discernible of these in recent years were the numerous utility entities actually in process of dissolution according to the directives of the SEC under the Public Utility Holding Company Act. Because of the foibles of the investment community, these issues were readily available on the market at prices that represented "favorable buying opportunities" through their virtually certain promise of a return in excess of the capital invested, via the earnings from the underlying properties purchased at a discount.

Then there are numerous clearcut *discount-from-asset* categories, where the time of realization is indefinite, but where the underlying values are clearly calculable, and where *income* throw-off is meanwhile being gained at an appreciable discount. A current example is Transamerica Corporation. This stock is purchasable at approximately a 25% discount from the aggregate value of its underlying companies calculated according to the market pricing of similar issues in the banking, insurance, and finance fields which comprise those assets. The parent company's stock yields about 8½% on income received and 5% (tax-sheltered) on the dividend it pays, and thus adequately compensates for the risk and rental value of the investor's money.

In the case of the equity shares of banks and fire and casualty insurance companies, they can be considered as giving the opportunity for buying assets at a discount from genuine value, with income expectable at yields well-protected (insurance companies distribute less than the income from their investments) at levels higher than the rental value of money. The smaller absorbable companies offer an extra "bonus" in the form of possible "lightning" to strike from future merger.

Amortizing Out of Retrogressing Situations

More complicated in the field of liquidating approach, are companies which are retrogressing or which are in recognizably declining industries. A present example of the latter is invest-

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What the Federal Reserve Is and Should Be

By WM. McCHESNEY MARTIN, JR.*

Chairman, Board of Governors, Federal Reserve System

In explaining to a Congressional Committee functions of the Federal Reserve, together with his attitudes toward inquiry into its operations, Mr. Martin stresses its part in monetary management, and upholds its independence by stating System is an ingenious merging of public and private interests in a characteristically democratic institution. Says monetary policy cannot alone achieve stable economic progress, and calls recent Treasury-Federal Reserve accord more than "an empty gesture."

In coming before you today I should like to express what I know has been in the minds of all of us in the Federal Reserve System in preparing the answers to your questionnaire. We have welcomed this opportunity to put down on paper our concepts of what our function is in the governmental structure and in economy. You gave us a heavy load of homework and we have all profited by it. I know that for me it has been more than a refresher course—it has been a liberal education in what I prefer to call reserve banking, rather than central banking operations. The task of preparing answers to the comprehensive and searching questions has been formidable and I will not pretend that I approached it without some reluctance. Now that the task is done and the results are published, I realize how worthwhile has been the time and effort expended not only by those of us in the System, but by the many others to whom you addressed questionnaires. Irrespective of the conclusions you may reach as a Committee, you have assembled a body of information that I think will prove to be invaluable for a long time to all who are interested in the special problems of general credit control and debt management.

W. McC. Martin, Jr.

Beyond that, however, we have all genuinely welcomed this inquiry. The Federal Reserve System is a servant of the Congress and, through you, of the people of the United States. You created it, you can abolish or change it. Our task is to carry out your will and it is our duty to lay before you all the facts at our command for which you ask and to give you our best judgment on these important matters.

We are glad of the opportunity to make any contribution we can to the improvement of this reserve banking mechanism. Like all human institutions, it is not perfect or infallible. In the nearly four decades of its existence, the System has undoubtedly made mistakes. It has also learned from experience. One of the fundamental purposes of the Federal Reserve Act is to protect the value of the dollar. Yet that value today in terms of purchasing power is less than half of what it was when the System was founded. In this span of years the country has engaged in two world wars and is now in the throes of what might be called an undeclared war. With the vast economic changes brought about by military and security needs, monetary policy by itself cannot maintain economic stability and preserve unchanged the purchasing power of the dollar. Even aside from these disturbances, it is probably fair to say that monetary policy has not always been as timely or as effective as it could have been.

Your first concern, I take it, is to look at the record of the past principally for the light it can throw on the road ahead. We are trying to look forward, as you are. In his first inaugural address as President, Woodrow Wilson included a statement, part of which is inscribed in the foyer of the Federal Reserve Building:

"We shall deal with our economic system," he said, "as it is and as it may be modified, not as is might be if we had a clean sheet of paper to write upon; and step by step we shall make it what it should be, in the spirit of those who question their own wisdom and seek counsel and knowledge, not shallow self-satisfaction or the excitement of excursions whither they cannot tell."

I am sure it is the purpose of this inquiry, as it is of all of us, to appraise judicially this reserve banking mechanism and to do whatever appears wise so that it may render the best possible public service.

Functions of Federal Reserve

The Federal Reserve System and the Federal Banks sometimes are referred to as bankers' banks, but that describes only a part of their functions. The various services which the Reserve Banks perform for the banking community, such as supplying currency, transferring funds, and collecting checks, have proved to be an essential element in keeping the mechanics of modern-day commercial banking in step with the financial needs of a growing and changing private enterprise economy. The overriding purpose of this Reserve System is to serve the interests of the general public in business, industry, labor, agriculture and all walks of life. As I understand the intent of this inquiry and of these hearings, it is to explore how that interest of the public can best be served in the area of general credit control and debt management on which the activities of the Federal Reserve System have so important a bearing. The approach to this broad subject by the members of this Committee and of the Banking and Currency Committees and those of us to whom you entrust the duty of carrying out your wishes must be in the spirit to which Wilson referred. We must always question our own wisdom and seek counsel and knowledge.

Considering that money is one of the most controversial of all subjects, it is rather remarkable that the replies elicited by your questionnaire reveal so little fundamental divergence. Honest judgments may differ as to whether the Reserve System, for example, has done its job well or poorly. There are bound to be differences of opinion concerning the structure and internal operations of the System, but essentially I find very little difference in all the replies on fundamentals. There is a general recognition of the need for a mechanism of this kind to perform substantially the functions and to render the services that this System now furnishes. If the Congress were to do away with the present system some other way would have to be found to perform its function and to play its role in the economy.

Basically, the job of the Federal Reserve System is that of monetary management—to increase the money supply and make it more easily available when there is evidence of weakness in the economy and to reduce the volume of money and make it less easily available when indications show that there is excessive expansion. In other words, it is the business of monetary management to contribute to the broad objectives of steady economic progress which is the ultimate goal of all national policy.

The instruments by which these broad purposes of monetary management are achieved are dealt with in detail in the answers to your questionnaire. How and when and why these instruments have been used is likewise set forth at some length. You will have to judge how wisely or unwisely they have been used in the revealing light of hindsight. You will have to judge whether these instruments can be improved, or others provided. We have called attention to some of the various problems for which perhaps better answers can be found, but we are not, as you may have noted, recommending any broad or sweeping changes. The test that I have no doubt you will apply is whether the public interest is well served. I think that, generally speaking, it has been well served by the System.

A Democratic Institution

The System is a unique concept, an ingenious merging of public and private interest in a characteristically democratic institution. The doctrine of the separation of powers, as Mr. Justice Brandeis once pointed out, was adopted "not to promote efficiency, but to preclude the exercise of arbitrary power." The purpose was "not to avoid friction, but by means of the inevitable friction incident to the distribution of the government powers among three departments, to save the people from autocracy." Doubtless this reserve banking mechanism could be more efficiently devised or differently organized in the governmental structure, but it would be at the cost, I think, of something far more important. In any case, such an institution will in the last analysis render good or bad public service depending upon the abilities of the human beings engaged in its operation rather than upon its organizational form and structure. And by the same token, the resolution of difficult problems and of conflicts of opinion must come out of the minds of men and not from the forms in which they chance to be organized.

I have sought to indicate in a general way the attitude with which we have approached this important inquiry into the public's business as discharged by the Federal Reserve System. We have looked at this System, not as if we had a clean sheet of paper to write upon, but in the light of the concepts on which it was based and its performance over the years. We have tried to be honest with you and ourselves. Certainly we have nothing to withhold or conceal. The record is an open book.

We have sought to make clear that monetary policy cannot, by itself, achieve stable economic progress, but that it is an indispensable means to that end. It must go hand in hand with fiscal policy and debt management.

We have tried also to spell out as plainly as we can the meaning of the accord which we reached with the Treasury last March, in which you are naturally interested. Its achievement illustrates the point which I mentioned before that the solution of difficult problems and the reconciliation of differing viewpoints depends upon the ability of men to come to a meeting of minds in the best interest of the public rather than upon the ability of men to come organization. That accord was not a transitory or empty gesture. It is a reality under which debt management and monetary policy are moving together toward the same objectives with mutual understanding and meeting of minds.

May I add that I concur fully in your Chairman's confident prediction that the fundamental issues with which the Committee is concerned "will be found vastly too complex to permit of facile generalization."

*Statement of Mr. Martin before the Subcommittee on General Credit Control and Debt Management of the Joint Committee on the Economic Report, March 11, 1952.

Halsey, Stuart Group Offers Utility Bonds

A group of underwriters headed by Halsey, Stuart & Co. Inc. is offering $6,000,000 Southwestern Gas & Electric Co. first mortgage bonds, series E, 3⅜%, due March 1, 1982, at 100.75% and accrued interest. The bonds were awarded to the underwriters on a bid of 100.23%.

The company will use the proceeds of this financing to pay for a part of the cost of its construction program which for the years 1952 and 1953 will require approximately $19,000,000.

Southwestern Gas & Electric Co. is a public utility engaged solely in furnishing electricity to an estimated population of 450,000 in northeastern Texas, northwestern Louisiana and western Arkansas, including the cities of Shreveport, Texarkana, Longview and Marshall.

The bonds may be redeemed by the company at prices ranging from 103.75% to 100% and, for sinking fund purposes only, at prices ranging from 100.80% to 100%.

Safeguarding Our Money's Purchasing Power

By E. A. GOLDENWEISER

Former Director, Division of Research and Statistics Board of Governors, Federal Reserve System

Former Federal Reserve official reviews struggle for sound currency and conflict between creditor and debtor interests. Points out U. S. Government is now largest debtor, which explains its reasons for seeking low interest rates. Says Treasury's traditional attitude is narrow, short sighted, and inflationary. Upholds independence of Federal Reserve, and opposes Treasury "free borrowing" from central banks. Says law does not definitely authorize Federal Reserve to buy Government securities to maintain their price. Favors increasing rank of Federal Reserve Chairman so as to enable him to deal with the Treasury as an equal. Points out conflict between Treasury and Federal Reserve is between bondholders and housewives, and pleads for freedom of Federal Reserve from Congressional interference.

Price advances and declines affect the interests of all the people. As sellers, we like to see prices go up, but as buyers, and we are all buyers, we resent a rise in prices. It is beyond question that a stable price level would contribute a great deal to the general welfare and to effective operation of our economic system and our social and political institutions. Inflation is the greatest danger within our gates to our way of life.

E. A. Goldenweiser

The country's concern about an advance in prices has been the occasion of two investigations by Congressional committees which have examined the role that the Federal Reserve can play in preventing price advances. In 1949, a subcommittee of the Joint Committee on the Economic Report, under Senator Paul Douglas of Illinois, made a thorough study of the problem and made a brilliant report. At the present time another subcommittee, with Congressman Wright Patman as chairman, is making another investigation, has sent out searching questionnaires, and on Mar. 10 began to hold hearings.

Conflicts between advocates of rising prices and of sound currency, that is, money with a constant buying power, are nothing new in our history. There have been periodic movements for greater abundance of money, particularly during periods of economic depressions. We have had the greenback movement, advocating free printing of money by the Government, and the silver agitation in favor of silver coinage at a high and fixed relationship to gold. In both movements what was desired was inflation, that is rising prices. The inflationist group derived its main strength from regions and groups of people that were in debt. A rise in prices would make it easier to repay the debt. A bushel of wheat at two dollars would pay off twice as much debt as the same bushel at one dollar. The advocates of sound money, on the other hand, consisted for the most part of creditor regions and groups. To them a rise in prices would mean that the dollars they would receive in repayment of their loans would buy less goods than the dollars that they had loaned. They were opposed to that and in the past they had their way, chiefly because good times had returned before the presssure for inflation had resulted in action.

Conditions have changed. At the present time the principal private debtors are banks, insurance companies, and owners of mortgaged houses and farms. And the principal private creditors are bank depositors, holders of insurance policies, and owners of mortgages. The private debtors of today are not interested in a rise in prices; banks and insurance companies have no goods to sell; they take in dollars and pay out dollars with no reference to their buying power. Home owners are fully as concerned about the cost of living as about prices of their products, while private creditors, not usually thought of as such, namely, holders of deposits, of savings and insurance policies, are intensely interested in having their money maintain its buying power. Consequently at the present time the balance of power in the private economy would certainly be in the hands of advocates of sound money, of steady prices, rather than in those of advocates of inflation.

U. S. Government—Largest Debtor

But a new and larger debtor has arisen as the result of two world wars and a depression. It is the Government of the United States whose debt was $1 billon in 1913, $25 billion at the end of the first World War, and more $250 billion at the present time. The Federal debt today is larger than the aggregate of all private debts. The government is a different type of debtor than were its private predecessors. It is opposed to rising prices — not only because of its concern about the welfare of the people, but also because it is a buyer of goods on a tremendous scale. But the fiscal arm of the government, the United States Treasury, is interested in maintaining low interest rates in order to keep down the cost of servicing its debt, to facilitate new borrowing and refunding of maturing issues. It also takes pride in having its obligations sell at par in the market. Rather vaguely, this is identified with maintaining the credit of the government.

This attitude of the Treasury is understandable but it is narrow and short-sighted. Since maintenance of artificially low interest rates results in inflation, as is explained later, the Treasury loses several times as much in the rise of prices of goods it has to buy as it saves in lower interest charges on its debt. The Treasury is only a transfer point of money from the taxpayers to the bondholders and the sellers of goods and services to the government. It differs from a private business in that it retains none of its income as profit. Both in its capacity as seller of securities and as buyer of goods and services it represents the people as a whole, the taxpayers, and taxpayers lose in a rising cost of living many times as much as they may gain in paying lower interest rates on the public debt. There does not seem to be adequate understanding of these elementary facts in the Treasury.

Treasury pressure for low interest rates results in an even more powerful pressure for inflation than was exercised by price-conscious private debtors in the past. This pressure is particularly dangerous because it is not generally recognized or understood. The reason maintenance of low interest rates on the public debt is inflationary is that it can be achieved only if the Federal Reserve is prepared to support government securities in the market. When the Federal Reserve buys securities it must create money for the purpose, and this additional money increases the money supply. It does more than that. Under our system this newly-created money becomes an addition to bank reserves, on the basis of which the commercial banking system is empowered to create five times as much money as the total of the new reserves. Therefore, an undertaking by the Federal Reserve to buy Government securities whenever they decline in price (with a reciprocal rise in the interest yield) makes it impossible for the Federal Reserve to use its great powers for the proper discharge of its own responsibility, which is to so regulate the cost and availability of money as to promote stable values and steady activity of the economic machine. If the Federal Reserve must buy all Government securities offered to it by the market, it cannot regulate the supply and availability of money. It is about these unnecessary and dangerous additions to the supply of money that the Federal Reserve is primarily concerned. Changes in interest rates in present circumstances are not of primary concern to the Federal Reserve. They are merely the consequences and indicators of changes in the availability of money. But changes in rates are inevitable if the supply of money is to be regulated. Thus the old conflict between debtor and creditor groups of the population about the behavior of prices has become a conflict between two arms of the Government—the Treasury and the Federal Reserve—about the behavior of interest rates. Because of these developments the problem of central bank independence has once more become a matter of great concern to the country and of continuous investigation and debate. This debate rages in the executive and legislative branches of the Government, in the press, and to an increasing extent among people in all walks of life.

Should Central Bank Be Independent?

There is a widespread tradition that a central bank must be independent. As is the case with many traditional slogans, however, the ideas back of the phrase are not clear. It is not made plain what constitutes independence, nor of whom the central bank should be independent, nor what public purpose this independence should serve and in what way.

A descriptive definition of central bank independence is that it should have an institutional setting and a working relationship that would enable it to determine and carry out its policies solely on the basis of its own judgment about the needs of the economy. The central bank's tool for performing its economic function is its power to regulate the volume, availability, and cost of money. In this it should not be hampered by interference by fiscal authorities or by private interests. To quote from an old English writer: "To suffer either solicitation of merchants, or the wishes of government, to determine the measure of the bank issues is unquestionably to adopt a very false principle of conduct." This principle of central bank independence, formulated by Henry Thornton a 150 years ago, is still valid.

One important reason why a central bank should be independent is that it frequently has to pursue an unpopular policy: it must try to restrain excessive business enthusiasm and also be prepared to curb the continuous desire of fiscal authorities to obtain funds at a cheaper rate than the market is willing to accept. It is in order to be able to withstand pressures from business and from government to pursue popular but unsound policies that a central bank must be independent.

Central banks, and in most countries central banks alone, have the power currently to create and to destroy money and to regulate its supply. To be sure, legislative bodies retain the ultimate sovereign power to change the money supply, but this right is an emergency power — not generally exercised. While under our system commercial banks also create money, they can do so only within limits regulated by the central bank. They cannot create more money than will be supported by their legal reserves which in turn are subject to control by the Federal Reserve. Banks can destroy money by calling loans or selling investments, but since they are operated for profit they do not ordinarily let their earning assets fall far below the level that can be supported by their required or customary reserves. On the other hand, when, in periods of depression or panic, commercial banks call in funds as a measure of safety or on account of fear or timidity, the central bank can enter the market and increase the money supply.

Because the central bank has the power to increase or diminish the money supply, through which the economy functions, it must be independent of private influence. This freedom from domination by private interests has been achieved in practice in the Federal Reserve System today. While stock of the Federal Re-

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Dealer-Broker Investment Recommendations & Literature

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

Aircraft Shares—Analysis—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Bank Stocks—Comparison and analysis of 12 leading bank stocks outside New York City—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

The Exchange—Pocket magazine published by New York Stock Exchange containing articles by top men in top companies—$1.00 per year—The Exchange Magazine, Department C, 20 Broad Street, New York 5, N. Y.

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

Portfolio Management—Four selected portfolios from the current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available is a comparison of the market trends in New York and London.

Railroad Outlook—Analysis—H. Hentz & Co., 50 Beaver Street, New York 4, N. Y.

U. S. Government Bond Market Analysis—Leroy M. Piser—New York Institute of Finance, 20 Broad Street, New York 5, N. Y.—paper—$3.00

Utility Stock Analyzer—Comparative tabulation—Geyer & Co., Incorporated, 63 Wall Street, New York 5, N. Y.

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Central Hudson Gas & Electric Corporation—Analysis—Abraham & Co., 120 Broadway, New York 5, N. Y.

Central National Bank of Cleveland—Memorandum—McDonald & Co., Union Commerce Building, Cleveland 14, Ohio. Also available is a memorandum on **National City Bank of Cleveland**, and on **Harshaw Chemical Co.**

City of Raleigh, N. C., Water Bonds and Fire Station Bonds—Bulletin—Paul Frederick & Company, 70 Pine Street, New York 5, N. Y.

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

Dobeckmun Co.—Memorandum—Hemphill, Noyes, Graham, Parsons & Co., 15 Broad Street, New York 5, N. Y. Also available is a memorandum on **Shellmar Products Corp.**

General Foods Corporation—Study—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available are analyses of **Purolator Products, Inc.**, and **Standard Brands Incorporated.**

Landis Machine Company—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Lock Thread Corporation—Analysis—J. May & Company, Inc., 32 Broadway, New York 4, N. Y.

Lone Star Gas Co.—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is a review of **Montant-Dakota Utilities Co.**

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

New England Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, 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.

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

Shawinigan Water & Power Company—Analysis—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Man., Canada, and Royal Bank Building, Toronto, Ont., Canada.

South Carolina Electric & Gas Company—Analysis—Sincere and Company, 231 South La Salle Street, Chicago 4, Ill.

Standard Power & Light—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a review of **Standard Gas & Electric.**

Texas Calgary Company—Memorandum—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Textron, Inc.—Annual report—Textron Incorporated, 20 Market Square, Providence, R. I.

Tilo Roofing Company, Inc.—Annual report—Tilo Roofing Company, Inc., Stratford, Conn.

United Canadian Oil Corp.—Memorandum of informal talk by Clifton C. Cross about the company and the Canadian oil situation generally—Aigeltinger & Co., 52 Wall Street, New York 5, N. Y.

Vacuum Concrete Corp.—Bulletin—Heimerdinger & Straus, 50 Broad Street, New York 4, N. Y.

Public Utility Securities

By OWEN ELY

Middle South Utilities Inc.

Middle South Utilities, a holding company system operating in the "deep south," is one of the fastest growing utilities; last year's gross of $112 million compared with $78 million in 1947, a five-year gain of 44%. The equity of the parent companies in net income of subsidiaries increased from $7.5 million to $12.1 million, or a gain of 62%.

Arkansas Power & Light, Louisiana Power & Light, Mississippi Power & Light, and New Orleans Public Service, the operating subsidiaries, furnish electric service to more than 1,700 communities and to extensive rural areas in Arkansas, Louisiana and Mississippi, gas service to more than 50 communities in Louisiana, and transportation service in New Orleans and adjacent communities. The aggregate population of the territory served approximates $3,900,000.

Among the agricultural products of the territory are cotton, sugar cane, rice, tung nuts, soybeans, fruits and vegetables; also livestock, poultry, and dairy cattle, as well as timber lands. In addition to extensive natural gas and oil reserves, the territory has many other mineral resources, including coal, sulphur, salt bauxite, etc. Among the principal industries served by the System are building material manufacturing, ice, cold storage and packing plants, cotton gins, cotton oil milling and refining, pipe, pulp and paper plants, food and food products, oil drilling, pumping and refining, textile mills, mining and alumina processing.

In 1951, system revenues were 76% electric, 16% natural gas business, and 8% transit. Transit service in the City of New Orleans and adjacent communities operates with a 7¢ fare, but in the city the gas and transit business are allowed an overall fair rate of return. New Orleans Public Service, under local regulations, is permitted to pay $2.25 on its common stock (of which 95% is owned by Middle South) with nominal additions to surplus.

Middle South Utilities has a conservative capital structure, with a common stock equity of 36% or more. Including the current pending sale of 600,000 shares, capitalization is estimated to be approximately as follows:

	Millions	Percent
Long-Term Debt	$202	55%
Preferred Stock	28	8
Minority Interest	2	1
Common Stock Equity (6,650,000 shs.)*	131	36
	$363	100%

* Excluding estimated net intangibles of $5 million.

Middle South Utilities was organized in May, 1949, so that calendar year earnings are available for only 1950 when $1.82 was earned, and 1951 with earnings of $1.81 (on shares outstanding at the end of each year). President Dixon has estimated share earnings of $1.85 for 1952, on the 6,650,000 shares to be outstanding when the current financing is effected. Based on average shares the estimate would approximate $1.90.

The company does not expect to ask for rate increases in the near future. While Arkansas Power & Light is not earning its full allowable rate of return, this is considered due to "growing pains"—idle capital needed for construction does not draw an immediate return.

Growth is expected to continue at a rapid rate. In the area of Louisiana Power & Light for example, $167 million of industrial plants are planned for construction, and it is estimated that they will need 60,000 KW electric capacity and will increase Middle South revenues by about $3 million. Arkansas Power & Light's area has a $41 million industrial program requiring an estimated 25,000 KW, etc.

System growth is illustrated by the rapid increase in generating capability, which at the beginning of 1952 was 1,248,000 (about 93% steam and 7% hydro) compared with 500,000 KW capacity at the end of the war in 1945. The System has under construction and on order new steam units with estimated net capability of 800,000, or an increase of about two-thirds over current capacity. All steam turbines are gas-fired, with oil standby. Last year's peak load approximated 1,200,000 KW.; projections for the future are 1,340,000 KW this year and 1,700,000 KW in 1953. The management expects to have 2,000,000 KW capacity by the end of 1953 or early 1954, thus providing a reserve margin over anticipated peak load. They are currently selling 100,000 KW "round the clock" to TVA.

The power supply facilities of the Middle South System have been developed and are operated as an interconnected system. Production facilities are operated with a view to realizing the greatest economy, by using lowest cost sources of power from hour to hour. The minimum of investment and the most efficient use of plant are sought through coordinated scheduling of maintenance, inspection and overhaul, and by joint planning of system companies for future requirements. Using the "outdoor" method of construction, power plants cost only about $100 per KW compared with $200 in some northern areas.

COMING EVENTS

In Investment Field

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

March 26, 1952 (Boston, Mass.)
Boston Investment Club dinner meeting at the Boston Yacht Club.

March 26-27, 1952 (Chicago, Ill.)
Central States Group of the Investment Bankers Association of America at the Drake Hotel.

April 17, 1952 (New York City)
Security Traders Association of New York-Investment Traders Association of Philadelphia bowling tournament.

April 18, 1952 (New York City)
Security Traders Association of New York annual dinner at the Waldorf Astoria.

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

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

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

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

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

June 10-13, 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.

Continued from page 5

Observations . . .

ment in the anthracite coal industry, where favorable opportunities nevertheless exist through acquisition of equities whose *cash flow* plus income-tax advantages provide a reasonably foreseeable pay-back in excess of the amount invested. Every security is worth *some* price!

In other categories of companies with prospects for definite or possible eventual deterioration, and perhaps in all other than assured growth situations, the tool of *amortization* should be used. This rests on the assumption that the money-use and the risk elements of one's capital investment should be compensated for in the buying price; that the price should be such that the buyer can foresee the probability of recouping an appropriate portion of his principal-with-interest in a foreseeable time. If the price paid affords, as frequently is the case in contemporary markets, provision for annual amortizations from out of dividend payments sufficient to recoup the invested capital with retention of the continuing equity as "gravy," then it can be surely considered "an advantageous buying price."

Capitalizing an Adequate Return

Specifically—in the case of cyclical or other non-growth companies—we capitalize the expected long-term dividend receipts at a rate embodying the pure rental value of our money plus an amount of annual reserve sufficient to amortize our investment during a period of time which is adjusted to the estimated risk. Thus, a price giving a 6½% dividend yield would in 25 years completely amortize the capital invested after compensating for the use of the money (annual 2½% of rental value plus 4% in amortization), leaving the equity remaining at the amortization period's termination as profit. The company's balance sheet strength importantly influences the determination of the length of the interval devoted to the complete amortization of the investment.

As an alternative interpretation—with a 6½% dividend yield, one can conclude that he gains fair rental value for his money plus an indeterminable increment ranging around the remaining 4%—perhaps less, perhaps more.

For U. S. Steel, a comparatively static company; American Telephone, a profit-ceilinged company; and for cyclical Kennecott Copper, this method for arriving at a favorable buying price would work out as follows:

	U.S. Steel	Telephone	Kennecott
(1) Est'd future aver. earns.	$5	$11	$6.50
(2) Est'd future aver. divs.	$2.75	$9	$4.50
(3) Rental val. of cap. inv.	2½%	2½%	2½%
(4) Ann. amort. reserve	5%	4%	4%
(5) Ann. deduct. (3)+(4)	7½%	6½%	6½%
(6) Capitalization of Div. (2) at rate of (5) gives advantageous buying price as	$37	$140	$70

Our estimate of future average earnings (1) is based on a number of varied factors including potential economic elements (as inflation) as they will affect the respective company, as well as its past record. Our dividend expectation (2) takes into account evidences of management's policy in this regard as well as the backlog of financial strength.

The annual rental value (3) at 2½% is the Treasury's recent average long-term interest rate.

Five percent is the annual amortization reserve (4) apportioned in the case of Steel resulting from our estimate of a shorter 20 years as the proper "run" of our investment, because of this company's heavy capitalization combined with some uncertainty concerning its status over the very long-term. In the case of Telephone, while we likewise have a heavy prior capitalization, that drawback is offset by the apparent permanence of the enterprise.

Treatment of Companies Available at Less Than Net Current Assets

In the case of companies with great tangible financial strength, including those many selling under the net current assets after all debt (minimum liquidating value), amortizing seems inappropriate. The business future of such companies would seem to lie between these three alternatives: (1) The company will remain static and the liquid assets will be retained, justifiably or unjustifiably; (2) The free liquid assets will be used for expansion with profitable results; or (3) The free liquid assets will be used for expansion and dissipated. Hence under the probabilities (2 against 1) no amortization for reduction of the investment would seem to be necessary.

In this category, Montgomery Ward had as of last July 31 total liabilities, including preferred stock capitalization, of only about $22 per share; offset on the asset side by cash and Governments of $27 per share, unsold time payment accounts of $25, current assets totalling $100 a share—leaving a minimum liquidating value of about $78 a share (a rise of 60% over the past five years).★ There are assuredly some potential offsets to this growing statistical picture, such as the fact of perhaps unwisely unused depreciation having swollen the cash. But the huge reservoir of three current assets, including cash, available for either a safety reserve or for later expanded earnings, and the equal chance for growth as for decline in future earnings make unwarranted an amortizing pay-back of the individual's investment below the $78 "net-quick" figure. Calculating the next 10 years' average earnings at $6 per share and the dividend at $4.50, and capitalizing the latter at full 10-year amortization in bringing the investment down to the $78 figure together with the 2½% money-rental value, would suggest $100 (100 minus 10 [$4.50-$2.50]=$80) as Montgomery Ward's favorable buying price (current market price, $62).

Handling "Growth" Stocks

Growth stocks likewise require no provision for money-back amortization; the vitally necessary element being certainty that a real long-term growth situation actually exists. Since all the ramifications of growth-stock definition and identification would far exceed the space available here, we will confine ourselves to stating that growth can be identified and appraised free of vague glamor.

As an example we point out that Dow Chemical not only has shown great cycle-to-cycle growth in earnings in the past, but at present 60% to 70% of its output is occupied with new products, and it is definitely programmed for an 80% expansion of its plant over the next 18 months. If Dow truly is a genuine growth situation, it would seem appropriate to capitalize the current cash dividend at money's rental value of 2½%, giving a favorable buying price of about 100.

The two vital assumptions involved in such *growth* situation estimates are correct identification of real and fairly permanent growth; and reasonably early removal of the corporate excess profits tax which now is nullifying all growth.

The Individual Income Tax Impact

Pervading all the above calculations is the varying impact of the individual income tax. In a recent article we have detailed the specific tax inroads, according to the individual's respective income level, reducing his dividend take-home pay. Consistent with our basic emphasis on the actual gathering-in of investment return, in lieu of academic yield demonstrations, we must urge exact calculation of tax cost as a vital part of every investing decision. As we stated in our opening paragraphs, objective appraisal on the basis of what a stock may be worth to some other members of the community is not satisfactory. Calculation of an advantageous buying price depends on what use it will be to *us individually;* and in this connection, our own particular tax impact is all-important. Individual tax considerations must pervade our portfolio decisions.

★ It is believed that Montgomery Ward's current position has risen further since the issuance of these figures.

With Republic Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Jack T. Vinis has become associated with Republic Investment Co., Inc., 231 South La Salle Street. He was formerly with Straus & Blosser.

Joins Gibbs & Coe

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Harry W. Rutishauser has become associated with Gibbs & Coe, 507 Main Street. He was formerly with H. L. Robbins & Co.

Wiles & Co. Opens

DALLAS, Tex. — Dewey V. Wiles has formed Wiles and Company with offices at 1210 Galloway Street to engage in the securities business.

Royal Secs. Open

Royal Securities Corporation has been formed with offices at 52 Broadway, New York City, to engage in a securities business.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Russell C. McGarry is with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Our Foreign Aid—Is It Too Great for Our Economy?

By JOHN G. FORREST*
Financial Business Editor, New York "Times"

Mr. Forrest, citing economic difficulties in Western Europe and heavy prevailing taxation here and abroad, asserts "time has come to take stock of what we have done and are planning to do abroad." Warns we may be going beyond our depth in giving foreign aid, and the defensive strength we seek cannot be bought with dollar appropriations which promote attitudes of dependency and threaten stability of dollar. Sees peak limit reached in taxation.

Common economic troubles and mutual external threats forced the nations of Western Europe after the war to cooperate more and more closely. First the Marshall Plan and the North Atlantic Pact compelled consideration of community problems on a community-wide basis.


John G. Forrest

But conviction grew that the joint action thus achieved was not enough; that it must be supplemented by far-reaching measures for permanent unification of effort if Western Europe was to become independent of foreign aid and gain the economic and military strength of which it is capable.

In the budget message for the fiscal year 1953, starting on July 1, President Truman has an item of $10.5 billion for foreign aid. It is only natural that any foreign aid program, among other requests for money which Congress has under consideration, should come up for careful review—especially in an election year. Difficulties with advancing taxes and growing deficits make this imperative.

At the conclusion of the meeting of members of the North Atlantic Treaty Organization Council in Lisbon, it was believed that a persuasive case had been made for Congress to grant another year's program of aid to the European partners in the joint defense effort.

But this was before the fall of the French cabinet. The fall was caused principally by a lack of confidence in the government over the matter of taxes to pay France's part in the defense effort. It immediately brought repercussions in Washington, which may affect the whole outlook for further foreign aid by this country.

All the governments as their last decision at the conference agreed on their respective contributions to a program of construction of facilities for the common use of the NATO forces—the so-called infrastructure program. This urgent group of building projects, the most important of which concerns airfields, has been "tagged" for planning purposes at about £152,000,000, or roughly $426,000,000.

For the benefit of future students of NATO history, this is officially known as "the hard core of the third slice of infrastructure." The United States will pay 42.8% of the total, Britain and France 13.2%, Italy 7.9%, Belgium and Luxembourg together 6.6%, Canada 5.3%, Denmark and the Netherlands 4% each, and Norway 3%.

The infrastructure problem has been difficult, not because of its size in financial terms—it represents only a fraction of the total defense costs—but because the governments involved had not provided for it in this year's budgets.

Universal Excessive Taxation

We speak of high taxes in this country, but apparently the situation in Europe is even worse. And this is probably one of the most damaging factors in bringing about recovery. It is not only corporate and individual taxes that are so bothersome in Europe, but the indirect taxes which penalize anyone trying to save money.

In the United States about 15% of the Federal tax revenues come from indirect taxes. In Britain it is a little over 50%, in France 75%, and in Italy probably 85 to 90%. All of these taxes are added to prices so that anyone can easily imagine what happens to the cost of goods.

In Europe there is security for old age, security against sickness, against a cold, against everything! Indeed, there is only one security missing! That is, to get anywhere in life or to improve one's condition beyond earning the absolute necessities. In a country like France, inhabited by the most self-contained people of the Western World, 25% of all adults are registered for emigration. Think of it! One out of every four Frenchmen wants to quit France.

With such a situation prevailing, the time has come for us to take stock of what we have done and are planning to do abroad. The current fiscal year, which ends June 30, 1952, is the scheduled fourth and final year of the European Recovery Plan, inspired by Secretary Marshall in 1947. It died at midnight on Dec. 31, 1951, after spending almost $13 billion in an ambitious effort to rescue Europe from bankruptcy and Communism.

Are We Going Beyond Our Depth?

With the extensive recovery in European production and the recognized threat of renewed inflation that we face, the Administration's proposals to continue large scale economic aid to Europe, and also to accelerate programs for development of the "underdeveloped" areas of the world—all on top of our growing military needs—raises a serious question as to whether or not we may be going beyond our depth.

We are like two men who have gone out in a rowboat. One falls overboard and tries desperately to keep his head above water. The other man in the boat, who incidentally cannot swim, throws out a life-jacket and reaches out with an oar trying to help his friend keep alive. If the man in the boat reaches out too far and falls overboard, who is going to come to his assistance?

There can be no doubt that the American economy has undergone a great change during the past few decades. For example, in 1915, a family of four with a net income of $5,000 paid only $10 in Federal income tax. In 1940 the tax on the same income had risen to $74.80, but under the 1952 laws the tax is $577.20. While this is a great burden to people in moderate circumstances, the great difficulty is that the rich are no longer soakable.

If the government were to confiscate all taxable income earned by individuals in excess of $10,000 a year, the additional tax revenue would amount to $3.1 billion. This would be enough to run the government for two weeks under the proposed 1953 spending program.

And if Uncle Sam were to confiscate all taxable income earned by individuals in excess of $6,000 a year, the revenue increase would be a little less than $6 billion. It would only pay for about half the $10.5 billion which the President proposes to spend for foreign aid alone in 1953.

The Lag in European Defense

Many European political leaders have been less apprehensive of a general war than we have. And rearmament in Europe has been described as six months behind the American schedule. The question then arises: Whether the longer and bigger program on United States military aid is designed to make up for the reported lagging of the European defense effort? Whether the more we try to do, the less European nations may see the need for themselves?

The average tax bill for an $85.4 billion budget is $1,935 per family. And foreign aid of $10.5 billion in the new budget is more than twice what we gave away last year. It's nearly twice what we spend each year educating all the public school children in the nation.

And don't forget, the fiscal year 1953 budget of $85.4 billion is based on the assumption that the Korean war will be ended. If the war—or "police action" if you will—continues, the wartime "attrition" of materials and supplies will be over and above the $85.4 billion.

Of the $10.5 billion for foreign aid, the appropriation for military purposes alone will aggregate $7.9 billion, leaving the balance for economic aid. President Truman will make a nationwide address on this tomorrow night. Just what action Congress will take remains problematical. It will depend to a large degree on the success Mr. Acheson has in convincing the legislators of the need for continued foreign aid on a substantial scale.

Responsible people abroad express concern over the excessive demands being made on world supplies of raw materials; the dangers of loading big military outlays upon swollen peace-time budgets; the problem of collecting more taxes, and difficulties of reeducating people to consider government bonds a better investment than gold or other material goods.

While grateful for our help, Europe gets the uneasy feeling that we may promise too much, depreciate the dollar by giving out too many, open the floodgates of world-wide inflation—and do more harm than good by mistaken generosity.

Although the center of attention has been on Europe, look at the other side of the world. The Mutual Security Agency has provided about $250 million for economic aid to Asia and the Pacific. Half of mankind lives in Asia. Let us just consider the subcontinent India, with a population of 360 million people. Suppose the Indians were to get half that sum. It is preposterous to suppose that living standards can be raised by the investment of 50 cents per capita under the best circumstances.

But what are the real circumstances? The 360 million human beings in India compete for the food supply with 160 million cattle and 40 million buffalo, each of which, in terms of energy, requires several times as much food as a person. Besides, the sacred cows, uncounted millions of monkeys and billions of rats and insects devour the food of human beings. In such a situation, how can technical aid be really effective?

If there is a good investment in the Indians, it should be done by private persons. Anybody who has studied government knows there is nothing government can do as cheaply as private persons. Much of the troubles of Western Europe are directly traceable to statism.

Democracy Not Helped by Bad Loans and Grants

You can't spread democracy by making bad loans and doubtful grants.

The American people are solidly behind the policy of building the military and economic strength of this country and its allies. And we should not underrate the potential of these allies—as some of the public hearings on foreign aid legislation have seemed to do. In the past, England, France, Germany and Italy, among others, have shown themselves capable of producing instruments of war second to none.

The defensive strength that we mutually seek cannot be bought with dollar appropriations which promote attitudes of dependency or threaten to destroy the usefulness of the dollar as an anchor of monetary stability. That strength must be one built out of cooperation among self-reliant partners, and around a core of sound economic and financial policy.

After all, the best thing we have to contribute to anybody is the example of what free enterprise and free individuals can accomplish.

*An address by Mr. Forrest at Fourth Session of the Annual Current Events Course under auspices of the New York "Times" in cooperation with the Board of Education of the City of New York, March 5, 1952.

With Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — William S. Madden has become associated with Fusz-Schmelzle & Co., Boatmen's Bank Building, members of the Midwest Stock Exchange. He was formerly with Herrick Waddell & Co.

With McCourtney Firm

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Aubrey C. Sonderman is with McCourtney-Breckenridge & Co., Boatmen's Bank Building, members of the Midwest Stock Exchange.

With Westheimer Co.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Harold B. Hackett has become connected with Westheimer & Co., 30 East Broad Street. He was formerly with McDonald & Company.

Dynamic Possibilities In Gold Stocks

By REID TAYLOR
Mitchell, Hutchins & Co., Chicago
Members, New York Stock Exchange

Asserting ownership of good gold mining shares is best long-run protection against depreciating dollar, Mr. Taylor discusses conditions and prospects of leading U. S. gold mining shares, which he believes are under-valued and are due "for a turn."

Next to owning gold, and that is impractical in a great many ways, ownership of an equity in a good gold mine is in the long run the best protection against a depreciating dollar. Who knows whether or not farm lands bought at present levels are a good protection? Who knows if wheat, cotton, or copper have already taken into account the probable depreciation of the dollar? Who knows whether this stock or that stock is a buy or a sale on the same basis? Some of you may recall a statement made in early 1937 at the top of the market by a trustee of one of our great universities to the effect that the university was buying good common stocks as a hedge against inflation. In most cases they proved to be just the opposite, at least for some years to come.


Reid Taylor

The notion that gold stocks are good only during deflationary periods stems, of course, from the well known fact that for the time being, at least, the industry is squeezed between constantly higher operating costs and the fixed price at which gold must be sold to the government. The International Monetary Fund (American sponsored and set up to maintain the *status quo*) has finally been forced to admit that the $35 price for gold is unrealistic; but we Americans have been told again and again that there is no intention of raising the price of gold. So this idea about gold stocks persists because to most people "inflation" only means higher prices irrespective of the cause of those higher prices.

In 1929 the gold mining companies were squeezed in like manner and only found relief through drastic liquidation of the price structure which at the same time was the excuse for raising the price of gold. However, one must remember that the 1929 inflation was only a credit inflation, whereas we now have a credit inflation superimposed on a currency inflation. What the outcome will be no man knows, but is a fair assumption that, as always, gold will come out on top. The supply of money is being constantly increased, which means that its value is being decreased. No such thing was happening in 1929. So in spite of a temporary hardship to the gold mines this process is continually increasing the value of the gold they have in the ground and therefore the stock equity in terms of paper dollars. This is strikingly recognized over the longer term in the market history of major gold stocks such as Homestake, Natomas, Dome Mines, and McIntyre Porcupine.

Homestake Mining Company

Note below how the market action of Homestake is indicating a consistently improving equity at each succeeding low point under adverse circumstances and how these low points seem to tie in quite definitely with higher prices for gold as reflected in the world markets:

1929	1942	1951
*11	21	34
$20.67 gold	$40 gold?	$60 gold?
100% dollar	50% dollar	33% dollar

*Adj. 8 for 1 split.

This is probably as true an indication of the real worth of the paper dollar as any. The "free" markets of Western Europe may be placing too high a valuation on the dollar because of the abnormal current demand for dollars as against more rapidly sagging foreign currencies. However, that may be Homestake is now pinned down because of adverse operating conditions in the industry and the popular delusion that gold stocks are not inflation hedges. There could be a change in both these factors and the risk of correct timing of purchases would seem to be at a minimum right now.

Note in the following table what a splendid defensive stock Homestake Mining proved to be even under panic conditions in 1932. It did not advance much in the 1929 boom because operating costs were high and gold was fixed in price just as at the present time; but it was a comfortable stock to be in while Kennecott was dropping from 104 to 5. With the aid of a higher gold price Homestake advanced in the subsequent bull market along with other stocks. It was, therefore, vulnerable like other stocks when the market declined. In 1945 it advanced again, and declined, with other stocks, but higher costs were already reducing profit margins. Since then operating conditions have been very difficult and once again as in 1929 Homestake has not participated in the market advance of the last two years; but it may well be a good stock to own. It should be about due for another real advance which will carry it up to new highs over anything yet seen, as would seem to be suggested by the base which has been built up over a period of years. The raising of the price of gold which started out more or less as a lark to "reflate" the price structure in 1933 set in motion an inflation machine which is difficult to stop. It is no longer a question of the intention of those in authority to meddle with the price of gold. It is now only a matter of when they will be forced to recognize the damage that inflation machine has already done.

In the above table compare the market action of Homestake with other popular stocks since 1929. It will be observed that had the other stocks listed been purchased near the bottom of 1942, their subsequent price action would have compensated for the decrease in the value of the dollar. However, it must be remembered they are now buoyed up by record earnings and inflation psychology and there could be a change in both factors. Correct timing of purchases and sales is important and incorrect timing can be extremely hazardous. This raises the question: are common stocks in general a good hedge against inflation, if by inflation we mean depreciation of the dollar; or, are they rather only a good speculation for the extent of the bull market built up on popular delusions, as usual? We hear much about this stock and that stock selling at only eight or ten times earnings. We hear much about stocks being cheap because they normally sell at 18 or 20 times earnings at bull market peaks. But earnings in terms of paper money lose much of their meaning if their purchasing power is only half what it was at other bull market peaks and if that purchasing power is still declining. Looking at it this way, real price-earnings ratios may be considered high, and who would expect present abnormal earnings to continue for long? History does not bear out the idea that most stocks compensate for depreciation of a currency, although any equity in property insures one against complete loss in case a currency becomes worthless. Another argument frequently heard to justify higher prices for stocks is the spread between bond yields and stock yields. This, of course, disregards completely the artificial nature of current bond prices and interest rates, a condition which may not be maintained much longer and certainly will not be maintained if a real flight from the currency should develop, with its attendant liquidation of bonds. Also disregarded is the fact that a 2% yield on a tax exempt bond is better than an 8 or 10% yield on a stock if a man is in a high income bracket.

All Stocks Adjusted for Split-ups	1929	1932	1937	1942	1946	Recent
Homestake	*11	14	67	†22	60	*34
Chrysler	67	2½	68	21	70	70
Kennecott	104	5	68	26	60	85
duPont	57	11	46	26	56	87
Eastman Kodak	53	7	39	23	52	45
Texas	36	10	31	15	32	56
Anaconda	174	3	69	18	51	50
International Nickel	72	3	73	20	42	46

*Gold mining industry depressed. †Gold mines closed, dividends passed.

Various Gold Company Shares

If such stocks as Homestake, Natomas, Dome, and McIntyre are good deflation and inflation hedges at this stage of the market, what of the other gold stocks which are very near their lows of all time—stocks like Lake Shore Mines, Wright Hargreaves, Pioneer, Cresson, Golden Cycle? These companies are operating generally at about 50% of capacity and either breaking about even or earning very little. These stocks are in a unique class from an inflation hedge standpoint. Their reserves are increasing in value just as surely as the reserves of the big Homestake Mine. The opportunity to buy these stocks at present levels may well turn out to be the opportunity of a lifetime. Why? Because you are really buying the gold in their reserves at an extreme discount, possibly equivalent to the price at which gold was selling 20 years ago, when it should be obvious to anyone that it is now worth two and one-half to three times that. It is an interesting thought that one may thus be able to recoup the entire capital levy which has been eating away the value of his insurance, his saving bonds, et cetera, for the last 18 years. While the major gold stocks may double or triple in price, these low priced stocks may well advance five or ten times in final recognition of the greatly enhanced value of gold. Suppose it does take five years. Is that too long a time to wait to regain what has been lost over a period of 18 years?

Gold Stocks Due for a Turn

Right here it might be observed that after any industry has been in a state of depression for ten years, more or less, in the usual order of the affairs of men it is about due for a turn. Do you remember how long the oil industry was depressed and how extremely unpopular the oil stocks were ten years ago? Do you remember the difficulties of the paper industry for about ten years and how unattractive these stocks were? Do you remember how depressed the copper mining industry was for about the same length of time and how it was current thought that after the war was over the bottom would drop out of the copper market? And how long were the railroads in complete disfavor? Again, about ten years.

A great many people hesitate to buy gold stocks, apparently because a considerable amount of money has been lost in gold mining promotions in years past. There is no need to take such risks today. There are many companies with demonstrated records of successful operation. Their stocks are available in many cases at what seem to be ridiculously low levels. In fact, whole companies are going in the market for an amount equivalent to one good year's gold production. And bear in mind when conditions are favorable such a mine can net 50% on gross. Furthermore, such companies have for years been able to keep at least three or four years ore production blocked out and in sight. Certainly the potentials for gain in general far outweigh the slight risk of loss at these levels in many of these stocks. **This is definitely the most practical way of owning gold.** There are no storage risks or expenses and it is possible to obtain a fair return on your money to compensate you for holding. In a great many ways gold mining stocks have advantages over the stocks of other industries. Margins of profit normally are very wide, large depletion allowances serve as a tax refuge, there are no inventory problems or risks, there are no sales problems, there is always a market for the product.

The public is excited these days about the romantic possibilities in the chemicals, the wonder drugs, the electronics, the oils, and rare metals (not gold). This company is called a "gold mine" and that company is a "gold mine," and companies in other industries are flocking into these fields because they have been so profitable. In the mad scramble for "black gold," real gold is all but forgotten. Forgotten, too, is the wide margin of profit in the gold mining industry when conditions are right, not 5 or 10% as in other lines, but 50% of gross.

There is romance in gold mining and in yellow gold.

The time to recognize this is now before the industry begins to prosper.

Joins Devine Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—David G. Hanson has joined the staff of C. J. Devine & Co., Union Commerce Building.

Objectives of Treasury in Fiscal Policy and Debt Management

By HON. JOHN W. SNYDER*
Secretary of the Treasury

Secretary Snyder outlines to Congressional committee main objectives of Treasury Department as (1) maintenance of confidence in Government credit; (2) promotion and operation of revenue and expenditure program in accordance with the budget and economic conditions; (3) promotion of greater efficiency and lower costs of Governmental operations; (4) direction of debt management so as to counter inflationary or deflationary pressures and provide securities to meet need of investor groups; and (5) executing a fiscal and monetary-credit policy to promote economic growth and stability of dollar. Advocates advisory board on monetary and fiscal policy, and predicts new Federal borrowing of $10 billion is in offing.

The hearings which are beginning this morning represent the culmination of a number of months of intensive study and preparation of replies to the questions raised by your Subcommittee. Anyone who has worked on this complex project cannot help but be impressed with the scope and searching nature of the questions which were asked. In our already heavy work schedules, it was not easy to find the time to set down the pros and cons of the many issues presented for generalized discussion in the questionnaire. In view of the importance of the study, however, we felt that time must be found; and I am very glad that we were able to give full and considered replies to all of the questions submitted to us.


John W. Snyder

I believe that everyone who reads the written replies received by the Subcommittee will feel, as I do, that the body of material which you have assembled will be of great value in the field of debt management and monetary policy for many years to come. Not one point of view, but many points of view—I am almost tempted to say, all points of view—seem to have been elicited by the Subcommittee in the written answers to the various questionnaires which were sent out. A policy record, in the most fundamental sense, is not only a record of decisions made and actions taken—it is a record of appraisals, of conclusions, and of judgments. Those who replied to the Subcommittee's questionnaires, it seems to me, have attempted to be fully responsive in this fundamental sense.

In our own case, we found in replying to the questionnaire that it was often difficult to reconstruct past events in the context of the times when they took place. In our swiftly moving economy, circumstances are always changing, and our views as to appropriate actions and policies must change with them. There would be little purpose in trying to reconstruct the background of important actions in the past unless the details gave us added ability to plan our future course wisely. This is true, I believe, with respect to the subjects which will be covered in the present hearings. In answering the questionnaire submitted earlier by the Subcommittee, therefore, I have gone into considerable detail as to the reasons why the Treasury took certain actions at certain times; what we hoped to accomplish by them and what—viewed retrospectively—we did accomplish.

Objectives of Treasury Department

It will be of particular value, I feel, for the public to become better acquainted with the nature of the responsibilities with which the various agencies have been charged by the Congress—and the relation of practical policies to the fulfillment of these responsibilities. This represents, in my view, a most important part of the study which the Subcommittee is undertaking. I should like to take a few minutes, therefore, to comment briefly on the nine general economic objectives which the Treasury Department seeks to further through the use of the powers which have been given to it by the Congress. These objectives, which are described more fully in the answer to Question 2, are as follows:

(1) To Maintain Confidence in the Credit of the United States Government.

This is the basic objective of all Treasury policies; and at the present time it is the cornerstone of the financial soundness of this country, and a vital factor in the defense effort of the entire free world. In the broadest sense, safeguarding the credit of the government depends upon our ability as a nation to keep our free enterprise economy healthy and growing and to use our governmental instruments wisely in promoting this end.

(2) To Promote Revenue and Expenditure Programs which Operate Within the Framework of a Federal Budget Policy Appropriate to Economic Conditions.

Through action of Congress and by executive decisions, the budget is subject to constant change; and it is of the utmost importance that revenue and expenditure programs be kept appropriate to changing economic circumstances. The Treasury and the Bureau of the Budget work closely with the President and with the Congress to further this end.

(3) To Give Continuing Attention to Greater Efficiency and Lower Costs of Governmental Operations.

I consider this objective a continuing obligation, not only of the Treasury Department but of every department and agency in the government. Both within the department and in association with other branches of the government, the Treasury carries on continuing programs aimed at providing maximum service on the part of the government at the lowest possible cost to the taxpayers.

(4) To Direct Our Debt Management Programs Toward: (a) Countering Any Pronounced Inflationary or Deflationary Pressures; (b) Providing Securities to Meet the Current Needs of Various Investor Groups; and (c) Maintaining a Sound Market for United States Government Securities.

Success in achieving these specific objectives of debt management is essential to the maintenance of confidence in the credit of the United States Government. Many of the questions sent to us by the Subcommittee related to problems and actions in the area of debt management. The Treasury has attempted to give the fullest possible replies to these questions; and I am hopeful that the hearings will provide a forum in which these fundamental matters of national financial policy can be thoroughly explored.

(5) To Use Debt Policy Cooperatively With Monetary-Credit Policy to Contribute Toward Healthy Economic Growth and Reasonable Stability in the Value of the Dollar.

The importance of this objective, I feel, is self-evident. It is a primary goal of both Treasury and Federal Reserve policy, and an important part of public economic policy in general, as expressed in the Employment Act of 1946.

In addition to these five economic objectives of Treasury policy there are other objectives which we keep constantly in mind. These are:

(6) To Conduct the Day-to-Day Financial Operations of the Treasury so as to Avoid Disruptive Effects in the Money Markets and to Complement Other Economic Programs.

(7) To Hold Down the Interest Cost of the Public Debt to the Extent That This Is Consistent With the Foregoing Objectives.

(8) To Assist in Shaping and Coordinating the Foreign Financial Policy of the United States.

(9) To Manage the Gold and Silver Reserves of the Country in a Manner Consistent With the Our Other Domestic and Foreign Policy Objectives.

Each one of these specific objectives is important in itself; and, generally, a number of them must be considered together in framing a practical program which will further our basic goals of maintaining the confidence of the public in the debt obligations of the government and promoting the economic well-being of the nation.

The present hearings, I feel, will provide an excellent opportunity for furthering public understanding of the responsibilities and policy objectives which I have just summarized. They are discussed at greater length—and in relation to many different situations—in the answers to the questionnaire.

Should There Be an Advisory Group on Monetary and Fiscal Policy?

It is my further hope that the Subcommittee will give careful consideration to the possibilities which I have brought forward in the answer to Question 10, relating to the creation of a top-level advisory group to the President on broad questions of monetary and fiscal policy. In that question, it was suggested that a small consultative and discussion group be created within the government. This group might consist of the Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve System, the Director of the Budget, the Chairman of the Council of Economic Advisers to the President, and the Chairman of the Securities and Exchange Commission. From time to time, the heads of other agencies (both permanent and special agencies) might be added to the group, as various problems arise. This group would serve two major purposes. First, by regular and periodic meeting and discussion among the heads of the agencies having to do with fiscal and monetary policies, differences of opinion would become less likely to develop. A group of this nature would do much to achieve accord before discord arises. Second, the means would be provided for informal discussions with the President on broad questions of monetary and fiscal policy. The advisory group could report to the President—preferably on an informal and confidential basis—as often as desired.

It is my present intention to recommend to the President that he consider the creation of a national council along the lines which I have just described, with advisory authority in the area of monetary and fiscal policy. Prior to doing so, however, I should like to obtain the views of the Subcommittee as to the advisability—the pros and cons—of such a step. I am looking forward with great interest, therefore, to the discussion of this matter in the hearings, and to your own deliberations with regard to it.

The question of a national council which would act as an advisory group with respect to monetary and fiscal policy brings up another matter which I hope the Subcommittee will find time to consider from all angles. In Question 9 of the questionnaire sent to me, a discussion of the relationship between the President and the Federal Reserve System was called for. In answering this question, I indicated my opinion that it was desirable for the Federal Reserve System to retain its independent status. I expressed further, however, my strong feeling that it is natural, proper, and desirable for the President to seek to settle disputes by having all of the interested parties sit around a table to discuss their differences, in the interests of coordination. This, it seems to me, represents the essence of independence—that the President and the Board should have both the right and the duty to discuss the problems with each other, on the basis of a free interchange of views.

The Joint Committee on the Economic Report is in a very good position to help obtain the kind of cooperation and cohesiveness of policy which we need to emphasize constantly in all branches of government. This is because the Committee has the responsibility for looking at the economic problems involved from every point of view. You are not concerned solely with revenues, for example, or with expenditures, or with appropriations: rather it is your unique function among the committees of Congress to appraise the whole complex of measures and programs having a significant influence on the economic well-being of the country.

Problem of Deficit Financing

Because of our appreciation of this fact, we have given special attention to the questions requesting general views. Right now, however, we are faced with a practical financing problem which must be worked out in the immediate future; and I should like to discuss with you briefly how a problem of this sort, in practice, ties in with the more general considerations which govern Treasury policy.

On the basis of the estimates in the President's budget, as much as $10 billion of the defense program may have to be financed by additional borrowing from the public before the end of the present calendar year. The budget is, of course, subject to revision as the year progresses, and particularly as we see how the expenditure program shapes up. Whatever the final figures turn out to be, however, the amounts which we shall have to borrow will be substantial.

Earlier in this statement I noted that the general goals of our debt management programs

Continued on page 28

*Statement by Secy. Snyder before the Subcommittee on General Credit Control and Debt Management of the Joint Committee on the Economic Report, March 10, 1952.

Small Loan Companies Not a Cause of Inflation

By WILLFORD I. KING
Emeritus Professor of Economics, New York University

Dr. King points out lending by small loan companies is largely for purpose of paying bills and meeting living expenses and therefore does not contribute materially to currency inflation as in case of commercial loans. Accordingly, he argues that no possible regulation or curtailment of small loan business would be likely to have noticeable effects upon inflation or deflation. Contends regulation of small loan companies, which cause restriction of their lending, might seriously injure families of small means.

At present, almost every adult in the United States, from the President down to the unskilled laborer, is ready to express an opinion on the subject of "inflation," and the consensus of opinion is that it is something bad. However, the character of the comments offered seems to indicate that but a small minority of those discussing the topic understand clearly either what inflation is or how it affects our economy.

Willford I. King

All too commonly the term "inflation" is used to describe any marked rise in the price level. This is no more logical than to refer to the ocean tide as the moon, for both the rise in the price level and the rise in the ocean level are **effects**—not causes. Any considerable rise in the ocean level is usually caused by the attraction of the moon for the ocean water. Any considerable rise in the price level is generally caused by an increase in the supply of money or money substitutes in proportion to the volume of trade. An automobile tire is **inflated** by pumping more air into it. A nation's supply of circulating medium **is inflated** by having more money or demand deposits pumped into it.

Between June, 1939, and January, 1951, our Nation's supply of money and deposit currency rose from $36.7 billion to $119.3 billion—an increase of $82.6 billion, or about 225%. Of this $82.6 billion of inflation, $62.2 billion consisted of newly created demand deposits in banks.

Now, as everyone familiar with our American banking system knows, expansion in the volume of demand bank deposits is usually the result of lending by commercial banks. Ordinarily, when such a bank makes a loan, the borrower gives his note payable to the bank, and receives in return an entry in his bank book, which entry is called "a deposit." Against it, he has the right to draw checks. So the $62.2 billion of deposit currency inflation taking place between 1939 and 1951 can, in the main, be correctly ascribed to borrowing. The next question is: Who borrowed the money?

Careful investigation indicates that Uncle Sam's borrowing, largely to meet war expenses, accounted for $34.4 billion, or 55% of the $62.2 billion total. Private borrowing was responsible for the remaining 45%, or $27.8 billion.

Consumer Borrowing

Now private borrowing is commonly classified into two categories: first, business borrowing; second, consumer borrowing. As a rule, business men borrow to expand the scope of their operations. Consumers usually borrow either to pay for new durable goods such as homes, automobiles, radios, television sets, refrigerators, washing machines, or furniture, or to meet unusual expenses of one kind or another. Between 1939 and 1951, according to United States Department of Commerce estimates, the amount of such loans made for purposes other than the purchase of real estate grew from $7.0 billion in 1939 to $19.9 billion in January, 1951—an increase of $12.9 billion.

However, only a small proportion of those making loans for consumption purposes or to cover outstanding bills borrow directly from the commercial banks. For example, of the $19.9 billion of such loans outstanding in January, 1951, $13.3 billion had resulted from purchases of goods on the installment plan, and only $2.4 billion represented direct borrowings from commercial banks. Such being the case, can borrowing for consumption purposes be held responsible for augmenting inflation?

Borrowing by one individual from another is in no sense inflationary, for such borrowing does not increase the amount of money or demand deposits in circulation. In so far as finance companies sell stock to secure the funds which they lend, their activities are not inflationary to any considerable extent. When they borrow from insurance companies, no **direct** inflation results, but their borrowing may lessen the buying of Government bonds by the insurance companies and thus lead to more Government borrowing from the commercial banks. In so far as this happens, borrowing from the insurance companies may indirectly produce inflation.

The truth is, of course, that, sales finance companies which finance consumer purchases of durable goods obtain their working capital to a very large extent by borrowings from commercial banks. Doing this in a period of rising business activity is likely to increase the amount of inflation.

As noted above, between 1939 and January, 1951, the volume of consumers' loans for purposes other than real estate purchases increased $12.9 billion. If all of this growth had been financed by the commercial banks, it would have accounted for a shade more than one-fifth of the deposit currency inflation occurring in that interim.

Activities of Loan Companies

The next question to be considered is the degree to which the small loan companies were responsible for this upward surge in the volume of bank deposits. Those not familiar with the extent of their operations may be surprised to learn that these concerns are really the bankers for the common people, and that, during any given year, about one-seventh of all the families in the nation borrow from these companies. In June, 1939, these institutions had loans outstanding amounting to about $473 million. In January, 1951, the total had risen to $1,090 million—an increase of $617 million. Had this growth resulted in a like increase in the volume of demand deposits of commercial banks, it would have been responsible for almost 1% of the $62.2 billion of inflation of demand deposits taking place during this twelve-year interval.

As a matter of fact, however, the best available evidence seems to indicate that, on the average, a dollar increase in the amounts borrowed from small loan companies generates only a fraction of a dollar of commercial bank deposits. The reason for this is that to a very considerable extent, money borrowed from the small loan companies is used to liquidate debts already existent. A survey of the purposes for which loans were made by Illinois small loan companies in 1950 reveals the following percentages:

To consolidate overdue bills	19.87%
Medical, dental, hospital bills	17.77
Travel expense	8.34
Repairs	7.95
Clothing	7.43
Assist relatives	6.72
Home furnishings	4.95
Business needs	4.47
Automobile expense	4.09
Taxes	3.69
Real estate mortgages and interest	3.19
Fuel	2.81
Insurance	2.06
Education	1.56
Rent	1.49
Moving expense	1.22
Miscellaneous	1.19
Funeral expense	.83
Food bills	.37
	100.00%

From the above figures, it appears that the most common reason leading people to turn to the small loan companies for help is that other creditors are demanding payment. By obtaining cash from a small loan company, debt payments can be spread over a year or more, and thus relief from constant nagging can be secured. So, it is not surprising to find the Illinois survey showing that 60.39% of the loans went to take care of overdue bills and those for medical, hospital, and dental care, fuel, insurance, rent, repairs, food, taxes, payments due on the house, and other miscellaneous obligations. Some 14.80% covered moving expense, education, assistance to relatives, business needs, and funeral expenses. This study indicates, then, that approximately three-fourths of all borrowing from small loan companies is for the purpose of meeting almost unavoidable expenses. It seems unlikely that most of the borrowing for such purposes had much tendency to increase either the total demand for goods or the volume of deposits in commercial banks.

Even if all of the remaining 24.81% of the total loans made by small loan companies were incurred in order to purchase new consumer goods, and if this entire amount were eventually converted into deposits in commercial banks, the Nation's total supply of circulating medium would have increased by only $153 million in the twelve-year period from 1939 to January, 1951. This amount represents less than one-fifth of one per cent of the total volume of inflation taking place in that interim. So it seems clear that no possible regulation or curtailment of the small loan business would be likely to have any noticeable effect upon future inflation, or deflation, or upon the price level. On the other hand, such regulation might seriously injure families of small means by curtailing the services rendered to them by the small loan companies. The loans furnished by such companies are primarily important because they:

(1) Make it easier for such families to meet emergencies.

(2) Consolidate outstanding debts, regularize their payment, and eliminate nagging by importunate creditors.

Were it not for the presence of the small loan companies, many of the families confronted with emergencies would not know where to turn to secure ready cash in times of imperative need.

Furthermore, any regulations or restrictions which would prevent the small loan companies from lending money to families to meet emergencies or to take care of the demands of miscellaneous creditors would be a severe blow to the business and professional community. All such creditors would lose one of the most helpful adjuncts to their debt-collecting machinery. In many cases, if the small loan companies did not furnish money to liquidate the debts of the customers to the merchants, the latter would be compelled to increase their borrowings from the commercial banks, thus adding to the amount of inflation.

Of course, the whole idea of trying to keep the price level stable by regulating individual business transactions is entirely unsound, for it substitutes for the views of the individual concerning what is necessary for his welfare, the judgment of some bureaucrat who knows almost nothing about the particular situation involved. The only controls which are fair and impartial are those which act **indirectly** through prices and interest rates, and leave the individual to decide whether, under all the circumstances, he can afford either to borrow or to buy.

Stabilization of the price level is an important and most desirable goal, but the only feasible way of really attaining it is to control the total amount of money and demand deposits in circulation. This can be best accomplished by using such devices as varying the rediscount rates at the Federal Reserve banks and conducting open market operations while making appropriate changes in the rates of interest paid on Government bonds.

To standardize the price level, it is essential that the aggregate supply of circulating medium be varied sufficiently to offset movements in the volume of trade, in the velocity of circulation of money and demand deposits, or in both. Any plan to stabilize the price level which does not take these facts into consideration, and which does not utilize the devices just mentioned is almost certain to result in failure.

Joins Douglass Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Henry S. Kuh has joined the staff of Douglass & Co., 464 North Bedford Drive.

Rejoins Samuel Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Lawrence Pleener has rejoined the staff of Samuel B. Franklin & Company, 215 West Seventh Street. Recently he was with Arnold, Cassidy & Co.

Tackaberry Joins Staff Of Harris, Upham Co.

(Special to THE FINANCIAL CHRONICLE)

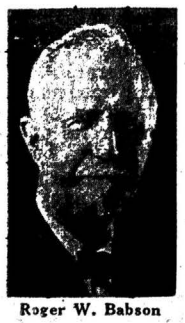
LOS ANGELES, Calif.—Dewey T. Tackaberry has become associated with Harris, Upham & Co., 523 West Sixth Street. He was previously proprietor of Tackaberry & Company.

Our Highways-Again!

By ROGER W. BABSON

Referring to a previous paper about highways, Mr. Babson states, "I was perhaps unfair to the trucks," and places blame for defective road construction on politicians. Adds, in 1950, motor vehicles paid about $3 billion in taxes, and submits advice on construction to road builders. Opposes ton-mile tax.

I have had so many letters from readers, "pro and con," regarding my column in this paper about highways that I have collected some more facts which for two reasons I should pass along to my readers. First, because I was perhaps unfair to the trucks; and second, because I wish to submit a constructive suggestion to road builders.



Roger W. Babson

My first job after graduating from the Massachusetts Institute of Technology as a civil engineer was to build State highways. I soon learned that the politicians want to spend money on the *black tops which can be seen* instead of on the highway foundations *which the voters do not see*. Then when a road cracks, these politicians blame it on the motor vehicles.

That these politicians are wrong is proven by driving along any state roads with cracks or patches. If it were the motor vehicles which caused the cracking, then every slab or section would be cracked or patched. The fact that only a few are cracked or patched proves that the foundation was skimped at certain points when being built. Let me here add that in 1950 motor vehicles paid about $3 billion in taxes.

"Hogging" the Roads

If motor vehicles do not move to the side when you blow your horn, or if they cross two solid lines painted on the center of a road, then you should report them. In this connection, state officials say that ignoring and crossing double solid lines is responsible for most of the bad accidents.

The real "hogging" is done by us privately owned car drivers who park on streets from which trucks are excluded. Furthermore, this parking by us is so choking the downtown business streets that—if not forbidden—it will severely harm retail trade and depress the value of business property. I am very serious about this and—if space permitted—would like to say a good word for the bus companies.

What About More Legislation?

I am opposed to the so-called ton-mile tax unless it applies to all vehicles. In fact, there are only three legitimate purposes for the regulation of highway traffic: (1) Safety of all cars and persons; (2) Honest foundations for all roads; and (3) Making both trucking and railroad rates so as to be fair to every business and section. When railroads or trucks object to any of these goals, they are "hogging" legislation.

It surely would seem reasonable to give the Interstate Commerce Commission the right to designate the construction of all highways to be used by trucks whose rates it now regulates. This Commission already closely watches the roadbed and traffic regulations of the railroads.

The Real Solution

Both the protection of our highways and lower taxes will come from the discovery of some alloy which will partially reduce the pull of gravity. Studies to accomplish this are being encouraged by the Gravity Research Foundation of New Boston, N. H. In other words, the goal of all highway engineers, all vehicle owners, all consumers and all taxpayers *should be to reduce weight*. Excess weight is the real cause of highway trouble and excessive trucking rates.

I visualize before many years, large trucks will have "airtight" bodies such as are now used by refrigerator trailers to carry perishable or frozen foods. The body of such future trucks will be made of an alloy which will partially deflect the gravity waves from the contents of the trucks, thus reducing the weight of the contents from 30,000 pounds to perhaps 5,000 pounds. Such gravity resisting alloys have not yet been discovered, but some alloys have been found to partially deflect magnetic, heat and light waves.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Jackson M. Elgin is now with Merrill Lynch, Pierce, Fenner & Beane, 818 Gravier Street.

Standard Inv. Adds

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—George W. Schemel has been added to the staff of Standard Investment Co. of California, 87 South Lake Avenue.

With Davies & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—P. C. Scalmanini has joined the staff of Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchanges. In the past he was cashier for Hooker & Fay.

Kidder, Peabody Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Francis P. Magoun III has been added to the staff of Kidder, Peabody & Co., 75 Federal Street.

With Renyx, Field Co.

(Special to THE FINANCIAL CHRONICLE)

WALTHAM, Mass.—Robert H. Davisson has been added to the staff of Renyx, Field & Co., Inc. of New York

With Blunt Ellis Firm

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Leonard P. Joyce has become associated with Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was formerly for many years with Dayton & Gernon.

From Washington Ahead of the News

By CARLISLE BARGERON

This is the season of the year when Russia becomes more powerful, more menacing to what has boringly become known as the "Free World"; the season of the year when its army is greater, it has more destructive tanks and bombs and the planes with which to deliver them. It is not because of any rejuvenation that comes with spring, either, or that the sap is beginning to run in the Russians' veins. Indeed, my experts on Russia tell me that the winter is the more propitious time for Russia to start a war because the streams are frozen over and can be used as roads, which is a commentary, of course, on the transportation system of this most powerful of nations.

Carlisle Bargeron

No, the reason why we are hearing so much just now about how Russia has far more planes than we have and far more productive facilities is that the annual appropriation bills are coming up in Congress. It is an old story and one that you would think the American people had become completely fed up on. President Truman is alarmed, we are being told, the joint chiefs of staff are looking more grave than is their wont.

This season's crop of alarm stories began with an article in an aviation publication to the effect that, through sources of information it had behind the Iron Curtain, the magazine had learned that Russia has some 40 aircraft plants, and they are turning out planes like nobody's business. This started the ball of alarm rolling and it is being given momentum by other publications and commentators until the effect is already pronounced in Congress.

A body that was hell bent on slashing military appropriations and foreign aid a few weeks ago is slowly approaching a stall. As of this time, it is too early to tell what the outcome will be, but I make bold to predict, that before July, Truman will have got everything in the way of military and foreign aid that he asked for.

Being fairly well schooled in the practical politics of Washington, I am not surprised at what is happening—the same thing that happens year after year—and it does not particularly raise my blood pressure. But it does irk me to see the increasing easiness with which this job is done.

Practically every man in Congress knows, and will tell you he knows, that so much money has already been appropriated for the military that the mind can't comprehend it. But you can count on the fingers of your two hands the number in this election year who have the courage to refuse to vote additional appropriations in the amount sought. Something can conceivably happen between now and November, Stalin may move here or he may move there and no member of Congress wants to be put in the light of having voted against appropriations for "security." It so happens that no amount they appropriate will have any bearing on any Stalin moves and it is doubtful if he can make any move, short of all-out-war—which few in Washington officialdom expect—that would do more harm than the reckless appropriating. But these facts are outside that purely artificial realm known as politics.

Even with the feeling in the country against government spending being seemingly at a fever heat, the average politician feels that it is far safer to continue to vote money for "security" than to take a chance of an "emergency" or a "crisis" developing and his having let himself in for a charge that he voted against any money for the military or for foreign aid.

The experience of Korea is still fresh in the Congressional mind. As of this time the Korean fiasco is highly unpopular. But when it began, those members of Congress who had been "economy minded," who had been voting for lesser military expenditures, quivered in their boots. Several of them got hurt. Immediately the welkin rang with the propaganda that the North Koreans would not have moved into South Korea had we been "prepared." Questioning as to what had happened to the $15 billion a year the military had been getting since V-J Day was lost in the din. The main scapegoat was Louis Johnson, of course.

Ironically enough, the military now has not the slightest abashment over the stories that we are woefully unprepared, that Russia has more and better planes, more and better tanks, after the billions they have been given to get their house in order. With utter gall they contend it is more billions they need. Their complacency is built upon their knowledge of Congress. The military knows that there will be all sorts of charges about their inefficiency and their wasteful spending. But such charges worry them not in the least. They know they will get the additional money they want.

The Dollar Shortage Persists!

By A. N. GENTES*
Vice-President, Guaranty Trust Company of New York

Mr. Gentes reviews trade, currency and exchange conditions in various areas, particularly as affecting U. S. exports and export credits. Sees no let-up of export credit risks due to dollar shortages, and predicts, because of additional competition for exports from England, Germany and Japan, many lines of U. S. exports will experience reduced business. Calls attention to intensified restrictions on imports from U. S., and warns exporters to check foreign credit risks carefully and make credit sales only in countries having adequate supply of dollars.

The significance of the slogan of the Export Managers Club this year, i. e., "World Trade in a Changing World," becomes more apparent when viewed with our total international trade figures of approximately $26 billion in 1951. These figures, which are composed of about $15 billion in exports and about $11 billion in imports, are the highest ever recorded in the United States. Factors bearing on the volume of the flow of goods in and out of the United States have never remained completely static, but since World War I the changes have been more numerous and momentous and have had a direct and marked effect on the direction of our trade and on its composition and volume.

A. N. Gentes

For the past ten years, the export trade of the United States averaged about $12 billion, as compared with an average of about $3.7 billion in the preceding 30 years. Whether our large volume of exports has been built on a firm and lasting foundation and whether it can be continued on its present plane in future years are debatable questions that can be answered conclusively only by future experience. We, of course, do know that a large part of the increase in our export volume in recent years has been due to price inflation and our policy of gratuitous aid under the designations of Lend-Lease, Marshall Plan Point IV, Mutual Security, etc. With regard to price inflation, it may be of interest here to compare the prices of some of our basic export products as of January, 1939, and January, 1952:

		—January— 1939	1952
Corn	bushel	$0.52	$1.90
Cotton	pound	0.086	0.41
Pig iron	ton	20.50	52.00
Steel billets	ton	34.00	56.00
Petroleum (Pa.)	bbl.	1.68	4.25
Wheat	bushel	0.76	2.47

The foregoing figures give some idea of the extent of the price inflation that already has taken place in the United States and of the impact of the increase on our export volume.

The ability of the United States to continue the plan of spreading part of our wealth around the world under the Mutual Security Act will depend in good part on conditions within our own country. A recession or a depression in the United States would result almost immediately in the collection of less taxes from business and individuals and a forced contraction in the allocation of dollar funds abroad. Furthermore, an increase in unemployment during a period of recession would result in an almost immediate decrease in purchases of capital and consumer goods within our own country and a corresponding decrease in our import volume. Such a decrease would result in a reduction in the amount of dollar exchange available abroad. Fortunately, this country still is in a strong and prosperous condition, and the general consensus points to continued prosperity throughout the balance of the year and a high tax yield to the government. Taxes, however, both for individuals and business have just about reached the point of diminishing returns, and we are still resorting to deficit financing, brought about in good part by an unwillingness on the part of Washington to curtail unnecessary non-defense expenditures.

Export Credit Risks

Exporters in the United States who sell abroad on any basis involving the extension of credit, always have been faced with the credit risk of the buyer. In recent years, the return of dollar payments for sales made on a credit basis, which depends on the availability of dollars abroad, has become an additional risk, of more importance at times than the credit risk. Buyers abroad may be in excellent financial standing and may have an adequate supply of local currency, but these factors are of little importance if no dollar exchange is available for purchase within the country. While the financial responsibility of many individuals and companies abroad has changed materially as a result of the impact of World Wars I and II, we have the means and ability to check the credit risk of the buyer. It is a tangible factor, subject to our investigation and consideration, whereas dollar exchange availability is an intangible factor, susceptible to quick changes by any one of a number of developments.

A sudden drop in the market price of a foreign country's principal export product, the over-issuance of import licenses, political disturbances affecting the marketing of a country's products abroad, and many other factors, are reflected almost immediately in a reduction of the available supply of dollar exchange. The net result generally is a backlog of commercial debt, or in other words, a delay in the payment of export bills, and a decrease in the affected country's imports. While these factors are by no means new developments in foreign countries, they have in recent years assumed greater importance in the operations of our export trade, and exporters should carefully check conditions within the foreign country before entering into credit commitments with foreign buyers. The risk involved in a foreign sale on a credit basis naturally increases in ratio with the length of time extended to the buyer, and as a cosequence American exporters prefer to confine sales to sight draft terms when future conditions within the foreign country are not clear.

On the assumption that there will be no important change in existing conditions, it is quite possible that our over-all export figures for 1952 will be larger than those of 1951. However, with a cutback in production for civilian consumption in the latter part of the year and additional competition from England, Germany, and Japan, exporters in many lines may find it difficult if not impossible to equal their 1951 export sales.

It is axiomatic that buyers in foreign countries, when purchasing goods in the United States, must have the facility of purchasing dollar exchange or some currency freely convertible into dollars. Under the systems of foreign exchange controls that exist in practically all countries of the world, the control of all incoming and outgoing foreign exchange generally is in the hands of a government agency, and importers must apply to that agency for their foreign exchange requirements. Every country, if it engages in international trade, must in some way create foreign exchange for its own needs and for the needs of importers. The methods are identical in all countries and, even at the risk of being too elementary, perhaps the principal procedures should be reviewed:

(1) The foreign country may ship its raw materials or manufactured goods abroad or it may sell its services, such as insurance and shipping.

(2) The foreign country may ship gold abroad and receive credit in dollars or other foreign exchange.

(3) The foreign country may borrow abroad.

(4) Within recent years a new procedure has been added, i.e., a request to the United States for dollar aid.

Dollar exchange is in short supply in most parts of the world, and this shortage has been aggravated by the instability of most world currencies and by the lack of freedom of convertibility of currencies, one against another. This situation leads to an unwillingness on the part of many countries to accept payment for their own exports in any currency but U. S. dollars. Thus, an additional burden is thrown on dollar exchange. When confidence in world currencies is restored, and it is still a long way off, the pressure against the dollar will be relaxed and bi-lateral trade and barter operations will give way to world trade on a multi-lateral basis.

World-Wide Exchange Conditions

Unless we as exporters are willing to assume the risk of payment in blocked currencies, our sales on a credit basis during the present year must of necessity be made to selected markets where dollar exchange or its equivalent is readily available. We are operating today in a changing world, and exporters should keep in constant touch with current developments. It may be well here to make a quick review of the situation existing at present in various world areas and countries.

Recent information leads to the belief that the United Kingdom, Commonwealth countries (excluding Canada), and other countries in the sterling area, will import less from us in 1952 in the way of consumer goods through normal commercial channels. The United Kingdom is in one of its periodic crises. In 1951 the country's trade deficit was the largest since the war, and gold and dollar reserves dropped from about $3,300,000,000 on Dec. 31, 1950 to $2,335,000,000 on Dec. 31, 1951. Britain must buy most of her raw materials and about half of her food from abroad, and a good part of these products come from areas that require payment in U. S. dollars or other hard currencies. Due to several reasons, including a decline in world prices for raw materials shipped from Commonwealth countries and a rise in the cost of imported products, a sufficient supply of dollars has not been created, and of necessity imports from the United States must be slashed during 1952. The prospects for a balanced trade, or at least a sizable reduction of the trade deficit with the United States and the rest of the world, are more hopeful, but the objective can be attained only by a drastic reduction of imports and a substantial increase of exports. Specific indications of a decrease in our exports to certain parts of the sterling area already are in evidence. The Union of South Africa, for example, will slash imports from the United States to help relieve the exchange crisis threatening the United Kingdom, and this attitude is representative of the general agreement reached at the recent meeting of the Commonwealth Finance Ministers in London.

With a few exceptions, the European nations probably will be able to find only a limited amount of dollar exchange of their own creation to pay for imports from the United States, and unless dollar aid from the United States is made available, imports may be confined wholly to essentials unobtainable within the soft-currency area. This applies particularly to such countries as Austria, Belgium, Denmark, France, Germany, Greece, Italy, Netherlands, Portugal, Spain and Turkey. In practically all the countries mentioned, preferential consideration is given to the granting of import licenses for essential merchandise. According to information received recently from Belgium, the policy is to refuse temporarily licenses for non-essential imports from the United States.

With regard to France, the French Finance Minister recently announced that the dollar import programs for 1951-1952 must be cut substantially, in order to reduce the country's trade deficit. Subsequent to that announcement, the United States agreed to give France $600,000,000 under the Mutual Security Program, and part of that amount will be allocated for economic aid. The export of French products has been declining, whereas imports have been increasing, and the country will have a large import balance for 1951. Regardless of our aid, conditions point in the direction of a limited amount of dollar exchange and restricted imports from the United States for 1952.

In the Scandinavian area, Sweden and Norway have been our best customers. Sweden contemplates a curtailment of imports from the dollar area during 1952, and essential commodities will receive preference. While Norway's balance of payments with all countries will show a surplus for 1951, the dollar position will be in deficit. It is believed that the country will continue a dollar deficit in

Continued on page 26

*An address by Mr. Gentes before the 35th Anniversary Get-Together of the Export Managers' Club, New York City, March 18, 1952.

Continued from page 3

Vinson Says UMT Bill Awaits Action on New Army Reserve Plan

a highly desirable thing. We would like to see this program timed so that the call will come to the great majority of youths between their graduation from high school and their entry into college or business—but in any event, we would like to see it.

The San Francisco "Chronicle" does not wish to see a Nation of Spartans, but we feel we must have a nation of men who are tough-minded, resourceful and level-headed enough to keep America safe and strong. We feel a year under UMT would go far to produce that kind of men.

EDWIN W. PAULEY
Los Angeles, California

I was impressed with Dr. Carothers' sincerity but his arguments against universal military training did not convince me. I remain, along with our military advisors and the Administration, of the opinion that this bill is desirable and should be enacted into law by Congress.

HON. JOHN V. BEAMER
U. S. Congressman from Indiana

There is a lot of material being published on this particular subject, but I feel that Dr. Carothers has given an interesting and convincing argument against this piece of legislation.

HON. USHER L. BURDICK
U. S. Congressman from N. Dak.

From a hasty glance, it would appear that Dr. Carothers' views largely coincide with my own. I am enclosing a copy of a statement I made on Jan. 2, which will leave no doubt in your mind as to my attitude.

Editor's Note: Text of statement referred to by Congressman Burdick, dated Jan. 2, 1952, is reproduced herewith:

"I am opposed to Universal Military Training and have always voted against it. The last time this matter was before Congress, this feature—UMT—was hitched to the draft bill. Since we were at war in Korea, we were compelled to vote for the draft, as we couldn't just go away and let the boys fight alone in Korea. The Univeral Military Training feature was by amendment held in abeyance until a military committee reported the matter to Congress. I have not seen this report and don't know what the findings will be.

"Regardless of these findings, I am against UMT for the reason that such a plan would foment and not deter wars. The Military would like to get complete control over the people. They may propose a military candidate for President, for nothing short of a complete mastery over the people by the military will satisfy that group. We have seen how this same principle advocated by the Junkers of Germany destroyed that country, and to instruct boys in the art of killing and destruction is taking the wrong road in the training of our youth. They should be schooled in the Arts of Peace, and no more wars should be started without the consent of Congress.

"Congress is foolish in advocating such a law as that which will further weaken the power of Congress over affairs of war."

GEORGE V. CHRISTIE
Vice-President,
First National Bank of Arizona,
Phoenix, Ariz.

In all the pros and cons on the subject of UMT, it appears to me the most important "con" is that anything compulsory is inimical to the American idea and, therefore, abhorrent and subject to rejection. This country has never taken up arms except on a voluntary basis and in defense of its principles. I do not believe a way yet has been found to enforce patriotism — although through bonuses and other concessions to veterans, beginning with pensions, our country has put a price on patriotism and conditioned its soldiers to looking for a tip for their services, like menials.


George V. Christie

R. G. GUSTAVSON
Chancellor,
The University of Nebraska,
Lincoln, Neb.

I read Dr. Carothers' article with great care and with great interest.

Surely Dr. Carothers has placed the problem in front of us in such a way that will help us make our decision in this very complicated area. Personally, I happen to agree with Dr. Carothers in his analysis and consequently my approval is probably based on pretty deep-seated prejudice. I am, of course, deeply concerned about what we are doing with the manpower in our country. Only this morning I had a conference with representatives of one of the largest technical organizations in our country that is seeking engineers for their program. When you remember that we graduated something like 52,000 engineers last years, all of whom were taken up by industry and the military; that we shall graduate something like thirty-odd thousand this year, with decreasing numbers every year until, when the present freshman class graduates, we will only have 12,000 engineers graduating, what does this mean for a country that depends on technology for its survival? It seems to me that there are many reasons why we should stop, look, and listen when we are dealing with our manpower problems.

THEODORE B. FURMAN
Vice-President,
Hudson County National Bank,
Hoboken, N. J.

I agree wholeheartedly with Dr. Carothers' views on the subject of UMT. There is very little which could be added to his remarks. However, we should all lay heavy stress on the fact that UMT would not accomplish the purpose advanced to the American people by the Administration and the military. Unless a man is continually trained, his previous training is of very little value, if any, at the end of a year or two. Military tactics and weapons have always changed from war to war, and the changes are more rapid now than ever before. This point could be elaborated on and placed before the people to show them the fallacy of the program as outlined at the present time.


Theodore B. Furman

I have heard that the United States Chamber of Commerce will soon change its attitude toward this UMT program. I hope they do it very soon.

J. PAUL MOHR
President,
Sacramento Junior College,
Sacramento, Calif.

I agree with what Dr. Carothers has to say and feel that the article is well worth wide distribution.

JOHN W. DAVIS
President,
West Virginia State College
Institute, West Virginia

Dr. Neil Carothers' article on UMT is factually valuable. It and the suggestions which it contains are more valuable to our democratic form of government than UMT can ever be.

CARL R. WOODWARD
President,
University of Rhode Island,
Kingston, Rhode Island

I agree with Dr. Carothers on a number of his recommendations for reform in our military forces and our defense policy generally. I also agree with him on the importance of a greater emphasis upon scientific and engineering training as a better means of national defense. However, I cannot agree with him on the basic issue of universal military training. While not militaristic in my philosophy, I have felt ever since World War II that a system of universal military training would be our best insurance against further war and an effective guarantee of permanent peace. While, of course, it is idle to argue "what might have been," I sincerely doubt whether we would have had the trouble in Korea if we had moved into a system of universal military training at the close of World War II. This I recognize, of course, is simply a matter of opinion, but I do feel it strongly.


Carl R. Woodward

I think that our House of Representatives made a grave mistake by voting to recommit the UMT measure this week.

RAYMOND L. GEBHARDT
Trustee, New York, Ontario and Western Railway, New York City

The article "UMT: Why It Is a Mistake" was read with much interest and the writer heartily agrees with all of the conclusions reached by Dr. Carothers.

My conclusions are not predicated from a selfish move in that my sons are beyond the UMT and conscription ages.

HON. WM. JENNINGS BRYAN DORN
U. S. Congressman from So. Caro.

I voted against UMT for many reasons outlined in Dr. Carothers' article, particularly where he states that it will not promote the nation's security. I think our defense in the future will have to rest on science and technology, and not on mass armies of ground troops.

Maldistribution, Not Shortage, In Steel Production

By FRANK K. McDANEL*
President, American Bridge Division, U. S. Steel Company

U. S. Steel executive, asserting present conditions indicate that most American factories are not seriously short of steel, lays present difficulties to maldistribution of steel products, caused by present controls. Says, since government cannot be in close touch with numerous plants that make steel or the many plants that consume it, present controls are wasteful, often arbitrary and subject to political pressure. Concludes, therefore, controls should be terminated. Holds steel in highway construction is for defense purposes and should not be subject to allocation.

Let us take a good look at the over-all situation. No one wants anything to interfere with our nation's defense—that is a foregone conclusion. In my opinion modern highways are, and should be considered, a vital part of our national defense and I shall touch upon this in greater detail later. There was throughout 1951 an unprecedented demand for structural steel for the expansion of our steel capacity, our aluminum capacity and our electric power generating capacity. There were also thousands of tons of steel used for the expansion of manufacturing facilities for war production. Insofar as structural steel requirements are concerned, a closer look right now — today — indicates that the back of the planned steel expansion program is broken. The same may be said for the aluminum program, and to a lesser degree for the electric utilities program. Predictions are, however, that the generating capacity for electric power will be increased by nine million kilowatts in 1952. By the end of 1953 the power capacity for Class I utilities will be 91 million kilowatts, and the Federal Power Commission forecasts 135 million kilowatts by 1960—so this program is expected to continue, but the impact on the structural steel picture should not be too significant. I am afraid some people have the mistaken idea that structural steel can be converted to other steel products. If the production of structural steel were completely stopped, our total steel production would be decreased by approximately the amount of structurals which were not produced. In other words, you can't roll plates and sheets on structural mills. It is just that simple. Maximum steel production is obtainable only when there is a balanced product mix.


Frank K. McDanel

Present indications are that most American factories are no longer seriously short of most steel products and that men in Washington will soon learn from the results of a check of 2,500 firms that a majority of the metal-consuming factories have already accumulated enough raw materials to violate the National Production Authority's inventory restrictions. These inventory regulations, in my opinion, are unrealistic and unworkable. From coast to coast, apparently almost without exception, the NPA investigators find that early figures show 60% or more of the factories surveyed now have more metal than inventory regulations allow . . . particularly steel. When compliance officers working out of Portland, Oregon, had checked the first nineteen steel users, from one-man shops to factories ranking among the biggest in the area, they found every one of them with excess stocks.

The Regional Director of Ohio, Michigan and Kentucky, said he has in hand so far figures for nearly 200 corporations, and about 60% will be found to hold more metal than rules permit. He states, "As of now, I can say there is evidence of considerable oversupply of steel in the hands of many companies we have audited. There are instances where the supply of steel, copper or aluminum—or all three—is two to four or five times as much as it should be under inventory regulations."

Maldistribution of Steel

Facts of this kind may be a surprise to many, but there must be a sound reason. These are for the most part patriotic firms honestly trying to obey the law. The reason is very simple—maldistribution. For example, as you know, every bridge requires some plates. You receive the tickets and we process them. Eventually we have say 90% of the material for one of your most important bridges but we can't fabricate the chords and diagonals without the missing items, and we have no alternative but to wait for the remaining materials. The steel mills can't help us—it's the law.

Each individual problem brought about by controls may be simple, but collectively the problems are exceedingly complex—so complex, in fact, as to border on the impossible. One cannot therefore refrain from asking: Are these controls necessary? Why, for instance, with direct military procurement in 1951 amounting to not more than 10% of steel production and with the increased production alone sufficient to meet the military needs, should it be necessary to control the entire distribution of the industry? It is estimated that in 1952 the direct military requirements will be about 15% of the national production. This increased requirement again will be largely offset by increased availability, again leaving a full measure of steel for all other requirements.

Reese H. Taylor, President, Union Oil Co., recently told the Purchasing Agents' Association of Northern California that "the steel shortage does not exist except in maldistribution." He expressed fear that the Administration is trying to gain control of the steel industry and that "the Controlled Materials Plan is causing the very condition it was theoretically set up to cure."

Many of you may have been present at the golden anniversary of the American Road Builders Association last January in Houston, Texas, when A. E. Johnson of the Arkansas State Highway Commission criticized the position taken by some officials of the Defense Production Administration that "highway construction and replacement at this time are very non-essential. They question the request of state highway departments for steel as being in excess of minimum requirements," Mr. Johnson stated. "A similar attitude was taken by the government during World War II," he added. He contended that "all too little highway construction has been done since the end of World War II. Roads are too important to receive this sort of forced neglect and they are as important at this time as almost any type of defense preparedness." To this I subscribe.

An official of the U. S. Bureau of Public Roads notes that NPA alloted 245,000 tons of carbon steel for highway construction during the second quarter of this year, compared to a request for 475,535 tons. "This and previous substantial reductions have further aggravated the serious condition all too prevalent on our highways," Mr. Clark told the convention. He said 75% of the nation's highway mileage fails to provide adequate highway transportation facilities in at least one or more ways, such as narrow pavements, narrow shoulders, or hazardous curves.

This is an appalling condition—one which should not exist in this so-called "limited emergency of unlimited duration."

Perhaps when I questioned the necessity of controls I should have qualified the query. There is really no fundamental disagreement with the need for providing whatever steel is required by the military establishment. It is conceded that under current conditions such distribution must be directed by the government, not only to insure adherence to specific delivery schedules, but also to insure an equitable distribution of the defense load among producers of steel as well as among various consumers of steel.

There is disagreement, however, concerning the distribution of the 80 or 90% that is left over after direct military needs have been fulfilled. I believe that at the proper time those who have the responsibility for producing the steel should also have the responsibility of distributing it equitably and effectively.

The present inflation of priorities and the eventual decision of the National Production Authority to adopt 100% control inherent in the Controlled Materials Plan was influenced not by the direct military needs but by the requirements of those industries that were, one by one, determined by government to be defense supporting. In rapid succession, steel-consuming industries developed military support for their entire production because a portion of their output was needed for direct military programs. Apparently defense transportation was not considered defense supporting.

I was reading the other day that the Pennsylvania Turnpike carried more than a million military vehicles which speeded the relocation of troops and equipment during World War II. Innumerable times during the war the Turnpike was completely closed to civilian traffic while convoy after convoy traveled at a speed unattainable on the major Federal and state highways to destinations where the urgency of military requirements demanded a secret and strategic move. It has been estimated that during the war period more than 80% of the commercial vehicles traveling that highway carried products directly related to the war program. During those four years the amount of materials and products most easily trucked—that is LCL and small freight box car loads — destined for direct military and defense consumption carried on the Pennsylvania Turnpike is said to have exceeded the volume of goods hauled by the Pennsylvania Railroad in the region from Harrisburg to Pittsburgh.

Controls Shoud Be Terminated

For our economy's survival, the present controls must be terminated just as soon as conditions permit; for government control is often wasteful, often arbitrary, and often subject to political pressure. Furthermore, government cannot be in close touch with hundreds of plants that make steel or the thousands of plants that consume it. Given the opportunity, I believe the steel industry is better qualified to do the job faster, at lower cost, more efficiently, and with considerably less confusion.

I am not in any way criticizing the thousands of men and women in government who are working earnestly and diligently at this mammoth task; but I am convinced that centrally administered controls will not, and cannot, work efficiently in our economy, no matter how wise, talented, and honest the administrators may be. The many complexities of a great industry in a free economy, the enormous intricacies of the marketing operations that make up the distribution of any major product are simply beyond the power of any man and any planning board to control, short of a 100% military objective which discards considerations of the civilian economy.

Whether you agree with my philosophy of controls, the facts of the moment are that under the Controlled Materials Plan the Federal government is directing virtually all steel distribution. It is controlling the flow of most of the steel which goes into construction; and as you and I know only

Continued on page 30

*An address by Mr. McDanel before the Association of State Highway Officials of the North Atlantic States, Atlantic City, N. J., March 6, 1952.

Missouri Brevities

At a special meeting on March 26, stockholders of **American Automobile Insurance Co., St. Louis,** will vote on the question of authorizing an additional 500,000 shares of $4 par common stock to be offered to present holders on the basis of one-for-one at a price of $10 per share. The First Boston Corp. has formed a syndicate to purchase from certain stockholders such of the additional stock as may be available for sale. Because of the low price of the offering to stockholders in relation to current market for the 500,000 shares already outstanding, an adjustment has been made in the company's dividend rate.

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Addressing a group of San Francisco security analysts, Kenneth A. Spencer, President of **Spencer Chemical Co.,** declared that sales for the fiscal year ending June 30 will probably exceed previous year's total of $23,750,000 by approximately $4,500,000. Mr. Spencer envisaged net earnings for the current year of $4,100,000 as contrasted with $4,562,000 a year earlier and common share earnings of $3.46 versus $4.18. The common dividend rate of $1.80 yearly is expected to be maintained, he said, adding that the company's excess profits tax base for the year is about $8,000,000, equal to $3.17 per common share.

* * *

Included in the syndicate headed by Merrill Lynch, Pierce, Fenner & Beane which handled the recent successful placement of 1,760,000 shares of common stock of Schering Corporation were the following St. Louis houses: **G. H. Walker & Co., Newhard, Cook & Co., Reinholdt & Gardner,** and **Stix & Co.** The offering, at $17.50 per share, represented a four-for-one split of the 440,000 shares purchased by the syndicate via competitive bidding from the office of Alien Property.

* * *

Directors of **Hydraulic Press Brick Company, St. Louis,** have voted to submit a recapitalization plan to stockholders at an early date, it was announced by President L. S. Meyer. Under the plan, according to report, debentures and new common will be offered in exchange for the present preferred, and new common will replace the existing equity.

* * *

Income taxes absorbed 69% of operating profits, as compared with 53% in 1950, with the result that 1951 net income of **Union Wire Rope Corp.** was down 26% from the preceding year, despite a gain of 10% in sales. Net income amounted to $629,760, equal to $2.52 a share on the common stock, compared with $848,606, or $3.39 a share, a year earlier. Sales were $10,189,565, compared with $8,386,069. The gross profit jumped from $2,709,817 to $3,035,049, the largest ever. Income taxes were $1,375,000, against $967,000.

* * *

The 1951 annual report of **Pet Milk Company** shows consolidated sales volume of $157,809,984, as against $137,500,083 in the previous year. Net income was lower, being $2,853,028 or $5.52 per common, as against $3,536,251 or $7.04 per common share in 1950. Provision for Federal income and excess profits taxes was lower also, being $3,269,000 as against $3,280,000. Company expended $4,273,523 for additions to property, plant and equipment as against $3,307,500. Common share book value was increased to $62.60 from $58.68 as of Dec. 31, 1950.

* * *

Stern Bros. & Co., Edward D. Jones & Co., I. M. Simon & Co., Smith, Moore & Co., and **Taussig, Day & Co., Inc.,** all of St. Louis, were members of the group headed by Union Securities Corp. in the recent offering of 409,689 shares of common stock of Texas Utilities Company. The shares are priced at $32.50 each and holders of common stock have up to March 28 to exercise transferable subscription warrants evidencing rights to subscribe for the new shares.

* * *

The City Council of **St. Louis** has entered into an agreement with the engineering firm of Howard, Needles, Tammen & Berendoff in connection with proposed construction of a $4,500,000 high level bridge across the Missouri River to serve the Municipal Air Terminal. Funds for the project will be raised through the issuance of toll revenue bonds. Work on the span is expected to get under way in six months.

* * *

Herman Husch, President of **Consolidated Retail Stores,** reporting on 1951 operations, stated that while sales volume for the year of $29,720,915 represented a 1.6% gain over 1950, net per common share was $1.08 as against $1.42. A quarterly dividend of 20 cents was paid on Jan. 1 last, as compared with last year's payment of 30 cents. Rising operating costs, coupled with price control, require a substantial increment in sales in order to bring about an increase in earnings, according to Mr. Husch. An expansion and rehabilitation program necessitated borrowing of $1,500,000 for a 10-year term from the Mutual Life Insurance Co. of New York, part of which was used to retire a previous loan, leaving a net balance of $946,000. Company operates a nationwide system of retail stores.

* * *

Net profit of **Laclede Steel Company** in 1951 was $2,797,998 versus $3,222,475 in the earlier year, with common share earnings for the two years being $13.57 and $15.62 respectively. The decline in net was the result of higher taxes as pre-tax operating profit last year amounted to $7,897,998 as compared with $6,622,475 in 1950. The company operated virtually at capacity in 1951, according to President William M. Akin, and has received government approval for accelerated depreciation over a five-year period of about $2,000,000 in cost of new facilities. The company, he added, has under way or is participating in 34 projects for product development and research in order to safeguard earnings "in the competitive markets that lie ahead."

* * *

Although net sales of **Sterling Aluminum Products** increased to $14,300,699 from $13,484,526 in the previous year, net per common share decreased to $1.74 in 1951 as compared with $3.07 in 1950. Bank loans as of Dec. 31 last totaled $300,000, payments during the year having amounted to $150,000. Current assets on that date were $4,414,044, including $2,392,669 of cash, versus liabilities of $1,185,282, of which $698,640 constituted taxes payable.

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The Missouri Western Gas Co. has been authorized by the State Public Service Commission to sell $110,000 4½% first mortgage bonds to the Bankers Life Insurance Co. of Nebraska. Proceeds will be used to pay outstanding obligations and for improvements.

* * *

Net earnings of the **Scruggs-Vandervoort-Barney, Inc.** for the six months ended Jan. 31 were equivalent of $1.48 per common share as compared with $2.33 in the previous corresponding period. A forecast of "improved gross merchandise profit" in the coming months was forecast by Frank M. Mayfield, President.

Boston Inv. Club to Hear Winfield Perdun

BOSTON, Mass —The next dinner meeting of the Boston Investment Club will be held at the Boston Yacht Club on Wednesday, March 26, at 5:30 p.m.


Winfield H. Perdun

Principal speaker will be Winfield H. Perdun, a leading authority on oil securities and partner of Smith, Barney & Co., New York. His topic will be "The Present Position and Outlook for the Oil Industry."

3 With Hemphill, Noyes

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William L. Field, James M. Mahoney and John C. Mathis, Jr., have become associated with Hemphill, Noyes, Graham, Parsons & Co., 10 Post Office Square. Mr. Field was formerly with du Pont, Homsey & Co. and Townsend, Dabney & Tyson. Mr. Steele was with Gordon B. Hanlon & Co. and Coburn & Middlebrook.

Joins C. F. Childs

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Warren B. Stetson is now associated with C. F. Childs and Company, 82 Devonshire Street. He was previously with Blair, Rollins & Co., Inc.

Connecticut Brevities

Aspinook Corporation has announced sale of its Union Bleachery Division at Greenville, South Carolina to Cone Mills Corporation. The transaction is understood to be on a cash basis, effective March 31. Previously the company had sold its Hampton Print Works and its Pacific Print Works. Aspinook continues to operate its Jewett City, Conn. and Adams, Mass. plants.

* * *

Stockholders of **Electric Boat Company** will vote at the annual meeting on a proposal to merge the company into a new company, General Dynamics Corporation, in order to modernize the corporate set-up and to adopt a name which is more descriptive of the present scope of operations. The submarine building activities will be known as the Electric Boat Division. As of Feb. 29 the backlog of orders, including Canadian Limited, amounted to $333,770,000.

* * *

At the annual meeting of **Yale & Towne Manufacturing Company** stockholders will vote on authorization of 313,344 additional shares of common stock, of which 150,000 shares are to be used to acquire additional property and the remaining shares would be available for other corporate purposes.

* * *

Bridgeport Brass Company called for redemption on March 18 at New York Trust Company the outstanding 7,938 shares of its 5½% cumulative preferred at 107½ plus accrued dividends. The company's report for 1951 shows that sales increased to $101.7 million from $91.9 million a year earlier and pretax net increased from $8.1 million to $10.7; but after taxes earnings per share were down from $4.14 in 1950 to $3.45.

* * *

Stockholders of record March 7 of **Bridgeport Hydraulic Company** are being offered rights to purchase one new share of common at $20 for each nine shares owned. A total of 44,000 shares are being offered. The construction program for 1952 calls for expenditure of $1,400,000. This will be financed by proceeds from the stock offering and a short-term bank loan. At a later date bank loans will be replaced by bonds.

* * *

Announcement of the placement of $3,000,000 of 3¾% promissory notes due Feb. 28, 1967 has been made by **Pitney-Bowes, Inc.** The company's business has been expanding rapidly. Sales in the last quarter of 1951 were $8.0 million compared to $6.0 million a year earlier.

* * *

Consoldiated earnings of **Niles-Bement-Pond Company** for the year 1951 were $3.21 a share after a charge of $0.11 per share for inventory adjustments and plant rearrangement expenses, compared to $2.02 in 1950, based on the present capitalization. Sales increased from $26.3 million in 1950 to $46.3 million. The company has recently obtained a certificate of necessity permitting it to amortize over a 5-year period 65% of $371,293 to be spent on facilities to make aircraft parts at the Warwick, Rhode Island, plant.

* * *

The 1951 annual report of **Hartford Gas Company** reveals that operating revenues increased 7.9% to $5,484,552. Earnings before taxes were slightly higher than in 1950 but the tax increase resulted in a reduction in net per share from $2.67 to $2.39. Expenses for construction during the year amounted to $847,012, of which about half was in preparation for the coming of natural gas. Funds to meet 1951 and 1952 construction costs are being obtained through bank loans which will be replaced by permanent financing later. The company estimates that it will receive natural gas in August, at which time it will begin distribution of mixed natural and manufactured gas. Conversion expenses are estimated at $1,200,000.

* * *

Gray Manufacturing Company has leased 23,000 square feet of space in the former Hilliard Mill in Manchester. The plant will be occupied by Gray Research & Development Company. Sales of Gray for the quarter ended Dec. 31 were $1.8 million against $1.1 a year earlier. For the year sales increased by 41% over the 1950 total.

Beckman Instruments Shares Offered

Public offering was made on March 18 by Lehman Brothers and on underwriting group of 371,553 shares of $1 par common stock of Beckman Instruments, Inc., at $12.50 per share. Of the shares offered, 75,000 shares are being sold by the company and the balance by certain selling stockholders.

The company, formerly National Technical Laboratories, plans on adding the proceeds of the sale of the 75,000 shares to its general corporate funds and expects to use these funds to meet the increased cash requirements resulting from a larger business volume, and for capital additions to its properties and facilities.

Beckman Instruments was incorporated Nov. 26, 1934, in California and is engaged primarily in the design, development, manufacturing and sale of precision analytical instruments for scientific, industrial and laboratory uses. Executive offices are located in South Pasadena, Calif. Helipot Corp., a wholly-owned subsidiary of the company, is engaged in the manufacture and sale of precision potentiometers under the trade name "Helipot."

Joins W. T. Grimm

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Homer W. Kerley has become associated with W. T. Grimm & Co., 231 South La Salle Street. He was formerly with the Bishop National Bank of Honolulu.

Central States IBA Annual Conference

CHICAGO, Ill.—The 16th annual conference of the Central States Group of the Investment Bankers Association of America is scheduled for Wednesday and Thursday, March 26 and 27, at the Drake Hotel, Chicago, it was announced by Holden K. Farrar, Smith, Barney & Co., Chairman of the Group.

There will be a luncheon address both Wednesday and Thursday and discussion sessions Wednesday afternoon and Thursday morning and afternoon; a formal dinner Wednesday in honor of Joseph T. Johnson, The Milwaukee Company, Milwaukee, President of the IBA; and an informal dinner and entertainment Thursday evening.

Topics and speakers are:

"Electronics for Business?" — John S. Coleman, President Burroughs Adding Machine Company.

"Are Hospitals Big Business?"—Harry M. Berner, Executive Vice-President American Hospital Supply Corporation.

"Public Housing Program" — John N. Mitchell, Caldwell, Marshall, Trimble & Mitchell.

"Atomic Weapons and the American Citizen"—Admiral W. H. P. Blandy, USN (Retired).

"Economic and Financial Trends in the Petroleum Industry"—Winfield H. Perdun, Smith, Barney & Co.

While serving as Deputy Chief of Naval Operations for Special Weapons—Guided Missiles and Atomic Energy Applications—Admiral Blandy was appointed Commander of Joint Army-Navy Task Force One, to conduct "Operation Crossroads," at atomic bomb tests at Bikini.

Graduates of the tenth training course in investment banking, sponsored by the Central States Group in cooperation with Northwestern University, will receive their diplomas at a graduation ceremony Thursday afternoon, March 27. William J. Lawlor, Jr., Hornblower & Weeks, Group Education Chairman, will preside at the ceremony; and IBA President Joseph T. Johnson will present the diplomas.

More than 400 investment bankers, mainly from Illinois, Indiana, Iowa, Nebraska, and Wisconsin, but from every other section of the country as well, are expected to attend.

Conference arrangements are in charge of Eugene Hotchkiss, Blunt Ellis & Simmons, Chairman of the Meetings and Entertainment Committee.

Officers of the Central States Group, in addition to Chairman Farrar, are: Lee H. Ostrander, William Blair & Company, Vice-Chairman; William D. Kerr, Bacon, Whipple & Co., Secretary-Treasurer.

John McDonnell With Emanuel, Deetjen Co.

John R. McDonnell has become associated with Emanuel, Deetjen & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

Mr. McDonnell was formerly a partner in Peter Morgan & Co.

With Coburn Middlebrook

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Joseph P. Quinn has joined the staff of Coburn & Middlebrook, Incorporated, 100 Trumbull Street.

With Slayton Co.

(Special to THE FINANCIAL CHRONICLE)

ELGIN, Ill.—Keith W. Ryan has joined the staff of Slayton & Company, Inc. of St. Louis.

Continued from page 2

The Security I Like Best

added virtue of wrinkle resistance. The benefits to viscose rayon fabrics are permanent because when treated by X-2 the molecular structure of the viscose rayon fibre is permanently altered and cannot revert to its original composition. Thus stabilized, the rayon fabric is completely washable and remains so for the life of the garment. Variations in the desired "hand" or finish of X-2 viscose rayon fabrics are under full control and the goods can be as crisp or as soft as the trade may require. Dimensional stability and wrinkle resistance open new markets for viscose rayon fabrics, such as men's shirtings. Among the many advantages of X-2 is the fact that this process can be applied readily on existing viscose rayon finishing equipment.

"WRINKL-SHED" and the X-2 process, together with the many new fabrics and fabric uses made possible thereby, should broaden the long-term earnings potential of the company. Dan River Mills is primarily a leading manufacturer of cotton and blended textiles. Company owns 12 plants located in Danville, Virginia, with a capacity of about four million yards a week. Major products include fancy yarn-dyed cotton and blended dress goods, shirtings, clothing fabrics and suitings and men's and women's dress and sportswear, staple colored goods, work chambrays, coverts, sheets and pillow cases, and sales yarns for the weaving and knitting trades. Management devotes much time to the appraisal of fashion trends and improved styling. Promotion and advertising not only extend throughout the industry but are carried through to the consumer level with substantial advertising in such style magazines as "Vogue," "Harper's Bazaar," "Mademoiselle," "Glamour," etc. About 60% of total output bears the Dan River label at the consumer level. Among the company's products are the famous Dan River plaids, now strengthened by the aforementioned "WRINKL-SHED" characteristics. In sum, Dan River manufactures a complete line of fabrics from a bale of raw cotton. A fair amount of business is done with converters to whom greige goods are sold.

Operations in 1951 were hampered by a strike from April 1 to May 6. Earnings of $3.77 in 1951 compared with $4.65 in 1950 ow which $0.53 came from nonrecurring profit. Net sales, however, totalled $112.1 million in 1951 as against $88.2 million in 1950, an increase of 25%. The company will apparently not become subject to excess profits taxes until earnings per common share are doubled, approximately.

Despite expenditures for plant improvement of upwards of $20 million during the past five years, the company during the same period has been able to add an approximately equal sum to working capital, which amounted to $36,814,000 as of Dec. 31, 1951, as compared with $29,858,000 a year ago. Since 1940, the book value of the common stock has nearly quadrupled and as of the end of 1951 stood at $36.50 per share.

All in all, Dan River is one of the few textile companies possessing, in my opinion, outstanding growth characteristics, not only as a textile company per se, but also because of the accomplishments of its research work with chemicals applied not only to cottons but also to man-made fibres. At present price of around 20 affording generous yield of 7.5% on an indicated dividend of $1.50 annually, the stock is recommended for purchase.

Sales and Earnings since the end of World War II are, as follows:
(Millions of Dollars)

Years Ended December 31	Net Sales	Pretax Net Income	% of Sales	Net Available To Common	Per Share Earnings	Per Share Dividends
1946	$77.3	$17.2	22.3%	$9.6	$6.38	$1.45
1947	92.3	20.6	22.3	12.0	7.98	2.50
1948	103.6	26.1	25.2	14.9	9.92	3.00
1949	65.0	5.5	8.5	3.1	2.09	1.12½
1950	88.2	12.9	14.6	7.0	*4.65	1.50
1951	112.1	12.6	11.2	5.7	3.77	1.50

*Includes $0.53 non-recurring profit.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League Standing as of March 13, 1952 are as follows:

TEAM	Points
Kumm (Capt.), Ghegan, R. Montanye, Krassowich, Manson	77
Goodman (Capt.), Weissman, Farrell, Valentine, Smith	74
Bean (Capt.), Lax, H. Frankel, Werkmeister, Reid	73
Mewing (Capt.), G. Monanye, M. Meyer, Lapato, Klein	70
Donadio (Capt.), Rappa, O'Connor, Whiting, Demaye	68½
Serlen (Capt.), Gold, Krumholz, Young, Gersten	62
Krisam (Capt.), Gavin, Gannon, Jacobs, Murphy	61
Hunter (Capt.), Craig, Fredericks, Weseman, Lytle	61
Leone (Capt.), Tisch, O'Marra, Nieman, Bradley	57
H. Meyer (Capt.), Swenson, A. Frankel, Wechsler, Murphy	51
Greenberg (Capt.), Siegel, Cohen, Strauss, Voccoli	50
Burian (Capt.), Siepser, Hunt, Crowney, Kaiser	48½

200 Club
Adrian Frankel, 212
Cy Murphy

5 Point Club
Ricky Goodman
Will Krisam
Duke Hunter

Our next bowling night is March 20, 1952, our next schedule is:

Murian vs. Mewing
Krisam vs. Serlen
Bean vs. Kumm

Meyer vs. Leone
Goodman vs. Greenberg
Donadio vs. Hunter

A pair of glasses were found, owner see Sid Jacobs!

Publicker Industries Common Stock Offered

Offering of 300,000 shares of $5 par value common stock of Publicker Industries, Inc., was made on March 18 by an underwriting group headed by Merrill Lynch, Pierce, Fenner & Beane. The stock was priced at $15.12½ per share.

Of these shares 240,000 are being sold for the account of the Estate of Harry Publicker which owns 776,917 shares, and 60,000 are being sold by S. S. Neuman, President of the company, who owns 757,877 shares. No proceeds from the sale will accrue to the company.

Publicker Industries is principally engaged, directly or through subsidiaries, in the production and distribution of industrial alcohol and chemicals; in the production and distribution of alcoholic beverages; and in the shipping business. The company also produces and sells distillers' dried grains, distillers' dried solubles and other similar products produced from fermentation residues.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

BATON ROUGE, La.—Jesse D. White has joined the staff of King Merritt & Co., Inc.

With Central Republic

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — George J. Murphy, Jr. has joined the staff of the Central Republic Company, 209 South La Salle Street, members of the Midwest Stock Exchange.

Premature Moves Toward Sterling Convertibility No Help to Britain

By PAUL EINZIG

Dr. Einzig, commenting on restrictions on imports and on money transfers abroad by Sterling Area nations, contends premature steps for restoration of Sterling convertibility and Britain's joining European Payments Union has led to unfavorable results. Holds relaxation of exchange control in Britain has aggravated her foreign exchange position.

LONDON, Eng.—The Government of Australia has decided to impose extremely drastic restrictions on imports and on transfers of money abroad. This has been made necessary by the effect of the undue freedom that has hitherto prevailed, resulting as it did in a heavy adverse trade balance. The deterioration of the country's foreign exchange position through the trade deficit has made it necessary for the government to go into the other extreme. Supporters of non-discrimination and convertibility view with dismay this "retrograde" step. Convinced as they are that they cannot possibly be wrong, it does not occur to them that the influence of their doctrines on practical economic policy is largely responsible for the development of a situation, in Australia and many other countries, which leaves no choice for the governments concerned but to revert to harsh measures of restrictions.

Dr. Paul Einzig

In restricting imports Australia merely follows, somewhat belatedly, Britain's example. In November last one of the first measures of the new Conservative Government was to impose restrictions on Britain's excessive imports from the countries of the European Payments Union. Since then several ex-Ministers of the late Socialist Government frankly admitted that it had been a mistake for their government to enter into the European Payments Union in circumstances that were bound to result in a flood of luxury imports. Indeed it was with much reluctance that the Socialist Government allowed itself to be persuaded to adhere to the European Payments Union, but pressure in favor of that step towards freer trade and exchanges was almost irresistible. Once before, in 1947, the Socialist Government yielded to similar pressure and agreed prematurely to the restoration of the convertibility of sterling. The result was that the proceeds of the big American loan were wasted in a very short time. This time it was the gold reserve acquired as a result of the devaluation of sterling in 1949 that was sacrificed. Britain has now been left with all the disadvantages that have arisen from the devaluation, but without the gains she had derived from it.

It was indeed the height of absurdity to create a system under which the Western European countries had to undertake to an unlimited import of each other's luxuries. While in Britain austerity measures remained in force, and British producers of luxuries were compelled by the Government to export their output instead of selling it to the domestic consumer, imported continental luxuries were at the same time thrusted upon the British consumer. The same was the position with other members of the European Payments Union. The arrangement made it too easy for these countries to unload their luxuries on fellow-members of the Union instead of making a real effort to expand their markets in the Dollar Area or other hard currency countries. The result was that the populations of Western Europe consumed a quantity of luxuries that was far beyond their means, at a time when it was essential to keep down consumption in the interests of recovery and rearmament.

The relaxation of exchange control in Britain through the extension of the system of transferable sterling has further aggravated Britain's foreign exchange position. In addition to the deterioration of Britain's trade balance through excessive imports from Western Europe, the gold drain was accentuated through the evasion of the exchange control with the aid of the misuse of transferable sterling accounts. Although no statistics are available there is every reason to believe that a very considerable proportion of the proceeds of Britain's exports never reaches the British monetary authorities. Transferable sterling is quoted at a heavy discount abroad, and this provides temptation and opportunity for its extensive uses for purposes for which it was never intended. This goes to show that the extent of convertibility of sterling is too high, having regard to prevailing circumstances.

In the circumstances the declared intention of the Sterling Area Governments to study the methods by which the convertibility of sterling could be extended is really inexplicable. The recent experience has conclusively shown the untenability of the conception that the world's problems could be solved by means of a "dash to freedom." Those who think that economic stability and prosperity can be achieved by means of abolishing trade restrictions and exchange restrictions with a stroke of the pen are clearly putting the cart before the horse. Convertibility and nondiscrimination are luxuries which only wealthy countries with stable and prosperous conditions can afford. If countries struggling with difficulties try to emulate the example of rich countries by resorting to free trade and exchanges the result is apt to be disastrous. On balance the poor countries tend to become poorer and the rich countries tend to become richer through a premature return to a system which they obviously can not afford.

Even from the point of view of the dogmatic supporters of full convertibility and nondiscrimination premature moves in that direction can only be damaging to the cause they want to help. Had it not been for the ill-advised convertibility experiment of 1947, Britain would not have had to devalue in 1949. Had it not been for the premature experiment of free trade within Western Europe, Britain would now be in a better position to stand the strain caused by rearmament. Nor did that experiment help France, judging by the fact that she is now struggling with a balance of payments crisis worse than that of Britain. The remedy lies in the restoration of a high degree of trade and exchange restrictions. Deplorable as this may appear to those favoring freedom in international trade and transfers, they have only themselves to blame for having contributed towards the present crisis through their dogmatic and short-sighted "dash to freedom" policy.

Potomac Electric Pow. 3¼% Bonds Offered

Halsey, Stuart & Co. Inc. and associates on March 13 offered $15,000,000 first mortgage bonds, 3¼% series due 1987, of Potomac Electric Power Co. at 100.837% plus accrued interest.

Of the net proceeds of the offering approximately $10,000,000 will be used by the company for the retirement of existing debt and the balance will be used in part to meet the company's construction expenditures during 1952. The company estimates that construction expenditures during 1952 will amount to approximately $15,600,000.

The new bonds are redeemable at prices ranging from 103.84% to 100% plus accrued interest.

Potomac Electric Power Co., incorporated in 1896, is engaged in the generation of electric energy in the District of Columbia and nearby Virginia and in the transmission, distribution, and sale of electric energy in the District of Columbia and in limited contiguous urban areas in Virginia and Maryland and suburban areas in Maryland. The service area of the company consisting of approximately 639 square miles, has a population estimated at approximately 1,280,000.

Operating revenues for 1951 were $42,845,336 and net profit was $5,191,626 compared with operating revenues of $37,845,336 and net profit was $5,191,626 compared with operating revenues of $37,696,488 and net profit of $4,423,679 for the previous year.

Davies Co. to Admit

SAN FRANCISCO, Calif. — On March 27, Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchanges will admit Albert E. Kogler and Douglas S. Reed to partnership.

THE TEXAS COMPANY

and Subsidiary Companies

HIGHLIGHTS

From the Company's 1951 Annual Report

	1951	1950	Average 5 Years 1945-1949
Net income	$ 178,774,677	$ 149,071,743	$ 105,596,590
*Net income per share	$ 6.50	$ 5.41	$ 4.16
*Cash dividends paid per share	$ 3.05	$ 3.25	$ 1.43
*Net worth per share (end of year)	$ 44.39	$ 40.96	$ 32.90
Total assets (end of year)	$1,549,420,985	$1,448,712,495	$1,101,360,299
Working capital (end of year)	$ 385,699,764	$ 346,281,902	$ 291,897,000
Gross crude oil and condensate produced (barrels)	137,848,649	122,487,476	108,680,718
Net crude oil and condensate produced (barrels)	116,130,101	102,904,483	92,080,742
Wells drilled in United States	1,106	969	700
Crude oil and condensate delivered by pipe lines (barrels)	209,587,222	186,461,495	154,404,246
Refinery runs to stills (barrels)	178,946,655	142,856,024	140,169,018
Number of ocean-going vessels over 5,000 gross tons (end of year)	33	34	33
Average number of employes	39,747	38,246	36,398

*Adjusted for two-for-one stock split in June, 1951.

Note: The foregoing does not include any data with respect to McColl-Frontenac Oil Company Limited, a 56.52% owned Canadian subsidiary not consolidated, nor non-subsidiary companies owned 50% or less.

CONSOLIDATED STATEMENT OF INCOME AND UNDISTRIBUTED EARNINGS EMPLOYED IN THE BUSINESS

For the Years Ended December 31, 1951 and 1950

	1951	1950
GROSS INCOME:		
Sales and services	$1,416,805,822	$1,248,502,334
Dividends, interest and other income	73,270,922	60,781,116
	$1,490,076,744	$1,309,283,450
OPERATING CHARGES:		
Costs, operating, selling and general expenses	$1,049,195,200	$ 981,946,072
*Taxes (other than income)	38,900,203	34,273,822
Intangible development costs (amortization and dry holes)	64,388,177	33,640,663
Depreciation	57,084,926	50,864,957
Depletion and leases surrendered	13,601,290	11,298,245
	$1,223,169,796	$1,112,023,759
	$ 266,906,948	$ 197,259,691
INTEREST CHARGES:		
Interest and amortization of discount and expense on debentures	$ 3,760,164	$ 3,760,164
Other interest charges	1,772,107	1,627,784
	$ 5,532,271	$ 5,387,948
	$ 261,374,677	$ 191,871,743
PROVISION FOR INCOME AND EXCESS PROFITS TAXES	82,600,000	42,800,000
NET INCOME FOR THE YEAR	$ 178,774,677	$ 149,071,743
UNDISTRIBUTED EARNINGS EMPLOYED IN THE BUSINESS AT BEGINNING OF YEAR**	651,832,565	578,556,179
	$ 830,607,242	$ 727,627,922
DEDUCT:		
Cash dividends declared	83,934,415	75,795,357
Amount transferred to capital stock account in connection with two-for-one stock split in 1951	211,837,243	—
	$ 295,771,658	$ 75,795,357
UNDISTRIBUTED EARNINGS EMPLOYED IN THE BUSINESS AT END OF YEAR**	$ 534,835,584	$ 651,832,565

*In addition, state and Federal motor fuel and oil taxes were paid or accrued in the amount of $218,291,397 during 1951 and $198,406,704 during 1950.
**Includes $25,000,000 appropriated as a reserve for contingencies.

CONSOLIDATED BALANCE SHEET — DECEMBER 31, 1951 AND 1950

ASSETS

	1951	1950
CURRENT ASSETS:		
Cash	$ 102,025,506	$ 94,680,039
U. S. Government short-term securities, at cost	67,157,552	73,250,834
Accounts and notes receivable, less allowance for doubtful accounts	119,674,462	112,487,338
Inventories—		
Crude and refined oil products and merchandise, at cost determined on the first-in, first-out method, which in the aggregate was lower than market	196,064,149	165,291,070
Materials and supplies, at cost	31,801,794	23,719,956
Total current assets	$ 516,723,463	$ 469,429,237
INVESTMENTS AND ADVANCES	$ 159,939,795	$ 165,551,703
PROPERTIES, PLANT AND EQUIPMENT—AT COST:		
Producing	$ 754,218,825	$ 676,442,369
Pipe line	127,293,650	117,594,832
Manufacturing	413,118,837	396,626,750
Marine	92,062,520	89,785,441
Marketing	214,144,792	190,162,510
Other	7,536,596	6,392,558
	$1,608,375,220	$1,477,004,460
Less — Depreciation, depletion and amortization	764,179,432	687,970,282
Net properties, plant and equipment	$ 844,195,788	$ 789,034,178
DEFERRED CHARGES	$ 28,561,939	$ 24,697,377
	$1,549,420,985	$1,448,712,495

LIABILITIES AND STOCKHOLDERS' EQUITY

	1951	1950
CURRENT LIABILITIES:		
Notes and contracts payable	$ 8,089,790	$ 8,820,489
Accounts payable and accrued liabilities	111,251,512	101,905,941
Estimated Federal income and excess profits taxes (less U. S. Treasury obligations held for payment of taxes: 1951—$85,000,000; 1950—$40,000,000)	11,682,397	12,420,905
Total current liabilities	$ 131,023,699	$ 123,147,335
LONG-TERM DEBT:		
3% Debentures, due May 15, 1965	$ 60,000,000	$ 60,000,000
2⅜% Debentures, due June 1, 1971	80,000,000	80,000,000
Notes of The Texas Pipe Line Company payable approximately $1,600,000 annually with interest rates of 2.6% to 2.9%	35,000,000	36,666,667
Other long-term debt	5,252,197	2,138,775
Total long-term debt	$ 180,252,197	$ 178,805,442
RESERVES:		
Employes' pension plan	$ 10,539,192	$ 13,728,027
Incentive compensation plan	4,305,340	2,929,123
Foreign exchange fluctuations	2,027,188	1,766,883
Total reserves	$ 16,871,720	$ 18,424,033
STOCKHOLDERS' EQUITY:		
Par value of capital stock issued and outstanding—27,595,248 shares in 1951 and 13,797,624 shares in 1950, par value $25 each, including treasury stock deducted below (authorized—40,000,000 shares in 1951; 20,000,000 shares in 1950)	$ 689,881,200	$ 344,940,600
Additional amounts paid in (balance at December 31, 1950 transferred to capital stock account in connection with two-for-one stock split in 1951)	—	133,103,357
Undistributed earnings employed in the business (including $25,000,000 appropriated as a reserve for contingencies)	534,835,584	651,832,565
	$1,224,716,784	$1,129,876,522
Less—Capital stock held in treasury, at cost: 84,555 shares in 1951; 22,633 shares in 1950	3,443,415	1,540,837
Total stockholders' equity	$1,221,273,369	$1,128,335,685
	$1,549,420,985	$1,448,712,495

The foregoing financial statements are taken from the 1951 Annual Report, dated March 19, 1952, to stockholders of The Texas Company, and should be read in conjunction with such report which contains the Notes to Consolidated Financial Statements and the certificate of Messrs. Arthur Andersen & Co., Auditors, accompanying the financial statements. A copy of the report to stockholders may be had upon application to the Company. The said financial statements and report are not intended to constitute an offer, solicitation of offer, representation, notice, advertisement, or any form of a prospectus in respect of any security of The Texas Company.

Port Authority Reports on 1951 Operations

Gross operating revenues of $50,270,382 reflect increase of 19% over 1950 income. Reserve equal to 2 years' debt service.

Gross operating revenues for all terminal and transportation facilities of The Port of New York Authority for the year 1951 were $50,270,382, or 19% higher than the gross operating revenues for 1950, which totaled $42,198,237, according to the bi-state agency's financial report for 1951, released by Chairman Howard S. Cullman following the board's regular monthly meeting on March 13. The comparison of the revenues for the two years, modified to account for the fact that the New York and Newark Union Motor Truck Terminals and the Port Authority Bus Terminal were not in operation for the full year of 1950, indicate an increase of 14% in the gross revenues of 1951 as compared with 1950.

Howard S. Cullman

Reserves Equal to Two Years' Debt Service

Total reserves in the amount of $32,956,670 satisfied the contractual requirements of two years' debt service upon bonds of the Authority outstanding at Dec. 31, 1951, and were $581,943 greater than the combined reserves at the end of the previous year. All the requirements of the resolutions regarding the administration of the reserve funds were satisfied.

The General Reserve Fund balance of $23,717,200 was equivalent to 10% of the par value of all outstanding Port Authority bonds as required by the statutes establishing this reserve fund. At the same time, the Special Reserve Fund amounted to $9,050,181. An initial payment of $189,289 was made into the Marine Terminal Reserve Fund established by the Marine Terminal Bond Resolution from net revenues after debt service which were realized for the first time since the Port Authority commenced operations at Port Newark.

Factors in Income Gain

The increase in gross revenues reported by the Authority was accounted for by numerous factors including favorable weather, increased registration of cars and continued general prosperity. The Hudson River and Staten Island crossings carried 67,702,252 vehicles, an increase of 8,176,978 vehicles, or 13.7% more than were carried in 1950. Another factor which contributed to increased vehicular traffic was the continued effectiveness of the $10 40-trip commutation ticket good for 30 days (25 cents a trip) on the Hudson crossings inaugurated in mid-1950. This commutation rate was paid by 20.1% of the passenger vehicles in 1951, compared with 17.5% in the 6½ months during which it was in effect in 1950. Average weekday usage of the commutation ticket reached a new high of 32.2% of all passenger vehicles during the early part of December, 1951.

Tolls Again Cut

A further toll reduction effective on Sept. 1, 1951, provided for a 40-cent toll rate to regular passenger car users, and it is estimated that 50% of the non-community motorists will eventually use this ticket which is good for two years in addition to the year in which it is purchased. At the same time, toll scrip was made available to all types of vehicles at a 10% discount.

Total operating, administrative and development expenses were $21,064,566 as compared with $16,390,640 in 1950, an increase of 28%. Excluding the three facilities, which were not in operation for the full year of 1950, the increase in expense was 18%.

Debt service on the Port Authority's $237,172,000 of outstanding bonds totaled $15,971,332 in 1951, of which $4,625,424 was paid from the General Reserve Fund. These figures compare with the 1950 debt service of $20,333,082, of which $9,090,000 represented General Reserve Fund payments. In addition to the mandatory debt service, $1,563,000 par value of various Port Authority General and Refunding Bonds were purchased during 1951 in the open market at a cost of $1,383,343 and were subsequently retired at the end of the year in anticipation of future sinking fund requirements. This operation resulted in a savings of $193,772, compared with the sums which would have been required in the future to meet regular sinking fund payments.

New Capital Projects

Commenting on the financial position of the Authority, Mr. Cullman said, "It is clear that the Authority has been able to conduct its affairs in such a manner as to be able to discharge its obligations under the Port Treaty of 1921 and the various statutes that have followed. Although its terminal and transportation facilities must be made available to the people of the Port District on a self-supporting basis, the Authority will be able to provide the continued development of essential facilities in the Port District that indicate the possibility of some $500,000,000 of additional expenditures in the years ahead. Such expenditures include a third tube at the Lincoln Tunnel, a possible new Hudson River crossing, and necessary traffic improvements to its bridge and tunnel approach systems. With continued sound and prudent management," he concluded, "such tremendous capital requirements can be made available without adding to the burden of the taxpayers of New Jersey and New York."

The Authority's investment in facilities at the end of 1951 totaled $393,239,403, an increase of $22,479,397 since the end of 1950.

Ames, Emerich Co., Dayton-Gernon Merge

CHICAGO, Ill. — Merger plans of the Chicago investment firms of Ames, Emerich & Co., Inc., and Dayton & Gernon became effective March 17 and the new company began business under the Ames, Emerich name, it was announced by Donald E. Nichols, President. Ward W. Dayton, senior partner of Dayton & Gernon, became a Vice-President and Director of the new company.

Dayton & Gernon branches in LaCrosse, Eau Claire, Fond du Lac and Madison, Wis., and Minneapolis and St. Paul, Minn., will operate as offices of Ames, Emerich & Co., Inc. Present personnel of these offices is being retained.

The following executives will continue in their former Ames, Emerich positions: Huntington B. Henry, Chairman; Mr. Nichols, President; E. Cummings Parker, Executive Vice-President; Ores E. Zehr and Perry Dryden, Vice-Presidents; Robert J. MacKenzie, Secretary-Treasurer.

The merged firm employs 75 persons. Chicago offices are located at 105 South La Salle Street.

Merger of the two firms was previously reported in the "Chronicle" of Feb. 28.

E. Leonard Jacques Is With Hornblower & Weeks

DETROIT, Mich.—Edgar Leonard Jacques has become associated with Hornblower & Weeks, Penobscot Building. In the "Financial Chronicle" of March 6 Mr. Jacques' name was incorrectly reported as Edward L. Jacques. He was formerly with Merrill Lynch, Pierce, Fenner & Beane; Bradley Higbie & Co., and Paine, Webber, Jackson & Curtis.

Drexel Co. Will Admit

PHILADELPHIA, Pa. — Drexel & Co., 1500 Walnut Street, members of the New York and Philadelphia - Baltimore Stock Exchanges will admit Morris Lloyd to partnership April 1.

To Be Thrift Partner

SPRINGFIELD, Mass. — James A. Kelly on April 1 will become a partner in Tifft Brothers, 1387 Main Street, members of the New York and Boston Stock Exchanges.

With Harriman Ripley

FRANKFORT, Ind. — Richard W. Coffin is with Harriman Ripley & Co., Inc.

French & Crawford Add

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Charles Roper has been added to the staff of French & Crawford, Inc., 22 Marietta Street.

$96 Million W. Va. Turnpike Financing Imminent

Syndicate headed by Bear, Stearns & Co. expected to make public offering of revenue obligations within next three weeks. Bonds to be 3¾s, mature in 1989 and will be offered to investors at par. As revenue obligations of the State of West Virginia, they will be exempt from Federal income taxes. Financing approved by Eastern Voluntary Credit Restraint Committee.

The West Virginia Turnpike Commission has now approved plans to proceed with the construction of the first portion of the State's proposed Turnpike System, which will extend initially from Charleston south to Princeton near the Virginia border, a distance of 87.6 miles. Construction of this initial portion of the Turnpike, at a cost of $96,000,000, has been approved by the Eastern Voluntary Credit Restraint Committee.

Bear, Stearns & Co. have formed a nationwide underwriting group to handle the financing of the Turnpike. Public offering of turnpike revenue bonds of the State of West Virginia is expected in from two to three weeks. It is expected that the issue, which will be due in 1989, will bear a 3¾% interest rate and be offered at par. As revenue obligations of the State of West Virginia, they will be exempt from Federal income taxes.

Engineering studies, investigations and surveys of the proposed turnpike system made over the past 18 months by two engineering firms—Coverdale and Colpitts, and Howard, Needles, Tammen & Bergendoff—will permit construction to begin with a minimum of delay when the financing is completed. The bankers believe that the preliminary engineering studies made to date on this turnpike are the most complete ever made on a project of this nature, prior to public financing.

This initial section of the Turnpike is, according to the engineers, "the most vital step, as well as the first step, in the establishment of a new major traffic artery and expressway which will connect two of the most important industrial areas in our country." Construction of this highway, say the engineers, will definitely break through the backbone of the mountains in that area which have heretofore presented a barrier to modern highway transportation as well as being virtually insurmountable for rail transportation. There is no direct single line railroad service across the state in a northerly and southerly direction comparable even with present motor truck service.

The area to be served by the Turnpike includes one of the most highly industrialized sections in the United States. West Virginia itself is the largest producer of bituminous coal in the nation. Production of natural gas is also an important factor in the industrial picture. Chlorine obtained from underlying salt beds is an essential element in the development of chemical industries, and the Kanawha River Valley in and near Charleston contains possibly the greatest concentration of chemical industries in the country within a similar area.

An indication of this industrial development of significance with respect to the West Virginia Turnpike is the fact that the percentage of commercial vehicles to total registrations in West Virginia is 22.7%, a figure 30% higher than that of the United States as a whole. Truck traffic on the Turnpike, engineers estimate, will account for approximately 70% of the total operating revenue. This is a higher portion of motor truck traffic than is carried on any of the presently operating turnpikes.

There is a large and growing interchange between the important Piedmont area of North Carolina, South Carolina and Georgia and the great industrial belt lying south of the Great Lakes between Chicago and Pittsburgh. Raw materials, textiles, furniture and tobacco products, machinery and tools are carried between the areas. These products move into and from West Virginia and the heavy incidence of regional freight and motor movement, despite existing traffic barriers, has been an important factor in decisions on the turnpike and its location.

The Commonwealth of Virginia in recent weeks enacted toll road legislation under which the State Highway Commission may finance, through revenue bonds, the construction of a turnpike which would connect with the southern terminus of the West Virginia Turnpike across the Panhandle of Virginia to the North Carolina border.

Two With John Kinnard

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Harvey D. Cook and Clyde M. Reedy have joined the staff of John K. Kinnard & Co., 71 Baker Arcade. Mr. Reedy in the past was with Merrill Lynch, Pierce, Fenner & Beane.

Welch & Co. Opens

(Special to THE FINANCIAL CHRONICLE)

LEXINGTON, Ky. — Frederick P. Welch has formed Welch & Company with offices at 156 No. Upper Street to engage in the securities business.

First Boston Group Offers Pacific Gas & Electric 3⅜% Bonds

The First Boston Corp. heads a group of 61 underwriters which on March 19 offered $55,000,000 3⅜% Pacific Gas & Electric Co. first and refunding mortgage bonds, series U, due Dec. 1, 1985. The bonds are being offered at 101.92% plus accrued interest. Proceeds from the sale of the bonds will become part of the treasury funds of the company which proposes to use an equal amount to retire short term bank loans obtained for temporary financing of part of a construction program and to finance in part the construction program.

Pacific Gas & Electric Co. is an operating public utility engaged principally in the business of generating, purchasing, transmitting, distributing and selling electric energy and natural gas for domestic, commercial and industrial purposes throughout a large part of northern and central California. To recover increases in operating expenses and permit the company to earn a fair return on its properties, including recent additions, the company has increased its gas rates and has applied to the California Public Utilities Commission for authority to increase its electric rates.

During 1951, the Commission authorized increases in the company's gas rates which were made effective Feb. 18, Oct. 24 and Dec. 11. If these increased rates had been in effective throughout the year, the company's gas department gross revenues would have been approximately $9,000,000 higher, excluding sales to its electric and steam departments. For the 12 months ended Dec. 31, 1951, total gross operating revenues of Pacific Gas & Electric Co. amounted to $279,498,730.

The company plans to issue redeemable first preferred stock in the near future to retire a short term bank loan in the amount of $7,667,000 obtained to provide funds for the payment of San Joaquin Light & Power Corp. unifying and refunding mortgage bonds on March 1, 1952. After giving effect to the issuance of the presently offered bonds and the retirement of the San Joaquin bonds, outstanding bonds will constitute 50.8% of the total capitalization of the company; preferred stock 21.8%; common stock and surplus 26.8%, with 0.6% representing the short term bank loan.

The first and refunding mortgage bonds, series U, are dated Dec. 1, 1951, and are subject to redemption, in whole or from time to time in part, at the option of the company, for other than sinking fund purposes, on the first day of any calendar month, on 30 days published notice, and for sinking fund purposes on any June 1 or Dec. 1, on 60 days published notice, at the principal amount and accrued interest, plus a premium on the principal amount.

Joins Milwaukee Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Henry W. Naedler has joined the staff of the Milwaukee Company, 207 East Michigan Street.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Warren B. Barone has become affiliated with Waddell & Reed, Inc., 600 Woodward Avenue.

With Bisno & Bisno

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Edwin H. May has become associated with Bisno & Bisno. In the past he was with William Walters Securities Co. and R. F. Ruth & Co.

Railroad Securities

Santa Fe

The publication of the 57th Annual Report of the Atchison, Topeka and Santa Fe Railroad Company covering the year 1951, furnishes ground for the renewed market interest in this important rail system. Despite the drop in net railway operating income from $81,213,346 in 1950 to $71,613,110 in 1951, largely due to an increase of almost $10 billion in taxes, this rate of earnings together with a favorable cash position assures safety of the company's dividend outlays. These payments in 1951 were slightly over $28 million, while surplus before dividends was above $73 million.

The current dividend policy of the company is likely to continue in view of the planned outlays of the company for new and improved facilities. According to F. G. Gurley, the Santa Fe President, these planned capital expenditures will acquire an aggregate of $73 million, including approximately $53 million for new freight cars and Diesel locomotives ordered largely to meet demands of accelerated national defense activity. The President also reported that, for the present, the company's property is in good physical condition and the basic economy in Santa Fe territory continues generally sound.

Mr. Gurley, though generally optimistic regarding Santa Fe's prospects, forecasts a trend to lower net earnings unless the railroads' request for increased freight rates, now before the Interstate Commerce Commission, receives favorable consideration. He pointed out that additional cost-of-living increases to employees, effective Jan. 1, 1952, together with the 52% Federal Corporation income tax, are not likely to permit a large net return on rail operations in the current year. He ascribes Santa Fe's ability to produce net earnings during the last decade to: (1) substantial capital expenditures for improvements to the property and the adoption of new technologies to maintain a high degree of operating efficiency; (2) lowered interest charges through reduction and avoidance of debt; and (3) a sustained high volume of traffic.

Regarding the discovery of uranium-bearing ores near Grants, New Mexico, some of which are on the lands which the Santa Fe Pacific Railroad Company, a wholly owned subsidiary, owns the mineral rights, Mr. Gurley reported that in October, 1951, a new wholly owned subsidiary, the Haystack Mountain Development Company, was formed for the purpose of mining ores on these lands. He stated that, although exploratory work has produced varying results in tests in different locations, sufficient commercial quantities of ores are indicated to justify mining operations. It is expected that a processing mill will be in operation early in 1953, and the product, when mined, will be sold to the Anaconda Copper Mining Company.

Mr. Gurley admits that Santa Fe's title to some of the uranium deposits have been challenged, but states, "We have confidence in our title and anticipate the question will be cleared up satisfactorily."

L. J. Gable, Sr. With Stifel, Nicolaus Co.

ST. LOUIS, Mo.—Laurence J. Gable, Sr., has become associated with Stifel, Nicolaus & Company, Incorporated, 314 North Broadway, members of the Midwest Stock Exchange, as Vice-President and Manager of the Mutual Funds Department. Kenneth L. Gable and L. John Gable have also joined the firm.

Stifel, Nicolaus & Company have also announced the opening of an office in the First National Bank Building, Moline, Illinois, under the direction of Calvin Ainsworth. Lloyd G. Ainsworth and A. E. Marwick are associated with the Moline branch.

All were formerly with Taussig, Day & Co., Inc.

Can You Topol This?

A son, Clifford Myles, was born March 12 to Robert M. and D'Vera Topol at Doctors Hospital. Mr. Topol is Manager of the Industrial Stock Department of Greene and Company, 37 Wall Street, New York City. Irving Allen Greene is the proud grandpa.

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The Business Prospect Thru 1952

markets have shown more weakness than strength in the past few weeks. This reflects many factors, including the Federal surplus. Uncertainties abroad, in international markets, have been important, and so has the lag in wholesale demand for many finished items.

This weakness in speculative markets has in turn been a factor in the business trend. *Any decline in futures prices, or even in security prices, creates doubts in the minds of many buyers, tends to slow down purchasing, and creates pressure on finished goods.*

(3) **International Conditions:** Western Europe is again in financial and economic difficulties of a serious nature. In Great Britain, for example, new austerity plans are being announced. Commonwealth countries insist on a freer exchange for sterling, and a rigid limitation on British imports, particularly from dollar areas, is being imposed.

New financial and political crises have been developing in France. There have been 19 changes in the French Government since the liberation. It is questionable whether a new government will be strong enough to solve the problem of the franc.

Economically and politically, the foreign situation is extremely hazardous. Early stability is not to be expected.

(4) **Wholesale Demand:** New orders for most types of consumers' goods showed an almost total collapse last spring and summer. Since then there has been some improvement, although from a very low level.

Most buyers, however, have proceeded on an exceedingly cautious basis. For six months or more new orders as a whole have been held down by the fact that most businessmen were reducing their inventories.

Consequently, the trend of new orders for consumers' goods, whether hard lines or soft lines, have shown less than a seasonal improvement. *Most people who sell goods have thus been disappointed by the trend, and this has increased the feeling of insecurity and doubt.*

(5) **Inventories:** Consumers' goods inventories have declined below last summer's peak; but there are ample supplies in most areas.

The strongest position generally is among retailers, where inventories and commitments are normal, or below, in relation to sales.

Clothing cutters in most cases have eliminated their excess fabric stocks, but are still operating cautiously in advance.

Supplies of yarns and fabrics in the hands of yarn producers and mills are still above normal, particularly in relation to current sales. Converters also have some stock, particularly of staple fabrics.

In consumers' durable goods, substantial inventory reductions have been accomplished and production has been curtailed.

(6) **Deflationary Federal Policies:** In some respects, government action has been deflationary.

(a) Reduced buying of international commodities has caused declines in many markets. Price ceilings have also prevented some private buying that would otherwise have taken place.

(b) The deflationary credit policy has led to higher interest rates and a tightening of credit conditions.

The rise in interest rates, and the tightening of credit, are new factors of almost a year's standing. *No further deflationary moves are regarded as necessary at this time.*

Why the Trend of Business in the Last 6 to 9 Months of the Year Should be More Encouraging

It seems to me that the great wave of speculative buying following the invasion of Korea, combined with the exceedingly rapid advance in prices, followed by a defense program which though huge took a long time in getting under way, provide a sufficient explanation for the recent setbacks. We are due for a recovery.

For a period of six to eight months after the invasion of Korea, production seemed unable in many cases to keep up with the great waves of consumer demand and retailers' orders. *It should be remembered, however, that production in most industries reached new peaks during that period, in terms of unit volume.*

When this merchandise appeared on the market in the spring of 1951, at substantially higher prices, unit sales fell off drastically.

The period since then has been one of liquidation. Liquidation of prices, as some levels of trade took losses on speculatively purchased items and as raw material prices declined. Liquidation of inventories, as buyers all along cut new orders back almost to zero.

On top of these developments, which were certainly ample to cause an "inventory recession" of substantial size, psychology had to withstand two major blows.

(1) Peace negotiations in Korea, which began last summer, allayed fears of a major war and created fears that the defense program would be cut back.

(2) So many people had so unreasonably expected shortages of durable goods to appear early in 1951 that their disappointment was an important depressing influence. They had been buying heavily, at rising prices, but there were still ample supplies around, and in most cases prices in the second and third quarters of 1951 were declining rather sharply. Special sales and promotions were so numerous and so frequent that the public got completely out of the habit of buying at "regular" prices.

Reasons for expecting a steadily improving trend of business from the second quarter on are the same which led me to this conclusion originally, when we were sending out our regular year-end reports to our many clients.

(1) **Disposable Income:** The trend of disposable income is still upward.

Despite temporary unemployment in a few industrial areas, wages and salaries are still advancing more rapidly than taxes are being increased.

Despite the recent weakness in some agricultural commodities, the farmer's position is improving steadily.

Even middle class people, with relatively fixed incomes, are better able now than they were a year ago to meet their living expenses, and will probably consume more in units.

Finally, the public as a whole will probably spend a little more, and save a little less, in 1952 than in 1951, when it was compensating for overbuying in the second half of 1950.

(2) **Unit Volume at Retail:** Unit volume at retail should show an advance for the year as a whole.

(a) In nearly all the soft lines departments, unit volume will be greater than in 1951; and

(b) Any decline in unit volume of major appliances and other metal items will occur only if there is a shortage of supply, and will be less than the decline in

production. There will be a further liquidation of inventories.

(3) **Supply-Demand Balance:** At present, production of most items is lower than corresponding unit volume at retail. Meanwhile, inventory liquidation has already made marked progress, and this ratio of unit production to unit sales will have to shift upward in favor of production as the year progresses.

Many industries that last year made a less than seasonal showing, this year will make a better than seasonal showing during the last six to nine months of this year.

(4) **Wage Rates:** Further gains in wage rates can be expected. As the labor market becomes tight later in the year, increases gained by mass production unions this spring will be followed by wage increases for less highly organized industries before the year is over.

(5) **Cash Spending for Defense:** Cash spending for defense will continue to rise throughout the year and into 1953.

This increase will not be quite as rapid as was originally planned, when the defense program was first scheduled. However, it will last much longer, and it will be ample in size to spark a high and rising level of employment and business activity in the second half of the year.

(6) **Expenditures for New Plant and Equipment:** Such spending is a tremendously important economic force. Every dollar spent for new plant and equipment provides a substantial volume of "secondary" employment and payrolls in the handling and transportation of heavy materials, or in the intricate and highly paid processes of machinery manufacture.

Such spending reached a very high level in 1951. Contrary to the fears of some observers last summer that there would be a sharp decline in the second half of 1952, present plans call for a further increase, even above last year's level.

It seems likely also that the government will loosen up on its policy of granting Certificates of Necessity, which allow rapid depreciation. About a year ago these policies were tightened up. Since then, however, a substantial volume of CN projects has been completed. Processing of the big backlog of further requests will probably proceed more rapidly.

Conclusions

You all know the story, I am sure, of the old minister who advised the young one, first to tell his congregation what he was going to tell them, then to tell them, then to finish up by telling them again what he had just told them.

I won't follow this bad advice, and try to sum up in two minutes what I have taken a half hour to say. Just allow me to repeat one thing:

You should not be surprised that business has continued bad well into the first quarter of this year. There were good sound reasons for believing that it would.

I believe I can see good sound reasons why there will be an improvement in business, beginning sometime in the second quarter and extending through the rest of the year. These reasons I have tried to explain to you, in the hope that they will encourage you now, in what is admittedly a very bad period in many industries, and that they will stimulate you in your every day work.

It is very discouraging to keep on doing your best, day after day, and still have things go against you. It gets you down, and I expect a lot of you ladies have had this experience in the last few months. So let me advise you—just dig in and keep punching. Keep your chins up, for we are close to a turn for the better.

Central Power & Light 3½% Bonds Offered

Halsey, Stuart & Co. Inc. headed a group of investment dealers, who on March 14 publicly offered $10,000,000 of Central Power & Light Co. first mortgage bonds, series D 3½%, due March 1, 1982, at 102.44% and accrued interest to yield approximately 3.37%. The group was awarded the bonds on March 11 on a bid of 101.80%.

Proceeds from the sale of the bonds will be applied principally to the company's construction program which for the two years 1952 and 1953 is estimated to require about $34,000,000.

Central Power & Light Co. supplies electricity in 42 counties in South Texas. It is also engaged in the ice business. In 1951 about 91.4% of operating revenues was derived from the sale of electricity and the remainder from the sale of ice. Among the principal cities served are Corpus Christi and Laredo.

Joins Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John T. Raggio is now affiliated with Francis I. du Pont & Co., 317 Montgomery Street.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

BENICIA, Calif. — Walter A. Flanagan is now affiliated with King Merritt & Company.

William S. Sagar

William S. Sagar, member of the New York Stock Exchange, passed away suddenly at the age of 59.

Stockbridge Corp.

Stockbridge Corp. is engaging in a securities business from offices at 20 Exchange Place, New York City.

Joins John C. Kinnard

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Arthur L. Brand is with John C. Kinnard & Co., 71 Baker Arcade.

R. J. Steichen Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Gust J. Parent is now with R. J. Steichen & Co., Roanoke Building.

Charles L. Maggio, Inc.

Charles L. Maggio, Inc., is engaging in the securities business from offices at 120 Broadway, New York City.

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Safeguarding Our Money's Purchasing Power

serve banks is owned by member banks, the status of the stockholders has been so circumscribed by law and custom that the ownership of stock represents in effect a compulsory contribution to the capital of the Federal Reserve banks rather than ownership in its customary connotation.

Independence of a central bank from the government is a more difficult, complex, and controversial problem.

Taken literally the phrase independence of a central bank from the government is a contradiction in terms. In a modern economy the central bank is and must be a part of the government and consequently cannot be independent of it. What it should be independent of is party politics and the fiscal authority. This authority, in this country the Treasury, while it is aware of the dangers of inflation and deflation and desirous of avoiding them, has different direct responsibilities, different institutional traditions, and different daily problems from those with which the Federal Reserve System has to deal. For one thing, it is the largest borrower and as such should not have the power to determine the rate of interest. Federal Reserve influence on money rates should be guided by the needs of the economy for tighter or easier credit conditions; and the Treasury should so price its issues as to assure their acceptability to investors.

Question is sometimes raised why the Treasury, which represents the sovereign power of the people, should pay interest at all on its borrowings rather than have authority to print money to the extent it requires it, or, in more modern terms, borrow without cost at the Federal Reserve. This is a basic question and one to which history throughout the world has given a conclusive answer; namely, that such a course is ruinous to the country that adopts it. In many countries money was originally issued by Treasuries, but as the result of disastrous experiences this power was transferred to central banks. They too are a part of the government, but they are removed from direct concern about government expenditures and from the desire to keep down the interest cost of the public debt. The need for the Treasury to enter the market as a borrower with no advantage over other borrowers, other than the greater invulnerability of its credit, appears to be a necessary restraint against unnecessary spending. It protects the Treasury against political pressure—for government bounties are always popular with those who receive them, while taxes are never liked—and it protects the country from unrestrained government extravagance. The requirement that the Treasury pay interest when it borrows is also appropriate to an economic system in which terms on which business is done, prices and interest rates, are determined in the market. It is not too much to say that costless and uninhibited borrowing by the Government on a large scale is inconsistent with the maintenance of free enterprise and a market economy. Fortunately there is no serious pressure for such a disastrous course of action. It needs to be mentioned, however, because it is the logical end point of the advocacy of continuous artificially maintained low interest rates on Government bonds.

Should Federal Reserve Support Treasury Bonds?

More serious is the question of the extent to which the Federal Reserve should support Treasury issues in the market. On this point the burden of opinion is that such intercession in the market should be limited to the degree required for maintenance of orderly conditions. In view of the size of the public debt and its dominant position in the capital market, such an objective of Federal Reserve intervention is in harmony with the System's general obligation to maintain economic and financial stability and for that purpose to protect the value of the dollar. To go beyond that would not be consistent with a proper discharge of the System's primary responsibilities.

Strictly speaking, there is nothing in the law to authorize the Federal Reserve System to buy government securities for the purpose of maintaining them at par or at any stated level. The law says that such purchases (and sales) shall be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country. Only to the extent that developments in the government security market threaten to result in credit conditions harmful to the economy as a whole is the Federal Reserve obliged, indeed authorized, to use open-market operations to counteract such developments.

That the Federal Reserve must be free from domination by the Treasury is, therefore, clear. As a matter of law the Treasury has no say in determining Federal Reserve policies. The Secretary of the Treasury is not a member of the Board of Governors of the Federal Reserve System nor of the Federal Open Market Committee, which are the policy-making bodies of the System. Whatever influence the Treasury has on Federal Reserve policies is extralegal. It arises from the newness of the problems created by the enormous size of the public debt. In view of this debt and its importance in our financial structure, consultation and cooperation between the Treasury and the Federal Reserve is essential, but it should be cooperation between two public bodies of equal status, dedicated to the same general purpose—economic stability—but having direct responsibility for different phases of public service. Neither agency should dominate the other.

That the Federal Reserve System should be free from party politics would not be denied. To have money created or destroyed for the purpose of gaining a political advantage would obviously be contrary to the public interest. That the Federal Reserve, as the guardian of the value of the dollar, must be free from partisan considerations and influences is recognized in the Federal Reserve Act. It provides that members of the Board shall serve for 14 year terms, that these terms shall be so staggered as to have the terms of not more than two members expire every two years. A member serving a full term will be in office for three and one-half Presidential terms. Appointment of members for party political reasons, however, cannot be entirely prevented by law. Insistence by the public that appointees must be men of high caliber, capable of handling the technical work required of them is the only feasible safeguard. Such insistence would be heeded by the President who nominates the members and by the Senate which confirms the nominations. Reduction in the number of members and increase in the power and responsibility of the Chairman might contribute to this end. But public understanding of the duties of the System and confidence in its integrity, courage, and competence would provide the only solid assurance of proper selections. To a considerable extent public insistence on freedom for the System from party politics has been achieved. Further progress in this direction, however, is desirable.

Should Federal Reserve Take Orders from President?

A more delicate and controversial problem is the extent to which the Federal Reserve Board should take orders from the President, who appoints it, has power to remove its members for cause, and has general responsibility, under the law, for the conduct of all parts of the Government. Complete independence from the Executive is not feasible. It is an abstract concept. If the Federal Reserve, for example, should pursue a rigid deflationary policy at a time when the administration is struggling with a depression the actions of the Federal Reserve could go a long way toward frustrating national policy. This would be intolerable.

Also, when there is a serious disagreement between the Treasury and the Federal Reserve and all attempts at reaching an accord fail, there is no authority to arbitrate the differences, except the President, and ultimately the public. This gives rise to difficulties. In the first place the President is not likely to be competent on the basis of training and experience to arbitrate such an issue, and, secondly, the Secretary of the Treasury, as a member of the Cabinet, is likely to have more prestige than the Chairman of the Board, and to have freer and more informal access to the President. Increasing the rank and prestige of the Chairman would be a step in the direction of overcoming this handicap. But the problem cannot be solved by changes in machinery. The road toward a solution lies in education, first, of the Board itself, which must have a firm grasp of the nature of its own responsibilities; second, of the rest of the Administration which must recognize the importance of having the protectors of the dollar free from pressure to sacrifice its stability to the fiscal preferences of the Treasury; thirdly, by Congress; and, finally, and most important of all, by the public. It is encouraging that, without understanding the technical processes involved, the public has an instinct about the kind of action by the Federal Reserve that is likely to be against the general interest. Under our system of government the public can make itself heard and respected. If it were clearly understood that the conflict, stripped of all details and technicalities, is between bondholders, on the one side, and householders, and more particularly housewives, on the other, one would not need a Gallup poll to know how the majority would vote. A rise in living costs is of far greater concern to the people than any possible rise in interest rates or decline in the prices of marketable government bonds. This is particularly true because the average person's bond, the saving bond, is not subject to price changes: its redemption value at any time is printed on the bond. In its controversy with the Treasury last spring, the Board received the support of the people. An accord was achieved which has enabled the Federal Reserve to pursue sound policies and still maintain its cooperative relationship with the Treasury.

Federal Reserve and Congress

Another phase of the problem is the relationship of the Federal Reserve System to Congress. It has been said that the Federal Reserve is responsible directly to Congress, not to the Executive. There is not much concrete basis for this statement in the law. It has been invoked in part as a gambit against administrative interference with Federal Reserve policy. But in practice there can be no special relationship between one particular branch of the Administration and Congress. Congress is a large body, necessarily slow moving, which is not equipped to make current operating or policy decisions. When it attempts to do so, as it did in the summer of 1951 in connection with terms of instalment credit and construction loans, it is a lamentable occurrence, contrary to the spirit of efficient administration and to adequate discretion necessary for responsible executive action. Congress writes the laws, which are the basic charters for executive agencies, it keeps informed about the activities of these agencies, has the power to hold them accountable for their actions, and can change the laws when any part of the governmental machinery fails to work in the public interest. But Congress is not adapted to more detailed regulation. This it must delegate to other agencies.

Although there is general agreement that Congress should not attempt the impossible task of detailed control of Federal policies, many students of the subject believe that Congress should enact a mandate to the Federal Reserve authorities to serve as a general guiding principle in determining their policy. The System's performance could then be appraised with reference to the mandate. A good case can be made out for this. But it is not easy to formulate such a mandate. Where such mandates have been incorporated into central banking statutes in foreign countries, they do not appear to have influenced central bank action. A mandate, furthermore, is likely to reflect the current thinking of its framers, who in turn are under the influence of current and usually transitory conditions. There is the danger of building into law the current errors of legislators and their advisers. It seems wiser to leave the objectives vague and to have their interpretation be flexible and reflect the evolution of understanding as well as changes in emphasis arising from changes in economic conditions. Properly interpreted the language of the Federal Reserve Act, which prescribes that Federal Reserve policies should accommodate commerce and business, can serve this purpose as well as any other combination of words.

Conclusion

From whatever point of view the problem of central bank independence is considered, the conclusion is that its essence is that the central bank should be free from all influences that would hinder performance of its functions in the public interest. This cannot be entirely accomplished by modifications in existing machinery or by interpretations of existing legal provisions. The test is service to the public interest which must be based on broad understanding of the issues involved—backed by public support. Such support is decisive for the Federal Reserve, for the Executive, and for Congress. With it, broad-gauged policies to safeguard the dollar can be successfully pursued; without it they are bound to be abandoned or to fail to accomplish their purpose.

It is to be hoped and expected that the current hearings before the Patman committee and the answers submitted to its exhaustive questionnaires will contribute to better understanding in Congress and outside of the issues involved in the controversy and to public insistence and support for Federal Reserve efforts to safeguard the value of the dollar. It is a matter of vital importance to the people of this country. It is the most important domestic issue that confronts them. Will the value of our earnings and our savings be maintained or will we have inflation and see the buying power of our money diminish day by day?

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The Dollar Shortage Persists!

1952, and if that is the case, import permits probably will be confined to essentials.

At the moment, the prospects of the availability of a sizable amount of dollars in the Middle East area countries are rather remote. The supply of dollar exchange available in Egypt, Iran, Iraq, Israel, Lebanon, Syria, and the North African countries, is limited, and in addition, several of the countries mentioned are in serious political difficulties. Iran could have been a substantial market, but unfortunately the flow of Iranian oil to world markets has been disrupted and little dollar exchange is available at this time.

The nationalistic tendencies which are so evident in the Middle East also have extended to the Far East, until at present war or the threat of war by Russian-inspired minorities has eliminated some of our markets and has seriously curtailed business in others. Export volume at this time is confined largely to India, Japan and the Philippines, but all three countries find themselves faced with dollar exchange shortages.

India's main problem is the lack of food for its rapidly expanding population. It is estimated that India will be compelled to import about 5 million tons of grain in 1952 to avert famine, and this naturally will create a substantial drain on the country's foreign exchange resources. The volume and type of imports, as well as exchange operations, are under strict governmental control, and while our exports to India are likely to continue in fairly substantial volume, the situation should be watched carefully if sales on a credit basis are contemplated.

Japan will have a number of difficult problems to contend with in the future. Since the end of World War II, our dollar aid to Japan has amounted to approximately $2 billion, and that amount is being supplemented by substantial U. S. dollar expenditures in Japan for military requirements resulting from the Korean War. The economy of Japan is similar to that of England, in that it depends to a great extent on export trade, and a good part of her essential purchases of raw material for fabrication must be made in the hard-currency area. Japan's imports from the United States have vastly exceeded her exports to us, and as direct dollar aid was terminated in the middle of last year, the present imbalance would become more critical should Moscow decide to end the Korean War. The short-range possibilities for exports from the United States appear favorable, but the situation should be reviewed periodically, as most signs point to a growing shortage of dollar exchange.

The Philippines have important basic products for export, and with a tightening of import controls in July, 1951, there are some signs of a general improvement in conditions. However, the most recent figures show a decline in dollar exchange reserves, and in order to conserve exchange it is

likely that import permits will be confined to essentials.

We have had a fair amount of exports to Indonesia, but the Minister of Finance recently announced that there would be a drastic reduction of imports from the dollar area, and luxury items were mentioned specificially.

More Exports to Western Hemisphere

Sales of our products to countries within the Western Hemisphere have increased within recent years, and it appears likely that a good part of our normal commercial exports in 1952 will move to Canada, Mexico, Cuba, Puerto Rico, and the more important countries of South America. With regard to the latter, little direct aid in the form of gifts has been extended by Washington, and to a great extent the noticeable increase in dollar exchange availabilities was brought about by marked advances in the prices paid by us for raw materials and foodstuffs, the demand for which was greatly stimulated by the Korean War. Another additional factor was the influx of American capital into the area for investment and other purposes. The extent of our future investment of dollar funds in South American projects depends on the general attitude of each government towards investments from abroad and to the consideration given to the return of profits on investment. Notwithstanding the recognized necessity of outside investment for the development of agriculture, industry, power, transportation, and communication, the attitude of some countries has not been too sympathetic towards foreign investments, and therefore an uninterrupted flow of dollar income of this nature cannot be counted on. Unless we extend government aid to the South American countries, our export volume will depend almost wholly on the amount of dollars created by us through our imports from the area. When all factors are considered, it seems apparent that we shall for some time continue to purchase in the Latin American area in substantial quantities and at relatively high price levels, thus creating the large amount of dollar exchange necessary to pay for a sustained volume of exports.

The Latin American market cannot be treated as a whole, and individual country conditions within the area must be examined regularly. Some markets are overstocked in certain lines, local credit is tight, and the tendency exists in some countries to grant import permits far in excess of dollar exchange availabilities.

The many intangible factors involved in world conditions lead one to the conclusion that no definite pattern can be set for the future of our export trade. While export sales volume of some manufacturers may remain steady or increase as compared with previous years, quite the contrary may be true for others, particularly if their products are in the nonessential category or are subject to a cut-back in production for civilian consumption. Judged either on the basis of unbalanced budgets or inability to operate without financial assistance from outside sources, it is evident that many countries of the world, including the United States, are living beyond their means, and it therefore behooves us to continue to check foreign credit risks carefully and to make sales on a credit basis only in those countries which have an adequate supply of dollar exchange.

With Stone & Webster

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Lloyd K. Silvernail is with Stone & Webster Securities Corporation, 49 Federal Street.

Business Man's Bookshelf

Bank Tellers Do's and Don't's—With Definitions of Banking Terms—Country Bank Operations Commission, American Bankers Association, 12 East 36th Street, New York 16, N. Y.—paper—$1.00.

Compensation and Incentives for Industrial Executives—Robert B. Fetter and Donald C. Johnson — Indiana University Press, Bloomington, Ill. cloth—$5.00.

European Economics—Published every two weeks—Overseas Economic Research Services, Inc., 11 West 42nd Street, New York 36, N. Y.—$50.00 per year

How the Republicans Can Win In 1952—B. A. Javits—Henry Holt and Company, 383 Madison Avenue, New York 17, N. Y.—cloth —$2.50.

How to Improve Engineering-Management Communications — National Society of Professional Engineers, 1121 Fifteenth Street, N. W., Washington 5, D. C. — paper—$2.00 (for members of the Society $1.00 per copy).

Impact of Budgets on People—Controllership Foundation, Inc., 1 East 42nd Street, New York 17, N. Y.—paper—$1.50 to Controllers Institute members; $3.00 to others.

Loyalty in a Democracy—Public Affairs Committee, Inc., 22 East 38th Street, New York 16, N. Y.—paper—25c.

United States Government Bond Market Analysis—Leroy M. Piser —New York Institute of Finance, 20 Broad Street, New York 5, N. Y.—paper—$3.00.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—A. Ward Kilgore has joined the staff of Waddell & Reed, Inc., Continental National Bank Building.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

AKRON, Ohio—Ralph C. Tipton is now affiliated with Waddell & Reed, Inc.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—John A. Ladd, Jr. has been added to the staff of Waddell & Reed, Inc., 7 North Brentwood Boulevard, Clayton, Mo.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—James H. Thoburn has become connected with Waddell & Reed, Inc., 1012 Baltimore Avenue.

With Collin, Norton

(Special to THE FINANCIAL CHRONICLE)

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

Max Barysh Is On Vacation

Max Barysh

Max Barysh of Ernst & Co., New York City, and Mrs. Barysh have left for a vacation at Miami Beach, Fla. Mr. Barysh is due back at his desk about April 10. Needless to say, his trusty golf clubs accompanied him also.

Sheehan, McCoy & Willard Is Formed

BOSTON, Mass. — Announcement has been made of the formation of Sheehan, McCoy & Willard with offices at 30 Federal Street, to underwrite and distribute bonds and stocks and to carry on a general investment business.

Members of the firm are Daniel M. Sheehan, Jr., William D. McCoy, and Alvin Willard. Mr. Sheehan was formerly President of Walter J. Connolly & Co., Inc., with which Mr. Willard was also associated.

Two With Quail Co.

(Special to THE FINANCIAL CHRONICLE)

DAVENPORT, Iowa—Harold V. Balzer and Mrs. Edna A. McKown have joined the staff of Quail & Co., Davenport Bank Building, members of the Midwest Stock Exchange.

With Blair, Rollins

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Edward Fitzgerald has become affiliated with Blair, Rollins & Co. Incorporated, 50 State Street.

Rejoins Raymond Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Sylvester C. Perry has rejoined the staff of Raymond & Co., 148 State Street. Mr. Perry was recently with Walter J. Connolly & Co., Inc.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market has taken the March income tax payments very much as a matter of course and this most likely sets a pattern that can be expected to be followed on future tax periods. What was considered at one time to be a difficult situation to contend with, turned out to be nothing more than a very quiet affair. There was too much publicity about what might happen in the money markets to have it take place. The powers that be had this one well in hand.

The short market, despite the pressure of the tax period, has behaved very well with rates being kept well within the limits that were looked for by most of the experts. Federal gave some help here and there but this assistance was not more than just for stabilization purposes.

The long market, despite its thinness, has been maintaining a favorable tone, with buyers and sellers evidently pretty much in balance as far as these issues are concerned. The British action in adopting higher interest rates to fight inflation, and especially the sharp rise in the discount rate, has had no effect on the government market and is not expected to have any in the future. We apparently are well insulated against the British development.

Market Moves in Stride

Volume and activity in the government market as a whole, has picked up moderately, even though the bulk of the increase can be attributed to greater moving in and out of the short-term obligations. The income tax period, as was expected, brought with it considerable switching in the near-term securities. There were instances in which bills and certificates had to be disposed of in order to make income tax payments. There were cases, however, where short-term securities, which had been earmarked for March income tax purposes, did not have to be liquidated. There were likewise a few surprise packages in the picture, where corporations, not only met income tax payments without liquidating near-term Treasuries, but turned out to be buyers of these obligations. Thus, the tension of the Ides of March appears to have been taken care of without casualties. To be sure, Federal did get into the situation in order to relieve strains and stresses here and there, but this was so mild it was hardly noticeable. The Central Banks did the job this time as it should be done, which seems to indicate future income tax periods will be taken in stride as they have been so many times in the past.

Long-Term Market Acting Well

All the talk and rumors of financing that will come in the future and which is supposed to be set to carry a higher coupon rate and a long maturity, has had no appreciable influence upon the outstanding marketable obligations. As a matter of interest, it seems as though the balance in the longer market is just about as good now as it has been in a long time. The market, although still very much on the thin side, is not without interested buyers and sellers. However, it has not been too easy to get buyers and sellers together because there seems to be a rather noticeable absence of supply of the higher income issues in the market. Dealers have been able to bring out a few bonds through switches, but in most instance the owners have turned down the suggested swaps even though they appear to be favorable. There seems to be no great desire now to sell bonds and take losses that have to be charged against surplus or other such ear-marked funds.

On the other hand, the buyers have in some cases shown more of a desire to step up prices slightly in order to get the needed merchandise. This has been made necessary because the wanted bonds evidently will not come at lower quotations. It should be borne in mind, however, that these buy and sell operations do not involve large amounts of Treasury securities. It is believed bonds would find a way of getting into the market if there should be a branching out of the demand. This is not the case yet, even though there have been reports of real investment buying.

Savings Banks as Market Factor

Savings banks have been mainly on the sell side of the market, although this liquidation has not been nearly as sizable as had been expected in some quarters. This selling has been spotty, and largely when prices have been at levels that appealed to the sellers. There has been no pressure from this liquidation because it does not have to be done at any particular time. So much for the sell side of the picture. On the buy side these institutions have been very noticeable because of their absence. However, recently there have been acquisitions of long governments by savings banks, not in large amounts but sizable enough to make an impression upon things. The big question is will this continue?

Commercial banks have been a bit more active in the higher income obligations, with the new 2⅜% and the September 1967/72's the favorite ones. Institutions in the South, Southwest and the Far West have been the principal buyers of these issues.

Matthew McCabe With Singer, Bean & Mackie

Matthew J. McCabe has become associated with Singer, Bean & Mackie, Inc., 40 Exchange Place, New York City. Mr. McCabe has been in the "Street" for 22 years, recently with J. W. Gould & Co., Inc. He specializes in trading public utility and industrial issues.

A. C. Heilman Joins Hill Richards & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Andrew C. Heilman has become associated with Hill Richards & Co., 621 South Spring Street, members of the Los Angeles and San Francisco Stock Exchanges. Mr. Heilman was formerly an officer of William R. Staats Co. Incorporated.

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Objectives of Treasury in Fiscal Policy and Debt Management

are: (a) countering any pronounced inflationary or deflationary pressures; (b) providing securities to meet the current needs of various investor groups; and (c) maintaining a sound market for United States Government securities. These objectives are the guides which we use in arriving at policies which are appropriate to current economic conditions.

The difficulties of this procedure in practice, however, and the many balanced judgments which are involved, could not be better illustrated than by our present situation. As I have stated, we may have to borrow as much as $10 billion in new money from the public before the end of this calendar year; and it is generally agreed that these funds should be obtained to the greatest extent possible outside of the commercial banking system. From this point forward, however, we must proceed on the basis of a careful analysis of the many conflicting factors in the immediate outlook. There is no single, simple approach which will solve the entire problem for us.

To begin with, we must be constantly watchful with respect to the development of inflationary or deflationary tendencies. There appears to be a lull, at present, in inflationary pressures; but it would be imprudent to give less than full weight to the inflationary implications of our large defense program and of the deficit financing operations which will have to be undertaken in connection with it. For some time to come, defense production will draw heavily on our physical resources; and the existence of a significant deficit will add to the supply of funds available for spending or saving.

In the second place, we must take account of the fact that our present borrowing program will have to be geared to a set of circumstances which are unlike those experienced in connection with any previous large-scale borrowing operations. In contrast to the World War II situation, for example, a large sector of industry and trade is engaged in substantially normal operations; including operations—such as capital expenditure programs—which draw on investment funds. When we found it necessary to borrow large sums of money early in World War II, moreover, the government's debt was much smaller than it is now, both in absolute terms and in relation to the size of the economy. Today our government debt accounts for almost half of all the debt obligations in the country, public and private; including—in addition to Federal securities—bonds of State and local governments, obliga-

Into the Ears of Babes!

"When our own Government has looked after the average man, first, we have grown and prospered, but when those in power have used our Government to increase the privileges of the few at the top, the life and spirit of our country have declined. Thank God most of the time we have been on the right road.

President Truman

"We have had a chance to see how this works, although some of you are not old enough, and I know some of you are not old enough to remember the last depression. In the last 20 years the Government of the United States has made great progress in measures and efforts to protect the average man. We have not been ashamed to work for human welfare at home and abroad.

"I just want you to examine the facts and see for yourself what the results have been in better living conditions for the American people and in strengthening the base of our democracy. More and more people have been able to have better and better living conditions.

"In 1939 only one out of four families had an income of more than $2,000. In 1949 it was two out of three. There are fewer poor people and more well-to-do people in this country now than ever before, not only in this country but in the history of the world.

"We have been reducing inequality, not by pulling down those at the top but by lifting up those at the bottom.

"This great record of progress is the result of our policy in the Fair Deal, and under that policy we look out for the other fellow as well as for ourselves. That same program applies to our foreign policy. We cannot isolate ourselves from our neighbors in the rest of the world. When something hurts them, it hurts us. When something helps them, it helps us. The way to keep our own country strong and prosperous is to encourage and develop prosperity in the rest of the world."—President Harry S. Truman.

We can only hope that even the youngsters are too sophisticated to take this "line" too seriously.

tions of private corporations, mortgages, bank loans, consumer instalment paper, etc. Public debt obligations represent an important part of the assets of our financial institutions, of numerous business corporations, and of millions of individuals and families throughout the nation.

Against this background, the practical meaning of the broad objectives of debt management which I outlined eariler becomes clear. It is evident that we must use great care to maintain an atmosphere which will be favorable not only to the purchase of new government securities, but to the retention of current holdings—and particularly, of course, the holdings of nonbank investors. To maintain investor confidence, inflationary or deflationary tendencies must be countered, and sound conditions must be maintained in the market for United States Government securities. To sell the greatest possible amount of securities outside of the commercial banking system, issues must be provided which will meet investor needs. Each one of the general requirements of a sound debt management program, therefore, is seen to have a direct application to our present problem.

In order to formulate a program suited to the current situation, the Treasury—as it has done in connection with each important financing operation in the past—has been making extensive analyses of the money and investment markets; it has been discussing the problems on a continuing basis with representatives of the Federal Reserve System; and it has been conducting a series of informal conferences and discussions (in which the Federal Reserve participates) with representatives of leading investor and financial groups and others during recent weeks.

While I have found general agreement, as I noted earlier, on the need for securing the necessary amounts from nonbank investors, there is a wide divergence of views on how we ought to go about securing the funds; and there are differences of opinion, also, as to measures which should be taken outside the area of debt management to maintain stability in the price structure and in the economy generally.

These differences of opinion are to be expected. The problems involved are extremely complex; they are all inter-related; and they all touch on major aspects of public economic policy affecting wide areas of the economy.

Some Conclusions

When we review all of these facts in the Treasury, and evaluate them in terms of the problem at hand, the situation seems to us to add up to these conclusions:

It is essential for the well-being of the country that the Treasury and the Federal Reserve continue to work in the closest cooperation. Both agencies are in wholehearted agreement on this matter. There is no substitute for working together on the important problems which we shall have to solve jointly if the fundamental strength and productive power of the American economy are to be maintained. I feel that an advisory council of the sort which I have discussed with the Committee today would be of help in broadening the scope of cooperation. The spirit of cooperative effort, however, is the essence of the matter.

The prospect of substantial deficit financing in the period immediately ahead underscores the importance of the broad economic objectives of the Treasury, and particularly of debt management policy. The Treasury has succeeded during the postwar period in reducing the proportion of the public debt held by the commercial banking system from 42% at the peak of World War II financing to 33% at the present time. It has succeeded in maintaining savings bond ownership not only at the wartime peak, but at a figure which is now close to $58 billion—$9 billion higher than the amount held at the close of World War II financing. Our deficit financing program must conserve these gains—and it must add to them.

For these reasons the Treasury places great emphasis on the need for prudence with respect to policies which affect the Federal debt. As the Subcommittee's questionnaires brought out so clearly, a governmental agency does not operate in the field of abstract theory; full account must be given at all times to the practical implications of the policies and programs undertaken. The opportunity which the present hearings will provide for a discussion of measures appropriate to our present situation will, I am convinced, make a most important contribution to public understanding of the problems now confronting us.

Darwin Gardner Joins Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Darwin E. Gardner has become associated with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges. He has recently been with Chace, Whiteside, West & Winslow, Inc. In the past he was an officer of Russell Dean & Co. and was a partner in Townsend, Anthony & Tyson.

Metropolitan Edison 3¼% Bonds Offered

Halsey, Stuart & Co. Inc. and associates on March 13 offered a new issue of $7,800,000 Metropolitan Edison Co. first mortgage bonds, 3¼% series, due 1982 at 100.959% and accrued interest.

Proceeds from the sale will be used by the Pennsylvania utility, together with other funds, for construction costs and to repay short-term bank indebtedness. The company estimates that its construction program for the period from Jan. 1, 1952 to Dec. 31, 1954, at approximately $65,600,000.

Metropolitan Edison, formed by merger and consolidation, was incorporated under Pennsylvania laws on July 24, 1922. Operating wholly within Pennsylvania, the company is engaged primarily in generating, purchasing, transmitting, distributing and selling electric energy.

Total operating revenues have been reported at $32,862,490 for 1951, compared with $30,120,491 in 1950, while net income for these respective periods was $5,745,970 and $5,064,630.

The new bonds are redeemable at prices ranging from 103.96 to 100% and accrued interest under regular redemption privileges and from 100.96 to 100% and accrued interest under the special "lower scale" prices also contained in the indenture.

Continued from first page

The Elusive Mandate!

would not be available for disbursement by the Commission; that the Commission's budget will continue to be subject to the close supervision of the Appropriation Committees of Congress, and that the Commission is not searching for any new powers.

We have dealt with all these arguments in some detail editorially, and we have also established through the letters and briefs of our readers and of the various securities organizations and exchanges how fallacious these contentions are. We do not intend to labor them at this time.

From our reading of the record of the hearing as far as it has gone, we found nothing to indicate any sympathetic acceptance by the SEC of the vast amount of protest which greeted its proposal.

There were a couple of significant highlights. For example the following is from the "Statement of the Honorable Howard W. Buffett, a Representative in Congress from the State of Nebraska": "As a member of the House, I don't think any member of the Congress outside of the appropriate committee was familiar with the implications of this proposal when the Independent Offices Appropriation Bill went through Congress last year. I am certain they were not, or there would have been a discussion at least of it at that time."

The Commission attempted to justify its position by pointing out that similar fees were being charged by the States, using as an illustration questions asked of Carl K. Ross, Secretary-Treasurer of the Maine Investment Dealers Association. However, it was hauled up rather sharply on this point by Abraham N. Schwartz, Investment Adviser of Washington, D. C., who testified in part as follows: "I submit the State of Maine has the power to exact a fee and to compel investment dealers to comply with it. But that certainly cannot be used as a standard for the Federal Government or an agency of the Government to exact a similar fee. * * * we certainly know that all powers not conferred upon the Federal Government by the States have been reserved to the States."

The following colloquy struck us as being rather odd: Mr. Jackman (William Jackman, President, Investors League, Inc.)—"What would you say about other agencies and bureaus following your example? I think that the SEC is one of the bulwarks of the free enterprise system. I think it has proven that, but I think if you go this way on this thing, as a so-called national agency, then you will have the same situation, there is nothing to stop any other bureau following your example and doing the same thing." Commissioner McEntire: "Perhaps it is not a question of following our example. All these other independent agencies are under the same Congressional mandate that we are under this statute. I think it is simply a proposition that maybe SEC is a little more efficient and a little bit ahead, but they are all supposed to be doing, under the Congress, the same thing." Mr. Jackman: "I think you can readily see that it can be a vicious thing. It doesn't necessarily have to stop at an agency. It can go right through a department. All it needs is a green light for it."

We certainly do not gain the impression that the SEC " * * * is a little more efficient and a little bit ahead * * *." Rather do we feel that the Commission was too anxious to be an eager beaver in a field where it had missed up on its function to advise the Congress and the Appropriation Committees that Title V was a dangerous instrument and should not have been passed. The Commission had its opportunity when this proposed legislation was under consideration and it muffed the ball. We do not think this was unintentional.

At various intervals during the hearing the Commissioners referred to Title V as "a Congressional Mandate." Mandate to do what?

We believe this was best handled by Howard C. Westwood for the National Association of Securities Dealers.

He said in part: "Generally speaking, there are two issues: (1) does Title V of the Independent Offices Appropriation Act confer power or impose a fee of any amount for certain specific functions. * * * Now, the other issue is: assuming that Title V did contemplate that a fee of some amount could be imposed, for example, for the registration of brokers and dealers; then, is the fee proposed in the Commission's proposal appropriate in amount and in the method of the assessment."

Mr. Westwood indicated that the Commission had been asked for certain data under which the reasonableness of the particular fees could be appraised and that the assembling and exhibit of that data was appropriate under and contemplated by the Administrative Procedure Act.

With this contention the Commission took issue.

At the hearing the Commission attempted to shelve all arguments having to do with the subject of whether or not Title V is constitutional. Of course the Commission itself is powerless to repeal the Act but the refusal to take up the matter of constitutionality is in our view an evasion.

The SEC is supposed to have the public interest at heart always, all of its orders are allegedly made in the public interest. Certainly it is not in the public interest to have unconstitutional laws upon the statute books. The Commission might well have pointed this out to the Congress and the Appropriation Committees at the time that this offensive legislation was under consideration and before it had become a law.

One would imagine that with the tremendous amount of protest that has been evoked supporting an opposite interpretation, the SEC would permit the majority view to control and hence that it would stop acting as an eager beaver and withdraw its proposal.

The story seems to change as a matter of convenience. While the Commission now attempts to account for its being in the forefront in implementing Title V on the ground of efficiency, we were first told that it was prodded into doing so by the inquiry of "a member of one of the Appropriation Committees."

Which is true?

This type of leadership is a doubtful compliment.

Now we come to the partial palliatives, including temporary suspension of the SEC proposal, withdrawal thereof, court tests of constitutionality of Title V, etc., etc. All of these are wholly inadequate.

We must take the broad view, for industry as a whole, not only the securities industry, is dangerously involved.

There is only one real remedy, the complete repeal of Title V.

If Congress is intent upon having those served by government agencies pay for such services, there is a clear-cut way of accomplishing this — by specific legislation relating to each Federal agency and fixing the fees much as already has been done by the Congress in the Securities Acts.

Anything short of a repeal of Title V will not grant to the people the complete relief to which they are entitled.

This so-called Congressional mandate is but a Congressional opinion poorly expressed, snidely embraced as a rider in an Appropriation bill, and generally misunderstood until, too late, the pitiless eye of publicity was focused upon it.

Continued from page 17

Maldistribution, Not Shortage, In Steel Production

too well, it has turned the valve down pretty hard.

However, until the regulations are changed, CMP is the only legal means the steel industry has to help the nation accomplish its "butter and guns" objective. Faced as we are with a national emergency, a precipitous swing from full control to the other extreme at this time could easily result in further confusion.

Thus it seems to me that the answer to our problem lies in intelligently applying ourselves to the development of a program which has as its ultimate objective the elimination of controls, but which, in the meantime, permits us to devote our time and energies to the task of defending our country. To me, however, highways and defense are inseparable. We all know the importance which the German military machine placed on its highway systems.

A Program of Steel Production

The fundamentals of a program for the elimination of controls are threefold:

First of all, it is absolutely essential that production be maintained at its highest level and that production be directly related to the needs of the entire economy, both military and civilian.

Second, direct defense requirements must be handled adequately regardless of the impact of non-defense requirements. Needless to say, in my opinion certain highway construction is a direct defense requirement.

Third, every effort must be made to develop complete realism in the amount of steel required to support today's total economy. In other words, we must eliminate inflation from future stated steel requirements. While I do not imply that the stated requirements for the road building programs are padded, the cumulative effect of inflation in all of the programs has made the job tougher.

Another point which I might raise concerns the need for realistically keying steel shipments to actual schedules. Up to now, tickets covering thousands of tons of steel have been cashed far in advance of actual needs. Such a practice unnecessarily immobilizes steel which might better be shipped to other projects which need the steel immediately. In other words, it's best to concentrate your tickets on the more important jobs and get them completed rather than spreading them so thin throughout your state that nothing is completed. Then again, if the foundations for a bridge are not ready and you know they will not be ready for months to come, the tickets should be concentrated on another job.

Increase in Steel Producing Capacity

The forecast of the supply of steel for 1952 based on current weekly production is at the annual rate of almost 108 million ingot tons. With new facilities coming in during 1952, it is estimated the industry will have a capacity for the production of over 110 million ingot tons.

Whether the industry is able to actually produce this astronomic tonnage depends, of course, on such factors as adequate scrap supply; the supply of alloying materials such as nickel, chromium, manganese, and other ferro-alloys; the extent to which operations are retarted by strikes, slow-downs, or work stoppages; and possibly the lack of demand for steel.

You hear that requirements for structural steel at present are in excess of 200% of supply. You hear that over-all requirements for the first quarter are greatly in excess of available production. These figures are said to be "screened requirements" of the various claimant agencies derived from the stated needs of individual steel consumers. Such figures are meaningless as measures of the degree of imbalance between demand and supply. If demand for any product exceeds supply by 1%, immediately all requirements seemingly expand at a rate all out of proportion to actual shortage. Let the situation reverse itself and the industry has a real selling job on its hands in order to maintain peak production.

Steel today is in short supply relative to present needs as they exist in the minds and production schedules of steel consumers. However, the point of balance between supply and demand in many products is closer than it may appear. There are factors which could change the steel supply-demand ratio in an amazingly short time:

Let us pass the peak in the current race to expand the productive capacity of all American Industry, or

Let military expenditures expand less rapidly than anticipated, or

Let the government go a little too far in placing limitations on various civilian industries, or be a little too slow in removing restrictions, or

Let consumers become complacent about future supply of the products they desire.

Should any of these things happen with supply more nearly adequate, the steel production rate could soon fall from its present lofty height. The market would not be sufficient to sustain maximum production.

As previously pointed out, there are indications that inventories are in many cases excessive. History has taught us that "adequate" inventories become "excessive" inventories if the operating levels of the steel-consuming industries fall.

It should not be construed that I am attempting to predict a collapse of steel demand. I am merely pointing out that there are existing factors which may well bring over-all steel demands into balance this year.

Two With Scharff & Jones

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Charles H. Simon and Olen H. Wilson are now with Scharff & Jones, Inc., 219 Carondelet Street.

Joins Hayden, Stone

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—Lawrence D. Webber has become affiliated with Hayden, Stone & Co., 477 Congress Street.

Canadian Securities

By WILLIAM J. McKAY

Much has been written lately of Canada's vast industrial expansion, but little has been said regarding Canada's rearmament program and its impact on the nation's economy.

It was disclosed last week by the Canadian Production Minister Howe, in an address to the Canadian Parliament, that Canada's military expenditures this fiscal year, which ends this month, will approximate $900 million. This is short by $200 million of the $1.1 billion goal set at the beginning of the year. Thus it appears that Canada may have been a bit overambitious in mapping her rearmament program, and, as in the United States, actual expenditures have lagged behind appropriations. Production Minister Howe warned the Canadians, however, this should be no cause for a slow down in the pace of preparedness, and Canada's three-year $5 billion defense program, in addition to other commitments that might be undertaken in the meantime, should be accomplished.

Regarding the impact of the military preparedness on the Canadian economy, the Production Minister made these points:

(1) Even though there were "soft spots" in some parts of the economy, Canada was passing through a period of "great prosperity."

(2) Of greater concern was the rash of import restrictions imposed by sterling-area countries and by the United States. The U. S. embargo on Canadian livestock and meats resulting from foot-and-mouth disease, would have "serious consequences" if not lifted as quickly as possible.

(3) Investment by governments and by industries in the development of Canada is expected to reach a record $5,000,000,000 in 1952—up $400,000,000 from the previous high of $4,600,000,000 in 1951. This was a "remarkable indication" of the confidence being placed in Canada's future.

One factor in the reduction in military spending, the Minister pointed out, was a shortage in equipment Canada needed, particularly in machine tools.

Of the $900,000,000 Canada spent during the first year of military preparedness roughly, about ¾ was spent in Canada and ¼ in the United States. Half of the purchases from the United States will be for aircraft, engines and parts.

Turning to the problem of materials, Production Minister Howe estimated that during 1951, steel rolling mill products available to Canadian industry totaled about 4,000,000 tons, compared with 3,200,000 in 1950.

This resulted from somewhat higher domestic production and from increased imports, according to Mr. Howe.

If Canada gets the same quantities this year as a year ago "we will be able to get through 1952 with no greater difficulties in respect of steel supply than were experienced last year and without any more stringent government control," the Minister added.

On nonferrous metals, Mr. Howe noted that there recently has been a reduction in the world demand for supplies of leading metals and unless unpredictable stockpiling is undertaken abroad and a marked worsening of the supply situation "supplies in 1952 should not be as tight as they were last year."

By early 1953, steel capacity in Canada will be increased by 1,150,000 ingot tons, equivalent to one-third of the actual ingot and casting production in 1951.

This tremendous expansion will result in increased domestic supply of 800,000 net tons of steel rolling mills products for Canadian industry.

Canadian production of iron ore will have expanded four-fold between 1951 and 1955 and will be a leading factor in the immense steel expansion now being made in Canada and the United States.

Important expansions are under way in nonferrous metals, of which the Kitimat venture in British Columbia for aluminum production is by far the largest. ". . . by 1953 our aluminum capacity will have risen by 35% and if the decision is taken to proceed with the second phase of the Kitimat expansion, capacity may well become 2½ times as great as in 1951."

Compared with production last year copper output by 1955 will increase by 10%; nickel by 15%; lead another 10 and zinc about 35.

"What this means in terms of investment in one year alone," said Mr. Howe, "is illustrated by the fact that investment intentions in 1952 for mining and related ventures approach $500,000,000 out of a total investment in new capital assets of about $5,000,000,000.

Joseph E. Lay Joins Robinson-Humphrey Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Joseph E. Lay has become associated with the Robinson - Humphrey Company, Inc., Rhodes-Haverty Building. Mr. Lay was formerly with the Trust Company of Georgia.

Blyth & Co. Add

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Loren L. Reeder has joined the staff of Blyth & Co., Inc., 75 Federal St.

Continued from first page

As We See It

toric indifference has long ago vanished—since we have been taught better by the New Deal, the Fair Deal and rather bitter experience in two catastrophic world wars. It is not altogether easy to make certain just what basis there is for this belief. The drastically altered line of foreign policy during the past decade or two has always been so intertwined with various sorts of economic panaceas for putting an end to all depressions that it would puzzle a Philadelphia lawyer to know just what the people have been approving — the more difficult by reason of all the shrewd political maneuvering which has accompanied these changes.

We Don't Want War!

Two facts stand out, however. One of them is a deep and general desire to avoid another devastating war, and the other is a growing skepticism about our ability to buy world peace. There are those who believe that a considerable part of the strength General Eisenhower is showing in such tests as have so far been made grows out of a feeling that he of all the men now competing for the Presidential nomination has had more personal contact and experience with important peoples and nations abroad, and hence probably better understands precisely how to get along with them. This may or may not be the secret of the General's popularity, or one of them. About that we have no way of knowing, but we are certain in our own minds that there are many, many individuals in this country who have become gravely concerned about the possibility that the general course of our foreign dealing may lead to serious conflicts and quite possibly to another world war, which with calmer and wiser management might be avoided.

Certainly, when one surveys merely the history of our international policy over the past decade one finds it difficult to generate much admiration for the foresight or the wisdom with which our relations with the remainder of the world have been conducted. Our errors, to confine attention to this period alone, stem from Teheran, Yalta and Potsdam, and as time has been passing we have been piling Pelion upon Ossa in proving ourselves inept and unskilled in world politics. We allowed ourselves to be trapped in Berlin and obliged to save our skins by almost superhuman effort through the air. We were caught flatfooted in Korea. We are now on the continent of Asia, and can find no way to leave and no way to stay with much hope of accomplishing a great deal. We have been making much of our work in the West, but time only can tell what we have really accomplished.

Astronomical Costs

Meanwhile, costs are assuming astronomical proportions—and the end is not in sight. In fact, there is not very much discernible promise that there is to be any end. It is difficult at times to escape the conclusion that what we are really doing is to finance social experiments, and to make it possible for the peoples to avoid the unpleasant duty of going really to work to find their own salvation. Obviously, Congress and, we are certain, many outside of Congress, are growing definitely tired of this sort of business. The President is finding tough going in persuading members of Congress to provide the funds he demands for such purposes as these.

There are a good many in Washington and some not in the nation's capital who have long been hugging the pleasant notion to their bosoms that the mantle of the British Empire has fallen upon our shoulders, that henceforth we must assume and exert "world leadership," and that it is incumbent upon us to see to it that world conflicts are avoided. Much of this is simply buncombe, of course. What appears to be happening is that a new sort of "balance of power" is developing in the world. The balance is between the Kremlin and its satellites on the one hand, and the United States and the other countries from whom support is expected on the other. Of course, the "balance of power" scheme of things broke down twice in a half century with the outbreak of devastating wars. The maneuvering in those earlier days was certainly more skillful than any that we have seen in recent years.

Impetuous and Panicky?

It is obvious that in many parts of the world the prevailing opinion is that we are impetuous, if not panicky, in our dealings with the Kremlin, that we are all too apt to fall unwittingly into the very war we are trying so hard to avoid. It is difficult to believe that there is no basis at all for such a view. We seem to have got ourselves in wrong at every opportunity in the East. Our aggressive base-building program the world over has made it the easier for many peoples who know what such policies have led to in the past, to reach the conclusion that we are not as altruistic as we would like to have the world believe.

The time has definitely come for a reappraisal of our foreign policy from the ground up. That, it would appear to us, can readily be done only in some national campaign of the sort we are now entering. The danger is that the matter will, as has so often occurred in the past, be permitted to degenerate into a demagogic controversy seeking votes.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Harold J. Marshall, Executive Vice-President of **The Manufacturers National Bank, of Troy, N. Y.,** has been added to the faculty of **The Graduate School of Banking,** it was announced by Dr. Harold Stonier, Director of the School, on March 12. Mr. Marshall will fill the vacancy created by the recent death of Leslie K. Curry of the Mercantile Trust Company of St. Louis, Mo. He will assume part of the classes previously taught by Mr. Curry, with the remainder being taught by John I. Millet, President and Trustee of The Troy Savings Bank, at Troy, N. Y. Mr. Millett has been a member of the School's faculty since 1951. Mr. Marshall will lecture to commercial banking classes on bank organization and administrative problems and policies. Mr. Millet will lecture on internal audit and control, savings department operation in commercial banks, and directors' examinations. The School, which is sponsored by the American Bankers Association, will hold its 1952 summer session at Rutgers University, New Brunswick, N. J., June 16 through 28.

* * *

Horace C. Flanigan, President of **Manufacturers Trust Company, New York,** announces that David V. Austin, Vice-President, has been named to supervise branch loan activities for the bank's Manhattan Offices, succeeding Isaac B. Hopper, who has retired. Mr. Austin became associated with Manufacturers Trust Company in 1922, and has been a Vice-President of that institution since 1930. He is a member of the New York Credit and Financial Management Association, Robert Morris Associates, Downtown Athletic Club, "475" Club, and Credit Men's Fraternity. Mr. Austin will continue to have his office at the Main Office of the trust company, 55 Broad Street, New York.

* * *

In a further announcement President Flanigan stated that Edmund W. Madden, Assistant Vice-President in charge of the bank's Borough Hall Office in Brooklyn, has been named a Vice-President. Mr. Madden began his banking career in 1921 and has been with Manufacturers Trust Company since 1931 when the former Brooklyn National Bank was merged with Manufacturers Trust Company.

* * *

At a regular meeting of the Board of Directors of **The National City Bank of New York** held on March 18, Edwin A. Reichers was appointed an Assistant Vice-President.

* * *

The **Excelsior Savings Bank of New York** opened a branch at Second Avenue and 66th Street on March 8. Arthur B. Newman is Manager.

* * *

August Gustav Hesser, Assistant Secretary in the International Banking Division of the **Irving Trust Company, of New York,** died in Kingston, Jamaica, on March 13. For a number of years he resided in New York. Funeral services were held in New York City on March 19. Born in Baja, Hungary in 1888, Mr. Hesser spent most of his business life with the Irving Trust Company. After earning his LL.D. degree in Hungary in 1909, he moved to London, where he lived until after the first World War. He came to the United States in 1919 and became a U. S. citizen in 1925. Joining the Irving Trust Company in 1920, he was elected an Assistant Secretary of the Company in 1928.

* * *

As a result of a stock dividend of $150,000, the **National Bank & Trust Co. of Norwich, N. Y.,** enlarged its capital March 5 from $750,000 to $900,000.

* * *

The Rhode Island Hospital Trust Company of Providence, R. I., absorbed the **Woonsocket Trust Company of Woonsocket, R. I.,** on March 3, according to advices from the Federal Reserve Board, which indicate that the former main office of Woonsocket Trust Company as well as the branch formerly operated by it will be operated as branches by Rhode Island Hospital Trust Company.

* * *

A capital of $400,000 is reported by the **First National Bank of Manchester, Conn.,** the amount having been increased, effective February 27, from $200,000 by the sale of $200,000 of new stock.

* * *

A consolidation of the **National Bank of Pottstown, at Pottstown, Pa.,** and the **National Iron Bank of Pottstown,** both with common stock of $300,000 each, was effected at the close of business on February 29. At the date of consolidation the enlarged bank had a capital stock of $1,000,000 in 100,000 shares of common stock, par $100 each, surplus of $1,500,000 and undivided profits of not less than $300,000, according to the March 10 Bulletin of the Office of the Comptroller of the Currency.

* * *

Raymond W. Bonnell has been elected an Assistant Cashier of **The Bank of Virginia** at the Eighth & Main Streets office in **Richmond, Va.** He will continue in the consumer loan department where he has served since 1948. A native of Pennsylvania, Mr. Bonnell attended New York University Evening School and, in addition, completed courses of the American Institute of Banking. His banking career began in 1937 with the Chase National Bank in New York. He was later connected with the Federal Bank Service Bureau of Newark, N. J. From 1942-1945, he was on active military duty. Mr. Bonnell joined the staff of The Bank of Virginia in 1947.

* * *

A merger of the **First National Bank of Norwood, Ohio,** with the **First National Bank of Cincinnati, Ohio,** was approved by the stockholders of the two banks on March 4. The Norwood bank will become an office of the Cincinnati bank on March 31, it is learned from the Cincinnati "Enquirer" of March 5, whose Financial Editor, Jack Dudley, in indicating this said:

"Under the terms of the merger, holders of the $10 par stock of the Norwood bank will receive three shares of $10 par stock of the Cincinnati bank for each four shares of the Norwood bank stock. The advantage in the stock exchange lies in the fact that First Cincinnati stock has a book value of $37.92 a share, while the book value of the First Norwood stock is $27.66 a share.

"Both Reuben B. Hays, President of the Cincinnati bank, and Thomas McEvilley, President of the Norwood bank, emphasized that the merger will mean no change of personnel of the Norwood office."

* * *

The absorption on March 3 of the **Cincinnati Bank & Trust Co. of Cincinnati, Ohio,** by the **Fifth Third Union Trust Co. of Cincinnati** is made known; the office of the Cincinnati Bank & Trust will be operated as a branch of the Fifth Third Union Trust.

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As of Feb. 21 the capital of the **Park National Bank of Newark, Ohio,** was increased from $200,000 to $500,000, the addition having been brought about by a stock dividend of $200,000 and the sale of $100,000 of new stock.

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The **Rapid City National Bank of Rapid City, South Dakota,** enlarged its capital as of Feb. 27 from $200,000 to $400,000 by a stock dividend of $200,000.

* * *

John C. Naylor, Executive Vice-President and Secretary-Treasurer of Pet Milk Co., was elected a member of the board of directors of **First National Bank in St. Louis, Mo.,** at a meeting of the board on March 11. Mr. Naylor is Vice-President and a director of the General Milk Co., Los Angeles, Calif.; and a director of the Sego Milk Products Co., Salt Lake City, Utah, and of the Pet Dairy Products Co., Johnson City, Tenn. He is former President of the Controllers Institute of America and a trustee of the Nutrition Foundation, New York, N. Y.

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The capital of the **Traders National Bank of Kansas City, Mo.,** was increased, effective Feb. 25, from $600,000 to $800,000; $100,000 of the increase represented a stock dividend, while the additional $100,000 resulted from the sale of new stock.

* * *

Election of Walter W. Schroeder of New Orleans as Vice-President of the **First National Bank in Dallas, Texas,** has been announced by Ben H. Wooten, President. Formerly Vice-President of The National Bank of Commerce in New Orleans, La., Mr. Schroeder will on April 1 assume charge of First National's correspondent bank department. He will succeed Ray Nesbitt, who has directed First National's correspondent bank activities for about 30 of the more than 41 years he has been serving the institution. Mr. Nesbitt will continue to be active in the correspondent bank division. At the time of his resignation from the staff of the New Orleans bank, Mr. Schroeder headed both the correspondent bank division and the business development department. He began his banking experience in his home town, Centralia, Ill., at the age of 17, and after serving in World War I,

he spent 15 years in the investment department of the Canal Bank & Trust Co. of New Orleans and was manager of its bond department when the National Bank of Commerce was organized in 1933 as its successor. In 1934, he was elected an Assistant Cashier in the correspondent bank division of The National Bank of Commerce and in 1937 was elected a Vice-President. A past President of the Louisiana Bankers' Association, Mr. Schroeder is currently Chairman of the Board of Trustees of the School of Banking of the South, which he helped organize. He is serving his sixth year as a member of the American Bankers Association's committee on service for war veterans and is also a member of the executive committee and the war veterans' committee of the Louisiana Bankers' Association.

Mr. Nesbitt began his banking career with the Greenville (Texas) National Exchange Bank in 1908. When the Trinity National Bank of Dallas opened on Feb. 14, 1909, as a predecessor of First National, he became one of its charter employees. He was made a teller when Trinity National was merged with the City National Bank in December of that year. He was advanced to Assistant Cashier in 1917 and a few years later was moved up to Vice-President. He continued to handle correspondent bank business after the City National was combined with the American Exchange National Bank at the end of 1929 to form the First National.

* * *

With the addition of $250,000 to its capital of $750,000 as the result of the sale of new stock, the **First National Bank of Colorado Springs, Colo.**, reports its capital as of Feb. 5 at $1,000,000.

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The conversion of the **Continental National Bank & Trust Co. of Salt Lake City, Utah,** capital $900,000, into a State bank under the title of the Continental Bank & Trust Co., became effective Feb. 1, according to a recent bulletin issued by the Office of the Comptroller of the Currency.

* * *

In accordance with plans announced a month ago, the stockholders of the **Union Bank & Trust Co. of Los Angeles, Calif.,** are being offered rights to subscribe to 10,000 shares of capital stock of the bank at the rate of one new share for each 7½ shares held of record March 17. The right to purchase the new shares at a subscription price of $120 per share expires on April 8. A group of five underwriters, headed by Blyth & Co., Inc., has agreed to purchase from the bank all unsubscribed shares at the original subscription price. Reference to the plans to this end was made in our issue of February 21, page 791. The entire amount of the $1,200,000 to be received by the bank from the sale of the 10,000 shares of stock will be added to the capital funds of the bank, $500,000 to the capital stock account and $700,000 to surplus. In addition, $300,000 will be transferred from undivided profits to surplus. On Dec. 13, 1951, the directors of the bank declared a stock dividend of 5,000 shares of capital stock payable Jan. 2, 1952, at the rate of 1 share for each 14 shares held of record. In connection with the stock dividend, the capital stock account was increased by $250,000 transferred from unallocated reserves and surplus was increased by $750,000 by transfers of an additional $250,000 from unallocated reserves and $500,000 from undivided profits.

* * *

Promotion of Jerome T. Bowden to the position of Trust Officer in the head office of the Bank of America National Trust & Savings Association of San Francisco is announced by L. M. Giannini, President of the bank. Mr. Bowden has in the past served the office as an Assistant Trust Officer. Advancement is also announced of Howard A. Leif to the post of Controller of the Bank of America. Mr. Leif began his career with the bank as a bookkeeper at the Humboldt branch in San Francisco in 1923. In 1948, he became Chief Inspector and Auditor, from which he now moves to the Controller's office.

F. S. Yantis Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Kenneth W. Branz has been added to the staff of F. S. Yantis & Co., Incorporated, 134 South La Salle Street, members of the Midwest Stock Exchange.

United Air Lines Stk. Offering Underwritten

United Air Lines, Inc. is offering to its common stockholders the right to subscribe, at $100 per share, to 223,865 shares of cumulative preferred stock, 4½% series of 1952, $100 par value, at the rate of one share of preferred for each 11 shares of common stock held.

The offering to common holders which is being underwritten by a group of investment bankers headed by Harriman Ripley & Co. Inc., will expire on April 2, 1952.

The new preferred stock is convertible prior to 1962, unless previously redeemed, into common stock of the company at the initial conversion rate of 3.15 shares of common stock for each share of the preferred stock outstanding.

Proceeds from the sale will be added to the company's treasury funds and will be used for such corporate purposes as the management may determine.

As of Dec. 31, 1951, the company had contractual obligations for the purchase of new airplanes and equipment and construction of certain ground facilities aggregating approximately $47,158,000 and due for payment in 1952 and 1953. In addition, the company estimates that it may expend during 1952 and 1953 approximately $28,000,000, of which some $17,000,000 is applicable to the acquisition of spare parts for flight equipment and aircraft modification projects and approximately $11,000,000 is applicable to the acquisition and construction of ground equipment and facilities.

The corporation's cash resources available for these purposes, including the proceeds from the sale on Feb. 1, 1952 of $10,000,000 principal amount of its series B debentures, will be increased by the proceeds from the sale of the current preferred stock offering, and may be augmented by borrowings under a standby bank credit under which amounts up to $16,000,000 can be borrowed prior to July 1, 1952.

Herbert B. Schwabe With Putnam & Company

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Herbert B. Schwabe has become associated with Putnam & Company, 6 Central Rowe, members of the New York Stock Exchange. Mr. Schwabe was formerly in business for himself in Hartford.

With Paul C. Rudolph

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John G. Gates is now affiliated with Paul C. Rudolph & Company, 127 Montgomery Street.

Mutual Funds

By ROBERT R. RICH

A DECLINE IN railway freight traffic volume in the United States to about 625,000,000,000 ton-miles in 1952—almost 3% below last year's 643,000,000,000—was forecast by Harold X. Schreder, economist and Executive Vice-President in charge of investment research of Distributors Group. Schreder added that immediate action by the Interstate Commerce Commission to grant higher freight rates requested by the railroads "would seem imperative," in view of the outlook.

The recent strike of operating employees in certain parts of the country is not taken into consideration in this projection. Should the strike be revived, total freight traffic volume for the year could easily be cut even below 625,000,000,000 ton-miles, Schreder said.

His prediction follows last week's forecast by the Econometric Institute, Inc., that the shift toward military production in 1952 will cause a drop of about 7% in railroad freight traffic volume. Dr. Charles F. Roos, President, said that while the dollar value of the total national product will not be significantly different from last year, freight traffic will decline "principally because war goods contain less material, in relation to total dollar value, than do civilian goods."

Earlier this year, Dr. J. H. Parmelee, Vice-President and Director of the Bureau of Railway Economics, Association of American Railroads, told the Interstate Commerce Commission that a drop of at least 1% in freight ton-miles could be expected in 1952.

Schreder, whose statement hits a mid-point between the forecasts of Drs. Roos and Parmelee, said that the United States economy is currently "late and high" in the major business cycle, with the result that a downturn in national production can be expected late in the second quarter.

Following this downward trend, he continued, railroad freight traffic volume can be expected to decline, with 1952 total ton-miles "probably closer to 625,000,000,000 than to 650,000,000,000." This compares with the 1951 total of 643,000,000,000 ton-miles.

"At the same time," Schreder emphasized, "railway operating expenses will continue high, partly due to escalator wage clauses which caused a 4-cents-an-hour wage increase on Jan. 1. Therefore, taking into consideration climbing expenses and falling freight volume, it would seem imperative that the Interstate Commerce Commission grant the requested freight rate increase as soon as possible, not only to forestall a weakening of the rails' financial position this year but also as insurance against the possibility of receiverships in any prolonged business recession."

IN VIEW OF the decline in the market value of stocks in general which has taken place during recent weeks, Stock & Bond Group Shares report that, in anticipation of this reaction, about one-half the money of the fund has been for some months in a "buying reserve" of cash and cash equivalents.

The fund states it was fully invested in common stocks from the start of the bull market in the Summer of 1949 until the Spring of 1951.

The fund's shift into defensive securities was based on the deteriorating economic conditions for most industries. With the exception of a comparatively few industries that are greatly benefitting from rearmament, the fund remarks, earnings in general have been declining under the impact of taxes and costs, and dividend disbursements are no longer trending upward.

Institutional Shares, Ltd., sponsor of Stock & Bond Group Shares, expects a further decline in most stock prices over the coming weeks or months that should bring the general market to more advantageous buying levels.

It was noted that money activity, in relation to borrowings, is also at a low level and the outlook seems to the fund to be more deflationary than inflationary, even though for the longer-term, inflationary tendencies are likely to resume.

IN RECENT weeks, National Stock Series, with assets of over $35 million, increased substantially its holdings in automobile stocks, according to a report by Henry J. Simonson, Jr., President of National Securities & Research Corporation, sponsors, underwriters and managers of the fund.

During the months of January and February, the fund purchased 9,000 shares of Chrysler Corporation; 5,000 of General Motors and 3,000 of Studebaker, making the total holdings of 11,000, 7,000 and 21,000 shares, respectively.

Mr. Simonson pointed out that these stocks are below their 1950 highs, while the general market has advanced materially.

The report concluded by saying "current dividend rates were fully covered by 1951 earnings, and with the prospects of improved supplies of steel, auto production schedules in 1952 should be increased. This would indicate that these companies will be in a stronger position from an earnings standpoint than was thought probable at the beginning of the year."

OPEN-END REPORTS

EATON & HOWARD Balanced Fund on Feb. 29 reported net assets of $81,107,588 compared with $77,727,899 on Dec. 31, 1951, with offering price per share increasing from $32.97 to $33.33. Five largest common stock holdings by industries are 12.9% power and light, 11.7% in oil, 5% in insurance, 41% in natural gas and 4% in chemical. 59% of the funds are in common stocks, 17% in preferred, 15% in corporate bonds, and 9% in cash, U. S. Governments and short-term notes.

Mutual Fund Notes

THE TEACHER and His Money, an article by Sidney S. Ross on the alternative ways in which teachers can utilize their savings appeared in the "Journal of Education." The article was written to conform to the Statement of Policy.

REGISTRATION statement was filed March 13 with the SEC by Canadian Fund, an investment company organized by Calvin Bullock, covering a proposed initial public offering of 800,000 shares of capital stock $1 par value, to be underwritten by an investment group headed by Kidder, Peabody & Co. and Dominick & Dominick.

Canadian Fund, a diversified management investment company of the closed-end type, will become open-end upon completion of the initial offering. It was incorporated in Maryland on March 5, 1952 to provide for diversified investment in Canada. The company will concentrate its investments in securities of companies, wherever organized, doing business or having interests, directly or indirectly, in Canada.

The charter permits it to buy, sell, hold for investment and otherwise deal in all forms of securities. While its policy is to invest primarily in common stocks, it reserves freedom of action to invest in other types of securities.

It contemplates at this time participation in the oil development of western Canada as well as investment in numerous other industries throughout Canada. The company intends to mail to shareholders a list of securities held in its portfolio as of the end of February, May, August and November.

The company's directors are the same as those of Canadian Investment Fund, Ltd., the largest investment company in Canada, incorporated in 1932. Supervision of the company's investments will be by the firm of Calvin Bullock, 1 Wall Street, New York, N. Y.

Capitalization of Canadian Fund, Inc. consists solely of a single class of capital stock with a par value of $1 per share of which 5,000,000 shares are presently authorized. Of this total, 800,000 shares are expected to be outstanding at the time the company becomes an open-end investment company. No funded debt or senior equity securities are authorized or outstanding.

Random Shots

The Lawyer Fish

Leo A. Lawrence, a Republican assemblyman in Albany, N. Y., introduced a conservation bill into the Assembly which would permit a fish known variously as ling, lawyer or burbot to be taken by spear, arrow or hook, in nontrout waters. This aroused Assemblyman Max Turshen, a Brooklyn Democrat, to inquire about the lawyer fish.

"The lawyer," Mr. Lawrence, who is not a lawyer, replied, "may be described as a very slippery fish with a very large mouth. When our pioneer forefathers discovered this fish in the state, they could find no better name for it."

Mr. Turshen, who is a lawyer, expressed regret that the Assembly should recognize the lawyer by such a name, but he relented and his colleagues passed the bill unanimously.

From a New York "Times" special dispatch

Dreadful things are just as apt to happen when stupid people control a situation as when definitely ill-natured people are in charge.

"Chapters for the Orthodox," D. R. P. Marquis

The first panacea for a mismanaged nation is inflation of the currency; the second is war. Both bring a temporary prosperity; both bring a permanent ruin. But both are the refuge of political and economic opportunists.

"Notes on the Next War," Ernest Hemmingway, 1935

When there is an income-tax, the just man will pay more and the unjust less on the same amount of income.

Plato's Republic—5th century B. C.

DOUGLAS LAIRD's talk before the West Coast Mutual Fund Conference in San Francisco has been printed as supplement No. 2 to National Securities & Research's sales manual, "What Every Salesman Should Know About Mutual Investment Funds."

Mr. Laird, in his discussion, "He Didn't Buy—Because He Wasn't Sold," analyzes the "laws of selling," the motivations that make people buy and discusses various prospect selling "hurdles" and how a salesman can overcome them.

LOOMIS-SAYLES Mutual Fund has released a new prospectus dated March 7, 1952.

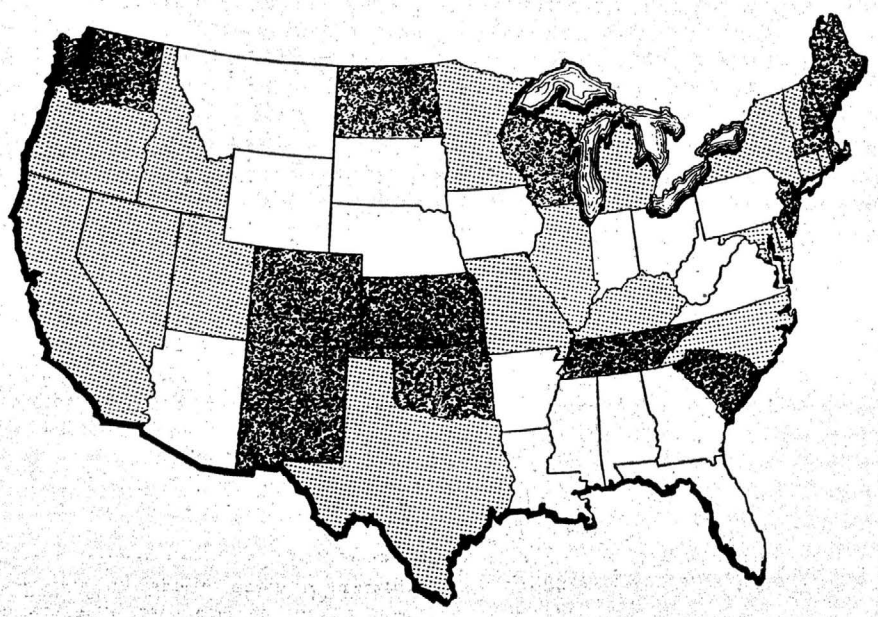
ALMOST TWO thousand fiduciaries in 44 states are now using Keystone Funds, with a total investment of over $21 million. These include trustees, corporations, foundation funds, hospitals, insurance companies, profit-shar-

MUTUAL FUND DIVIDEND ANNOUNCEMENTS

All listings are quarterly payments from net investment income unless otherwise noted

Fund—	Per Share	When Payable	Holders Of Record
Affiliated Fund	6c	4-21	3-21
Broad Street Investing	23c	4- 1	3-21
Chemical Fund	13c	4-15	3-27
Concord Fund	12c	4-21	3-31
Franklin Custodian Funds—			
Common Stock Series	8c	5-15	5- 1
Utilities Series	6c	5-15	5- 1
Johnston Mutual Fund	20c	3-26	3-14
Extra from investment income	5c	3-26	3-14
Lewis (John H.) Fund	7c	3-31	3-26
National Investors Corp.	10c	4-19	3-26
Shareholders Trust of Boston	23c	3-26	3-20
Sovereign Investors	10c	3-26	3-14
Stein, Roe & Farnham Fund—			
Initial income dividend on new common	17c	3-25	3- 7
Technical Fund	15c	3-31	3-17
Value Line Fund	3½c	3-31	3-12
From realized profits	8½c	3-31	3-12
Whitehall Fund	18c	4-19	3-26

13 States Approve Mutual Funds For Trustees



The growing desire of trustees to invest in mutual funds for the accounts they hold in trust and the growing willingness of states to approve such use are both reflected by the fact that thirteen states have specifically approved trustee use of investment company shares—some by amendment to the "Prudent Man Rule," some by statute, court action or judicial opinion. The majority of these were made in the past year. BLACK areas indicate states specifically permitting trustee use of investment company shares—Colorado, Kansas, Maine, Massachusetts, New Hampshire, New Jersey, New Mexico, North Dakota, Oklahoma, South Carolina, Tennessee, Washington and Wisconsin. GREY areas indicate "Prudent Man" states with no specific provision for investment company shares—California, Connecticut, Delaware, Idaho, Illinois, Kentucky, Maryland, Michigan, Minnesota, Missouri, Nevada, New York, North Carolina, Oregon, Rhode Island, Texas, Utah and Vermont

Map and map data prepared by Keystone Company

ing funds, libraries, cemetery funds and the like.

DREYFUS FUND will announce shortly a convenient plan for systematically investing in its shares. Under the plan, stockholders may invest as little as $50 monthly, or at such periods as they may elect, making payments directly to the Irving Trust Company, as custodian. The bank will invest the funds in full and fractional shares of the fund. Dreyfus Fund, on Feb. 29, announced an increase in net assets from $746,000 to $928,000 during the quarter.

BANKERS TRUST Company has been appointed Transfer Agent and Dividend Disbursing Agent for Capital Stock of The Johnston Mutual Fund, Inc.

THE FOLLOWING new investments and portfolio eliminations were reported by Putnam Fund during the first two months of 1952:

Securities added were U. S. Treasury 2½s, 1967-62; Louisville & Nashville 1st 4s, 1955; Seaboard Air Line "A" 4½s, 2016; Armour & Co. $6 cumulative convertible preferred; Florida Power Corp. 4.90% cumulative preferred; British American Oil Co., Continental Casualty Co., Firemen's Insurance Co. of Newark, General Reinsurance Corp., Hartford Fire Insurance Co., Home Insurance Co. of New York, Marathon Corp., New York Central RR. Co., U. S. Fidelity & Guaranty Co.

Securities eliminated were: matured U. S. Treasury Bills 2/28/52; Canadian National Internal 5s, 1954; matured New Orleans & Northeastern 4½s, 1952; Heyden Chemical Corp. $4⅜ convertible preferred, Tennessee Gas Trans. Co. 4.65% cumulative preferred, American Meter Co., Inc., Bangor Hydro-Electric Co., Hudson Bay Mining & Smelting Co., Ltd., International Paper Co.

PERSONAL PROGRESS

HENRY WARD ABBOT has been elected Vice-President of the Dreyfus Corporation, distributor of shares in the Dreyfus Fund. He has been appointed Sales Manager in charge of the Fund's wholesale department. Mr. Abbot, until recently wholesale manager of Pioneer Fund, has been in the mutual funds business for a number of years as a retailer, wholesaler and writer of sales promotion literature. From 1946 to 1948 he was Sales Promotion Manager of National Securities & Research Corp. His pamphlet, "Owning Common Stocks vs. Cash," now in its third edition, has sold over 1,000,000 copies. Mr. Abbot entered Wall Street in 1925 following his graduation from Harvard College.

SEC REGISTRATIONS

COMMONWEALTH Investment Co., San Francisco, on March 17 filed on 4,500,000 shares of $1 par common capital stock. Underwriter is North American Securities Co.

T. ROWE PRICE Growth Stock Fund, Baltimore, March 14, filed on 75,000 shares of capital stock. No underwriter.

JOHNSTON Mutual Fund, New York, on March 17 filed on 25,000 shares of $1 par capital stock. No underwriter.

SHAREHOLDERS TRUST of Boston, March 17, filed on 10,000 shares of Beneficial Interest in Trust. Underwriter: Harriman Ripley & Co.

FIRST INVESTORS Corp., New York and Philadelphia, filed on $7,200,000 of "DN" Plan shares and $8,400,000 of "DWN" Plan shares.

MUTUAL FUND OF BOSTON on March 4 filed 10,000 shares of capital stock to be offered through Russell, Berg & Company, Boston.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Operating results of New York City banks for the quarter ending March 31 are expected to show earnings which will compare favorably with those of the previous quarter as well as those of the first quarter of 1951.

Although there will be variations among the individual institutions, depending upon their tax position, most banks are expected to show some improvement in earnings over those of previous quarters.

A number of the large New York City banks in 1951 were able to show a good gain in operating results. Earnings, however, reached the point where they became subject to the excess profits tax. In these cases operating earnings will be subject to an overall tax rate of 82%. Because of this it will be very difficult to show much of a gain in operating earnings.

On the other hand there are many banks which have an excess profits tax base which is considerably above the earnings of last year or the current rate of earnings. These banks are subject to a tax rate of 52% and for this reason can more easily increase net earnings.

In order that a comparison of operating results throughout 1951 can be obtained, we present a table of quarterly operating earnings. In those cases where the bank does not publish operating results on a quarterly basis, the indicated earnings are shown.

	1951 Quarterly Earnings				Year	
	March	June	Sept.	Dec.	1951	1950
*Bank of Manhattan	$0.53	$0.53	$0.51	$0.47	$2.04	$2.05
Bank of New York & Fifth	6.19	6.21	6.02	6.79	25.21	26.03
Bankers Trust	0.80	0.81	0.85	0.49	2.95	2.67
Chase National	0.60	0.71	0.69	0.88	2.88	2.50
Chemical Bank	0.81	0.88	0.84	0.76	3.29	2.83
Corn Exchange	1.26	1.25	1.16	1.01	4.68	4.83
*First National	6.08	6.79	5.74	6.54	25.15	27.75
Guaranty Trust	4.48	4.38	4.59	4.21	17.66	16.89
*Hanover Bank	1.40	1.40	1.40	1.77	5.97	5.97
Irving Trust	0.37	0.38	0.39	0.42	1.56	1.48
Manufacturers Trust	1.18	1.22	1.25	1.31	4.96	4.63
J. P. Morgan	4.72	4.58	5.90	0.73	15.93	12.66
National City	0.80	0.81	0.86	1.04	3.51	3.19
New York Trust	1.95	2.08	2.15	1.91	8.09	7.17
Public National	0.90	1.00	1.01	1.11	4.02	3.64
*U. S. Trust	3.90	4.59	4.38	4.94	17.80	17.11

*Indicated earnings.

The sharp changes in earnings which took place in the last two quarters of 1951 are almost entirely the result of tax provisions. The retroactive feature of the revenue bill required that banks make tax provisions in either of the last two quarters to cover the increase in rates on earlier operating earning. This placed a large tax burden on income for those quarters. This fact should be kept in mind when comparing earnings for the current quarter with those of previous periods.

Earnings in the first quarter of this year will reflect the favorable operating conditions which have existed for sometime.

The prime loan rate was increased several times in 1951, the last instance being when it was raised to 3% at the end of the year. The banks are just beginning to receive the full benefit from these higher rates as old loans, which were made at lower rates, are now maturing and renewed at the better return.

Loan volume, also, has been maintained at a favorable level. While there is generally a seasonal decline in loans during the first part of the year, the liquidation so far this year has been less than usual.

The combination of these two factors—higher interest rates and a well-maintained volume of loans—should enable most institutions to show a gain in operating results. Although operating expenses will be higher, they should not be so large as the gain in income, with the result that pre-tax earnings should increase.

Final operating earnings for each individual bank will be determined, to a large extent, by its tax position. Most institutions, however, are expected to report a moderate gain in earnings.

Francis I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Ernest K. H. Wong has been added to the staff of Francis I. du Pont & Co., 317 Montgomery Street. He was formerly with Henry F. Swift & Co.

Joins Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Paul Secor has joined the staff of Hannaford & Talbot, 519 California Street.

Continued from first page

European Experience Proves Need for Sound Money

Heckscher, best known internationally for his famous book on mercantilism;[1] for the Socialists, Ernst Wigforss, afterwards for nearly 20 years a Socialist Finance Minister in my coupntry; and I, at the last moment, had to appear as spokesman for the Liberal Party. We all three asked for an increase in interest rates within a few days and, partly as a consequence of that meeting but also as a result of other circumstances, the Sveriges Riksbank raised the discount rate to 7%. This increase had an effect on the whole course of monetary developments in Sweden and was instrumental in Sweden's being the first European country after the first world war formally to go back to the gold standard. Thus, very early in my life, I was able to observe that an increase in interest rates can be most effective.

No Normalcy to Return to

After the second world war, there was no unanimity of this kind in the monetary field. There had been no prewar period of stability which, in retrospect, could prompt a feeling that the world ought to go back to the status quo ante. The state of affairs before 1914, under the regime of the gold standard, had seemed almost ideal ensuring to practically all nations the attainment of the twin aims of monetary stability with convertible currencies and a more or less continuous progress in their economic life. After the second world war there was not much to look back on in short perspective—considering the state of affairs which had prevailed in the Nineteen Thirties, the period of the great depression with a high level of unemployment in so many countries. People in general had rather an aversion to the gold standard, believing, as a large number of them did, that the return to the gold standard in the Twenties had been the cause of many of their difficulties. And this condemnation of the gold standard was coupled with an inclination *not* to consider a return to flexible interest rates and all the other practices of a flexible credit policy but to stick to a cheap-money policy for the sake of full employment, especially since such a policy had been successfully maintained in most countries all through the war.

As regards the theoretical basis for the monetary policy thus pursued after the second world war, people believed it was to be found in Keynes's book, "The General Theory of Employment, Interest and Money," published in 1936, which, as you know, dealt with the problems arising more particularly in a situation characterized by a general depression. I deliberately say that people *thought* they had found the explanations and the arguments which they wanted in this book; for Keynes himself was well aware that the cheap money and public spending which he recommended with such gusto to offset the ill effects of unused savings were remedies to be applied in a state of depression and were not suited to other circumstances. You may remember that in 1940, in his pamphlet "How to a Pay for the War," he was already urging upon his country a quite different attitude, and his last article in "The Economic Journal," published in 1946,[2] after his death, expounded a policy very unlike the one that he had advocated in the days of depression. I myself feel sure that if Keynes were alive today he would be no Keynesian. But the trouble is that theories do not influence the world through being applied to the kind of situation for which they were originally devised; they influence it via the distortion to which popular misconceptions subject them, and that seems to be truer of Keynes's theories than of almost anybody else's.

Keynes's theories have had much effect in Anglo-Saxon countries, but they have not influenced opinions on the continent of Europe in the same degree. The continental peoples have been faced more immediately with the evils of inflation. They have learned to dislike controls. The imposition of controls has been very closely connected with the Nazi and Fascist regimes. The people on the Continent were therefore more averse to any theory which would minimize the dangers of inflation and more keen to return to the conditions of a free economy. It must seem curious to many that the continent of Europe has turned in the direction of a free economy; for in the years 1945 and 1946 it was very widely believed that postwar developments would reveal, between communist Russia and capitalistic America, a socialistic Europe rather after the pattern of the British or Swedish Labor Movements. But the actual outcome has not been anything like that. In its monetary policy and in many other ways the continent of Europe has shown itself liberal in the sense in which Europeans still use this word—indicating adherence to and belief in a free economy—and, in some respects, it has been more liberal (in this sense) than either of the two principal Anglo-Saxon countries.

The Continent's Struggle for Stable Money

On the continent of Europe there were two countries which led the departure from an inflexible interest policy—Switzerland and Belgium—and they have both been successful in attaining a high degree of monetary stability. They both reestablished equilibrium in their balances of payments at an early date, and in each case their currencies enjoyed a high valuation on the foreign exchange markets, the free-market quotation of the Swiss franc being for several years above the corresponding quotation of the dollar, while, apart from Swiss francs and dollars, there was practically no currency which kept as "strong" as the Belgian franc. Since Switzerland had been neutral in the war, it has often been said that the Swiss case proves little or nothing. But another neutral, Sweden, adopted a different monetary policy (including, among other things, support for its government bonds at an artificially low rate of interest), with disastrous results for its monetary reserves, which by 1947 had fallen to one-fifth of what they had been in 1945.

The Case of Belgium

Belgian policy has been much criticized. People have said, and continue to say, "It is not very difficult for a country to have a good currency if it pays hardly any attention to the employment problem and, for instance, lets a larger proportion of its workers remain unemployed than is the case in other European countries"—an accusation against Belgium which was repeated recently in an article by Professor Pierre Uri in "Actualities"—one of the most fashionable publications in Paris.

It is therefore worth while examining why it is that Belgium has had a relatively high degree of unemployment. One reason might be called "statistical"—namely, the fact that for a considerable time it was easier to obtain unemployment benefits in Belgium than in other countries. But there are other reasons, and they, too, have little to do with the monetary policy. Before the second world war, Belgium was distinctly a low-wage country; but, owing to various circumstances, it emerged from the war as a country in which money wages were relatively high—to judge from a comparison based on current rates of exchange. There is no doubt that the improvement in money wages on a gold basis—and, indeed, in real wages also — has been greater in Belgium than in any other country in Europe, if comparison is made with the conditions prevailing in 1938.

Now, it is very difficult to adjust an economy to suddenly increased wages. One generally finds that in some lines of business workers paid at the new higher rates are being priced out of the market, with the result that unemployment appears. But what has been the attitude of Belgian labor to this kind of unemployment? The Belgian labor unions knew very well that they had secured a substantial improvement in their standard of wages and they certainly did not want the authorities to pursue any money or credit policy which might lead to an inflationary rise in prices liable to deprive the Belgian workers of the advantage they had gained by the end of the second world war. As you will all remember, Belgium had a Socialist Prime Minister, Mr. Spaak, up to May, 1949, and several members belonging to the Socialist Party served on the board of the country's central bank. The question we naturally ask ourselves is whether these particular members have been in favor of, or against, the monetary and credit policies pursued in Belgium. They have been in favor of them. The Governor of the central bank in Belgium told me that he had never had any difficulties with the Socialist members on the board of the bank. And why not? Because these members knew that the Belgian workers had secured a very real improvement in their wages and they knew as well that this advantage might easily be lost if the central bank adopted a less careful credit policy.

In this connection it is interesting to recall that Belgian labor circles were against the devaluation of the Belgian franc in 1949, crticizing the central bank and the government for having agreed to a devaluation of 12½%—and this at a time when the 30½% devaluation of sterling was serving as an example for the Scandinavian and a number of other currencies. It is, indeed, a very important fact that in Belgium the credit policy pursued has not been regarded as in any way reactionary but as helping to support a high standard of real wages for the Belgian workers.

Stern Measures in Italy

After Belgium, the next important country to discard cheap money and really adopt a restrictive credit policy with a view to stabilizing the value of its currency was Italy. In that country prices had risen, by 1947, to 55 times the prewar level, and if no measures had been taken the lira would soon have become altogether worthless and thus useless as a means of payment. Fortunately for Italy, the Governor of the Banca d'Italia (which is the name of the country's central bank) was Professor Einaudi, who, in the spring of 1947, became Minister of the Budget as well and was then in a position to introduce a new economic and financial policy. The Banca d'Italia raised interest rates, and at the same time rather severe credit restrictions were imposed. In the following year, Professor Einaudi managed to restore some order in the budget by the suppression, among other things, of all food subsidies — a very harsh measure. This policy proved successful. Owing to the increase in interest rates and the effective application of credit restrictions, a great many traders and industrialists were forced to sell out stocks of goods, with the result that wholesale prices were brought down by as much as 25% between the summer of 1947 and the spring of 1948. I was in contact with Italian businessmen early in 1948 and was told that Einaudi's policy would ruin not only most of the business community but the country itself, since nobody could obtain credit and economic life would therefore come to a standstill. But soon it was clear that the price level had been stabilized, and in the following year Einaudi was almost unanimously elected President of the Italian Republic, the Italian people having soon realized what a boon it was to get back to stable prices and enjoy the benefits of a reliable currency after the rampant inflation under which they had suffered.

Through Einaudi's policy the country had received a violent shock, and that is generally necessary when things have gone so far that confidence in the currency has been shaken. In Italy, prices had been rising for years and anybody who had obtained credit from a bank in order to buy goods had been practically sure to make a profit on them, almost irrespective of their nature. When increased monetary purchasing power has spread all over the country and "an inflation mentality" has thus developed, it is not easy to restore belief in the currency. If the authorities do not administer a real shock, so that people feel that something very different is coming now, it is unlikely that the existing mentality will undergo a sufficient change.

Half-way Measures in France

In the course of the two years 1948 and 1949, France took some very useful measures to bring about stabilization, and for a time it looked as if what had been done would be sufficient to check the inflationary rise in prices and bring order into the French financial system. But I am sorry to say that, whenever difficulties have arisen in one sector or another, the French authorities have almost always shown a disposition to grant alleviations to some particular group of interests—often the strong agricultural community. Whereas in Italy, under the leadership of Governor Menichella at the Banca d'Italia and the Treasury Minister, Signor Pella, a much harsher policy has been pursued on the principle that the first task of the financial authorities is to try to protect the currency (for without general confidence in the currency the whole economic life of the country would disintegrate), the French, with their recurrent alleviations, did not get sufficient hold of their credit system to be able to moderate the increase in bank credit.

The volume of bank credit expanded continuously in France until in the late autumn of 1951 the situation became very critical indeed. But I am glad to be able to add that recently the Banque de France and the other financial authorities involved have been pursuing a much harsher credit-restriction policy than they had ever done before. Whether, in face of the increase in costs and prices that has occurred, these measures will suffice to bring about a fundamental change is still hard to say; but before I left Europe I was told that the tightening of money had begun to have an effect. Meanwhile, a new government has been formed, and it remains to be seen what policy it will follow. It is a situation well worth watching.

How far improvement in Europe has gone may, however, be illustrated by the following prophecy which I am prepared to make: that, if by any chance the French franc were devalued, no currency of the surrounding countries would be compelled to follow suit. France would have to take this course alone—and knowledge of this may perhaps spur the French authorities to more determined efforts. It may be that for other reasons some particular country might take the opportunity to adjust its foreign exchange rates; but it would not be the influence of the French franc which produced this effect.

Europe Since Korea

Now I come to the period following the outbreak of the conflict in Korea. In the summer of 1950 prices had already begun to rise. Business men and industrialists became greatly afraid that they would soon be unable to buy as much in the way of raw materials as they needed, and they therefore began to restock. Fortunately for Europe, at the time when this happened the European Payments Union was just beginning its activities and providing means of payment for purchases over a wide field, including monetary areas (such as the sterling area) attached to central currencies in Europe. A number of European countries soon began to import very heavily. It is curious that they did not all do so: England and France were exceptions in the second half of 1950, but Holland, Belgium, Switzerland and, above all, Western Germany, started to import on a large scale almost immediately after the outbreak of the Korean conflict (on June 26, 1950). For Switzerland it did not matter that import prices went up, for that country had sufficient gold reserves to stand almost any strain. Belgium experienced greater difficulties, but the Belgian authorities, continuing their policy of flexible interest rates, raised the rate of discount at an early date—in September, 1950. The Belgians were, as usual, quick in taking action.

German Rehabilitation

In Germany the reserves were low. It soon became evident that the German quota in the European Payments Union would be exhausted before long and, indeed, it took only three or four months for a serious crisis to develop. That was in October, 1950. The question then was, what should be done? After some hesitation, the German authorities decided to adopt a policy of credit restriction, including the raising of the level of interest rates. The discount rate of the Bank Deutscher Lander was increased from 4% to 6%, while ordinary bank accommodation could be obtained only at rates between 8% and 12%, and in the open market even higher rates were paid. The stringency was intensified by a system of quantitative credit restrictions, which were made more rigorous in the following months. To enable Germany to meet its contractual obligations and continue trading without sharp curtailments of its imports while remedial measures were being taken in the internal economy, a special credit of $120 million was granted by the European Payments Union.

After a temporary improvement, fresh difficulties set in early in 1951 and led to the imposition of control over the issue of import licenses; but the credit measures already taken began to show themselves effective and it was soon found that the program of rehabilitation adopted in Germany was working wonders. The credit

1 Eli F. Heckscher, "Mercantilism," G. Allen & Unwin Ltd., London, 1935.

2 "The Balance of Payments of the United States," *The Economic Journal*, London, June, 1946.

of $120 million was to have been repaid before the end of October, 1951: it was actually repaid by the end of May. At the end of the year, Germany had repaid to the European Payments Union the whole of the debt of $320 million on its quota and, at the same time, had collected dollar reserves of some $300 million—and all that in the space of 10 months!

The success of the German rehabilitation scheme has had a tremendous effect upon European thinking: it has shown us that a country as burdened with difficulties as Western Germany can, through a resolute credit policy, suddenly reverse its position. The German example has to a large extent served as a model which other countries have been willing to imitate. Denmark has done so, increasing its interest rates, introducing other forms of credit restrictions and taking a number of further steps which, there also, have helped to bring about an improvement in the balance of payments.

When the rate of interest of the Bank Deutscher Lander was first increased, in the autumn of 1950, the Socialist members of the board of that bank were against the increase. But a year later they were not averse to the maintenance of the increased rates until it was possible to see the effects of a full return to trade liberalization according to the rules of the OEEC. Originally they had feared that higher interest rates would reduce employment and increase unemployment, but gradually they found that this was not the case. In the 12 months following the raising of interest rates as part of the stiffer credit policy, employment in Germany increased some 500,000. When a boom is in progress, there is no need for an additional stimulus, such as low interest rates afford, in order to provide employment. There is strong demand on the world markets, and even if internal investment has to be reduced, as is often necessary in order to restore a proper balance in the economy, it is possible to make up the loss of employment — and even to secure a net gain—thanks to increased activity in the export industries. Germany has suffered no general decline in employment, neither has Holland, even though in countries with a considerable influx of refugees and — as is the case in Holland — an unusually large natural increase in population it is difficult to absorb all newcomers immediately. But with regard to employment we have, as a rule, become distinctly calmer on the continent of Europe, having found that many of the fears that had been entertained have not been substantiated. And it must not be forgotten that the countries which have introduced proper credit restrictions have reaped the great advantage that their prices have been more stable. Some difficulties are, of course, bound to arise when the excess of money is eliminated, but it is better to face these difficulties while the rearmament boom is still dominating the trend of world affairs than to postpone the readjustment to a later date, when world demand will perhaps be no longer so keen.

Improvement in Holland

Even more interesting, I think, has been the case of Holland. In that country there was a long-drawn-out cabinet crisis in the early spring of 1951. The crisis lasted for seven weeks and the Dutch people became very uneasy and pessimistic. One could hear them saying, "I wonder whether our currency will ever be any good again?" But the authorities then decided to take the matter in hand: a program had been worked out by a technical body, "The Social and Economic Council," and this program was adopted by the government and actually carried out. I must remind you of the fact that Holland had been affected by a number of adverse circumstances: the loss of Indonesia, almost complete lack of domestically produced raw materials, adverse terms of trade and an increased burden of rearmament. But steps were taken to remedy the situation: the discount rate was increased, in all by 1½% (2½% to 4%); the volume of investment was compressed, three-quarters of the subsidies in the budget were abolished, involving a reduction of about 300 million guilders, and the consequent rise in the cost of living, calculated to amount to about 10%, was offset for the workers only as to one-half, i.e., by a 5% increase in wage rates, etc. (The workers could improve on this remuneration only if they worked overtime—which many did.) At the same time, certain taxes were increased and steps were also taken to have the budgets of the local authorities more closely scrutinized with a view to economy.

Holland had no large monetary reserves and all concerned were anxious to see whether the improvement which might be expected in the balance of payments as a result of these measures would come quickly enough—before, in particular, the rather scanty reserves of free dollars had been exhausted. The measures were adopted in the spring. In the second half of July the first signs of a change for the better could be seen. Thereafter, the improvement became so marked that in the second half of 1951 Holland had a substantial surplus in its balance of payments and, after repaying its debt to the European Payments Union, it finished the year with larger monetary reserves than it had had at the beginning. The country had achieved this without going back to any appreciable extent upon the trade liberalization measures which had been introduced under the plan sponsored by the Organization for European Economic Cooperation (the "O.E.E.C."). The improvement in Holland has also affected our thinking in Europe; for, once again, we have seen resolute government measures scoring a success within less than half a year.

I mentioned before that in Belgium the Socialist members of the National Bank had supported the often restrictionist credit policy which had been pursued in that country. I will now remind you of the fact that in Holland, where a coalition government is in power, Mr. Lieftinck, the Finance Minister, is a member of the Socialist Party; moreover, the program had been worked out in consultation with technicians belonging to the Socialist Party, and the minister who was mainly responsible for putting the measures through also belonged to that party.

Austria Stiffens Credit Policy

In Austria, similar problems had to be dealt with in the autumn of 1951. I was in that country when the National Bank increased its discount rate on Dec. 5, 1951, from 3½% to 5%. I was told that all the Socialist members of the Board of the National Bank voted for this increase. They had seen what had happened in Germany and they had not only lost their fears but had also understood the necessity for a stiffer credit policy to be applied in their country too.

All this means that most of the countries on the Continent have become convinced of the usefulness of a restrictive credit policy including the application of higher interest rates. I would point out to you that this new credit policy has been applied on the continent of Europe while the principal Anglo-Saxon countries were still pursuing their cheap-money policy and that, indeed, the continental changeover was made without any help from official quarters in London and Washington. This is the first time I have seen the continent of Europe acting with success in monetary matters independently of the Anglo-Saxon countries. It might even be mentioned that in several British newspapers and periodicals, including "The Economist," "The Financial Times" and "The News Chronicle," the German experiment has recently been held up as a possible example for Great Britain herself; as you know, it was only in the spring of 1951 here in the United States and in the autumn of 1951 in Great Britain that there was any profound change in the monetary policies pursued by the two countries. I must say, though, for the Bank of England, that, at any rate since the autumn of 1947, it has refrained from supporting the quotation of government bonds, with fresh issues of central-bank money—such support, during a boom, being rightly regarded as a sin against the Holy Ghost in monetary matters. But, as far as the short-term market is concerned, the two principal Anglo-Saxon countries have both lagged behind the continent of Europe in discarding extremely cheap money rates.

Some Conclusions From European Experience

(1) Perhaps the most important conclusion is that we continentals feel and believe that *the restoration of internal equilibrium* between the volume of money, on the one hand, and the supply of goods and services, on the other, *brings with it a return to equilibrium in the balance of payments.* Thus, if steps are taken to neutralize the redundant supply of money inherited from the war and, as far as the current situation is concerned, budgets are balanced and a stiff credit policy is applied, it is likely that the deficit in the balance of payments will disappear almost by itself; thus a country can solve most of its external problems by attending to its internal ones.

This is understood, I should add, not only on the continent of Europe but also in influential circles in Great Britain. I should like in this connection to quote to you a question put by the Governor of the Bank of England, Mr. Cobbold, on Oct. 3, 1951, at the Lord Mayor's banquet for bankers and merchants in London: "Is it clearly enough understood that internal policy and balance-of-payments policy are all part of the same story; that surplus or deficit in the balance of payments is in the end mainly governed by how we manage our affairs at home?"

This question is, in effect, an assertion that, if countries solve their internal problems, their foreign problems will be solved almost automatically. It has been very difficult for us on the continent of Europe to make this connection clear to Americans. Why? Because yours is such a vast country that, if a change is made here in the credit policy or as regards the surplus or deficit in the budget, so many things may happen between the initial change and the final outcome that it is in no way certain that the result will stand out as a shift in the balance of trade and payments of the United States. Americans know, of course, that if there is a boom here imports are likely to increase; but the connection between changes in the budget and the value of goods imported and exported or the flow of capital seems rather remote, while in Europe the connection can generally be easily traced.

It may be said as regards Western Germany and other countries in western Europe that any credit expansion not backed by real resources becomes promptly translated into a deficit in the balance of payments. If, on the other hand, internal balances is restored (as was the case in Holland), it will generally be possible, within a few months' time, to observe the beneficial effects in the balance of payments. We continentals firmly believe in this connection and it constitutes the basic conception on which we have built our policy.

(II) The second conclusion to which we have come is that, if we really need somebody to fight for the attainment of internal balance in our respective countries, the task cannot as a rule be entrusted to politicians, who have all their clients to take care of. The situation calls for some institution strong enough to do the fighting, and on the continent of Europe the institutions with this qualification have mostly been the central banks. It is almost possible to say that, in the majority of the countries where useful measures for a restoration of internal balance have been taken, this has been done thanks to the influence of their central banks. Thus, on the Continent there is again a growing belief that influential and authoritative central banks are a necessity; I am glad to say that among the general public this is coming to be realized, so that in more and more countries it is beginning to be hard for the governments to go against the views of the central banks on monetary matters.

I have a friend, Dr. Hans Schaffer, who is of German origin but now lives in Sweden, having become a Swedish citizen in the '30s; with his wife he traveled through Germany by car last autumn and met all sorts of people all over the country. He is now an elderly man, a very able man, whose judgment I trust. He told me that he found, in talking to peasants, to innkeepers and others, a feeling that the Bank Deutscher Lander had done quite well in its efforts to safeguard the German currency, although, of course, these people could not tell exactly what the bank had done. There is no doubt that for the government in Bonn it would not be easy today to neglect and overrule the expressed views of the Bank Deutscher Lander as far as matters with a distinct monetary bearing are concerned.

(III) A third conclusion that we may draw from the experience of the countries on the continent of Europe is that, in order to check the undue expansion of credit, it is not sufficient to apply a system of voluntary credit restraint or merely to introduce qualitative and quantitative control measures. It is also necessary to have resort to an *increase in the rates of interest,* because, in itself, such an increase has some very useful effects. Moreover, we have found that without it the other measures do not work adequately. We have found that an increase in interest rates has an influence upon the disposal of commodity stocks; that it tends to reduce, in particular, very long-term investments; that it also tends to make people bring home their holdings of foreign exchange; and that it influences the quotations of government bonds, and in this and other ways reduces the danger of an excessive monetization of debt.

On these points we have more or less made up our minds on the Continent. We have, moreover, found that an increase in interest rates cannot be said to have the harmful effects on the volume of employment that at one time had been feared. As you know, European countries pay great attention to the effect of credit policy on employment. On the other hand, they have never paid very much attention to its influence on the quotations of government bonds. British Consols may go down to 65, having been originally issued at 100, and if commercial and other banks suffer losses on this account they have to manage as best they can. The British Government has never promised to maintain government bonds at par; and we have been unable to detect any untoward consequences for the credit system even if the market price of bonds has fallen by 20% or 30%. It is a good thing that in Europe the authorities have freedom of action on that score, freedom which until very recently you have not had in this country. If credit institutions want to be certain of avoiding losses on their holdings of government securities, they must choose short-term paper, which, as such, they can retain till maturity. But, if central banks support the quotations of government bonds, there is no longer any difference between short and long-term securities from the point of view of liquidity —which is not a sound state of affairs.

Needless to say, monetary policy alone will not achieve everything. It has to be supplemented *by the application of appropriate rates of exchange and by a sound budget policy.* In a number of countries in Europe the raising of discount rates as part of a stiffer credit policy was only the beginning of the rehabilitation program. I often come back to what happened in Italy in the year 1947-1948. Professor Einaudi secured an increase in interest rates and the application of more severe quantitative restrictions in the autumn of 1947. When commodity prices began to fall in the spring of 1948, he was able to eliminate the food subsidies from the Italian budget and thus to reduce the budget deficit sufficiently to ensure the success of the rehabilitation scheme. I asked him some time afterwards what was the most difficult step he took during the stabilization period. He said it was not the raising of the rates of interest, since not many people in the country were really affected by that measure, but the elimination of the food subsidies from the budget, for this led to an increase in the price of bread, which was felt by everybody. It took a great deal of political courage to act in such a way at the time.

What I fear is, of course, that in many countries the steps which have been taken in the credit field will not be followed up with appropriate budget measures. It will be interesting to see what happens in Great Britain in this respect. In the late autumn of 1951 the Bank of England made certain important changes in its monetary policy, including an effective increase of 1½% to 2% throughout the structure of short-term interest rates. The next step has now to be taken by the Chancellor of the Exchequer; there has been some advance announcement of a number of measures affecting mainly the Health Service, and what you and I and everybody else will want to know is what further economies are to be included in the coming budget for 1952-1953. The British themselves know how decisive this budget will be.

(IV) Now I come to a fourth conclusion suggested by our experience on the Continent, and one that more directly concerns this country. After the rates of interest had been raised in a number of countries in the autumn of 1950, it was several months before they could be seen to have effectively influenced the situation, the reason being that when prices are rising very rapidly on the world markets it is extremely hard for an individual country in Europe to make its credit policy effective. But in February and March, 1951, raw-material prices on the world markets began to decline, and since the spring of 1951 the level of prices of staple commodities has remained rather surprisingly sta-

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Strangely enough it is the oils that are once again showing signs of renewed life. I say "strangely" because I believed the group had topped out a few weeks ago. It was because of this belief that I suggested profit-taking in the oils. Nevertheless, I know the futility of arguing with the tape. If I don't believe what it is trying to say, I leave it alone. I don't go counter to it. I might add that I think the oils have accumulated a large short interest in the past few weeks. This may well be the technical reason for a new upsurge in them. But whatever the cause the end result points to more advances.

* * *

The cold war hasn't heated up any in the past weeks. In fact, outside of the usual name calling and the exchange of propaganda the cold war is still just that. In the past few days there's been a few clues in the stock market that may point to something new. The airplane and airplane accessories have started to perk up in a significant fashion.

* * *

This revitalized activity may have nothing to do with a possible impending hot war or a continuation of a cold one. Still its significance cannot be overlooked.

* * *

The airplane stocks which show something are Boeing and Lockheed. Among the accessories Sperry stands out like a lighthouse. This may mean nothing — or it may mean a lot. From a trading viewpoint I think a position in Sperry anywhere around 33 or so is indicated. But because it is a trading position a stop should be kept in mind. The one I see as the danger point is 32.

* * *

Electric Boat is another hot war indicator that is showing unusual strength. Chances are, however, that stock will be at a new high before you read this.

* * *

All these things point to a change in the news. With the warm weather around the corner, Korean action will be stepped up and new incidents are not unexpected.

* * *

For a non-war stock take a look at Republic Pictures. There's little about the company in its financial or corporate picture that would warrant any wild optimism. Still its market action points to immediately higher prices.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

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European Experience Proves Need for Sound Money

ble. It was when stability had been attained that the increased interest rates in the European countries suddenly became more effective. As you know, prices on the world markets are very largely determined by price movements in the United States; what happens to the American price level is consequently of the utmost importance for the European countries and to a large extent determines even the technical aspects of the credit policy that is practicable on the Continent.

Importance of U. S. Stability

It is clear to you, of course, as to all of us, that the United States has a great responsibility in this respect, and in these matters as in so many others responsibility begins at home. In monetary matters, the first duty of the authorities in this country toward the world is to maintain the greatest possible stability in monetary and price conditions inside the United States. It must be admitted that for nearly a year (since March, 1951) the United States has done commendably well as regards the maintenance of stable prices. We in Europe are greatly interested in the prospects of continued stability here and, this being so, the two questions we ask ourselves are: what were the reasons for the price stability which we have found here in the United States during the last ten months, and what are the chances that similar causes will operate in the future?

What accounted for the price stability is thus the first question to be considered.

First, the change in credit policy must be mentioned as one of the chief reasons for the attainment of greater stability. Of particular importance has been the withdrawal of support for the quotations of government bonds. As long as government bonds were being supported at a fixed level, and new Federal Reserve Bank money was being pumped into the market for this purpose, I do not think that there would have been any possibility of attaining stable monetary conditions. But the change in monetary policy was not the only stabilizing factor. Congress voted substantial increases in tax rates, and these, in conjunction with the rise in incomes, procured a quite respectable increase in government cash revenue—from $21.5 billion in the first half of 1950 to $32.5 billion in the first half of 1951. The American authorities are fully entitled to take credit for the increases in taxation and the change in credit policy; but there were other contributory circumstances, some of which were clearly of a more fortuitous character.

There was the turn for the better in the fortunes of war in Korea, in the sudden victory of the United Nations' forces—most of them being United States troops. People then began to think that Asia would not, after all, be overrun by Communists and that, as in the past, it would be possible to count on receiving rubber, tin and other important raw materials from the Malay States and other sources of supply in southeastern Asia. Thus, the change in the military position led almost immediately to some important price declines.

Secondly, the increase in armament expenditure was delayed for a number of reasons, mostly technical, with the result that the Federal cash budget was in equilibrium during the first half of 1951.

Thirdly, account has to be taken of the existence of very large inventories, which had been accumulated following the outbreak of the conflict in Korea, i.e., before aramament expenditure had as yet become really substantial. Manufacturers, wholesalers and retailers had laid in very large stocks of raw materials and other commodities and, since in many lines the inventories were found to be rather too large in comparison with the volume of consumer demand, these stocks pressed upon the market and were, of course, of very great help in keeping prices stable.

Lastly, there was a decidedly good harvest in 1951.

Impressed by the large stocks to be seen in shops of all kinds and aware of the fall in the prices of a growing number of commodities, the American public discontinued panic buying, and in this way current savings increased. According to the most recent statistics, the rate of net saving in the United States has risen to nearly 15% of the national income. It is roughly the same rate as in Switzerland. We all know that credit restrictions are not imposed for their own sake but to ensure the maintenance of a proper balance between saving and investments; if we find very large saving in a country it is not difficult to frame and apply a monetary policy capable of checking inflation. In such a case it is not necessary to take any very heroic measures; and it was perhaps fortunate that no such measures were needed over here, for they might not have been taken. The relatively little (as compared with our measures in Europe) that was done in the monetary field, namely the withdrawal of support for government bonds, followed by a certain curtailment in credit facilities and somewhat higher interest rates, proved sufficient to ensure a stable price level.

Looking Ahead

But what about the future? One thing that has to be remembered by those in charge of monetary policy is that one cannot always count on a recurrence of fortunate circumstances; the policy pursued must be such that it can cope even with difficult circumstances. We Europeans should, of course, like to feel sure that, if circumstances arise which are not so easy as they have been in the past 10 months, the American authorities will take the somewhat stiffer measures called for in such a situation. The harvest may not be as good as it was last year; the delay in rearmament expenditure may not be so pronounced; it is possible that a deficit may appear in the cash budget; inventories may be run down and may thus afford less help than they did in 1951. If circumstances, as I said, should become more difficult, there would be a need (as many Europeans see it) for somewhat stiffer credit measures.

What is being said and done in the various monetary committees and by the authorities here in the United States is followed very closely by us in an endeavor to find out whether those in charge here are likely to take the measures required. For, mind you, we are by now convinced in Europe that in certain situations monetary measures are necessary to maintain stability. We have tried them successfully ourselves and we believe in their efficacy.

I should like to add that there will be no need here, as far as I can see, for interest rates as high as 5% to 6%, such as have often been required in Europe. Long-term interest rates of 3½% would (as far as I can judge) represent a great change here and might be sufficient. I repeat that we Europeans cannot help feeling that the occasion may arise for a further advance in interest rates in this country beyond their present level, in order to maintain stable prices; and I shall try to find out from friends here and in Washington what they think on these points.

There is, of course, the increased armament expenditure, and this constitutes a burden for us and a burden for you. We have smaller reserves in Europe and therefore the increase, in our case, has to be gradual. But I think armaments costs can be met provided that they are not increased too steeply and provided the individual countries carry on a careful credit and budget policy in other respects. You know about the European Payments Union. The system of payments to which it has given rise is not ideal, but it is better than bilateralism. One good point is that the European Payments Union has urged on the different countries (on Germany and others) the adoption of a careful credit policy along lines which are often called "conservative." In fact, I should be inclined to say that, when we in Europe have dealt with these problems among ourselves, we have been much harsher to one another than have any of the American officials who have come over to Europe in connection with the Marshall Plan.

I mentioned the Marshall Plan. The aid given under this plan has been of the greatest help, but attention has been concentrated rather too exclusively on the task of increasing production and not sufficiently on the task of attaining monetary stability. To increase production is, of course, necessary, but we now have to pay greater attention to monetary affairs. It is essential to restore the *convertibility of currencies*.

The European Payments Union will not suffice as a permanent solution. For one thing, the Union, as we know it, is built on systems of exchange control and, behind the exchange controls, prices tend to rise, as they did in 1949 and are doing again in many lines. If such a rise goes on and the result is a higher price level in Europe than on the world markets, it will again be necessary to have resort to devaluation. The control gives us a false sense of security—as we are beginning to realize more and more. I was very glad to read here in the papers today that at the recent meeting of the various Finance Ministers of the British Commonwealth it was unanimously agreed that the aim must be to return to convertibility.

Time is short, and I cannot deal with these problems as fully, perhaps, as I had hoped; but I would say this, that more attention to monetary matters is essential for us and would also be in the interest of the United States.

Many Americans who come to Europe put the following questions: "How can we Americans discontinue our aid to Europe? What are the conditions in which aid can be brought to an end without everything being upset?"

My answer is: "The first condition is that we restore good monetary systems with adequate monetary reserves. If we have bad monetary systems and deficits reappear in the balance of payments and there are no reserves, more aid will have to be granted, for the United States will hardly be able to let the various countries in western Europe go under." Thus the credit measures taken in Germany and elsewhere, with official discount rates raised to 5% or 6% in order to ensure a level sufficiently high to reestablish equilibrium in the balance of payments, have been eminently in the interest of the United States, since in the absence of that equilibrium such a sharp reduction in aid as, for instance, was made in 1951 in the case of Germany, would not have been possible. It was only thanks to the stiff measures taken in the countries concerned that the aid could be safely reduced. I hope that will be remembered.

There are more and more Europeans who now understand that it is better for a country to have one or two fewer factories and to use external aid for the restoration of its currency. For if it has a good currency it can get savings from its own people and thus build the factories in question out of its own resources. Therefore, I hope very sincerely that attention will be increasingly devoted to the task of monetary rehabilitation. Let it be seen to that, when aid is given, it goes to strengthen reserves and is not dissipated in current spending. It is only when sufficiently strong measures are taken internally in the credit sphere and in the budget sphere that there will be no risk of dissipation, and only then will an increase in reserves be of permanent benefit to the countries receiving the help.

Now I shall finish where I began. I said that after the first world war there was great unanimity among the economic experts and even among the politicians as to the necessity of returning to a sound monetary system, with convertible currencies at stable rates of exchange. This time, under the

influence of a largely misunderstood Keynes and of various other writers, we have had five or six years in which a wide variety of views has prevailed in the monetary field. On the Continent, however, there are signs of a return to greater unanimity, shared in some countries even by labor, as shown, for instance, by the votes of Socialist members serving on the boards of the central banks. We are witnessing the *reappearance of a kind of consensus of opinion* which is not restricted to any particular party but has adherents among representatives of various parties. We shall perhaps find, before long, a development along similar lines in the Anglo-Saxon countries also. I therefore look forward rather more hopefully to developments in the monetary field, trusting that fresh efforts will bring us back to convertibility; for I begin to see not only a better understanding of the theoretical basis for such a movement but also signs that public opinion is being prepared for more resolute action towards such a goal.

All in all, 1951 was not a year of setback in monetary affairs. In the United States the rise in prices was checked, largely thanks to a change of monetary policy, and we have, I think, reason to hope that further steps will be taken here if they should be required. (Since the change of credit policy in this country in February-March, 1951, prices have remained comparatively stable for nearly a year, and in that way the new policy may be said to have been vindicated by practical results—which is all to the good.) Moreover, stiffer measures than before were taken in a number of countries on the Continent, and in Germany, Holland, Denmark and several other countries they have been found to work. There was a change in Great Britain's monetary policies late last autumn. The French are now applying severer credit restrictions. Monetary policy alone will not always suffice, but steps have been taken in the right direction. Therefore, we must not regard even the period through which we are now passing, with all the difficulties of rearmament, as a period which will necessarily bring a setback in monetary matters. Who thinks that rearmament will be easier if the countries have resort to inflation? We all feel and know that the countries will gather the necessary strength, of which rearmament is one important aspect, only if they can maintain stable currencies; only then will it prove possible to instill steadiness and calm into public opinion. Fortunately, it is beginning to be better understood that monetary instability is a source of great weakness, sapping the strength of nations. My final word will be: I believe we are now better prepared psychologically for progress in the monetary field than we were even a year ago.

Greenfield Offers Oil and Gas Co. Stock

Greenfield & Co., Inc., New York, are offering an issue of 1,100,000 shares of Mid-American Oil & Gas Co. common stock (par 10 cents) at 25 cents per share.

The Mid-American company, which is incorporated in Illinois, plans to use the net proceeds from the sale of the shares to acquire and develop oil and gas leases.

Joins Jones, Cosgrove

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Charles J. Rigdon is now associated with Jones, Cosgrove & Miller, 81 South Euclid Avenue, members of the Los Angeles Stock Exchange. He was formerly with Standard Investment Co. of California.

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The State of Trade and Industry

Strange as it sounds, that is also worrying Mr. Murray a little. He wouldn't relish striking for higher prices in the steel industry, which would appear to be a reversal of position, states this trade paper.

A union shop recommendation by WSB could also become a strike issue. The industry is dead set against this clause, insisting that workers should be free to choose whether or not they wish to join the union.

The areas of compromise have already become well-beaten paths. This leaves the final decision where it has rested from the beginning—on the doorstep of the White House. Action which will enable the industry to keep vital steel production going may be relayed through Defense Mobilizer Wilson, concludes "The Iron Age."

Steel Output Set to Break Previous Week's All-Time High Record

The steel supply may be upset again—this time by a steelworkers' strike, says "Steel," the weekly magazine of metalworking.

This would plunge the country right back into the steel shortage it is just working out of. The last time when steel demand and supply were getting into balance the Korean war set off a shortage. That was 20 months ago.

A few weeks ago the odds were there'd be no strike in the steel industry. Since then the situation has deteriorated to the extent there's a 3-2 chance of a strike. The steel industry maintains it will need a price increase to be able to grant a wage increase. The industry probably could get a $3-a-ton price increase under the Capehart amendment to the Defense Production Act, but that amount would be predicated on additional costs already incurred in its operations. The $3 would in no way cover the wage boost the government is reported to favor, this trade weekly points out.

If the government sanctions a steel wage increase of the proportions suggested and refuses to allow a compensating price increase, steelmakers are prepared to sit out a strike, the magazine adds. Their tougher attitude reflects the easing in steel demand of the last two months and the realization that adequate profit margins must be maintained in the months ahead when operations may drift to lower levels.

Even though there has been an easing in the pressure for steel, the demand for some products is still greater than the supply, "Steel" notes. That is particularly true as to most sizes of hot-rolled and cold-rolled carbon bars, forging bars and billets, wide flange structural shapes, heavy plates and galvanized sheets. Even on some of those products there's a tendency to ease.

Cold-rolled sheets continue among the easiest products in supply. This prompted early opening of third-quarter order books by producers in an effort to schedule as much desirable business as possible.

There's some question whether government increases in allotments of steel for construction will help prevent a sag in demand for structurals. Fabricators think much potential work may not develop, this trade journal concludes.

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 102.4% of capacity for the week beginning March 17, 1952, equivalent to 2,127,000 tons of ingots and steel for castings, or an increaes of 0.6 of a point above last week's production of 2,114,000 tons, or 101.8% 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 100.6%, or 2,090,000 tons. A year ago production stood at 101.1%, or 2,021,000 tons.

Electric Output Drops Somewhat Below Level of Preceding Week

The amount of electric energy, distributed by the electric light and power industry for the week ended March 15, 1952, was estimated at 7,413,795,000 kwh., according to the Edison Electric Institute.

The current total was 82,915,000 kwh. below that of the preceding week. It was 510,531,000 kwh., or 7.4% above the total output for the week ended March 17, 1951, and 1,398,468,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Decline in Latest Week

Loadings of revenue freight for the week ended March 8, 1952, totaled 714,247 cars, according to the Association of American Railroads, representing a decrease of 41,377 cars, or 5.5% below the preceding week.

The week's total represented a decrease of 35,275 cars, or 4.7% below the corresponding week a year ago, but a rise of 6,336 cars, or 0.9 of 1% above the comparable period two years ago.

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," rose to 85,395 units, compared with the previous week's total of 82,890 (revised) units, and 140,842 units in the like week a year ago.

Passenger car production in the United States advanced last week about 3% above 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 85,395 cars and 24,942 trucks built in the United States, against 82,890 cars and 24,354 trucks last week and 140,842 cars and 31,541 trucks in the comparable period a year ago.

Canadian output last week rose to 5,620 cars and 2,820 trucks, against 5,276 cars and 2,606 trucks in the preceding week and 7,868 cars and 2,367 trucks in the similar period of a year ago.

Business Failures Recede in Past Week

Commercial and industrial failures decreased to 156 in the week ended March 13 from 170 in the preceding week, according to Dun & Bradstreet, Inc. Casualties were down moderately from the 185 and 208 which occurred in the comparable weeks of 1951 and 1950; they continued far below the prewar level, falling 48% from the 1939 total of 298.

The week's decline was entirely in failures involving liabilities of $5,000 or more which were down to 124 from 144 in the previous week and 149 a year ago.

Wholesale Food Price Index Edges Slightly Upward

A firmer trend in foods resulted in a slight upturn in the Dun & Bradstreet wholesale food price index the past week. The index for March 11 rose to $6.58, from the 16-month low of $6.56 recorded a week earlier. Last week's figure compares with $7.27 on the corresponding date last year, or a drop of 9.5%.

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 Showed Slight Gains in Latest Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., trended mildly upward during the past week. The index finished at 302.21 on March 11, as against 301.06 a week previous. It compared with 323.65 at this time last year, or a decline of 6.6%.

Following early weakness and irregularity, grain markets turned stronger to close with substantial net advances for the week. Wheat displayed a firmer undertone aided by continued large export shipments each week and reduced country offerings. Strength in the bread cereal was maintained despite recent beneficial rains and snows throughout the southwestern Winter wheat belt. Feed grains were especially strong. Buying of corn was influenced by a falling off in receipts of high moisture corn and belief that the marketing of this grain was approaching its end, coupled with pessimistic reports concerning the Argentine corn crop. Export business in corn was only moderate.

Oats marketings increased during the week, but prices advanced sharply along with wheat and corn.

Sales of all grain futures on the Chicago Board of Trade last week declined to a daily average of 34,500,000 bushels, from 42,000,000 the preceding week, and 36,000,000 in the same week a year ago.

Coffee moved higher; aggressive buying toward the end of the week reflected fears over the tight supply outlook in producing countries.

Raw sugar prices continued to rise in both the domestic and world markets. Sugar refiners announced a withdrawal of their selling price of $8.15 a hundred pounds, effective March 10. This action was largely influenced by the steady advance in raws and uncertainty over the outlook due to the revolt in Cuba.

Spot cotton prices showed little change after fluctuating within a narrow range during the week. Supporting factors included moderate trade price-fixing and more active export demand. However, there was considerable liquidation at times largely influenced by the continued slow movement of textiles in the domestic market and reports that needed moisture had been received in parts of the cotton belt. Inquiries from domestic mills showed some increase, but buying was confined mostly to small lots for nearby delivery. Reported sales in the ten spot markets totaled 99,000 bales for the week, against 71,900 the previous week.

Trade Volume Reflects Little Change From Week Ago

As declines in some parts of the nation offset rises in others, total retail trade in the period ended on Wednesday of last week held at about the level of the prior week, according to Dun & Bradstreet, Inc., in its current summary of trade.

Shoppers bought less of most items except food than they did a year before. The unfavorable year-to-year comparison was generally attributed to the later arrival of Easter this year, for at this time in 1951 shopping for Spring needs was well under way.

Total retail dollar volume in the week was estimated to be from 4% to 8% below the level of a year ago. Regional estimates varied from the level of a year ago by the following percentages:

New England, South, and Pacific Coast —4 to —8; East —3 to —7; Midwest and Northwest —5 to —9; and Southwest —6 to —10.

This was the sharpest year-to-year drop in total volume in seven months.

Clearance sales of cold-weather apparel were concluded in many parts last week as merchants sought additional room for their Spring lines. The consumer response to early offerings of Spring clothing was yet to develop on a broad scale. The total receipts from the sales of apparel were noticeably below the high seasonal level of a year ago.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended March 8, 1952, decreased 16% from the like period of last year. In the preceding week a decrease of 15% was registered below the like period a year ago. For the four weeks ended March 8, 1952, sales declined 12%. For the period Jan. 1 to March 8, 1952, department store sales registered a decline of 12% below the like period of the preceding year.

Retail trade in New York the past week was adversely affected by bad weather and the approaching due date for Federal income tax payments. Dollar volume was estimated at 17% below that of the like period in 1951.

According to Federal Reserve Board's index, department store sales in New York City for the weekly period ended March 8, 1952, decreased 19% below the like period of last year. In the preceding week a decrease of 16% (revised) was recorded below the similar week of 1951, while for the four weeks ended March 8, 1952, a decrease of 13% was registered below the level of a year ago. For the period Jan. 1 to March 8, 1952, volume declined 15% below the like period of the preceding year.

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. 23	2,127,000	2,114,000	2,090,000	2,021,000
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 23	102.4	101.8	100.6	101.1
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Mar. 8	6,420,500	6,367,200	6,362,700	6,047,150
Crude runs to stills—daily average (bbls.)	Mar. 8	¶6,735,000	6,816,000	6,421,000	6,366,000
Gasoline output (bbls.)	Mar. 8	21,645,000	22,281,000	21,446,000	20,368,000
Kerosene output (bbls.)	Mar. 8	2,608,000	2,359,000	2,632,000	2,730,000
Distillate fuel oil output (bbls.)	Mar. 8	10,284,000	11,072,000	10,544,000	9,249,000
Residual fuel oil output (bbls.)	Mar. 8	9,219,000	9,704,000	8,907,000	9,499,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 8	144,956,000	142,787,000	138,896,000	139,429,000
Kerosene (bbls.) at	Mar. 8	15,839,000	16,683,000	19,261,000	12,802,000
Distillate fuel oil (bbls.) at	Mar. 8	49,626,000	52,489,000	60,308,000	46,022,000
Residual fuel oil (bbls.) at	Mar. 8	37,087,000	36,441,000	37,799,000	38,224,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Mar. 8	714,247	755,624	733,724	749,522
Revenue freight received from connections (number of cars)	Mar. 8	690,485	690,900	687,030	725,907
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Mar. 13	$223,806,000	$296,645,000	$233,505,000	$220,851,000
Private construction	Mar. 13	107,670,000	147,063,000	127,607,000	139,746,000
Public construction	Mar. 13	116,136,000	149,582,000	105,898,000	81,105,000
State and municipal	Mar. 13	73,907,000	110,650,000	61,718,000	69,065,000
Federal	Mar. 13	42,229,000	38,932,000	44,180,000	12,040,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 8	9,900,000	10,290,000	10,585,000	10,079,000
Pennsylvania anthracite (tons)	Mar. 8	733,000	793,000	746,000	529,000
Beehive coke (tons)	Mar. 8	139,600	*137,300	147,000	143,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Mar. 8	253	245	251	303
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 15	‡7,413,795	7,496,710	7,439,767	6,903,264
FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN & BRADSTREET, INC.	Mar. 13	156	170	125	185
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 11	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	Mar. 11	$52.72	$52.72	$52.72	$52.69
Scrap steel (per gross ton)	Mar. 11	$42.00	$42.00	$42.00	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 12	24.200c	24.200c	24.200c	24.200c
Export refinery at	Mar. 12	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Mar. 12	121.500c	121.500c	121.500c	134.000c
Lead (New York) at	Mar. 12	19.000c	19.000c	19.000c	17.000c
Lead (St. Louis) at	Mar. 12	18.800c	18.800c	18.800c	16.800c
Zinc (East St. Louis) at	Mar. 12	19.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 18	96.70	96.76	96.81	99.64
Average corporate	Mar. 18	109.60	109.42	109.79	113.70
Aaa	Mar. 18	113.70	113.50	114.46	117.20
Aa	Mar. 18	112.56	112.56	112.75	116.41
A	Mar. 18	108.70	108.52	108.70	113.12
Baa	Mar. 18	104.14	103.80	103.97	108.52
Railroad Group	Mar. 18	106.74	106.39	106.39	110.88
Public Utilities Group	Mar. 18	109.24	109.06	109.60	113.70
Industrials Group	Mar. 18	113.31	113.12	113.70	116.80
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Mar. 18	2.72	2.72	2.72	2.52
Average corporate	Mar. 18	3.19	3.20	3.18	2.97
Aaa	Mar. 18	2.97	2.98	2.93	2.79
Aa	Mar. 18	3.03	3.03	3.02	2.83
A	Mar. 18	3.24	3.25	3.24	3.00
Baa	Mar. 18	3.50	3.52	3.51	3.25
Railroad Group	Mar. 18	3.35	3.37	3.37	3.12
Public Utilities Group	Mar. 18	3.21	3.22	3.19	2.97
Industrials Group	Mar. 18	2.99	3.00	2.97	2.81
MOODY'S COMMODITY INDEX	Mar. 18	436.0	437.9	434.9	524.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 8	282,301	200,560	239,542	254,539
Production (tons)	Mar. 8	205,178	199,579	207,274	249,472
Percentage of activity	Mar. 8	86	83	85	106
Unfilled orders (tons) at end of period	Mar. 8	432,507	355,197	438,915	759,490
OIL, PAINT AND DRUG REPORTER PRICE INDEX — 1926-36 AVERAGE = 100	Mar. 14	141.7	142.7	144.9	154.7
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	Mar. 1	30,320	32,096	38,909	33,069
Number of shares	Mar. 1	832,412	886,133	1,104,620	971,729
Dollar value	Mar. 1	$39,952,157	$42,439,981	$50,511,207	$42,241,308
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Mar. 1	23,237	23,518	31,106	31,448
Customers' short sales	Mar. 1	210	217	219	449
Customers' other sales	Mar. 1	23,027	23,301	30,887	30,999
Number of shares—Total sales	Mar. 1	644,721	683,497	875,269	863,406
Customers' short sales	Mar. 1	7,668	7,441	8,382	16,107
Customers' other sales	Mar. 1	637,053	676,056	866,887	847,299
Dollar value	Mar. 1	$27,441,990	$30,255,711	$37,700,924	$35,253,907
Round-lot sales by dealers—					
Number of shares—Total sales	Mar. 1	170,230	185,160	246,590	242,870
Short sales	Mar. 1	------	------	------	------
Other sales	Mar. 1	170,230	185,160	246,590	242,870
Round-lot purchases by dealers—					
Number of shares	Mar. 1	372,190	353,740	446,650	366,450
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. 23	246,480	216,920	343,160	375,800
Other sales	Feb. 23	6,699,130	5,556,030	9,422,640	8,137,380
Total sales	Feb. 23	6,945,610	5,772,950	9,765,800	8,513,180
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. 23	710,880	538,020	982,270	817,240
Short sales	Feb. 23	123,170	111,570	195,330	210,040
Other sales	Feb. 23	616,100	430,450	796,150	656,400
Total sales	Feb. 23	739,270	542,020	991,480	866,440
Other transactions initiated on the floor—					
Total purchases	Feb. 23	165,840	109,610	231,910	159,110
Short sales	Feb. 23	13,040	13,300	16,100	12,400
Other sales	Feb. 23	170,940	105,000	235,520	166,830
Total sales	Feb. 23	183,980	118,300	251,620	179,230
Other transactions initiated off the floor—					
Total purchases	Feb. 23	282,634	222,586	446,130	268,684
Short sales	Feb. 23	22,620	24,170	55,510	58,720
Other sales	Feb. 23	340,795	250,417	414,361	356,443
Total sales	Feb. 23	363,415	274,587	469,871	415,163
Total round-lot transactions for account of members—					
Total purchases	Feb. 23	1,159,354	870,216	1,660,310	1,245,034
Short sales	Feb. 23	158,830	149,040	266,940	281,160
Other sales	Feb. 23	1,127,835	785,867	1,446,031	1,179,673
Total sales	Feb. 23	1,286,665	934,907	1,712,971	1,460,833
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49=100):					
Commodity Group:					
All commodities	Mar. 11	111.4	111.4	------	------
Farm products	Mar. 11	107.1	106.2	------	------
Processed foods	Mar. 11	111.4	111.7	------	------
Meats	Mar. 11	112.7	112.6	------	------
All commodities other than farm and foods	Mar. 11	112.3	112.4	------	------

*Revised. ‡Not available. ¶Includes 495,000 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 January	76,934	72,454	67,954
Stocks of aluminum (short tons) end of Jan.	10,190	8,125	12,942
AMERICAN PETROLEUM INSTITUTE—Month of December:			
Total domestic production (bbls. of 42 gallons each)	210,591,000	206,340,000	194,517,000
Domestic crude oil output (bbls.)	191,650,000	188,149,000	177,276,000
Natural gasoline output (bbls.)	18,925,000	18,146,000	17,236,000
Benzol output (bbls.)	16,000	45,000	5,000
Crude oil imports (bbls.)	13,117,000	12,760,000	16,438,000
Refined products imports (bbls.)	12,723,000	11,297,000	13,746,000
Indicated consumption domestic and export (bbls.)	251,852,000	242,299,000	244,930,000
Increase or decrease all stocks (bbls.)	—15,421,000	—11,902,000	—20,229,000
CASH DIVIDENDS — PUBLICLY REPORTED BY U. S. CORPORATIONS — U. S. DEPARTMENT OF COMMERCE — Month of January (000's omitted)	$750,000	$1,805,000	$494,000
COKE (BUREAU OF MINES)—Month of Jan.			
Production (net tons)	6,802,272	6,738,759	6,811,309
Oven coke (net tons)	6,167,562	6,114,218	6,076,872
Beehive coke (net tons)	634,710	624,541	734,437
Oven coke stocks at end of month (net tons)	1,810,405	1,738,358	1,100,157
COPPER INSTITUTE—For month of February			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	80,223	*83,192	81,598
Refined (tons of 2,000 pounds)	95,979	100,269	101,054
Deliveries to customers—			
In U. S. A. (tons of 2,000 pounds)	104,795	130,430	99,485
Refined copper stock at end of period (tons of 2,000 pounds)	59,747	60,836	59,324
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of January:			
Contracts closed (tonnage)—estimated	210,563	202,835	286,178
Shipments (tonnage)—estimated	241,275	202,679	176,862
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX — 1935-39=100 (COPYRIGHTED) AS OF MARCH 1:			
Composite index	105.9	106.2	106.6
Piece goods	97.8	98.2	101.4
Men's apparel	106.6	106.8	105.2
Women's apparel	101.7	101.9	102.6
Infants' and children's wear	105.9	105.9	105.7
Home furnishings	108.8	109.2	111.0
Piece goods—			
Rayon and silks	90.8	91.0	92.9
Woolens	110.7	110.9	111.6
Cotton wash goods	95.1	95.8	103.7
Domestics—			
Sheets	103.8	104.8	112.5
Blankets and comfortables	122.5	123.4	120.5
Women's apparel—			
Hosiery	95.8	95.9	100.4
Aprons and housedresses	98.8	98.9	99.7
Corsets and brassieres	107.9	107.9	107.6
Furs	97.3	97.7	97.0
Underwear	100.9	101.1	102.1
Shoes	109.2	109.5	108.3
Men's apparel—			
Hosiery	106.6	106.9	105.3
Underwear	111.1	111.5	109.7
Shirts and neckwear	102.4	102.4	102.3
Hats and caps	100.3	100.3	100.4
Clothing including overalls	105.1	105.4	103.4
Shoes	109.3	109.9	110.1
Infants' and children's wear—			
Socks	102.9	102.9	102.0
Underwear	102.9	102.9	102.7
Shoes	112.3	112.2	110.8
Furniture	108.3	108.4	106.3
Floor coverings	118.9	120.0	123.4
Radios	103.0	103.0	102.9
Luggage	101.9	101.9	104.4
Electrical household appliances	106.5	106.6	107.1
China	101.1	101.2	102.9
HOUSEHOLD VACUUM CLEANERS — STANDARD SIZE (VACUUM CLEANER MANUFACTURERS ASSN.)—Month of January:			
Factory sales (number of units)	223,357	230,263	282,305
HOUSEHOLD WASHERS AND IRONERS — STANDARD SIZE — (AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION)—Month of December:			
Factory sales of washers (units)	218,664	262,484	377,013
Factory sales of ironers (units)	16,900	20,500	38,800
Factory sales of dryers (units)	46,779	52,499	41,418
INTERSTATE COMMERCE COMMISSION —			
Index of Railway Employment at middle of February (1935-39 average=100)	122.4	124.5	127.8
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of February	£56,379,000	£5,587,000	£9,923,000
NON-FARM REAL ESTATE FORECLOSURES—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—			
Month of December	1,490	1,495	1,713
PORTLAND CEMENT (BUREAU OF MINES)—Month of January:			
Production (bbls.)	17,434,000	19,874,000	17,039,000
Shipment from mills (bbls.)	12,237,000	11,790,000	12,696,000
Stocks (at end of month—barrels)	18,222,000	18,000,000	22,336,000
Capacity used	79%	85%	73%
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of February:			
Net sales	------	------	------
Net purchases	$6,686,500	$22,115,000	$261,227,500
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS—Month of January (000's omitted):			
Exports	$1,246,000	$1,436,000	$974,000
Imports	921,000	800,600	1,023,247
U. S. GOVT. STATUTORY DEBT LIMITATION As of Feb. 29 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	260,361,955	259,775,389	255,940,679
Guaranteed obligations not owned by the Treasury	36,915	37,753	17,515
Total gross public debt and guaranteed obligations	$260,398,871	$259,813,143	$255,958,195
Deduct—other outstanding public debt obligations not subject to debt limitation	653,576	655,613	696,692
Grand total outstanding	$259,745,294	$259,157,529	$255,261,502
Balance face amount of obligations, issuable under above authority	15,254,705	15,842,470	19,738,497

*Revised figure.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

● Allied Kid Co., Boston, Mass. (3/31)
March 11 filed 25,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To Estate of F. M. Agoos. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass.

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. Statement effective March 5.

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.

★ Arwood Precision Casting Corp.
March 12 (letter of notification) $90,000 of unsecured 4% debentures due April 1, 1961. **Price**—At par. **Proceeds**—For working capital. **Office**—70 Washington St., Brooklyn 1, N. Y. **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.

★ Belle Isle Corp., New York
March 17 (letter of notification) 4,400 shares of capital stock (par 20 cents). **Price**—At market (estimated at $3.25 per share). **Proceeds**—To Austin Agnew (Sec. and Treas.), who is the selling stockholder. **Office**—52 Wall St., New York 5, N. Y. **Underwriter**—Tucker, Anthony & Co., New York.

★ Ben Franklin Oil & Gas Corp. (3/25)
March 18 (letter of notification) 1,999,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For drilling expenses and working capital. **Underwriter**—Tellier & Co., New York.

● Bridgeport (Conn.) Hydraulic Co.
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. Statement effective March 10.

★ Burnhams (J.), Inc., Buffalo, N. Y.
March 10 (letter of notification) 5% shares of 5% non-voting non-cumulative preferred stock. **Price**—At par ($20 per share). **Proceeds**—To liquidate existing obligations. **Office**—578-592 Walden Ave., Buffalo, N. Y. **Underwriter**—None. Letter later withdrawn.

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.

★ Canadian Fund, Inc. (Md.)
March 13 filed 800,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Business**—Closed-end investment company. **Underwriters**—Kidder, Peabody & Co. and Dominick & Dominick, New York.

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 Louisiana Electric Co., Inc.
Feb. 13 filed 53,616 shares of common stock (par $10) being 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.

★ Chem-File, Inc., N. Y.
March 18 (letter of notification) 8,820 shares of common stock (par 50 cents). **Price**—$10 per share. **Proceeds**—For working capital. **Office**—42 Broadway, New York 4, N. Y. **Underwriter**—None.

★ Ciro Twins Mining Corp., Orogande, Ida.
March 10 (letter of notification) 125,000 shares of class A common stock and 375,000 shares of class B common stock. **Price**—50 cents per share. **Proceeds**—For exploration work and to build mill. **Underwriter**—None.

● Colorado Central Power Co.
March 7 (letter of notification) 17,306 shares of common stock (par $1) being offered for subscription by common stockholders of record March 5 at rate of one new share for each 11 shares held; rights will expire on April 7. Unsubscribed shares to be offered to employees (up to 1,500 shares). **Price**—$15.75 per share. **Proceeds**—For new construction. **Office**—3470 South Broadway, Englewood, Colo. **Underwriter**—None.

★ Colorado Interstate Gas Co. (4/1)
March 12 filed 971,480 shares of common stock (par $5), of which 966,000 shares will be offered publicly and 5,480 shares to officers and key employees. **Price**—To public to be supplied by amendment; to employees, $10.95 per share. **Proceeds**—To selling stockholders. **Underwriter**—Union Securities Corp.; The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane, all of New York.

★ Commonwealth Investment Co., San Francisco, Calif
March 17 filed 4,500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—North American Securities Co., general distributor, San Francisco, Calif.

● 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**—To be received up to 11 a.m. (EST) on March 25. Statement effective March 12.

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NEW ISSUE CALENDAR

March 21, 1952
Nova Scotia (Province of)____Debentures
(Smith, Barney & Co. and Wood, Gundy & Co., Inc.)

March 24, 1952
Oklahoma Gas & Electric Co.____Bonds
(Bids noon EST)
Petroleum Finance Corp.____Common
(George F. Breen)
Southern California Gas Co.____Bonds
(Bids 8:30 a.m. PST)
Transcon Lines____Common
(Cruttenden & Co.)

March 25, 1952
Ben Franklin Oil & Gas Corp.____Common
(Tellier & Co.)
Consolidated Edison Co. of New York, Inc.____Bonds
(Bids 11 a.m. EST)

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)
Western Pacific RR. Co.____Common
(Bids 3:30 p.m. EST)

March 31, 1952
Allied Kid Co.____Common
(Paine, Webber, Jackson & Curtis)
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
Colorado Interstate Gas Co.____Common
(Union Securities Corp. and others)
Erie RR.____Equip. Trust Ctfs.
(Bids to be invited)
Liberty Loan Corp.____Preferred
(Riter & Co.)
San Diego Gas & Electric Co.____Bonds
(Bids to be invited)
Solar Aircraft Co.____Common
(Smith, Barney & Co. and Wm. R. Staats & Co.)
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
Great Western Petroleum Co.____Common
(Steele & Co.)
Minnesota Mining & Mfg. Co.____Common
(Goldman, Sachs & Co. and others)
Western Air Lines, Inc.____Common
(Blyth & Co., Inc.)

April 9, 1952
Chicago & North Western Ry.____Equip. Tr. Ctfs.
(Bids to be invited)
Consumers Power Co.____Bonds
(Bids to be invited)
New Brunswick (Province of)____Debentures
(Halsey, Stuart & Co.)
Tennessee Production Co.____Common
(Stone & Webster Securities Corp. and White, Weld & Co.)

April 10, 1952
Indianapolis Power & Light Co.____Common
(Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp.)
Merritt-Chapman & Scott Corp.____Common
(Offering to stockholders)

April 15, 1952
Columbia Gas System, Inc.____Debentures
(Bids to be invited)
Daitch Crystal Dairies, Inc.____Common
(Hirsch & Co.)

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 6, 1952
Texas Electric Service Co.____Bonds & Debs.
(Bids 11:30 a.m. EST)

May 20, 1952
National Fuel Gas Co.____Debentures
(Bids to be invited)

June 9, 1952
Kansas Gas & Electric Co.____Bonds & Stock
(Bids to be invited)

June 24, 1952
Gulf Power Co.____Bonds
(Bids to be invited)

July 8, 1952
Georgia Power Co.____Bonds
(Bids to be invited)

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Consolidated Underwriters Investment Corp., Shreveport, La.
Feb. 18 filed 40,000 shares of class A common stock. **Price**—At par ($10 per share, with an underwriter fee of $1.50). **Proceeds**—For investment. **Underwriters**—A. C. Decker, Jr., President and Treasurer of corporation; F. D. Keith, Vice-President; and S. O. Ryan.

★ **Consumers Power Co. (4/9)**
March 18 filed $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). **Bids**—Expected to be opened on April 9.

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. (4/15)**
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 about the middle of April.

★ **Dayton Power & Light Co., Dayton, O.**
March 18 filed 50,000 shares of common stock (par $7), to be reserved under the company's employees' stock plan. **Underwriter**—None.

★ **Deep Rock Oil Corp., Tulsa, Okla.**
March 10 (letter of notification) a maximum of 4,000 shares of common stock to be purchased by company and issued under Employees' Stock Purchase Plan. **Price**—Estimated at $58 per share. **Underwriter**—None.

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.

★ **Doman Helicopters, Inc., N. Y.**
March 12 (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 $300,000. **Proceeds**—For working capital. **Office**—545 Fifth Ave., New York 17, N. Y. **Underwriter**—Cohu & Co., New York, to offer unsubscribed shares to public.

● **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. Statement effective March 10.

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.

★ **Fidelity Fund, Inc., Boston, Mass.**
March 10 filed 1,200,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Paul H. Davis & Co. and Crosby Corp.

★ **First Investors Corp., N. Y. and Philadelphia**
March 17 filed $7,200,000 of "DN" Plan shares and $8,400,000 of "DWN" Plan shares. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ **Fox (Peter) Brewing Co., Chicago, Ill.**
March 14 (letter of notification) 2,000 shares of common stock (par $1.25). **Price**—At market (approximately $10 per share). **Proceeds**—To W. J. Fox, the selling stockholder. **Underwriter**—Langill & Co., Chicago, Ill.

★ **Fundamental Investors, Inc., N. Y.**
March 19 filed 1,500,000 shares of capital stock (par $2). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

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 Implement Distributors, Inc.**
March 12 (letter of notification) 5,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—427 West 2d St., Salt Lake City, Utah. **Underwriter**—None.

Golconda Mines Ltd., Montreal, Canada
April 9 filed 750,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—George F. Breen, New York. **Proceeds**—For drilling expenses, repayment of advances and working capital. **Offering**—Date not set

● **Great Western Petroleum Co. (4/7)**
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.

Gulf Insurance Co., Dallas, Tex.
Jan. 21 (letter of notification) 5,000 shares of common stock (par $10) to be offered for subscription by common stockholders at rate of one share for each 34 shares held; unsubscribed shares to be offered publicly. **Price**—$45 per share. **Proceeds** — For capital and surplus funds. **Address**—P. O. Box 1771, Dallas, Texas. **Underwriter**—None.

Hammond Bag & Paper Co., Wellsburg, W. Va.
Feb. 15 (letter of notification) 10,000 shares of common stock to be offered to stockholders. **Price**—At par ($20 per share). **Proceeds**—For working capital. **Underwriter**—None.

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.

★ **Hex Foods, Inc., Kansas City, Mo.**
March 14 (letter of notification) 2,500 shares of common stock (no par). **Price**—$20 per share. **Proceeds**—To F. T. Hoeck, the selling stockholder. **Underwriter**—Prugh-Combest & Land, Inc., Kansas City, Mo.

★ **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.

● **Illinois Bell Telephone Co. (4/8)**
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); Kuhn,Loeb & Co.; White, Weld & Co.; First Boston Corp.; Shields & Co. **Bids**—Expected at 11:30 a.m. (EST) on April 8.

● **Independent Plow, Inc., Neodesha, Kan.**
Feb. 15 (letter of notification) 120,000 shares of common stock (par 25 cents) being 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.
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.

★ **Indianapolis Power & Light Co. (4/10)**
March 19 filed 196,580 shares of common stock (no par), to be offered for subscription by common stockholders of record April 10 at the rate of one share for each seven shares held. **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—Lehman Brothers, Goldman, Sachs & Co. and The First Boston Corp., all of New York.

Inland Oil Co. (Nev.), Newark, N. J.
Feb. 26 (letter of notification) 599,700 shares of class A common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For drilling and equipping well and for working capital. **Office**—11 Commerce St., Newark, N. J. **Underwriter**—Weber-Millican Co., New York.

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 Mutual Fund, Inc., New York**
March 17 filed 25,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **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.

★ **Kansas-Colorado Utilities, Inc., Lamar, Colo.**
March 14 (letter of notification) 5,866 shares of common stock. **Price**—$12.75 per share. **Proceeds**—To Sullivan-Brooks Co., Inc., the selling stockholder. **Office**—112 West Elm St., Lamar, Colo.

★ **Key Broadcasting Systems, Inc.**
March 14 (letter of notification) 310 shares of 6% cumulative preferred stock (par $100) and 310 shares of common stock (no par), to be offered in units of share of each. **Price**—$100 per unit. **Proceeds**—To expand activities of Radio Station WKBS into wider market areas, and for promotion of same. **Office**—Oyster Bay, N. Y. **Underwriter**—None.

● **Koehring Co., Milwaukee, Wis.**
Feb. 28 filed 60,715 shares of common stock (par $5), being offered for subscription by common stockholders at rate of one share for each four shares held as of March 8; rights to expire on March 26. **Price**—$26.75 per share. **Proceeds**—For working capital. **Business**—Manufacturer of construction equipment. **Underwriter**—Loewi & Co., Milwaukee, Wis.

★ **Liberty Loan Corp., Chicago, Ill. (4/1)**
March 13 filed 115,000 shares of cumulative preferred stock, 1952 convertible series (par $10). **Price**—To be supplied by amendment (expected at about $15 per share). **Proceeds**—For working capital. **Underwriter**—Riter & Co., New York and Chicago.

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 (par $1). **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. **Withdrawal**—Request filed March 13 to withdraw statement. Financing arranged privately.

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.

Merchants Petroleum Co., Inc.
Dec. 17 (letter of notification) 4,000 shares of common stock (par $1). **Price** — At market (approximately 65 cents per share). **Underwriter**—Akin-Lambert & Co., Los Angeles, Calif. **Proceeds**—To R. Wayne Hudelson, the selling stockholder. **Office**—639 So. Spring Street, Los Angeles 14, Calif.

★ **Merritt-Chapman & Scott Corp., New York City (4/10)**
March 13 filed 124,147 shares of common stock (par $12.50), to be offered for subscription by common stockholders of record April 10 on the basis of one share for each four shares held. Of any unsubscribed shares, employees, including officers, may purchase a maximum of 10,000 shares; rights to expire about April 28. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for working capital and other corporate purposes. **Office**—17 Battery Place, New York 4, N. Y. **Business**—Industrial building, marine and heavy construction. **Underwriter**—None.

★ **Mid American Oil & Gas Co., Chicago, Ill.**
March 11 (letter of notification) 1,100,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—To acquire and develop oil and gas leases. **Office**—231 So. La Salle Street, Chicago 4, Ill. **Under-**

writer—Greenfield & Co., Inc., New York. Offering—Now being made.

★ **Minnesota Mining & Manufacturing Co. (4/7)**
March 18 filed 300,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters**—Goldman, Sachs & Co.; Kidder, Peabody & Co. and Piper, Jaffray & Hopwood.

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.

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.

Multnomah Plywood Corp., Portland, Ore.
Feb. 27 filed 200 shares of common stock (par $2,500), of which 191 shares are to be offered to stockholders at par and nine shares are to be offered to three individuals in units of three shares each at $12,500 per unit. **Proceeds**—To acquire timber, timberlands and peeler plant and for working capital. **Underwriter**—None.

★ **New Brunswick (Province of) (4/9)**
March 13 filed $10,000,000 of 20-year sinking fund debentures, due April 1, 1972. **Price**—To be supplied by amendment. **Proceeds** — To redeem $4,000,000 2¼% 5-year debentures of the Province due May 1, 1952, and the remainder to be advanced to The New Brunswick Electric Power Commission in connection with its construction program. **Underwriter**—Halsey, Stuart & Co. Inc., Chicago and New York.

★ **New Mexico Jockey Club, Albuquerque, N. M.**
March 17 filed 1,255 shares of common stock (par $1,000). **Price**—To be supplied by amendment. **Proceeds**—To construct racing plant and for working capital. **Underwriter**—None, but Dr. Frank Porter Miller of Los Angeles, Calif., will be "engaged to sell the securities to the public."

★ **North Central Texas Oil Co., Inc.**
March 13 (letter of notification) 1,000 shares of common stock (par $5). **Price**—At market (approximately $23.50 per share). **Proceeds**—To Arthur R. Carmody, a selling stockholder. **Underwriter** — H. N. Whitney, Goadby & Co., New York.

★ **North Long Beach (N. Y.) Recreation Center, Inc.**
March 10 (letter of notification) 1,200,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—To purchase property, build convention hall, for improvements, etc. **Underwriter**—Charles J. Maggio, Inc., New York.

● **Nova Scotia (Province of) (3/21)**
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.

★ **Official Films, Inc., Ridgefield, N. J.**
March 12 (letter of notification) 188,914 shares of common stock (par 10 cents), to be offered first for subscription by common stockholders of record Feb. 29 at rate of one new share for each seven shares held; rights to expire on April 10. **Price**—$1.50 per share. **Proceeds**—For working capital. **Office**—C/o Cleary, Gottlieb, Friendly & Hamilton, 52 Wall St., New York 5, N. Y. **Underwriter**—None.

● **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**—To be received up to noon (EST) on March 24 at 15 Broad St., New York 5, N. Y.

● **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. Statement effective March 12.

★ **Oriole Motor Coach Lines, Inc.**
March 12 (letter of notification) 50,000 shares of class A common stock. **Price**—$2 per share. **Proceeds**—To purchase bus equipment and for working capital. **Underwriter**—None.

Peabody Coal Co.
March 26 filed 160,000 shares of 5½% prior preferred stock (par $25). **Price** — To be supplied by amendment **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill. **Proceeds**—For construction program. **Offering**—Indefinitely postponed.

Peoples Finance Corp., Montgomery, Ala.
Dec. 19 (letter of notification) 15,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—Carlson & Co., Birmingham, Ala. **Proceeds**—To expand business. **Office**—5 South Court St., Montgomery, Ala.

● **Petroleum Finance Corp. (3/24)**
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.

● **Quaker Oats Co., Chicago, Ill.**
Feb. 21 filed 410,121 shares of common stock (par $5) being 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**—$26 per share. **Proceeds**—For plant expansion and working capital. **Underwriter**—Glore, Forgan & Co., New York. Statement effective March 12.

★ **Radioactive Products, Inc., Detroit, Mich.**
March 14 (letter of notification) 112,500 shares of class A convertible stock (par $1), to be offered for subscription by common stockholders at rate of one class A share for each two common shares held. **Price**—$1.25 per share. **Proceeds**—For equipment and working capital. **Office**—443 West Congress St., Detroit 26, Mich. **Underwriter**—A. H. Vogel & Co., Detroit, Mich.

Reis (Robert) & Co.
Jan. 29 (letter of notification) 7,000 shares of $1.25 dividend prior preference stock (par $10) and 40,000 shares of common stock (par $1). **Price**—$7.37½ per share for the preferred and $1.12½ per share for common. **Proceeds**—To Estate of Arthur M. Reis, deceased. **Underwriter** — None, but Lehman Brothers, New York, will act as broker.

Ridley Mines Holding Co., Grafton, N. D.
Feb. 15 filed 100,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For exploration and other mining purposes. **Business** — Uranium mining. **Underwriter**—None.

★ **Rittenhouse Fund, Philadelphia, Pa.**
March 11 filed 100,000 participating units. **Price**—At market. **Proceeds**—For investment. **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. **Public Offering**—Scheduled for April 2. Statement expected to become effective March 24.

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.

★ **Schaefer-Hauser Molding Corp.**
March 13 (letter of notification) $100,000 of 7% convertible debenture bonds. **Price**—At principal amount (in denominations of $50 each). **Proceeds**—To purchase machinery and equipment and for working capital. **Office**—234 River Road, Delawanna, N. J. **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.

★ **Shareholders' Trust of Boston**
March 17 filed 10,000 shares of beneficial interest in the Trust. **Price**—At market. **Proceeds**—For investment. **General Distributor**—Harriman Ripley & Co., Inc., New York.

★ **Solar Aircraft Co., San Diego, Calif. (4/1)**
March 10 filed 120,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To finance increased output of defense orders and for working capital. **Underwriters**—Smith, Barney & Co., New York, and William R. Staats & Co., Los Angeles, Calif.

● **Southern California Gas Co. (3/24)**
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 24. Statement effective March 11.

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.

★ **Soya Corp. of America**
March 13 (letter of notification) 8,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—To underwriter in payment of services rendered. **Underwriter**—Jacquin, Stanley & Co., New York.

★ **Standard Coil Products Co., Inc.**
March 17 filed 486,858 shares of common stock (par $1), to be offered in exchange for common stock of General Instrument Corp. on basis of four Standard shares for each five General shares. Offer will be consummated if holders of 85% of General shares tender their stock in exchange. **Dealer-Managers**—F. Eberstadt & Co., Inc. and Hirsch & Co., both of New York.

★ **Superior Plywood Corp., Crescent City, Calif.**
March 17 filed 3,600 shares of class A voting common stock (par $10), 300 shares of class B non-voting common stock (par $5,000) and 9,000 shares of 6% cumulative preferred stock (par $100). Of the class A stock, 2,000 shares are reserved for issuance at par for cash or exchange in connection with plan to acquire control of Standard Veneer & Timber Co. **Proceeds**—To purchase site for plywood plant, to repay loan and for working capital. **Business**—Operator of green veneer plant. **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. Statement effective March 11.

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 debentures 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. Statement effective March 5.

● **Thermal Research & Engineering Corp.**
March 3 (letter of notification) 35,155 shares of common stock (par $1) being 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**—$4.50 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) to be sold in units of one preferred share and 10 common shares. **Price**—$200 per unit. **Proceeds**—For new equipment and working capital. **Underwriter**—Hugh P. Wasson, President of company.

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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.
Feb. 27 filed 223,865 shares of 4½% cumul. 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**—At par. **Proceeds**—To be applied, together with other fund, toward payment for new flight and ground equipment. **Underwriter**—Harriman Ripley & Co., Inc., New York.

Viking Plywood & Lumber Corp., Seattle, Wash.
Oct. 19 filed 22,500 shares of common stock (no par) to be offered to employee-stockholders in minimum units of 125 shares per unit. **Price**—$20 per share. **Underwriter**—None. **Proceeds**—To purchase 50% of capital stock of Snellstrom Lumber Co. Statement effective Feb. 25.

Welex Jet Services, Inc.
Jan. 25 (letter of notification) 2,000 shares of common stock (no par). **Price**—$20 per share. **Proceeds**—To W. H. Thompson, the selling stockholder. **Underwriters**—Barron McColloch, Ft. Worth, Tex.; Dewar, Roberston & Pancoast and Russ & Co., both of San Antonio, Tex.; and Laird & Co., Wilmington, Del.

West Penn Power Co., Pittsburgh, Pa. (4/1)
Feb 28 filed $12,000,000 of first mortgage bonds, series O, due April 1, 1982, and $8,000,000 of no par common stock (latter to be offered for subscription by stockholders at rate and price to be supplied by amendment. **Proceeds**—To pay bank loans and for property additions and improvements. **Underwriters**—(1) For stock, none. West Penn Electric Co., owner of approximately 94.6% of outstanding common stock, proposes to purchase all shares not subscribed by public holders. (2) For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Lehman Brothers; Blyth & Co., Inc.; W. C. Langley & Co; The First Boston Corp. **Bids**—Expected to be opened 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; rights to expire on April 22. **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.

★ **Western Central Petroleums, Inc.**
March 10 (letter of notification) 599,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Purpose**—To drill wells. **Underwriter**—S. B. Cantor Co., New York. **Offering**—Now being made.

★ **Western Gold Mines, Inc., Carson City, Nev.**
March 14 (letter of notification) 2,500 shares of common stock (par 10 cents). **Price**—$2.25 per share. **Proceeds**—For working capital. **Office**—First National Bank Bldg., Carson City, Nev.

★ **Wisconsin Power & Light Co., Madison, Wis.**
March 19 filed $7,000,000 of first mortgage bonds, series F, due April 1, 1982. **Proceeds**—To reduce bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. 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. Offering—Expected in April.

★ **Wisconsin Power & Light Co., Madison, Wis.**
March 19 filed 15,000 shares of cumulative preferred stock (par $100), to be offered for subscription by preferred stockholders of record March 31, and 288,208 shares of common stock (par $10), to be offered for subscription by common stockholders of record March 31 on the basis of one new share for each seven shares held. **Price**—To be supplied by amendment. **Proceeds**—For reduction of bank loans and new construction. **Underwriters**—Smith, Barney & Co., New York, and Robert W. Baird & Co., Inc., Milwaukee, Wis.

● **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**—Jackson & Smith, Gastonia, N. C.

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 Hard Rubber Co., N. Y.**
March 14, F. D. Hendrickson, President, announced company plans to issue and sell 96,655 additional common shares (par $12.50) to stockholders on the basis of one share to each holder of two common shares and to each holder of four shares of $50 par preferred stock (including a right of oversubscription). **Proceeds**—For working capital and for improvements and developments. **Traditional Underwriter** — Hemphill, Noyes, Graham, Parsons & 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.

★ **Carpenter Paper Co.**
March 6 it was announced stockholders will vote on increasing authorized common stock from 1,000,000 shares (238,649 shares outstanding) to 2,000,000 shares, and on splitting up present shares on a 2-for-1 basis. It is planned also to offer publicly up to 60,000 shares of the new common stock. **Proceeds**—For working capital and general corporate purposes. **Traditional Underwriter**—Kirkpatrick-Pettis Co., Omaha, Neb.

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. (4/9)**
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; Bear, Stearns & Co.

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.

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.

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 Transamer-

ica 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.

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.**
March 10 it was announced stockholders will vote April 15 on increasing the authorized common stock and on creating a new issue of preferred stock. **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.

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 and sale of $7,500,000 first mortgage bonds this year and the sale of additional common stock to parent (New England Electric System). **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc.; Equitable Securities Corp. and Blair, Rollins & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly).

New England Telephone & Telegraph Co.
Dec. 20, F. A. Cosgrove, Vice-President, said a permanent financing program will have to be undertaken in 1952 to repay about $43,000,000 short-term bank borrowings. **Underwriters**—For bonds may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. In case of common stock financing there will be no underwriting.

New Jersey Bell Telephone Co.
Feb. 18 company filed a new $70,000,000 financing program with the New Jersey Board of Public Utility Commissioners, which will include $20,000,000 of long-term bonds. **Proceeds**—From sale of bonds and from sale of $50,000,000 of common stock to parent, American Telephone & Telegraph Co. will be used for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co.; Kuhn, Loeb & Co.; Shields & Co.; The First Boston Corp. **Offering**—Expected early in May.

New Jersey Natural Gas Co.
Feb. 26 it was reported company, formerly known as County Gas. Co., plans issuance and sale of $12,500,000 first mortgage bonds (to be placed privately), $2,000,000 of preferred stock and 200,000 shares of common stock to provide funds for acquisition of gas properties of Jersey Central Power & Light Co. at an estimated price of $14,500,000. **Underwriter**—Probably Allen & Co., New York.

★ **Northern Indiana Public Service Co.**
March 7 it was reported that company expects to issue and sell this year $10,000,000 of first mortgage bonds, series G. **Proceeds**—For construction program estimated to cost about $20,000,000 in 1952 and $21,000,000 in 1953. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp.; Equitable Securities Corp.; White, Weld & Co.; Union Securities Corp.; Central Republic Co. (Inc.); Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co., Inc.

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.

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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.

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.

★ **Pennsylvania Salt Manufacturing Co.**
March 13 it was announced stockholders will vote April 23 on increasing authorized indebtedness from $10,000,000 (about $5,200,000 outstanding) to $25,000,000. No immediate borrowing is contemplated.

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).

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.

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.

Tampa Electric Co.
Jan. 24 it was announced company plans to spend $52,000,000 for new construction and improvements in the next five years and expects to enter the new money market this year to finance its 1952 requirements. Latest bond financing was done privately. **Traditional Underwriter**—Goldman, Sachs & Co., New York.

★ **Tennessee Gas Transmission Co.**
March 10 it was announced stockholders will vote March 28 on increasing authorized preferred stock from 600,000 shares to 1,000,000 shares. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co. (jointly).

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 Calgary Co. (Del.)**
March 14 it was announced than an offering is expected of approximately 40,000 to 50,000 shares of common stock (par $1). **Price**—$3.25 per share net. **Proceeds**—To an estate and a group of non-controlling small stockholders. **Underwriter**—Troster, Singer & Co., New York.

● **Texas Electric Service Co. (5/6)**
Jan. 23 it was reported company was planning issuance and sale of $8,000,000 first mortgage bonds due 1982 and $5,000,000 debentures due 1977. **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. **Registration**—Tentatively scheduled for March 28. **Bids**—Expected to be received at 11:30 a.m. (EST) on May 6.

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.

Toledo Edison Co.
Nov. 20 it was reported that the company expects to spend approximately $46,500,000 for expansion in 1952 to 1955, and it has been stated that no further financing is contemplated before late 1952, when about 400,000 shares of common stock is anticipated. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; W. C. Langley & Co.; Lehman Brothers and Smith, Barney & Co. (jointly).

Trade Bank & Trust Co., New York
Jan. 15 stockholders approved increase in authorized capital stock (par $10) from $2,000,000 to $2,500,000, the additional 50,000 shares to be offered for subscription by stockholders of record Feb. 29 on basis of one share for each four shares held; with rights to expire on April 1. **Price**—At par. **Underwriting**—None involved.

● **Transcon Lines, Los Angeles, Calif. (3/24)**
March 13 it was announced company will offer 30,000 shares of capital stock to stockholders on March 24, with unsubscribed shares to public on April 7. **Price**—To stockholders, $6.75 per share, and to public, $7.12½ per share. **Proceeds**—For working capital, etc. **Underwriter**—Cruttenden & Co., Chicago, Ill.

● **Union Bank & Trust Co. of Los Ang.**
March 18 company offered for sale 10,000 shares of capital stock (par $50), first to stockholders of record March 17 at rate of one share for each 7½ shares held; rights to expire on April 8. **Price**—$120 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Blyth & Co., Inc.; Stern, Frank, Meyer & Fox; Lester, Ryons & Co.; A. W. Morris & Co., and Wm. R. Staats & Co.

United Gas Corp.
Feb. 6 the SEC ruled that 3,165,781 shares of common stock (approximately 27% of total outstanding) must be disposed of by Electric Bond & Share Co. **Underwriters**—If competitive, probable bidders may include Lehman Brothers.

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 Water Power Co.
Jan. 9 company applied to the SEC for authority to make bank borrowings of $40,000,000, the proceeds to be used to finance contemporarily, in part, the company's construction program. Permanent financing expected later this year. Probable bidders: (1) For stock or bonds: Blyth & Co., Inc.; Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); (2) for bonds only: Halsey, Stuart & Co. Inc.

★ **Western Pacific RR. Co. (3/27)**
Bids will be received up to 3:30 p.m. (EST) on March 27 at the office of the Reconstruction Finance Corporation, 143 Liberty St., New York 6, N. Y., for the purchase from the RFC of its holdings of 15,788 shares of common stock (no par).

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.

★ **Worcester County Electric Co.**
March 13 it was reported company is considering the sale of additional bonds, but amount and time of offer has not yet been determined. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane.

★ **Yale & Towne Manufacturing Co.**
March 11 it was announced stockholders will vote April 17 on approving issuance of 150,000 shares of common stock for property and also an additional 163,344 shares as deemed advisable for other purposes. Previous offer (to stockholders in June, 1951) was underwritten by Morgan Stanley & Co., New York.

Securities Salesman's Corner

By JOHN DUTTON

If it is the same in your town as it is in mine, the doctors and dentists have been making more money than at any time in years. There are also quite a few other professionals that have been having a financial hey-day. The tax accountants, certain lawyers, and —not to be forgotten—the chiropractors and occulists, have also been doing quite well financially, thank you. These people have very little time for financial study, and for the investigation of methods and means of investing their money. They are too busy earning a substantial income. The other day I spoke with a woman doctor in my city, and I knew her well enough to inquire what plans she had for her financial future. She told me that she had two $100-a-month accumulation plans for the acquisition of two separate mutual funds. I asked her how she had heard about them. She said she saw them advertised in a medical magazine. She wrote to the sponsors and then was directed to a dealer who made the sale to her. There may be some more just like her in your town.

A Plan for Prospecting

As you know, one of the most difficult phases of selling doctors is to get around the long delays of waiting in their offices, or of trying endlessly to telephone them and find them too busy to talk, or out on a case. I have heard that some success has been achieved in overcoming this difficulty by the simple procedure of telephoning the residence of these busy professional people, during evening hours, and even on Sunday afternoons. The procedure is simply to obtain about a two-minute audience over the telephone. Step one is to announce your name and the purpose of your call. State simply that you wish to determine if the doctor in question would like to talk with you by appointment regarding a plan which has been used successfully by thousands of professional men throughout the country, to provide a simple and convenient method for the accumulation of some of the highest grade investment type securities, under the most experienced counsel and management. You can use this idea conversationally. Put it into your own words. Try for the appointment, and make it important. Don't be put off with five minutes two weeks from Friday. Be firm but polite. Make it clear to the doctor that what you wish to discuss with him is a very sound proposition and that his financial welfare is important to you and to your firm. If he is interested in looking out for his own affairs, and spending a little time on this important subject, you will be pleased to make the appointment at his convenience. Stand your ground on this. There is a tactful and interesting way to bring out the value of your services to him—find it and use it.

The main purpose of these telephone calls during the evening and on Sunday is to eliminate the deadwood among your doctor prospects. Some you will find that will be eager to talk with you. Others will cut you off. That's all in the job of cultivating this lucrative market. If you can line up five or six interviews a week, which you will have among qualified professional men, there certainly should be a lot of business in it for you.

Night Calls

If you want to earn some extra money, night calls are the answer. Most busy men are not averse to seeing a salesman at their homes during the evening, providing the interview has been arranged in advance. When you can sit around the dining room table and lay your plan out before your doctor and his wife, you will have a much better chance of interesting him in the ideas you wish to present than if you called at his office after he has had a busy day seeing patients. This business can be developed—it takes patience, but it is worth it. Once you can get a toehold with a few successful doctors you may be able to obtain some very worthwhile radiation from one or two of them. Introductions will then pave the way to easier sales.

Our Reporter's Report

Having hurdled the March 15 tax date without the feared threat of a pinch in money rates developing, the investment market took on a much rosier glow this week. Things began to perk up and issues which had been "sticky" last week started to look better to institutional investors.

The whole picture was changed, of course, once the mid-month was out of the way and Treasury issues developed a really firm to strong undertone. It was clear that if, as had been anticipated in some quarters, selling of Treasury's to provide funds for taxes materialized, the Federal Reserve would make available all the support needed to maintain an orderly and firm situation.

At any rate with Treasury's ruling 6/32ns to 8/32ns higher, on the average, investors who had been gun-shy for a fortnight or so picked up their courage again and began to look at merchandise which investment bankers had been carrying.

American Tobacco Co.'s big debenture issue cleaned up quickly and was in demand at the issue price. And Ohio Edison Co.'s preferred stock ran into a gust of demand which cleaned up that situation.

On Tuesday of this week the market opened with the latter issue reportedly about half sold. But the day was not far along before good buying in volume put in its appearance and that tended to cheer up the fraternity all around.

Running a "Dead-Heat"

Every so often banking groups going after a deal in competitive bidding come up with identical tenders. It happened this week in the case of Southwestern Gas & Electric Co.'s offering.

Two groups entered bids of 100.15 for the $6,000,000 issue and both specified a coupon rate of 3⅜%. For a brief interval the matter was deadlocked.

But then the issuing company permitted the banking groups to submit revised bids. And the issue went to the syndicate which made a new tender of 100.23 for the same coupon rate. Even on the "run-off" the race was close, with the second group offering to pay 100.2119, less than two cents a bond under the ultimate winner.

A Narrow Squeak

The same situation was averted by only a narrow margin in bidding the following day on a much larger issue, $55,000,000 of bonds of the Pacific Gas & Electric Co.

The successful syndicate bid 101.159 for a 3⅜% coupon while the runners-up were less than ten cents a bond lower with a bid of 101.15 for the same interest rate.

Potential buyers, it appears, had been inclined to anticipate reoffering of this issue on a 3.30% yield basis. But priced for reoffering at 101.92 the indicated yield to the buyer was 3.28%.

Consequently, the consensus seemed to be that a difference of two basis points in yield would be no deterrent to a successful placement.

Next Week's Calendar

Investors presumably believe they can afford to be a bit on the selective side when they look at the calendar ahead since there are several large issues on tap for next week.

Monday will bring out $30,000,000 of Southern California Gas Co. bonds for bids and on Tuesday bankers will be competing for $50,000,000 of Consolidated Edison Co. of New York debt securities.

Meanwhile potential buyers will have opportunity to look over $12,000,000 of 15-year debentures of Shamrock Oil & Gas Co., to be offered by negotiated deal, and $12,000,000 of Oklahoma Gas & Electric Co. 30-year first mortgage bonds.

Blyth Group Offers Utilities Com. Stock

Blyth & Co., Inc. heads a nationwide underwriting group comprising 100 investment firms which is offering for public sale today (March 20) 600,000 shares of Middle South Utilities, Inc. common stock priced at $21.95 per share.

The offering represents authorized but previously unissued shares. Middle South is a public utility holding company with the following operating subsidiaries: Arkansas Power & Light Co., Louisiana Power & Light Co., Mississippi Power & Light Co. and New Orleans Public Service Inc. Out of the proceeds of this sale Middle South will invest $10,000,000 in additional common stock of Arkansas Power & Light Co. to assist the latter company to finance a construction program. The balance of the proceeds will be held in the company's treasury for further investments in common stocks of subsidiaries and for other corporate purposes.

The four operating subsidiaries of the company, which comprise the Middle South System, operate electric, gas and transportation properties, supplying electric service to more than 1,700 communities and to extensive rural areas in Arkansas, Louisiana, and Mississippi; gas service to more than 50 communities in Louisiana and transportation service to the City of New Orleans. The population of the territory served is about 3,900,000. For the 12 months ended Dec. 31, 1951 total operating revenues of the system were $112,437,912.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—One of the under-written stories of the "Patman Committee" inquiry is a by-product, perhaps an incidental facet of that study. The story is the sweeping change in Federal Reserve thinking under the leadership of William McChesney Martin. It is a change almost entirely toward orthodox moorings, both as to objectives and as to techniques.

When Marriner S. Eccles was Chairman of the Federal Reserve Board, the board issued a little book supposedly authoritatively explaining the System. It was entitled, "The Federal Reserve System—Its Purposes and Functions."

Italicized at the very beginning of this booklet was the following statement of the objective of the Federal Reserve:

"The principal purpose of the Federal Reserve is to regulate the supply, availability, and cost of money with a view to contributing to the maintenance of a high level of employment, stable values, and a rising standard of living."

Mr. Eccles put great personal store by that language, and would figuratively scratch the eyes out of any one in the System who took issue with him on it. The twist this langauage implies to outsiders is that the entire purpose of the Federal Reserve was to support economic planning and the continuous inflation which has been nurtured by the Roosevelt-Truman Administrations, especially in the phrase so common to those administrations, the "rising standard of living." This inspired feeling that the Federal Reserve was seemingly on all fours with the Employment Act of 1946, the official basis for "economic planning."

What reinforced the impression was the absence of prominent tribute to the Federal Reserve act, as amended.

Gov. Martin, to be sure, in response to Patman committee questions, did acknowledge that "the Federal Reserve Board is subject to the Employment Act of 1946. Fairly interpreted, the Congressional directive stated in this Act implies a goal of monetary stability and needs no modification."

* * *

The legal relationship of the Employment Act of 1946 to the FR is that it is a general "directive" to all government agencies. For purposes of law the Federal Reserve Board is a "government agency" unless it is specifically exempted by any statute applicable to all governmental agencies, or unless the Reserve act provides a specific or inherent exemption.

Thus, if Congress by appropriation put curbs on the use of government cars, this would not affect the Federal Reserve for its funds do not come from appropriations. On the other hand, if a substantive statute forbade the use of cars by government agencies for certain purposes, that limitation would be applicable to the Federal Reserve. On the other hand, the FEPC type practices on employment required of government agencies is not applicable to the FR, which recruits its own personnel.

On the other hand, it is an equally common legal practice that where Congress intends to modify the statutory objectives of any statutory agency like the Federal Reserve, to include in the statute a reference specifically so amending the basic statute. Congress did NOT so amend the Federal Reserve act in the language of the Employment Act of 1946. So from this viewpoint, it might be argued that Congress did not include the Federal Reserve System.

* * *

It is probably in practical realities rather than in law that the Martin homage to the Employment Act can be explained. Harry Truman is such a fellow that if the Chairman of the Federal Reserve, when "put on the spot" by a specific question from the Patman Committee, were to attempt to assert the inapplicability of that act to his bailiwick, he would be certain to arouse the purposeful and implacable hostility of the President, for economic planning is dear to this Administration.

* * *

Nevertheless, the context of Mr. Martin's replies to the Patman questionnaire, together with his oral testimony, overwhelmingly indicated a faith in orthodox monetary policies and conventional monetary devices — a picture which indicates a revolution in Federal Reserve thinking and practice as compared with some three years previously.

Up to some three years ago the Reserve System's leadership supported rigid pegs on long-term government securities. To counteract the actual or potential inflation generated thereby, the Board asked for new and untried monetary devices. In particular the Board wanted the "special reserve" of short-term governments, some application of reserve requirements to non-member banks, and it favored the use of the bank examiner to needle banks into employing the soft or hard credit policies which at any time might be favored by the Federal Reserve Board.

Simultaneously, the Board rejected the discount rate and other established monetary devices as obsolete in the light of circumstances created by the pegging operations.

All of these new-fangled schemes, Chairman Martin rejected one by one in his responses to the Patman committee.

In particular, Mr. Martin rejected the special reserve plan. He pointed out that if it were sufficiently severe to be restrictive it might force some banks to sell long-terms in order to acquire securities for the special reserve, yet at the same time leave other banks with ample liquidity and power to expand credit.

On application of Federal requirements to state non-members, Mr. Martin suggested obliquely that inasmuch as the open market operation has now come into use the problem of reserve requirements has become less urgent.

* * *

Another product of the Patman Committee operations was to disclose that (1) there is a genuine concert between the Treasury and the Federal Reserve to live and let live, and (2) that Martin is a strong advocate of the independence of the Federal Reserve System from the domination of the Treasury or the national Administration.

The concert between the Treasury and Fed is perhaps more than live and let live. The monetary "accord" of March 4, 1951, seemed to be consolidated after a year's "across the table" and constant consulation and conference between the Reserve and the Treasury on all financing.

If anything, the accord seems to have been reinforced by the implied attempts of the various parties in Congress to get one or the other party into a row, and their refusal to fight.

Secretary Snyder definitely wanted a formal instrument of conference, some sort of a domestic monetary and credit policy council. Martin was inclined to deprecate the usefulness of such a formal council, and preferred to get along with the informal and constant conference procedure now utilized consistently.

This appeared to be the only disagreement between the two, although their respective institutional pitches were obviously different. It was not regarded as a serious disagreement.

A more severe test of the capacity of the Treasury and Fed to agree upon financing and the terms upon which the open market committee should support it as "underwriter"—the term is Martin's—will come about midsummer.

By mid-summer the Treasury is expected to have to borrow between $5 and $10 billions to finance the cash deficit for the balance of the year. Some of this borrowing may arise from individual savings, and some of it will probably come from a further use of tax anticipation, long bills. Some of it, however, probably will have to come from a long-term market issue, the first since 1945. This will involve setting the pattern of interest rates.

(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