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EDITORIAL

As We See It

The question as to whether the President in fact has any such powers as he has undertaken to exercise in the steel case will not, we assume, be officially and definitely determined until the Supreme Court has spoken. If the process of getting the matter before that high court is as tedious and tortuous as it often is, such a determination of this issue may not be made for months or even years. What recourse the steel companies have meanwhile to protect what most of us have always supposed were their legitimate interests and rights, remains to be seen.

As to the technical aspects of all this we can only say that if the Chief Executive has any such powers as this, and, a *fortiori*, any such powers as he seems to think he has over the press, then the Constitution of the United States does not mean what we have always supposed it meant or what we are certain the authors of that document intended it to mean. If the people of this country do not have the protection that they had always thought they had, they can not afford to lose any time in placing that protection in the Constitution.

We have here far more at stake than an interpretation of an old and honored document. What we are faced with is the cold fact that the President of the United States either has, or is effectively usurping, a power that can not safely be entrusted to any individual, any executive or any legislative body, including Congress.

Action Is Required

If the President has exceeded the authority vested in him by the Constitution, prompt and effective action must be taken to revoke and re-

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Let's Have a Long Range Foreign Policy!

By LT. GEN. LESLIE R. GROVES*
Vice-President, Remington Rand Inc.

Criticizing our present foreign policy as "completely in accord with Russian objectives," Gen. Groves pleads for a definite long-range policy, instead of a day-to-day policy, "dictated by moves and feints of an untrustworthy, unscrupulous enemy." Says our international relations have been impaired by United Nations, which "has always been solicitous of Russia," and expresses doubt billions poured into Europe will produce beneficial results either to the recipients or to the U. S.

Foreign policy, in its execution, has a direct effect upon domestic economy. This is axiomatic. If a nation has a wise foreign policy the effect upon its domestic policies must be good. The converse, unfortunately, is also true. If our foreign policy is not laying the foundations for securing a real peace for us and the rest of the world, then we can look forward to a war economy for a long, long time. A war economy is expensive—expensive to the point of bankruptcy if extended year after year and crisis after crisis. And bankruptcy for us will be not only in financial matters, but in American liberty and in the preservation of the American way of life.

Leslie R. Groves

Our European problems are not solely military—they are economic also. How long must we—how long can we — meet Europe's demands as interpreted by our do-gooders? Because of the great drain placed on the people of the United States by the Acheson actions this nation must ultimately face domestic economic problems which will not be put off by a shrug of the shoulders or a refusal to face facts. The word

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*An address by Gen. Groves before the New York Chapter, Chartered Life Underwriters, N. Y. City, April 17, 1952.

Investment Banking and "Private Placements"

By MILTON C. CROSS*
Executive Vice-President, Harriman Ripley & Co. Inc.

After describing functions of investment banker, Mr. Cross urges clarification of such terms as "private placement" and "public offering." Ascribes growth of private placement to: (1) registration requirements of SEC; and (2) increase in institutional type investors. Criticizes rule limiting a private placement to 25 investors, and holds this rule denies issuers benefits of using both methods of financing simultaneously. Advocates amending SEC Acts so as to permit issuers of securities who file specific information with SEC to offer securities by both methods.

Some of my friends among your membership have suggested that it would be appropriate to the subject assigned to indicate the scope and nature of the services which an investment banker is equipped to render to industry and how I would use such services if I were in your position. This I propose to do through a brief outline of some factors in the design of financing programs and particular issues of securities as well as the selection of methods of offering, the changed composition of the capital market as affecting such matters, and reference to some perplexities in the present situation. I hope thereby to stimulate discussion.

Milton C. Cross

In order that you may appraise what I say, I should perhaps give you some personal background.

My experience in corporate financing has covered some 35 years of activity in the securities business, particularly on the buying side, by which is meant those departments having to do with the investigation, design and purchase, as distinguished

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*An address by Mr. Cross before the 1952 Eastern Spring Conference of Controllers Institute of America, Asbury Park, N. J., April 21, 1952.

PICTURES IN THIS ISSUE — Pictures taken at the 16th Annual Dinner of the Security Traders Association of New York, Inc., at Waldorf-Astoria on April 18, appear in the Special Section starting on page 25.

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

Consolidated Railroads of Cuba Pfd. - Cuba Northern Railway 5½/42—Max L. Heine, partner, L. J. Marquis & Co., New York City, and Vice-President of Mutual Shares Corp. (Page 2)

Sunray Oil Corporation—S. Logan Stirling, Manager, Investment Research Dept., Eastman, Dillon & Co., New York City. (Page 2)

MAX L. HEINE

Partner, L. J. Marquis & Co., N. Y. C. and Vice-President, Mutual Shares Corporation

Consolidated Railroads of Cuba Pfd. Cuba Northern Railway 5½/42

We have frequently recommended purchase of South American securities. As these countries settled their top heavy predepression debt structure, interest payments and amortization were resumed with the result that the foreign debt structure of most countries now is modest in relation to their foreign trade and their hard currency reserves.

Max L. Heine

For instance the entire external debt of the Republic of Cuba is now down to $68,700,000 compared with treasury holdings of gold and foreign exchange of $495,000,000 in December, 1951 and even larger holdings in the hands of private individuals. A constantly favorable trade balance tends to improve the picture (export surplus (1950), $127,000,000; ten months 1951, $134,000,000). The Cuban Government bonds (noncallable except for sinking fund) have been selling at large premiums for many years.

Cuba's sugar industry is still by far the largest economic factor in the country. A record crop of 5,589,000 tons in 1951 was disposed of and no substantial carry over at the end of that year will complicate the problem of the new crop which is estimated at 5,900,000 tons.

New products are being developed, among them a Cuban substitute for jute. A nickel deposit is also being developed.

The Cuban peso is freely exchangeable at par with our currency (subject to an export tax of 2%).

I believe that these remarks are pertinent to explain our belief that the securities of Consolidated Railroads of Cuba are undervalued on the basis of the present voluntary exchange offer. This offer will terminate a 20-year record of default on the preferred stock; and a 12-year period of debt service under the Cuba moratorium (payment of 1% fixed and 2% contingent interest plus semi-annual amortization to retire the entire debt by 1970). On this basis consolidated mortgage debt of about $42,600,000 in 1940 was reduced to about half in 1952.

The exchange offer contemplates replacement of the presently outstanding bonds of Cuba Northern Railway for Peso bonds in a principal amount equal to their present reduced face value of approximately $635 (after the June 1, 1952 payment), to bear interest at 4%, to be amortized at 1% per annum and to mature in 1970. The present price of 34 for the deposit receipts includes about four points to be received in cash representing the amortization payment due June 1, contingent interest for 1951-1952 and a small bonus for prompt deposit. This leaves an investment of about $300 for a bond with a face value of 635 pesos, for a straight yield of over 8% and to maturity of over 11%.

The Consolidated preferred stock has been offered the following new securities per share:

Peso 100, 3% cumulative income bond due 2001.

Peso 5.91 cash after deduction of Cuban tax.

Peso 29 dividend accrual certificate.

At the present price of 30 for the old preferred stock these securities can be created at extremely large discounts, as shown by the following examples:

(1) Purchase of 100 shares Consolidated RR. of Cuba preferred at 30	$3,025.
Sale when issued: 10,000 new 3/2001 at 24½	2,450.
Cash receivable as per plan	591.
Total proceeds	3,041.
Profit	16.
$2,900 dividend certificate	Free
(2) Purchase of 100 shares Consolidated RR. of Cuba preferred at 30	$3,025.
Sale when issued: $2,900 dividend arrears certificate at 27	783.
Cash receivable as per plan	591.
Total proceeds	1,374.
Balance of cash for $10,000 income 3/2001	1,651.

The following comparison of income and charges seems to be pertinent:

	Income avail. for fixed chgs.	Fxd. chgs. & amortiz. pertaining to Mtge. debt	New Inc. bonds
1949	$2,463,000	$1,100,000	$900,000
1950	2,457,000	1,100,000	900,000
1951	*3,616,000	1,100,000	900,000

*The presently outstanding Cuba Railroads preferred stock has an equity in these earnings.

The working capital as per consolidated balance sheet of June 30, 1951 showed total current assets of $19,150,000 and current liabilities of $7,240,000. Included in these current liabilities was an annually recurring item of in excess of $2,000,000 for debt reduction which under the present plan will be largely eliminated.

No effect has been given in the above figures to the tax advantage which the company will enjoy under the new plan compared to the present.

It is difficult to compare the new securities with other existing marketable debt. Cuban Government bonds yield less than 4%. The company financed equipment purchases through 4% serial bonds. We believe that the new 4% mortgage bonds should sell at 65 to yield about 8% to maturity and the new income bond should sell at 30 for a straight yield of 10%. If this guess is substantially correct both Cuba Northern 5½/42 certificates of deposit selling now at 34 and Consolidated Railroads of Cuba preferred selling at 30 would work out at about 45.

We have no doubt of the speedy consummation of the plan because the offer obviously is the best obtainable under the circumstances. It will, in particular, improve the situation of the preferred stockholders who will in my opinion, do well to deposit their stock promptly under this offer.

S. LOGAN STIRLING

Manager, Investment Research Dept., Eastman, Dillon & Co., New York City

Sunray Oil Corporation

All factors considered, it seems to me that the stocks of soundly managed oil companies continue to offer the most attraction for purchase and retention under present conditions, despite the fact that the group has been stronger than the market as a whole for more than a year. In my opinion, Sunray Oil Corp. stands out as an unusually attractive growth oil selling in a popular price range and yielding 5.45%.

S. Logan Stirling

Following the acquisition of several producing companies through merger, as well as the discovery and development of its own producing properties and an increase in its refinery capacity, Sunray may be placed well up in the ranks of the leading producing and refining oil companies while its competitive position in this basic growth industry has been materially strengthened. Within the last 18 months, the company has satisfactorily integrated its acquisition of the Barnsdall Oil Company, and of even greater significance, it has embarked on an accelerated drilling program which has already developed several important new fields and added substantially to its total reserves. Also, its plans for a new gasoline refinery at Corpus Christi, Texas, to be ready in about 18 months, indicate further important gains in its highly profitable refinery division.

In 1951, Sunray completed the most successful year in its history, reflecting stepped-up operations in all divisions. Pretax earnings were up substantially but because of heavier taxes and the increased number of common shares outstanding, the gain in per share results was relatively small. The new discoveries and recent successful drilling operations in several important new fields reflect favorably upon the management from the top down to the second and third levels and indicate that the company will be increasingly active in the future in attempting to find more crude through its own efforts. Plans for materially enlarging Sunray's refining capacity by the middle of 1953 will tend to place the company almost in balance with regard to production and refining capacity which currently has about a two to one ratio, respectively. In Canada, Sunray has diversified interest through direct investments in three favorably situated prospecting and producing companies as well as

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Problems Confronting Commercial Banks

By MARCUS NADLER*
Professor of Finance, New York University

Predicting sooner or later a transition to a sellers' market is bound to take place, Dr. Nadler contends this will have adverse effect on business profits and liquidity of assets, though not decreasing need for working capital. Sees need for banks to increase their capital resources and to attract capable young men to the banking profession. Advises banks to shorten maturity of bonds in their portfolios and maintain a highly liquid asset situation.

The problems that confront the commercial banks today are, on the whole, about the same that confront the economy of the country. In addition as a result of recent developments a number of problems have arisen which are of direct concern to the commercial banks. What I propose to do is to analyze the following: (1) the general outlook for business and the problems this will create for the commercial banks; (2) the relationship of capital resources to prospective borrowing; (3) the need to strengthen management; (4) the payment of interest on savings deposits, and (5) the effect of the trend of interest rates on the investment policies of commercial banks.

Marcus Nadler

The Problems Arising Out of the Outlook for Business

The economy of the United States has enjoyed marked stability during the past few months. The question today is whether this relative stability will continue for an indefinite period of time or whether in the not too distant future it will give way either to a renewal of the spiral between wages and prices or whether the deflationary forces will gather momentum. As is well known there are both inflationary and deflationary forces operating in the economy and either one, if it should prevail, will affect the commercial banks differently and will create new problems for them. The inflationary forces arise out of the unhealthy fiscal position of the Treasury and the prospects of a deficit of $14 billion for the next fiscal year, a large portion of which will have to be met through the sale of securities in the open market. The constant increase in wages not accompanied by a corresponding increase in productivity is another source of inflation. If the inflationary forces should be renewed the demand for working capital on the part of industry and trade will rise.

The increase in taxes and the speeding of tax payments under the Mills Plan will further accentuate the dependence of business on the banks. The problems that will confront the banks under these conditions will be (1) whether they will be able to meet the requirements of their customers; and (2) if not, what will the consequences be on (a) business and (b) on the banks?

The ability of a bank to increase its loans depends on its capital resources. All well-managed banks have more or less adopted a rule of thumb as to the relationship between risk assets and capital resources. As the volume of risk assets increases, the ability and willingness of a bank to lend are reduced and hence, under these circumstances, the credit requirements of many customers may not be met. The solution of the problem, of course, lies in an increase in the capital resources of the commercial banks. This, however, is easier said than done because the prices of the shares of many banks are below book value and the demand for bank shares does not seem to be widespread. Moreover high taxes and high costs of operation have kept bank profits down, thus making their shares less attractive to investors.

Some banks undoubtedly will endeavor to increase their capital through the granting of valuable rights to their present stockholders. Others may sell preferred stocks. Still others in turn may sell debentures partly to pay off their preferred stock held by the Reconstruction Finance Corporation and partly to improve their own capital position. Other banks will disclose their hidden assets, thereby increasing their capital resources, while others in a position to do so will increase their dividends in order to make the shares of their institutions more attractive. The need of the banks to increase capital will become more pronounced if the forces of inflation should reassert themselves. But even if this should not be the case it would still be highly desirable if the supervising authorities. i.e., the Comptroller of the Currency, the Federal Reserve and the State Superintendent of Banks, in cooperation with the American Bankers Association and the State bankers' association, were to work out a formula defining a risk asset. It is quite evident that today many assets which are definitely not risk as-

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*An address by Dr. Nadler before the New Jersey Bankers Association, Atlantic City, N. J., April 18, 1952.

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Regular Features

*Mr. May again discusses the International Economic Conference, held in Moscow.

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Improved Debt Management—The Treasury's Opportunity

By AUBREY G. LANSTON*
President, Aubrey G. Lanston & Co., Inc.

Asserting Treasury, now free from Federal Reserve connections, has opportunity to demonstrate its ability for sound debt management, Mr. Lanston urges a financing policy which will meet investors' reactions and the requirements of the economy. Sees Treasury facing two tasks, namely: raising of cash to finance seasonal and fiscal year deficits, and, secondly, the reduction of the volume of short-term securities held by commercial banks. Says market is receptive to securities longer than one-year term, and makes recommendations for short-term debt refunding. Predicts interest rates will not move lower on long-term Treasury issues.

My comments on the Treasury security market and on Treasury financing follow the theme that the Treasury stands on the threshold of an unusual opportunity to demonstrate top quality debt management. When the Federal Reserve is following a neutral or passive policy, as at present, the decisions made by the Treasury with respect to debt management are decisive in shaping developments in the Treasury security market and materially affect the trend of interest rates and the stability of prices in the Treasury security market.

Aubrey G. Lanston

As you know, growing bullishness has been evidenced in all areas of the bond market. The bullishness with respect to the Treasury security market emanates largely from commercial bankers who are "nervous" about the short-term character of their Treasury security holdings. They envision a considerable vulnerability to their income should the future unfold as one wherein (a) defense expenditures would level off, (b) loans would be stable to lower over a period of time instead of stable to higher; (c) the Treasury deficit would be less than projected, and (d) the Treasury would display a tendency to starve the market by adhering largely, if not exclusively, to Treasury bill offerings.

Many suspect the Treasury of holding an excessive bias towards low interest rates and these believe that the Treasury will temporize with bond market conditions to the end that a rapid build-up toward a low rate structure will be insured.

Savings banks and insurance companies are not generally bullish on government security prices, but among the average insurance company the cash position looks easier, and savings deposits, as you know, have been mounting sharply. Therefore, the attitude of these institutions, and of those dealing with them, particularly in corporate securities, tends toward the bullish side of the bond market as a whole. This carries over to a more aggressive seeking of mortgage commitments.

The bullishness in the bond market and the psychology underlying the structure of yields of Treasury securities and other obligations is such that, in absence of steps taken by debt management to meet the situation, the approaching eligibility of Treasury restricted bonds could result in an upward explosion of bond prices and an easing of interest rates more or less across the board. This would appear to be incongruous against the background of a high inflation potential.

Treasury Can Demonstrate Its Attitude on Interest Rates

Therefore, the Treasury faces an opportunity wherein it may demonstrate that its debt management decisions are not based upon an excessive bias toward low interest rates. It may demonstrate that it is no longer wedded to past pronouncements that were based on the erroneous premise that 2½% long-term bonds would continue to be supported at par. The Treasury can offer further tangible evidence that the Federal-Treasury accord holds a permanently constructive meaning, and not one of temporary value.

The combination of conditions in the Treasury security market, and in the economy as a whole, opens up another facet of opportunity. Debt management has emphasized its great sense of caution in Treasury financing decisions. As an issuer of securities and as manager of the largest debt in the world, this conservative attribute is commendable. But it now becomes impelling that the Treasury assert a positive and confident leadership, one that will disabuse the enlarging number of people who believe that the Treasury's cautious deliberations cloak an overruling desire to foster and promote lower interest rates whenever conditions invite a vestige of such a trend.

Investors know that the Treasury, on virtually all occasions including this one, has a comprehensive grasp of the fundamentals at issue, of market conditions and of investor attitudes. If, therefore, the Treasury continues to be overly cautious and if it fails to demonstrate confident leadership — one that bespeaks its knowledge of investors' reactions and of the requirements of the economy, it will miss the outstanding opportunity that is now open to it. The time has come when the Treasury should use its knowledge in a way that will lead investors, instead of following them.

If the Treasury fails to do this it may invite more panicky buying in a Treasury security bond market that lacks any breadth of offerings. Buying of this character leads to general market instability. This would take place, first on the up side of prices and later it would take place on the down side of prices in comparable or greater degree.

It is fortunate, and I trust it is the case, that the Federal no longer feels itself duty bound to attempt to crush out such price spasms. To the extent that the market is thus free to reflect private supply and demand, the quality of Treasury leadership will be demonstrated shortly with increased clarity.

Tasks of Debt Management

The Treasury faces two tasks. First, it must raise cash to finance a seasonal and fiscal year deficit. The only moot element involved is how much money will be needed. All are agreed that the deficit should be met by borrowing from the existing money supply. All are agreed that the Treasury should not add to the money supply by borrowing from the commercial banks, except as this becomes an utterly unavoidable resort.

Second, the Treasury should take all reasonable steps to decrease the large volume of short-term securities held by the commercial banks by refunding some of these, as demand permits, into somewhat long-term obligations. A policy of extending the average maturity of bank-held debt, against the background of an unsupported market for Treasury securities, would be a desirable precaution against any possibility of an excessive bank credit expansion should inflationary pressures be renewed.

In the speech delivered for Secretary Snyder before the Pacific Northwest Conference in Pullman, Washington, last Friday, the Secretary said: "While there appears to be a lull, at present, in inflationary pressures, 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." Obviously, such a statement must cover the refunding of the Treasury's maturing debt as well as its financing of a deficit.

For the moment, however, I want to ignore the financing of the cash needs of the Treasury, because I believe general market conditions are such as to commend the Treasury's consideration of refundings, ahead of substantial cash financing.

For the past six weeks the market has been saying, in all sorts of ways, that it would be receptive to offerings of securities of longer than one-year term. So far, the Treasury has given no reply. It announced an increase in the amount of its weekly offerings of Treasury bills but nothing more. This action with respect to bills has been taken by many as a hint that the Treasury does not wish to sell other than these lowest-cost securities, and the assumption is that such a policy will carry over into its attitude on Treasury refundings.

If the Treasury continues to say nothing over the next few weeks, then we face the possibility that, as restricted bonds become eligible, we could witness a chain of reactions somewhat as follows:

Financial institutions holding very short-term securities would offer these in competition with new short-term deficit securities of similar type. Such offerings would be absorbed in substantial amounts by business corporations that wish to invest their accruals of tax reserves and to temporarily invest the proceeds of new corporate borrowings. Commercial banks would use the funds so obtained to acquire the newly-eligible bonds (those now restricted) and non-bank financial institutions would use the proceeds of the sales of these bonds, and the proceeds from the sale of short-term securities, to buy longer-term Treasury and other securities and to make other investments. In the process the Federal Reserve might find it expedient, although not necessarily desirable, to help out the Treasury's deficit financing and thereby to facilitate the full circle of the transactions I have mentioned.

In other words, if the Treasury appears to be deaf to what the market is saying we could run into an excessive upturn in bond prices, one that would ease interest rates more or less across the board although the economic background continues to be one in which the inflation potential is high and indeterminant.

Some believe, and I am among them, that the Treasury is desirous of demonstrating that its interest is in sound debt management and not in the creation of a bull market in Treasury securities and decreasing rates of interest. Those who subscribe to this view hold, therefore, that additonal offerings of intermediate and long-term bonds will be made. If this view is valid some offerings should be imminent and they might appear first in connection with Treasury refundings. For example, the Treasury must refund about $5¼ billion of certificates that mature on July 1. Normally, the refunding announcement would be expected in June.

But, last February, when faced with a similar situation, the Treasury wisely elected to undertake an advance refunding. It thereby relieved itself, and the Federal, from the necessity of handling a major financing during a month of quarterly income tax payments. It seems reasonable to expect that the Treasury would follow the pattern it set in February, and that an advance refunding might be expected in May. The question is whether the refunding offering, when it takes place, will consist of another certificate, whether this will bear a 1¾% or 1⅞% coupon, and whether the offering might take the form of a bond, that is, a refunding that would be designed to reduce short-term bank holdings without the repercussions of commercial bank buying of bonds in a relatively thin market.

But, last February, the Treasury also undertook what then was an innovation. It made a test offering of an intermediate bond, the 2⅜s 1957-79, then of 5-7 year term. At that time, the offering was a failure. It attracted public acceptance on the part of holders of the maturing certificates of only 50%. Yet today, fortified by a change in psychology, and a scarcity of market supply, this issue is selling at 101½.

Question: Will the Treasury follow up its test offering of last February by making an additional offering of that bond to the holders of the certificates that mature on July 1 and which may be refunded in May?

Obviously, any such exchange offering would have an important bearing on the near-term trend of bond prices. I don't know what the Treasury will decide.

Treasury Should Not Delay Refunding

Some people, a minority of which I also am a member, believe the Treasury should not wait until mid-May to announce any such decision. Within the past six weeks the Treasury security market has moved up substantially in price on relatively narrow buying. Whether the broad and general demand evidenced for corporate securities has been the tail wagging the dog, namely, the Treasury security market, or vice-versa is a separate question. But if the Treasury were to prolong the uncertainty that exists as to its debt-management policies, the result would be to introduce an increasing and undesirable element of speculation as to the likelihood of a further and substantial price advance.

Therefore some have suggested that the Treasury announce immediately a voluntary exchange, one whereby the holders of the 2s September 1952-53 might exchange them for additional 2⅜s, 1957/59. If the exchange offering of these bonds were attractively priced, a large volume of voluntary exchanges would follow, and in such a case the July maturity of certificates might be refunded with a new certificate.

You no doubt are wondering whether I have in mind that an additional offering of the 2⅜s bonds should be at 100 when the outstandings command a price of 101½. No, I would not expect the offering to be 100, but I also have no idea what the offering price should be except that it should be decided by the market.

This brings me to a phase of Treasury financing which, I believe

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*An address by Mr. Lanston before the Business Administration Conference of the University of Buffalo, Buffalo, N. Y., April 17, 1952.

The State of Trade and Industry

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

Notwithstanding the sharp recovery in steel ingot production last week, total industrial output for the country continued to fall for the third consecutive week and was a trifle under the level of a year ago. Machine-tool, metalworking and chemical plants held quite active, while textile mills continued at reduced levels.

Claims for unemployment insurance benefits continued to be noticeably higher than a year before. According to the Bureau of Labor Statistics, non-farm employment in March held at the February level of 45,900,000. Except in 1949, this was the only instance since World War II in which non-farm jobs in March failed to score a seasonal gain over February. Employment cutbacks last month in retail trade and consumer goods manufacturing industries offset increased hiring by durable goods producers, the bureau stated.

This week the steel market looks tighter than it has for a good many weeks, according to a survey made by "The Iron Age" of major industrial areas throughout the country. The main reasons, it states, are that when all losses are added up it will be found that the recent shutdown cost the industry close to a million tons of steel production; that these losses came at the same time restrictions on consumer demand were being eased, and that Spring has brought a little brighter business outlook to many steel consumers. Most signs, it adds, point to generally good steel business through the third quarter.

But soft spots, which started showing up late last year and turned into hardship for small and nonintegrated steel producers during the first quarter, it points out, are still plainly visible. Despite the threat of a steel strike, some of these producers were not able to book substantially beyond May.

One of the most radical changes in the steel market has taken place in the Detroit area, "The Iron Age" notes. Spring selling and bigger production quotas have caused auto makers to turn rambunctious again. Their quotas are bigger, they are taking all they are allowed, and they would boost their orders if they could get the necessary tickets.

Pittsburgh producers, who stand to lose most by f.o.b. selling in an easy market, says this trade authority, are more optimistic over the market than they have been for a number of weeks. Even some specialty and stainless producers, though gloomy over a sour first quarter, see some prospect of better times ahead. The sheet market is tighter with peak demand for line pipe and oil country goods continuing. There is no sign that these products will turn easier within the foreseeable future.

Heavy plates and structurals are still very hard to get, it declares, though demand for silicon steel continues poor.

The generally brighter sales outlook of the steel industry is slight balm for the wounds it is receiving from Washington. Having no say on wages and prices in their own industry, steel people must stand by and take—with protest—what is dealt them, continues "The Iron Age."

Secretary of Commerce Sawyer is expected to impose the 12½c. an hour straight-time increase and 5c. fringe recommended by the Wage Stabilization Board, effective Jan. 1, 1952. The only thing that stands in the way of this arbitrary compulsion is a more drastic move by President Truman—or a sudden strike by steelworkers, this trade journal asserts.

Mr. Sawyer is expected to drag his feet on the question of union shop and imposition of the 2½c. for July 1, 1952, the 2½c. for Jan. 1, 1953, and the Sunday as such fringe (3½c.) set for Jan. 1, 1953. Steel prices are still expected to go up $5 or $5.50 a ton if Mr. Truman approves what his lieutenants believe is fair treatment, concludes "The Iron Age."

Auto production last week was about the same as last—reflecting an increase of only 1%.

General Motors plants assembled 1,300 more units last week than in the preceding one—the best showing since last September for General Motors divisions. But output losses, due to labor disputes at DeSoto and flood-water conditions at Ford's Twin City plant, kept the industry total close to the figure for last week, "Ward's Automotive Reports" states.

Saturday overtime remains ruled out in the industry's operations, according to the above agency.

Walkouts at DeSoto limited this Chrysler division's production to half-day operations on both Monday and Thursday of the past week. On Friday, assembly lines were halted after two hours by another walkout.

The agency said the industry is aiming at a total production

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The Moscow Conference: A Continuing Threat

By A. WILFRED MAY

Correspondent at the International Economic Conference warns it is the opening gun in long-term offensive. Cites evidence of Kremlin's domination of this Conference medium, despite the carefully-nurtured fiction of independence. Terming the determination of our government's and business leaders' choice of attitude extremely important, he reports that parley's proceedings substantiated our policy of encouraging abstention, as the better of two unsatisfactory alternatives.

NOTE — This article is the second in a series on the International Economic Conference held in Moscow. It was written by Mr. May during his airplane flight home from the Soviet Union. Mr. May was the only non-resident anti-Communist correspondent covering the Conference.

Mr. May secured a Russian visa and correspondent's credentials after learning that the State Department had no objection to his attendance as a journalist.

For the proper perspective on the International Economic Conference just concluded in Moscow, one must realize that it was merely the first grand act in a permanent and continuing long-term offensive in the economic field.

A. Wilfred May

There were two preludes, in the form of the first session of the World Peace Council on Organizational Questions and the Expansion of the Peace Movement, held in Berlin in February, 1951; and the subsequent meeting of the World Peace Council in Helsinki in July, 1951—the Soviet-sponsored World Peace Council being the top Communist front-organization devoted to the dissemination of fraudulent "peace" propaganda.

The Berlin meeting at its session passed the following relevant resolution: ". . . The World Peace Council resolves to call in the Soviet Union in the summer of 1951 an international economic conference — of economists, technicians, industrialists, merchants and trade union leaders of all countries, to restore economic connections and to raise the standard of living of the peoples.

"The agenda of the conference will be: (a) The possibilities of improving the living conditions of the peoples in the mid-20th century on the condition of the preservation of peace. (b) The possibilities of improving the economic ties between countries. . . ."

The World Peace Council's relevant resolution passed at Helsinki, at somewhat greater length and in greater detail, also specifically called for an economic conference, the preparations, including an agenda, as they actually did follow, to be completed by an "International Initiative Committee."

The Present Program

Now, as an epilogue to this "first conference, thorough preparations have been made and agreed on for establishing a permanent machinery for the Conference-device's continuance. To satisfy the "Public Relations" attitude, the permanent secretariat will be established in a city of the West, the farther West the better. In fact, in order to further the fiction of non-Communist direction, the Secretary General told me they will be making efforts, or at least gestures, to hold the next Conference in the United States.

The Fiction of Soviet Independence

This representation of segregation of the Conference machinery from Soviet domination, or even influence, is persistently pursued. This right-hand-not-knowing-what-the-left-hand-is doing status was insisted on at every possible turn starting from the Soviet Embassy's visa-granting department in Washington. In interviewing Conference Chairman Oskar Lange on my arrival in Moscow as to the origins of the parley, he considered this conventional inquiry as a "needle," quite curtly reacting with the answer that it had come about merely from the worldwide desire to "normalize" trade. It will be remembered that Mr. Lange, a former University of Chicago professor, was the satellite Polish Government's representative on the Security Council during the early UN days; accompanying Mr. Gromyko on his famed walkout at Hunter College March 28, 1946.

To the impartial inquirer, the hypocrisy of the Moscow-Conference claims of independence from the Kremlin should have been obvious. For example, whereas it was insisted that the host was the nongovernmental Soviet Preparatory Committee, made up of the Soviet Chamber of Commerce, the Trade Union Movement, the Academy of Science, the Cooperatives, and Industrial plants—on our chamber of commerce model; nevertheless, significantly, the farewelling speakers at the final plenary session wholeheartedly and with fulsome praise extended their thanks to the City of Moscow and the Soviet Government as "the hosts." And no answer was forthcoming as to where private organizations could have provided the copious funds for the vast expenses incurred.

Again, a clear indication of the real affiliation of the Soviet Government with the Conference's management is to be drawn from the Secretary General's statement, proudly made to me, that no one on the Preparatory Commission's participant invitation list had been refused a visa by the Soviet Government. This in the face of the usual difficulties in visa-securing by other foreigners, including all the American newspapermen to whom they were refused.

This right-hand-independent-from-the-left show was characterized to me by a Russian as analogous to attempting a disclaimer of the connection of Mr. Truman as President with Mr. Truman as a member of the Democratic Party.

Not an Isolated Incident

The fact that the Conference in Moscow was not a "one-shot" incident, but rather the big kick-off in a continuing peace offensive of the German unification offer type, increases the necessity for considering it seriously—rather than merely laughing it off, as too many of us were at first inclined to do in reacting to the Kremlin's recent German maneuver.

Our Permanent Attitude Must Be Weighed

This must include weighing of the proper attitude to be permanently taken toward such economic parley-ing by our State Department and our business leaders. In my opinion, an important victory has been scored by the Soviet through this Conference device by putting us in the hole "public relations-wise" with that considerable number of people in the world that are still not rigidly tied to either East or West. Unfortunately, this is the other side of the medal to the sound arguments for taking an abstaining attitude. Our policy afforded the opportunity for persistent castigation of our Secretary of State and industry spokesmen for their alleged evidencing of obvious prejudice by their critical characterizations and expectations *prior*

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Stock Answers for Savings Banks

By IRA U. COBLEIGH

Author of "Expanding Your Income"

A new look at mutual savings portfolios in light of recent legislation.

Last week, on April 15 to be exact, Governor Dewey signed into law a bill permitting for the first time in history, savings banks in New York State to invest up to 5% of their deposits (or 50% of surplus—whichever is less) in properly qualified equity securities. This was important, and vault shaking, yet it caught far less press notices than are usually accorded when a small time hold-up hoodlum is judge-propelled "up the river" to Sing Sing. Just why this new law should go so unobserved and so unsung baffles me—since here we have another milestone, another highwater mark in the forward march of equity securities into the fabric of conservative investment practice. Fire insurance companies have been stock buyers for years—more recently life insurance companies, "prudent man" trustees and now the savings banks in the Empire State.

Ira U. Cobleigh

Actually, New York is no pioneer in this field, all of the New England states having had an "equity" law for some years. Of the 17 states with mutual savings banks, New York is now the 11th where savings banks can be considered to have the power to hold equity securities. But, as they say at Ebbets Field, "leave us face it." Even with all those states empowered to acquire stocks, actual purchases have been meager, to say the least. To illustrate, at the 1950 year-end equity investments totaled only 8/10 of 1% of the combined assets of savings banks in these 17 states. The actual total of stocks held was (as of 12/31/50) $178,600,000, and of that figure, $135,800,000 was the value of commercial bank stocks held in portfolio in the savings banks of just two states—Massachusetts and Connecticut.

Thus it is easy to observe that, even with a clear legal green light, the rush of savings bankers into equities has been something less than headlong; and with all the classes and types of stock available in the market, bank shares have comprised, so far, over 75% of all purchases.

Well, where does that leave us in New York State, where our nice shiny new law does not even permit bank stock purchase? Obviously, we're in for some real pioneer work in portfolio management here, at least till this law is liberalized to include bank stocks. What will be the primary direction of stock purchase? Will it be centered around prime commons, like American Gas and Electric, Boston Edison, American Tel. and Tel., Atchison, Union Pacific, Allied Chemical, General Electric, General Motors, Procter and Gamble and the Standard Oils of California, Indiana and New Jersey? All of these ermine equities appear to qualify, yet the odds are that not a single one of these issues may be purchased in quantity this year by New York savings banks. Acquisition of shares of this sort may well be deferred for three principal reasons: (1) important and informed conservative financial opinion in a number of banking houses holds that stock prices are too high for attractive current purchase; (2) there is some prospect of common dividend reductions due principally to higher taxes in 1952, and (3) safety and uniform regularity of dividends will be the first things sought by savings bankers. After all, it must be recognized that institutional portfolio purchase for safety, marketability and yield takes no account of, and properly should not share, the yearning, so common among private investors, for a vista of capital gain. Once you remove the yen for appreciation and substitute for it a determination to insulate against erosion in market value, you logically steer into the field that will no doubt first attract the savings bank equity dollar—quality preferreds. This security type appears uniquely to offer a useful vehicle to bridge the gap for our thrift merchants, between legal bonds and common stocks.

The prime preferred actually resembles a good bond with its regular stated income; and market action tending to follow money rates more than variations in corporate earnings. Moreover, the preferreds of a number of corporations appear on their balance sheets in the traditional position of bonds—as the senior security. On inspection a number of preferreds are found to be of higher quality than a whole lot of bonds—items like Eastman Kodak preferred which earns its dividend a hundred and ten times over. And for some time now, where a top-rung company like, say, Union Pacific, has both bonds and preferred outstanding, there has consistently been a yield advantage of 1% to 1¼% in favor of preferreds. This yield improvement will be the big inducement propelling savings banks into equities in general and preferreds in particular.

So now we've picked up the law, pawed it over a little, and come up with a custom-built item for the savings banks to get to work on—preferreds. We've settled on strategy—what about tactics?

Well, good preferreds fall into two classes for our purposes—the non-callable and the redeemable, particularly by sinking fund. As will be indicated in the table below, some of the most elegant preferreds are non-callable, but, quality aside, purchase in that group often involves a high premium price, dealing in a thin market (on both sides), and offers little market value defense if money rates get softer. Thus, though perhaps the Tiffany preferreds are the non-callables, the desire to prevent too wide price swings suggests inspection of the sinking fund issues where, even if general market bids fade away, company purchase will consistently serve as a sort of junior model market Gibraltar. Thus, it seems to me especial attention should be given not only to the high factors of solvency and earning power in particular companies, but to the amount of back spin (in the direction of the company treasury) built into each sinking fund provision. Just to start the ball rolling, you'll see listed below four preferreds of each type which definitely qualify.

These are values selected from today's market. They by no means constitute a complete list, but are offered as an introduction to analysis of values in this investment area. As a matter of fact, some of these will deserve consideration of individual investors who seek presently some defensive values in their portfolios.

In conclusion, the big points about New York's new equity law are (1) the vision and determination of the compound interest boys in getting it passed against sturdy opposition; and (2) the magnitude of the new investment demand for equities thus opened up. Right at this moment savings bank deposits in New York total over $12.3 billion. By a perfectly dazzling computation, I thus conclude that 5% of this equals $615 million—the maximum conceivable amount that might wend its way into the stock market. Of course, only a thin slice of all this dough will get there. No stampede is at all likely. But as time, and experience in this new field, operate, 130 new institutional stockholders in America may appear—the New York Savings Banks; and stocks may be the answer to some of their investment problems.

Non-Callable Preferreds

	Rate	Current Price	Yield About
Eastman Kodak	6%	162½	3.71%
Ingersoll Rand	6%	160	3.75
Union Pacific	4%	49	4.10
Virginian Railway	6%	30	5.10

Sinking Fund Preferreds

	Rate	Current Price	Yield About
Container Corp.	$4.	103	3.85%
Caterpillar Tractor	$4.20	104	4.00
M. A. Hanna Co.	$4.25	105	4.00
New York State Elec. & Gas	4½%	93½	4.90

The Investment Public Is Clearly Afraid

By BRADBURY K. THURLOW

Partner, Talmage & Co.

Members, New York Stock Exchange

Commenting on emotional climate of stock market, Mr. Thurlow says public is clearly afraid of such uncertainties as deflation and inflation, controls and depression, peace and war, taxes and capital losses. Holds change of sentiment could produce extraordinary stock market boom, surpassing anything witnessed since 'Twenties.

We are not in the habit of expressing ourselves on political issues and still less of supporting public statements made by the country's first lady, Mrs. Franklin D. Roosevelt, but in our opinion her simple statement, "I am tired of being afraid," made April 14 before the United Nations Assembly, speaks volumes on the present mental state of the nation. Although one must always be objective in dealing with the subject of security values, it cannot be denied that the emotional climate in which market prices are established determines almost exclusively what those prices will be from one day or even one week to the next.

B. K. Thurlow

The investing public is clearly afraid—afraid of deflation and inflation, controls and depression, peace and war, taxes, capital losses and even the effects of fear itself. Its actions for almost six years have been primarily motivated by such fears and the stock market has recently undergone yet another minor liquidating movement, based on uncertainties in the business outlook and pessimism over the open antagonism being shown toward industry by a vindictive and disillusioned lame duck government in its final gasps of life.

Emotional conditions, however, often change quickly and without notice. There are increasing signs that Mrs. Roosevelt is not the only one who is "tired of being afraid."

The political environment has become fluid for the first time in years, and we observe a rapidly growing mass tendency to abandon cares and responsibilities to the shoulders of a strong leader who can reestablish confidence in the future. The uncertainties of the postwar period have unquestionably produced a longing for security which may well find satisfaction in a national hero whose abilities are unquestioned. Whether this trend should be viewed with joy or horror is immaterial from an investment viewpoint. The important fact is that the trend unmistakably exists, that its effect may be as dynamic on investment thinking as on politics, and that its correct and timely diagnosis may be the cornerstone of fortunes. For the longer term, who knows? It was not practical to worry in 1927 what was going to be the aftermath of 1929, but it could have been quite profitable to understand the psychological pattern which was then developing.

Looking at the situation statistically, it is clear that the market prices of a vast majority of issues have long been determined by transactions in a minute percentage of the total number of shares outstanding. With discriminatory taxes killing virtually all incentive to buy or sell securities for short-term profits, most stocks are bought today for several years' holding and locked up. It stands to reason then that any panicky collapse in stock prices can steam only from widespread expectations of a severe business depression and materially lower price levels lasting a considerable length of time. On the other hand a general revival of confidence cannot fail to disclose that any large amount of new money seeking investment in securities which are now widely held in long-term investment accounts is not going to encounter more than a token amount of these issues, except at prices which represent a maximum appraisal of future prospects. Ample emotional reasons for selling stocks have been aired during the past 15 months to make further supply around present price levels nominal in the event of a change in sentiment.

Viewed objectively in this manner, it is not difficult to recognize that we could be on the threshold of an extraordinary boom in the stock market surpassing anything witnessed since the 'Twenties. The fuel for such a conflagration already exists. Even the intense pessimism expressed today over the outlook for such industries as the steels and certain non-ferrous metals may be like the final drawing back of the springs before the catapult is released. For these two groups are perhaps one of the safest investments under today's conditions and, with any restoration of confidence, should quickly be recognized as selling at ridiculously low prices by any objective standard of value. Now that the basis for a general restoration of confidence is becoming clearly visible, it might be well to bear in mind that those who hope to anticipate the crowd must be nimble to avoid being caught if the crowd suddenly reverses itself.

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Wage Stabilization and Emergency Disputes

By SUMNER H. SLICHTER*
Lamont University Professor, Harvard University

Dr. Slichter, in calling attention to efforts at wage stabilization and accompanying problem of dealing with labor crippling disputes, reviews steel wage controversy and some aspects of the recent Wage Board decision. Holds main issue in steel case is not merit of the decision, but the process by which it was made, which he contends was inappropriate for administration of wage stabilization. Points out discriminatory differences between wage stabilization and price stabilization policies, wherein wages are linked to rise in prices, whereas prices are not linked to higher wage costs. Calls for legal procedure in dealing with labor disputes that create emergencies.

I

The most appropriate topics for discussion today before a group concerned with industrial relations are (1) the attempt of the government during the last year to develop a wage stabilization program and (2) the appropriate policies for dealing with disputes which are regarded as creating public emergencies. These are the two most important current issues in the field of industrial relations, and they raise issues of lasting rather than merely passing interest.

Prof. S. H. Slichter

The wage stabilization arrangements of the government met their greatest test in the recent steel case. A strike has been avoided, but the results are far from satisfactory. The recommendations of the Board represent an estimated increase in direct labor costs (exclusive of indirect effects on social security costs) of around 19 cents per hour in 1952 (13.75 in general hourly wages and 5.1 to 5.4 cents in fringe benefits), and 6.0 cents more (2.5 cents in a general wage increase, and 3.5 cents in additional fringe benefits) in 1953. The recommendations are greater than the 16-cent wage increase negotiated by the union and the steel companies in the fall of 1950, when the cost of living was rapidly rising and was expected to continue to rise substantially. In fact, the recommended advance is larger than any increase ever granted in the steel industry.

The part of the recommended increase that would take effect on Jan. 1, 1952 (12.5 cents an hour) would give the steel workers total wage increases since early in 1945 of 75 cents an hour in comparison with increases of less than 70 cents for the automobile workers in the same period and a rise of about 60 cents in the hourly earnings of all factory workers. The total wage increases received by the steel workers (including 12.5 cents on Jan. 1, 1952), however, would be less than the gain since early 1946 in the hourly earnings of coal miners, construction workers, or railroad workers. If workers in general were given the same percentage as the Board recommends for the steel workers, total payrolls would be raised by about $19 billion a year at a time when no large rise in the output of consumer goods is feasible.

The record-breaking increases proposed by the Board are defended by both Mr. Truman and the public members of the Wage Stabilization Board as "in accord with sound stabilization policies." On the other hand, the recommendations of the Board have led Senator George to charge that the public members of the Board are biased — although these men are well-known and experienced arbitrators with excellent reputations. The steel case raises important issues of government administrative procedure. It also brings into question the relationship between the principles used in stabilizing wages and those used in regulating prices. Is there unfair discrimination in the wage-price stabilization policies of the government? Are the rules that apply to the prices very different from those that apply to wages?

Even more important than the wage and price stabilization issues raised by the steel case is the question of what policies should be pursued in dealing with strikes or lockouts that would create public emergencies. The steel case presents this issue in acute form because it has led the President to sieze the steel mills without clear authority. Indeed, it has led the President to claim broader and vaguer powers for his office than have ever been claimed before in time of peace.

But the steel case is only one of several which raises the question of public policy with respect to so-called emergency disputes. The practice of calling strikes that would imperil the public health or safety or would inflict disastrous economic loss on the country has become rather common during the last six years. Three times during this period (in May 1946, in May 1948, and in August 1950) the government seized the railroads in order to prevent a nationwide railroad stoppage. The seizure of August, 1950, is still in effect. Seizure of the railroads is based upon authority given by amendment to the Army Appropriations Act of 1916. This authority of the President is available only in time of war, and the country is still nominally at war. The record in the steel industry and the railroad industry and the prospect that the defense emergency will last for some years, indicate that the country needs to work out well-considered arrangements for handling disputes that imperil public health or safety or threaten economic disaster.

Let us first consider some of the issues raised by the steel case and then examine the problem of handling disputes that create national emergencies.

II

The main issue in the steel case is, not the merit of the decision, but the process by which the decision was made. Nevertheless, it is desirable to examine briefly some aspects of the decision. The Board and the President say that the recommendations are in conformity with the wage stabilization policies of the Board. But recommendations may be in conformity with the Board's stabilization policies and still be unstabilizing. The reason is that the rules of the Board set no effective limit to the payroll increases that may be allowed.

The Board's rules permit general wage increases of 10% above the rates in effect in January, 1950, plus cost-of-living adjustments for increases in the consumer price index since Jan. 15, 1951. This rule is qualified to permit the Board to allow still greater cost-of-living increases in exceptional cases—as the Board did in the steel case. In addition, the Board permits various kinds of fringe concessions without counting them as part of the basic (10% plus cost-of-living) allowance provided each of the resulting fringe benefits does not exceed prevailing industry or area practice. Health and welfare plans may be adopted or liberalized provided the benefits do not exceed certain standards set by the Board and there are virtually no restrictions on the adoption or liberalizing of pension plans. But the Board sets no limit on the total package of fringe benefits that are allowable. Hence, an indefinitely large number of fringe benefits may be permitted provided no one of them sets new patterns.

A few fringe benefits, such as pensions, are deflationary, but most others, such as health and welfare plans, shift differentials, holidays with pay, are just as inflationary (with respect to both costs and demand) as are general wage increases. By proposing a number of liberal fringe concessions that set no new patterns, the Board could recommend record-breaking improvements for the steel workers and still maintain that its wage stabilization policies were not being violated.

The rule that certain fringe benefits need not be counted against the basic wage allowance provided they do not exceed prevailing industry or area practice has been liberally interpreted by the Board. The Board does not strictly interpret "prevailing industry or area practice" to mean the average for the industry or the area. In the steel case the Board allowed fringe benefits which exceeded the average conditions enjoyed by most employees but which were not "out of line with practices prevailing in many areas of the economy."

The principal weaknesses in the Wage Stabilization Board's recommendations in the steel case are (1) the failure of the Board to use the usual base date (Jan. 15, 1951) in computing the allowable cost-of-living increase; (2) the ignoring of the fact that the steel workers in 1947 obtained a higher wage increase than other workers (automobile, rubber, and electrical workers, for example) in lieu of holidays with pay; and (3) the conclusion of the Board that penalty rates of pay for Sunday work as such does not set a new pattern for workers in continuous process industries.

If the Board had based the cost-of-living increase on the usual date of Jan. 15, 1951, the increase would have been about 9.0 cents instead of the 12.5 cents allowed. The purpose of the Board in allowing departures from the usual base date in computing the cost-of-living allowance is to take care of the "exceptional" cases of workers whose wages for one reason or another were out of line either in January, 1950 or at a later date. This reason does not apply to the steel workers. After the wage increase negotiated by the union in the fall of 1950, the Wage Policy Committee of the union unanimously adopted a resolution congratulating President Murray for his leadership "under which wages and working conditions of Steelworkers have advanced to the point where Steelworkers now stand in the forefront of American industrial workers."[1]

It is not clear what date was used by the Board in computing the cost-of-living allowance, but the failure of the Board to adopt the usual date seems to have been influenced by the desire to restore the purchasing power of steel wages at the time of the last increase namely Dec. 1, 1950. This is suggested by the remarks of Mr. Feinsinger, the Chairman of the Board, in his separate statement released at the time of the Board's recommendations. The reason that a wage increase in the steel industry took effect on Dec. 1, 1950 rather than on Jan. 1, 1951, the date provided in the steel contracts, was that the steel corporations waived their rights under their contracts, opened negotiations more than a month earlier than their contracts required, and put the wage increase into effect a month earlier than their contracts required. These circumstances do not support a case for a departure from the general rules of the Board in computing the cost-of-living adjustment. If the departure was made to maintain the purchasing power of the wages of December, 1950 rather than of January, 1951, the companies are being penalized in 1952 for having been liberal in 1950. In any event, the departure from the standard practice in estimating the cost-of-living allowance constitutes either preferential treatment of the steel workers or a change in the Board's basic wage policy—that

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*A talk by Dr. Slichter before the Industrial Relations Association of Philadelphia, April 22, 1952.

1 Steel Labor, December, 1950.

Dealer-Broker Investment Recommendations & Literature

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

California Names—Their history and meaning—Brochure—American Trust Co., 464 California Street, San Francisco 4, Calif.

Canadian Oil and Gas—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif. Also available is an analysis of **Federated Petroleums, Ltd.**, and brief bulletins on **Kaiser Steel Corp., Natural Gas and Oil Corp., Tennessee Gas Transmission** and **Time, Inc.**

Common Stocks Believed Eligible for Savings Banks—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Electric Equipment—Bulletin with special reference to **General Electric** and **Westinghouse Electric**—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Freight Rate Increase—Analysis—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Governments—Analysis in current issue of "Portfolio Management"—Blair, Rollins & Co., Inc., 44 Wall Street, New York 5, N. Y. In the same issue are brief analyses of **Municipals** and **Corporate** bonds.

Insurance Stocks—1952 edition containing data for 56 capital stock fire and casualty companies—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Is the Bull Market Over—Leaflet—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

New York City Bank Stocks—Comparison and analysis of 17 stocks for first quarter of 1952—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Oil Industry—Data—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y. In the same bulletin is a brief analysis of **Sinclair Oil Corp., American Machine & Metals, United Merchants & Manufacturers** and a list of **High Yielding Stocks.**

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

Railroad Preferred Stocks—Bulletin—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Soft Drink Industry—Analysis with special reference to the **Coca-Cola Co.** and the **Pepsi-Cola Co.**—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Tokyo Stock Quotations—Quotation of major stocks—Nomura Securities Co., Ltd., 1-1 Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

* * *

American-Marietta Co.—Analysis—R. M. Horner & Co., 52 Broadway, New York 4, N. Y.

Bank of America—New graphically illustrated circular—First California Co., 300 Montgomery Street, San Francisco 20, Calif.

Central Illinois Public Service Co.—Memorandum—Barnes, Bodell & Goodwin, 257 Church Street, New Haven 10, Conn. Also available is a memorandum on **Rockwell Manufacturing Co.**

Central Public Utility Corp., Inc.—Study—F. S. Yantis & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

Continental Can—Review—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Continental Sulphur & Phosphate Corp.—Analysis—Beer & Co., Gulf States Building, Dallas 1, Tex.

El Paso Electric Power Company—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Equitable Life Assurance Society of the United States—Report for 1951—Equitable Life Assurance Society of the United States, 393 Seventh Avenue, New York 1, N. Y.

Federal and State Stock Original Issue and Transfer Tax Rates—Free booklet—Registrar and Transfer Co., 50 Church Street, New York 7, N. Y.

Food Machinery and Chemical Corp.—Review—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Haskelite Manufacturing Corp.—Analysis—First Securities Corp., 1520 Locust Street, Philadelphia 2, Pa.

Hudson's Bay Co.—Data—Kippen & Co., Inc., 607 St. James Street, West, Montreal, Que., Canada.

Hudson's Bay Co.—Memorandum—Albert de Jong & Co., 37 Wall Street, New York 5, N. Y.

International Bank for Reconstruction and Development—Brochure—The First Boston Corp., 100 Broadway, New York 5, N. Y.

International Harvester Co.—Analysis—Central Republic Co., 209 South La Salle Street, Chicago 3, Ill.

Johns-Manville Corp.—Review—James Richardson & Sons, 173 Portage Avenue, Winnipeg, Man., Canada, and Royal Bank Building, Toronto, Ont., Canada.

Missouri Research Laboratories, Inc.—Analysis—Morfeld, Moss and Hartnett, 721 Olive Street, St. Louis 1, Mo.

Mountain Fuel Supply Co.—Bulletin—Brush, Slocumb & Co., 1 Montgomery Street, San Francisco 4, Calif.

National Homes Corp.—Memorandum—Shields & Co., 14 Wall Street, New York 5, N. Y.

New York Bank and Trust Cos.—Comparative figures as of March 31, 1952—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Pullman—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

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

Robertshaw-Fulton Controls Co.—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y. Also available is a bulletin on the **Thew Shovel Co.**

Standard Railway Equipment Manufacturing Co.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **White Eagle Oil Co.**

Trans Empire Oils Ltd.—Annual report and a copy of the latest progress report—Trans Empire Oils, Ltd., 627 Eighth Avenue West, Calgary, Alta., Canada.

Union Twist Drill—Data—Raymond & Co., 148 State Street, Boston 9, Mass.

COMING EVENTS

In Investment Field

April 24, 1952 (New York City)
Association of Specialists (New York Stock Exchange) first annual dinner at the Hotel Biltmore.

April 24, 1952 (Boston, Mass.)
Boston Investment Club dinner meeting at the Boston Yacht Club.

April 25, 1952 (Philadelphia, Pa.)
Eastern Pennsylvania Group of Investment Bankers Association third annual conference at the Bellevue-Stratford Hotel.

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.

May 16, 1952 (Baltimore, Md.)
Baltimore Security Traders Association 17th annual summer outing at the Country Club of Maryland.

May 19-21 (Richmond, Va.)
Association of Stock Exchange Firms Board of Governors Spring Meeting.

June 6, 1952 (Chicago, Ill.)
Bond Club of Chicago field day at the Knollwood Country Club in Lake Forest.

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

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 (New York City)
Municipal Bond Club of New York annual outing at the Westchester Country Club and Beach Club, Rye, N. Y.

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.

June 27-29, 1952 (Coronado, Cal.)
Security Traders Association of Los Angeles annual spring outing at the Hotel del Coronado.

June 28, 1952 (Chicago, Ill.)
Bond Traders Club of Chicago summer party at the Langford Links.

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

Oct. 6, 1952 (Los Angeles, Calif.)
Association of Stock Exchange Firms Board of Governors Fall meeting in Los Angeles and San Francisco.

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.

Kidder, Peabody Group Offers Gen. Gas Stock

Kidder, Peabody & Co. heads an investment group which is offering publicly today (April 24) 120,000 shares of General Gas Corp. common stock at a price of $9.375 per share.

The company, the second largest retailer of liquefied petroleum gas in the United States, plans to apply most of the proceeds of the sale to reduce bank loans, to help finance the sale of tanks and gas appliances to both dealers and consumers, as well as to finance the conversion of trucks and farm vehicles to LP-Gas usage. Prior to the stock sale, the company will have acquired through an exchange of stock 100% ownership of its affiliate, Delta Tank Manufacturing Co., Inc., the country's largest manufacturer of LP-Gas tanks. Funds for financing dealer tank sales will be advanced to or invested in Delta by the company.

General Gas serves 75,000 domestic, industrial and commercial customers in Louisiana and western Mississippi. Use of LP-Gas as a fuel for internal combustion engines has been showing marked increases in the past few years—a development which has stimulated the company's over-all sales and enabled it to balance to a great extent the peak heating loads during the winter. Delta's products—tanks, gas cylinders and vehicle fuel tanks—are sold exclusively at the wholesale level over a 26-state area.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Emmett J. Necas is with Paine, Webber, Jackson & Curtis, 209 South La Salle Street.

With R. R. Underwood

(Special to THE FINANCIAL CHRONICLE)

MONROE, La. — G. H. Larson has joined the staff of R. R. Underwood, 245 South Grand Street.

With Draper, Sears & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Peter deLacy-Bourke has joined the staff of Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges.

Direct Placement of Corporation Loans—A Logical Development

By OLIVER M. WHIPPLE and STUART F. SILLOWAY*
Vice-Presidents, Mutual Life Insurance Company of New York

Asserting corporations favor direct negotiations of loans when they are free to choose their financing methods, insurance company officials cite growth of direct placements in recent years. Point out direct placement is logical developmen of wholesale security market, and stress its initiative is always with borrower. Sees place for investment banking firms in giving technical advice to corporations and by assisting in presentation of facts to institutional lenders. Hold free enterprise system for financing industrial concerns should not be hampered by artificial restraint, and suggest requirements of SEC Acts should be restudied.

It is somewhat surprising to note the interest in the subject of direct placement of security issues because the practice has be-

Oliver M. Whipple Stuart F. Silloway

come quite commonplace, because it has arisen as the logical development of a sequence of natural events, and further because it is applicable only to industrial companies due to the competitive bidding requirements for most utilities and rails.

The process of direct dealing seems to be merely the manifestation of a perfectly natural tendency for two parties to discuss a transaction which they believe will be to the benefit of each, a tendency which will endure so long as the two parties are permitted to deal with one another on a free enterprise basis.

The development of this process in the field of corporate finance during the past two decades has been the object of considerable attention, perhaps more than it deserves.

Some observers of this development are inclined to begin their consideration of the subject with the assumption that direct placement of securities while not unheard of prior thereto had its genesis in the Securities Act of 1933 which required that securities which are offered, sold or delivered through the mails or in interstate commerce be registered with the Securities and Exchange Commission. This excellent statute may have been a contributing factor, but other financial forces were present in the early 1930's which would have brought it into being in any event.

The very atmosphere of the capital markets at that time was not conducive to business as usual on very favorable terms or in many instances on any terms at all. Many individual investors, probably all except the most hardy professionals, were badly shaken as a result of the boxing lesson administered to them in the 1929-1933 period, and many investment bankers were not ready to risk freely their capital in underwriting any except very attractive offerings, and then only for limited sums and on terms which offered liberal reward. Commercial banks were operating with great caution and restraint to make well secured short-term loans consistent with the haunting memories of the recent past. Savings deposits had behaved during this period in such a manner as to eliminate these institutions as a major source of long-term funds. The investment trust was then a comparative newcomer, and the now very robust and rapidly growing pension funds were of very minor importance.

As prejudiced as I am for the great institution of life insurance, I must quickly and humbly confess that even its appetite for investments became decidedly jaded by the surrenders, lapses and policy borrowings that were characteristic of the years 1931-1933, inclusive. A life insurance company, however, is quite a unique financial institution and by its very nature has certain elements of great stability. The experience during those dark years showed that people made great sacrifices to maintain their life insurance in force. For example, in my own company we did not have a single year in which our cash income failed to exceed all withdrawals. In both 1931 and 1933, a substantial amount of net cash was generated for investment, and by 1934 the total so available was about $64 million and our security portfolio increased by over $50 million in that year. This performance was characteristic of the life insurance industry as a whole which had net incomes in each of the years 1931-1933, inclusive, in excess of all operating expenses and disbursements in connection with all policy contracts, and reserves to meet policyholders' liabilities increased in each of those difficult years.

In this same period, as a matter of financial policy, most life insurance companies built up large amounts of cash, a move which was deemed wise in the light of prevailing conditions. However, such a policy cannot be carried to extremes because of its impairment of earnings. The plant facilities or earning assets of a life insurance company are dollars and they must be put to work, and this fact is well known in the financial community.

Search for Attractive Life Insurance Investments

In searching for the most attractive investments at that time, it is significant that for a short while a comparatively attractive rate was available on United States Treasury obligations which were being issued in volume to cover sizable and regularly recurring deficits. The increase in the money supply generated in this manner had the later and intended effect of starting a decline in interest rates and a long period of easy money.

The result of this move was to cause investors to place greater emphasis on searching for yield in other areas of investment.

The railroad field, which up to this time had been the principal corporate investment medium for life insurance funds, was most unattractive due to the impairment of earning power and widespread defaults.

The utility industry was not seeking large volumes of new money from outside sources but it soon found itself in a position as the direct result of the easy money conditions of the times to refund large amounts of high coupon bonds at lower interest rates. As a result of this, the insurance companies were faced with the necessity of replacing many of their holdings with issues providing a substantially lower rate of return.

This was also the period when many private investors were buying annuity contracts and single premium life insurance policies to obtain the safety and diversification available through life insurance portfolios, a trend which brought an inordinately large amount of money into the companies which had to be invested.

I am sure that I need not remind you of the virtual stagnation of building activity and the relatively small amount of good quality mortgages available in those years.

Securities falling into the broad classification of industrials had not found their way into life insurance company portfolios in any appreciable amount up to this time. As a matter of fact, our better industrial and mercantile credits had made very sparing use of the long-term debt vehicle to obtain funds and, actually, the life insurance companies in New York State were not permitted to invest in unsecured corporate obligations until 1928, and it was this development which really opened the door to industrial investment by these companies, even though it was some years later before they appeared in any volume.

A Progressive and Logical Development

It seems very clear, in looking back at this money-market period with its very unusual atmosphere, that a perfectly natural, self-generated process of evolution occurred causing progressive businessmen and their alert financial advisers to seek out life insurance funds. In fact, I doubt in some cases if it would have taken more than the routine procedure of paying a premium to result in the explosion of an idea, landing a prospective borrower on the doorstep of his life insurance company.

The fact that borrowers, financial advisers, and financial institutions all were aware of these conditions in investment markets was certainly an important factor prompting consideration of direct placements. And it may be said here what, in reflection, is perfectly obvious, namely, that the initiative in direct placements as well as in any other form of financing, always lies with the corporation seeking the funds. Unless some artificial condition, such as the competitive bidding requirement imposed on many public utilities and railroads, exists, the borrower is free to choose whatever avenue for meeting his financial requirements he believes is best suited to his needs.

Still another factor which in my opinion would have brought about direct placement of securities over a period of time, quite apart from the influence of the legislation, is the basic change in the demand for investments and the supply thereof resulting from the increase in size and importance of savings institutions in relation to the volume of public and private debt, which are the traditional areas of investment for such institutions. While this long-term trend has been altered somewhat by the record-breaking volume of new capital formation which characterized the years immediately following World War II and the armament program since Korea, I believe it will be apparent again under more normal conditions. This development can best be described by using two sets of figures which can be obtained from published sources.

While the trends depicted by these figures are highly significant to me, I hasten to add that the validity of the conclusion I am about to make from them is challenged by a number of highly skillful and influential financial men of great standing and integrity.

The first set of figures shows the assets of life insurance companies as compared with net long-term private and public debt as at Dec. 31 of each of the years 1906, 1916, 1927 and 1950. Net long-term private debt consists of all outstanding corporate debt having a maturity of one year or more from the date of issue, plus mortgage debt of individuals and unincorporated businesses including farms. Public debt includes the total of Federal debt plus that of States and municipalities subject to the proper footnote qualifications. In general, however, in 1906, the assets of life insurance companies were 13% of private debt. This relationship remained fairly constant for a decade, increased to 18% by 1927 and 51% by 1950. As might be expected, the astronomical increase in the aggregate public debt results in a vastly altered pattern. Insurance company assets were 69% of gross public debt in 1906, including short-term, 104% of net long-term public debt in 1916, dropped to 51% by 1927 and to 29% in 1950 when the results of two World Wars and succession of peacetime deficits are brought to bear. Relating life insurance company assets to long-term private and public debt combined reveals the interesting result that assets were 11% of the debt in 1906 and 19% in 1950.

The second table shows the assets of savings institutions (life insurance companies, savings banks and savings and loan associations) in relation to net long-term private debt only. Thus, these figures include competitive investment funds on the one hand and omit low yielding govern-

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*The paper was read by Mr. Whipple before the University of Buffalo Business Administration Conference, Buffalo, N. Y., April 17, 1952.

Employee Stock Purchase Plans

By LOUIS STONE
Hornblower & Weeks, Members, New York Stock Exchange

Mr. Stone, calling attention to investment along with new outlets for capital funds, as dominant factors in current stock market, describes new type of employee stock purchase plan. Advocates having employees buy company stock on monthly basis, without contract commitment on part of either employer or employee. Says this plan would not require general approval of stockholders, and would also avoid heavy losses to employees while stock is under purchase.


Louis Stone

To the increasing confusion of the so-called market analysts, the stock market refuses to conform to its so-called normal pattern—reactions do not develop when they should, nor do rallies and penetrations, tops and bottoms, and all the other technical manifestations of a free-swinging market economy. Perhaps these movements never did have practical validity except in hind-sight reconstruction, and perhaps they will again be reconstructed out of the seemingly formless pattern of the present market, but the fact remains that the market certainly appears, to those who are familiar with the old yardsticks, to have changed its character. All of which serves only to point up the now established truism that the American investing public has taken the place of the speculating public and the Wall Street professional as the dominating factor in the market's action. Investment trusts and pension funds, and, to a smaller extent, brokerage house solicitation of small accounts, are the primary sources of this new flow of funds from the public; one further source is developing at a fairly rapid rate—employee stock purchase plans. In the following discussion, we outline some of the characteristics of this relatively new movement, which holds interesting social implications in addition to its potentially powerful effect on the stock market.

The old type employee stock purchase plans came into favor in the 1920s and went out of favor in the 1930s, for obvious reasons. Thousands of low salaried employees found themselves "hooked," in 1929-30, with long-term commitments for the purchase of stock at inflated prices, payable out of reduced or nonexistent incomes. As the stock market continued its precipitate decline into the 1932 depths, it became more and more apparent that most of these commitments would never be executed. Nothing is worse than "paying for a dead horse," and corporate policy generally managed to effect some compromise under which employees escaped from their bondage, at some loss, of course, to the other stockholders.

In the 1930s any mention of employee stock purchase plans was anathema to corporate management, and it was not until the late 1940s, after the war period of payroll deductions for government bond purchases, that the subject again became of interest. Since 1947, almost 100 large companies whose stocks are listed on the New York Stock Exchange have adopted employee stock purchase plans, some on a broad scale covering practically all employees, others on a limited scale for a selected group of "key" employees. Since 1951, when restricted stock option plans came into favor as a result of special encouragement in the new tax law, the subject has necessarily developed added interest; many company managements believe, and rightly so in most cases, that the rank and file of employees may resent the granting of stock participation on favorable terms to the favored few at the top. The result has been an intensive study of the entire employee stock purchase problem and the adoption of many new style stock purchase plans which are designed to avoid the headaches of a previous era and still provide a simple, effective way for the average worker to become a contributing participant in a capitalist economy.

In broad perspective, the problem is essentially a social problem, arising out of the lack of an investment mechanism in our society adequate to cope with the enlarged dimensions of today's income available for investment. As a practical matter, some 60,000,000 workers in this country are effectively cut off from any contact with investment facilities, the income available for investment by these small savers is, in toto, tremendous, despite inflated living costs and inflated taxes, which are necessarily only one side of a two-sided income and outgo picture. Most of this available investment money goes into 2½% media, through savings banks, etc., and government bonds; a surprisingly large amount goes into gambling in all forms, on which the total gross turnover is estimated as high as $30 billion a year, the professionals' cut representing a negative return on the total "invested." The simple fact is that investment channels do not reach the worker; no securities firm wants the $25 a month investor, except under an investment trust instalment plan, and no security salesman can make a profitable effort to reach the rank and file of the American working class. The answer is equally simple—the corporate system must provide a channel through which the excess funds it pays out may be legitimately and healthfully brought back into the system at something better than a 2½% return to the individual. Some form of employee stock purchase program is obviously indicated; the question becomes one of form.

Restricted Stock Option Not Suitable

The restricted stock option plan, while offering certain incentive and tax advantages to top layer executives if the stock market advances, is not suitable for broad scale use. In the first place, anything so complicated as an option is far beyond the rank and file's comprehension; in the second place, financing the exercise of a profitable option requires some degree of capital, or know-how, or both, and holding on to the purchase for the necessary six months to secure the proferred tax advantage requires both capital and the risk of loss. As a matter of fact, the value of the restricted stock option as an incentive form, even to executives, is probably being somewhat exaggerated at the present time, with the further disadvantage that many independent stockholders resent the implicit dilution of their equity. One large company recently went to some lengths to devise a stock option plan to cover all employees before realizing that the plan would not feasibly accomplish the essential purpose—giving the average employee a sense of being a part of a common enterprise rather than giving him a call on the stock market.

Employee stock purchase plans, as distinguished from stock option plans, fall into two general classes—one, plans which involve the sale of new unissued stock **by** the company, and, two, plans involving purchase **through** the company of already outstanding stock on the market. Most employee stock purchase plans today fall in the first category and still adhere to the old formula, perhaps unwisely—the employees are given the right to buy new stock from the company, at an arbitrary price generally below the prevailing market, with payment on an instalment basis, financed by the company or by a cooperating bank. The disadvantages of this formula are fairly obvious, the most important being that the employee is again "on the hook" at a set price. In some cases, the employee has the right of cancellation if the stock goes down in price before he has completed payment for it, but this cancellation provision seems too heavily weighted in favor of the employee—he can't lose, and he can gain very substantially, all at the expense of the independent stockholder, who may see stock going out at considerably less than its market value. Other disadvantages of the old formula are the necessity for stockholder consent, the immediate dilution in the equity, the uncertain small changes in total capitalization as employees take down their stock or fail to make payments on schedule, and the implication of company endorsement in the fact that the company has acted as a principal in the sale, and has received the employee's money. Perhaps all these disadvantages are minor to the employer who is really sold on the value of employee stock ownership, as many leading companies certainly are—American Telephone, Westinghouse Electric, Cincinnati Gas, International Harvester, Dow Chemical, Inland Steel, Johns-Manville, Minnesota Mining, etc. But it appears rather ill-considered to stick to the old formula with all its disadvantages when the same benefits can be gained with a considerable avoidance of the headaches outlined above.

New Type Plan

The newer type of employee stock purchase plan, increasingly being adopted, calls for a simple pooling together of employees' available funds for the joint monthly purchase of outstanding stock in the market, without any company involvement other than providing collection and purchase facilities. The striking advantage of such plans is that no arbitrary price is set—the cost price to the employee is a continuing moving average of the joint monthly purchase prices. Thus if the employee subscribes $25 a month, and continues to have this amount deducted from his pay, he may buy one share one month when the price is 25, 1¼ shares another month when the price is down to 20, and only ⅚ of a share in another month when the price is up to 30. The considerable safety factor of a weighted "dollar average," in which the cost will always be less than the straight arithmetic average of the monthly prices, is not only a protection to the individual from being "hooked" at a temporary top but also a protection to the company, since the danger of recrimination from disgruntled employees is minimized.

Aside from this major advantage of the "continuing type plan," recently adopted with various modifications by such companies as Socony-Vacuum and United Merchants and Manufacturers, and long used in principle by Standard Oil of Jersey, Scott Paper, Sun Oil and since 1916, by Sears Roebuck, there are numerous other features which seem preferable to the usual formula. One point is that no stockholder approval is required, since no new stock is being issued and the capitalization is not affected. Another important point is that no financing is involved, with the attendant complications—the employees acquire more stock each month as they go along to the extent that they have funds available; no commitment by the company or by the employees is required, and the plan may be discontinued at any time by either party.

A Simple Plan

The actual working out of the new type plan, particularly in the surprisingly simple form now used by United Merchants and Manufacturers, is not difficult, but it does involve some skill in setting up the required bookkeeping procedure and arranging for a proper custodianship of the securities, pending their being taken down by the employees. Another problem, which each company has to settle as a policy matter, is the extent of the company's contribution, if any. One representative manufacturing company adds to the employees' monthly participation 10% of the amount contributed by each employee earning less than $5,000 a year and 5% for those earning more. The oil companies, having a much smaller direct labor cost, tend to contribute an average of about 50 cents for every employee dollar. Scott Paper contributes on a sliding scale from 10% to 20%. Some companies currently drawing up plans do not intend to contribute anything, figuring that they have done their part in merely providing an automatic and convenient conduit for the workers' funds, plus, of course, the relatively small expense involved in the bookkeeping and the custodianship. In view of the considerable saving to the worker in brokerage and odd lot costs, which come down from about 7% in the case of an individual $50 purchase to about 1% in the case of a joint purchase of a round lot, it is probable that no incentive in the form of a company contribution is needed, although it may be advisable as a fairly inexpensive method of helping labor relations.

The potential market impact of this type of employee stock purchase plan should not be underestimated. American Telephone has raised more than $270,000,000 from employees since 1947 in its successive new issue plans, which amount presumably would have gone into open market purchases if the company had adopted the newer type plan; more than 40% of the Company's employees have become stockholders. In the case of Sears Roebuck, the gradual accumulation of funds in its benefit plan has resulted in the employees' present ownership of 25% of the company's outstanding stock. Simple arithmetic can show the relationship between employee purchasing power and the market valuation of a company's equity—assume a company with a $100,000,000 sales volume, a $25,000,000 payroll, and a $50,000,000 market valuation of the common stock. In such a case, a $25 a month contribution by 40% of 8,300 employees averaging $3,000 a year would bring $1,000,000 a year into the market for the stock, or 40,000 shares a year at $25 a share for 2,000,000 shares outstanding. It becomes possible to visualize worker ownership of the nation's corporate wealth on a scale beyond the dreams of the so-called liberals, and certainly the experience of some of our largest corporate units over recent years indicates a healthy trend in this direction.

Business Man's Bookshelf

Association Management with special reference to Trade Associations—John C. Patterson—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y.—cloth—$3.00.

Character and Extent of Over-the-Counter Markets—G. Wright Hoffman — University of Pennsylvania Press, University of Pennsylvania, Philadelphia 4, Pa.—paper—$1.00.

Commercial Bank Activities in Urban Mortgage Financing—Carl F. Behrens—National Bureau of Economic Research, Inc., 1819 Broadway, New York 23, N. Y.—cloth—$2.50.

Economic Information for Employees — Fred Rudge — National Foremen's Institute, Inc., 1776 Broadway, New York 19, N. Y.—cloth.

Herbert H. Dow, Pioneer in Creative Chemistry — Murray Campbell and Harrison Hatton—Appleton - Century - Crofts, Inc., New York—cloth—$3.50.

Our Last Chance in Germany; Stop, Look and Negotiate—James P. Warburg — Current Affairs Press, 25 Vanderbilt Avenue, New York 17, N. Y.—Paper 50c per copy (three copies $1).

Politics Is What You Make It—Joseph E. McLean—Public Affairs Committee, Inc., 22 East 38th Street, New York 16, N. Y. — paper—25c.

Speculative Merits of Common Stock Warrants—Sidney Fried—Dept. C, R. H. M. Associates, 220 Fifth Avenue, New York 1, N. Y.—$2.00 (or send for free descriptive folder).

Successful Employee Benefit Plans—Prepared by the editorial staff of Prentice-Hall, Inc. — Prentice-Hall Inc., 70 Fifth Ave., New York 11, N. Y.—cloth—$8.85.

With Looper & Co.

(Special to THE FINANCIAL CHRONICLE)

JOPLIN, Mo.—Ernest A. Bailey is now associated with Looper & Co., Joplin National Bank Building.

J. Barth Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Ralph E. Rollins, Jr. has become connected with J. Barth & Co., 404 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

A Reversion to Sane Monetary And Credit Principles

By JAMES WASHINGTON BELL*

Professor of Economics, Northwestern University
Acting President, Economists' National Committee on Monetary Policy

Commenting on economists' replies to questionnaire sent out by Subcommittee on Monetary Policy of the Joint Committee on the Economic Report, Dr. Bell notes a reversion from Keynesian doctrines to more conventional or traditional views. Discusses his own and others' views regarding effects of changes in interest rates, credit expansion as a cause of inflation, general and selective credit controls and government ownership of Federal Reserve Banks. Opposes placing ultimate monetary powers in President.

The reading of the replies to the "Questions for Economists," Chapter X in Part 2 of "Replies to Questions," etc., confirms my belief that economists are reverting to more conventional or traditional views concerning the problems raised by the Patman inquiry.

J. W. Bell

The two broad questions raised by the Patman questionnaire relate to (1) the appropriate content of monetary policy and (2) the machinery for the formulation of monetary policy. Response to the first group of questions was sought from economists because of their particular interest and concern with theoretical matters.

The mere fact that emphasis of the questionnaire was placed on monetary policies and controls primarily and on debt management secondarily is evidence that attention is again being directed to instumentalities which were formerly prominent but which in the thirties fell into disfavor because of their alleged inadequacy. Fiscal and direct controls took their place. But, now that we have had experience with unorthodox management extending over a decade and a half, with dubious success, we are veering to the *modus operandi quo ante* with new faith in mechanisms which worked in the past and which presumably will work again today.

At long last, we are beginning to question the illusion that perennial cheap money is always good for the economy and are now again coming to realize that interest is a cost to the borrower, and that interest does affect the supply of loanable funds. We are again beginning to realize that tighter money may be effective in curbing inflation; that small changes in interest rates have economic effects as well as large. Consciousness of these effects is being felt abroad as well as in the United States. We are becoming cognizant of the dangers of debt monetization, a perennially unbalanced budget, the hazards of insulating particular sectors of the economy against the impact of inflationary forces. Finally, in the welter of piecemeal adjustments we see a new meaning to the injunction that above all we must maintain the value of the dollar, for without confidence in a relatively stable dollar no controls can work properly. In the course of time, we may yet discover that a convertible dollar is still the safest and most manageable dollar we have so far been able to devise.

There follow some answers and comments abstracted from more comprehensive data submitted to the subcommittee on general credit control and debt management.

Effects of Changes in Interest Rates

The wording of this question, if literally construed, fails to elicit opinions sought concerning the effectiveness of "fractional changes in interest rates" as a means of combating inflation. If it is the "effects of credit policies . . . upon (a) lending policies," etc., then changes in interest rates are the result, as are changes in reserve balances, liquidity and price of earning assets, etc., and the "specific ways in which restrictive credit policies are expected to restrain inflationary pressures" involve Federal Reserve discount policy, open market policy, administration of minimum reserve requirements of member banks, etc. I take it that the real issue concerns the effects of changes in interest rates themselves, and this involves all considerations influencing both lenders (commercial bank and nonbank) and borrowers (business and government) decisions.

This question calls for a reappraisal of the role of interest rates as an instumentality of control in stabilizing our economy.

The view most commonly held since the impact of Keynesian theory seems to be that monetary policy is ineffective as a stabilizing device because its influence is exerted exclusively through its effects on interest rates; that interest rate changes have no significant functional relationship either to the amount of saving, on the one hand, or the amount of investment, on the other, and no effect on income and prices. In other words, the classical theory of interest is discarded. The classical and neoclassical economists hold that interest is the price of waiting or saving necessary to bring forth capital funds in the market—which funds are in demand by borrowers who see profit prospects in the use of such funds in making capital expenditures.

My own view is that the old theory still holds despite the attacks of the liquidity preference theorists. I believe that changes in interest rates, both small and large, do exert an influence on businessmen's decisions and can be made effective in stabilizing business. The amount of the change is a matter of degree and the effectiveness depends not only on the rates but also upon business psychology, expectations, etc., and the economic conditions of the time.

A curiously illogical argument has become popular among Keynesian theorists: viz., that small increases (¼ to ½%) in interest rates are not effective in fighting inflation, but that large increases (2 to 4% or 5 to 10%) will cause chaos and disaster in the money market and will precipitate deflation.

The origin of this anomalous view can be traced historically to the failure of restrictive credit policies to restrain credit expansion in the late twenties and to the apparent futility of the easy-money policy in stimulating business recovery in the early thirties; and to the rationalization of these experiences by Keynesian theorists.

These theorists base their arguments on slender empirical evidence provided by an Oxford survey of the effects of interest costs on businessmen's decisions and a similar study at Harvard from which like conclusions were drawn. In Keynesian terminology, the argument is that a modest increase in interest rates is ineffective in significantly reducing personal consumption (C) or increasing personal savings (S) and decreasing possible expenditures on plant equipment or inventories (I) or government expenditures (G). In other words, these theorists maintain that the market is insensitive to relatively small changes in interest costs and relatively insensitive to moderate inducements to save (liquidity preference) and relatively insensitive also to slight restraints upon expenditures. However, they admit that drastic increases in interest rates are effective in curbing loans and investments (on the demand side), in weakening reserve positions of banks (on the supply side), and even jeopardizing the solvency of financial institutions holding heavy portfolios of securities.

These arguments are not consistent. Either small increases have some effect in curbing inflation or large increases will not cause collapse (unless we assume that the collapse is due to a breakdown in confidence in the integrity of the monetary unit). High rates, e.g., 4 to 5%, would undoubtedly check inflation and might even cause deflation with its attendant fall in production, increased unemployment, etc.; but by the same token, a moderate tightening of money, e.g., ½ to 1%, has some effect on savings and investment and on the policies of lending institutions. Rate changes have effect on the demand for funds and even greater effect on the supply of funds. Effects on the supply of funds have been practically disregarded by Keynesian economists.

At bottom, the objection many opponents have to credit restriction policies is that they are too effective. That is, critics fear the consequences of deflation—depression, failures, and unemployment—more than they fear the effects of inflation. They prefer the malady to the cure.

Under the monetary policy followed in the post-World War II period, banks had no reason for increasing their lending rates because they were able to increase their reserves and lending resources by selling government securities to the Federal Reserve banks at stabilized prices and at low rates. If, however, the price of government securities had been allowed to fall, the commercial banks would have been reluctant to take a loss in order to obtain funds to lend to private borrowers or they would have charged higher rates to offset the loss incurred. Again, had they not been assured that future rates would not be allowed to rise appreciably they would have been less liberal

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*A statement prepared by Dr. Bell for the Subcommittee on General Credit Control and Debt Management of the Joint Committee on the Economic Report.

Federal Budget Not Excessive

By EDWARD T. McCORMICK*
President, New York Curb Exchange

Though expressing optimism regarding future and defending "extraordinary" Federal Budget and current high taxes, Mr. McCormick, however, attacks double taxation of corporate dividends as ill conceived, inequitable and destructive of incentive. Urges Congress adopt Canadian principle by allowing investors partial tax credit on dividends received on common stocks. Also advocates shortening present six months holding requirement on capital gains.

I should like to begin by asking "Where do we go from here?" None of us knows the answer. Too many imponderables block any clear view of the path that lies ahead of our country and ourselves in the coming years. Consequently, our fiscal policy, as well as every other general policy of government and private business, must of necessity lack clear delineation so far as any extensive program for the future is concerned, and must be surrounded and hedged with reservations to provide for contingencies which none of us can possibly control. In trying to meet the major contingencies, the government's program, of necessity, takes on the appearance of wasted thought, motion and money.

E. T. McCormick

Many view this situation with a sense of hopeless foreboding. And there are some who insist upon and expect a prophetic power on the part of our leaders in government—an assurance of infallibility in these indecisive and unsettled times. As a fellow who started his economic life as a newsboy, at the age of eight, more or less as a matter of necessity, I believe I have acquired a reasonably practical approach to life's problems. I do not expect any such assurances. And, more importantly, when it comes to the American way of doing things, I am an incurable optimist—convinced in my own mind and heart that in the main our country's general and fiscal policy will be effective and that the money being expended and proposed to be expended is and will, by and large, be well spent. I believe that out of this present period of doubt and fear we shall emerge with a durable peace and a better and fuller life, not merely for ourselves, but for our neighbors throughout the world.

There are those who might say that such predictions and convictions border on fantasy—of the things that dreams are made of—but, they are less fantastic by far, and much more plausible, than would have been the prediction fifty years ago of our present standard of living and of our present record of economic and productive achievement, accomplished through two terrible World Wars and unprecedented periods of economic boom and bust.

To my mind it would be practically impossible for anyone, however skeptical he might be, to examine our record of positive achievement over the past fifty years, and be anything but reassured and even glowingly optimistic. From a weak and tremulous birth, we have, in a relatively brief period of time as the lives of nations are counted, grown to giant size in the family of nations, and have assumed our rightful position as leader of the free countries of the world. In times fraught with danger when men throughout the world are given the soul-searching choice between the conflicting ideologies of fear and freedom, we have taken upon ourselves—or, rather, I should say by force and circumstances have had thrust upon us—the grave but welcome responsibility of seeing to it that fundamental rights and freedoms are preserved, not merely for our own posterity but for that of mankind.

*An address by Mr. McCormick at the Fourth Annual Management Conference, School of Business and Public Administration, Cornell University, Ithaca, N. Y., April 18, 1952.

No Time for Contraction

This, then, is not the time for contraction, for drawing the reins too tightly. This is the hour for continued expansion—for progress, not retrogression — for optimism, not pessimism—for positive, not negative thinking.

I have no patience, personally, with those who make a profession of criticism, who delight to stand on the sidelines and carp at the efforts of others trying as best they might to play a highly competitive game to the best of their ability. True enough, there is a proper place for critics and for criticism, but only if the criticism is constructive—only if it is made in good faith—in a sincere effort to improve and not destroy the game. This world needs builders. I do not say that we must not be alert to attack and destroy wrong and evil, but let us be doubly sure we know that we are not crumbling the temple of good.

This country is now engaged in running the biggest business the world has ever seen, branching out not merely through our own forty-eight states, our territories and possessions, but into all corners of the earth. The variety, complexity and cost of its present functions could not have been conceived of by economists in any previous generation. At times, I doubt they are fully appreciated by many economists in our own generation.

To run such a business successfully—and on the whole, it has been run successfully — requires more than ordinary ability, more than ordinary thought, more than ordinary effort, and, at times, more than ordinary courage, to make the momentous policy decisions required not only on a national, but on an international level. And of these decisions, that as to future fiscal policy, complicated and weighty though it may be, is only a part of the massive burden.

Our budget for the fiscal year 1953 is estimated at $85.4 billion—a seemingly astronomical figure—one which has been seized upon as a standard of comparison with cost of government in previous years and centuries, in an attempt to prove that the government is spendthrift and bent upon dissipating our assets in improvident ventures.

An Extraordinary Budget

It is truly an extraordinary budget, but it was drafted for extraordinary times—drafted under conditions part peace and part war—with the aim of preventing a total war and achieving a permanent peace. To accomplish this end, a great part of the budget is allocated—and such expenditures, far from being improvident, are both wise and essential.

More than three-quarters of the Federal budget expenditures for the fiscal year 1953 is reserved for major national security programs, both domestic and foreign. Expenditures for other government programs have in fact been reduced 9% since the fiscal year 1950, even though the cost of goods and services purchased by the government have been on the increase.

Large though they may be, and growing though they are, we cannot gainsay the wisdom of these defense expenditures. Sixty-five billions of dollars is a tremendous sum, but in my opinion, it will be money well spent. Paradoxical though it may sound, every dollar spent for guns is a dollar spent for peace, for we can be secure only so long as we are too powerful to be attacked. If there be errors in this figure let us hope that the errors shall prove to be those of spending too much rather than saving too much for security. I should much prefer to allocate a little more to defense, and discover I had allocated too much, than to allocate too small a sum and discover too late that the sum provided was inadequate.

Of the approximately 65 billions of dollars to be expended for major national security programs, $10.5 billion, about 12% of the total budget, are reserved for our mutual security program—to lend a helping hand to other nations less fortunate than ourselves who may have been roughed up a bit more than we during World War II—to provide those nations with the arms they need to withstand attack, armed insurrection and subversion, and to help them combat and overcome the prevailing disease, hunger, poverty and ignorance which provide so fertile a soil for the propagation of communism. This, too, is money well spent. We all must know by now that we cannot forever survive alone on our little "island." We need allies in the present struggle—allies who are not merely militarily strong, but physically and economically sound, able to stand with us in the universal fight for freedom.

In addition to the $65 billion for military services, international security, atomic energy, defense production and other defense expenditures, the budget includes "major fixed and continuing charges" of more than $10 billion, largely attributable to the cost of past wars. Of this, approximately $6 billion will be spent for interest on the national debt, and $4 billion for war veterans' services and benefits. These are obligations with which our economy is already saddled, and which no amount of sharp-pencilling can remove from the balance sheet.

Apart from the expenditures for major national security programs and the fixed and continuing charges, the proposed expenditures for other governmental functions are relatively conservative. In fact, as has been previously noted, such expenditures have been reduced approximately 9% since the fiscal year 1950, notwithstanding the increased costs of goods and services to the government. This I believe is a strong indication of the fiscal conditions under which we would be operating were it not for the present disturbed state of international affairs. As a matter of fact, it is my own personal reaction that the purse strings, if anything may be drawn a little too tightly upon these other governmental operations. If my own long experience with the Securities and Exchange Commission is any criterion of what the budget policy has been and is to be with respect to other independent offices, there is a real danger, by reason of continual unplanned or generalized reductions in appropriations, of reducing the efficiency of this and other agencies to a practical nullity. The appropriation for the operation of the Securities and Exchange Commission, for example, has been cut so drastically over the past few years, and has caused such a reduction in personnel in consequence thereof, that administration and enforcement of the various securities statutes has been seriously affected, with resultant inconvenience and costly delays to essential financing and diminution in the protection which should properly be afforded to the public.

Of course, it is extremely difficult sometimes to satisfy even the minimum needs of normal governmental operation. In times of stress such as these are, the most essential functions, such as defense operations, must be given by far the larger part of the purse, and other so-called non-essential or peacetime operations must be cut to the bone. This is particularly true when defense and related expenditures are estimated at so high a level that deficit-spending is required. As you all have probably noted, expenditures for the fiscal year 1953 will exceed estimated receipts by about $14.5 billion—a deficit which may or may not ultimately occur depending upon the exactitude of what necessarily must be rough estimates. For example, the estimated budget deficit for the current year is generally expected to be no more than $5 billion instead of the $8.2 billion predicted in the budget message of the President.

At a mere mention of budget deficits many economists and businessmen throw up their hands in horror and demand to know why the government cannot pay as it goes. We all agree that that would be the ideal way to run this gigantic business, and it would be one of the best possible prophylactics that could be found against inflationary pressures. But in the light of the present world situation, and barring a decided improvement, I believe there is very little hope of our achieving the blessed state of pay as you go in the immediate future.

No Reduction of Taxes in Sight

Similarly, I see very little hope of reduction in the high taxes which the government must needs collect to meet these extraordinary expenditures. We must continue to spend for defense. None of us knows how long we shall have to do so. We cannot possibly afford to be unprepared. These huge defense expenditures both for ourselves and for others, and the high taxes which they entail in a period that is technically known as peace, are economic facts which are novel in the extreme to Americans, but they are facts of life to which we must become adjusted. In my mind, it is pure daydreaming for anyone wishfully to think of substantial reductions in the prevailing tax load. If we want to win the ideological conflict in which we are now involved, we shall have to meet the costs. Regardless of the Administration that may hold forth in Washington, taxes will have to be kept at a high level for a long time, and we might as well get used to that fact.

So long as the taxes are necessary, equitably and reasonably imposed, and collected without fear or favor, without loopholes for the benefit of a few, none of us can have any justifiable cause for complaint. No one can seriously dispute that high taxes are essential at present and will be for the foreseeable future, not only

Continued on page 52

Some Observations on The Social Security Program

By LEROY A. LINCOLN*

Chairman of the Board, Metropolitan Life Insurance Co.

Head of largest life insurance company warns that many activities of the Federal Government in field of Social Security may be getting out of line, and the whole program needs thoroughgoing study and appraisal. Estimates present social security benefits at $7 billion a year. Warns social security is no panacea.

Just about a generation ago a great novel captured the imagination of the civilized world. In America it ran into 80 or more reprintings in less than a year. It was "The Four Horsemen of the Apocalypse."

Leroy A. Lincoln

At just about that time one of America's foremost railroad executives, L. F. Loree, was enlisting the cooperation of one of America's great Life insurance executives, Haley Fiske, toward doing away with some of the fear and deep concern about the ravages of another "Four Horsemen" — death, disability, old-age dependency, and unemployment. Mr. Loree had concluded, and was advancing for discussion with Mr. Fiske, that the average man was continuously apprehensive of the financial hazards which these four horsemen conjured up in his mind. Those discussions are vivid to me to this day, because I sat in on some of them.

Mr. Fiske, the insurance executive, could assure Mr. Loree that the Life insurance industry was in position to furnish monetary reassurance against the tragic results of a successful attack on the part of the first two of those horsemen — death and disability from sickness or accident—and provision to withstand the third —old-age dependency.

But there was no established facility — in Life insurance or anywhere else in our economy—to soften the attack of Horseman No. 4—unemployment. Some kind of insurance for this hazard, to be developed in the Life insurance business, was conceived and urged upon the New York Legislature, but no suitable legislation was adopted.

Gradually it came to be agreed that for unemployment and for a basic amount of old-age protection the most satisfactory medium would be government itself, Federal or State. This thinking soon ripened into the concept called "Social Security" and this, in turn, into Federal legislation adopted in 1935. That legislation, however, was so devised, before its adoption, as to embrace some of the hazards inherent in attacks by the remaining two horsemen. Social Security, as we have come to know it in the United States, was born in this legislation.

In my remarks today I will attempt to discuss the philosophy of that midcentury Social Security legislation which we actually have, its virtues and its faults. We may commence this discussion with a classic quotation from Grover Cleveland: "It is a condition which confronts us — not a theory." Whatever the philosophy and the actuality of Social Security should, perhaps, have been, it is with us now in the shape of the legislation of 1935 — with amendments. In addition, there are a number of independent but related programs arising out of other legislation. What should be our attitude toward these activities? What changes, if any, should be urged?

As preliminary to such discussion, it will be helpful to review the current situation—what has been and what is being done by private effort and what activities are now being carried on under the aegis of government.

First: Private Channels

The search for security for themselves and their families has been traditionally an outstanding characteristic of the American people. Heads of families have recognized that they have this primary responsibility. Today over 86 million persons in the United States are the owners of Life insurance policies purchased by them in **privately** managed Life insurance companies. The proportion of the total population reached by the benefits of **private** Life insurance, including the insured and their beneficiaries, is very high indeed.

The vigor of growth of **privately** acquired Life insurance through the years is perhaps even more impressive. Consider only the tremendous expansion of **privately** acquired Life insurance that has occurred just since the enactment of the Social Security Act in 1935. At the end of that year, the total amount of Life insurance in force was less than $100 billion ($98.4); today there is over $253 billion in force. The assets of the **private** companies held toward the fulfillment of this insurance are currently nearly $70 billion.

Even these vast sums do not give an adequate index of the growth that is taking place. Many of our insurance companies are institutions of long standing. What is not so well known is the great increase that is taking place in the number of companies. Today 684 Life insurance companies are reported as operating in the United States. In 1935 their number was only 373.

The growth which has occurred in the field of Accident and Health insurance is likewise impressive. Many activities in this field which did not exist in 1935 or were just barely getting under way are now operations of outstanding magnitude. In 1935 hospitalization, surgical, and medical expense insurance were, for the most part, only infants—and not very lusty ones at that. At present, over 40 million persons have some form of commercially issued Accident and Health insurance. If we include both insured and other types of voluntary prepayment plans, the number covered for some form of hospital expense protection is over 80 million people.

This vitality in the development of the new forms of insurance—new methods for dealing with age-old problems—is one of the most convincing proofs that our people are quite capable of cultivating, in their own ways, a very broad area in this general field. Relatively, not so many years have elapsed since the first insured retirement plan covering employees of an employer was underwritten by one large company. Today insured employee retirement plans constitute a major field of activity for many **private** insurance companies.

The expansion of Group coverage, in all of its many forms, through **private** insurance in recent years has been amazing, reflecting, as it does, new concepts, wider needs, and changing relationships in business and industry. In recent months we have been witnessing not only an extension of the operations of many Life insurance companies into the Group insurance field as a new activity, but we have seen many such companies entering a new field—the underwriting of Accident and Health insurance.

The foregoing, in brief summary, indicates the channels which are available entirely outside governmental activities in constantly widening scope and constantly greater facility, as well as safety, for that large segment of our population which can and does make its own provision against the inroads of Horseman No. 1 by way of Life insurance, against Horseman No. 2 by insurance against disability, and against Horseman No. 3 by insured retirement plans — all in established, **privately** managed insurance companies. (The Fourth Horseman—unemployment—will make his bow a little later on in the course of discussion of the current Social Security programs.)

This record is a demonstration, if demonstration is needed, that facilities to cover the hazards presented by the first three of our horsemen already exist and that they have a resiliency not possible through any massive, nation-wide, governmentally operated institution. Here we find evidence that the freedom of action (under proper State supervision) of one or a dozen or a hundred companies can develop new plans and new ideas and new methods of operation through trial and error in these various directions, without the necessity of experimentation on the whole Nation as a single guinea pig, as in the case of a Federal Government operation. Here one finds an essential difference between private operation and governmental operation, whether in Life insurance or in any other facility designed for serving the public.

Second: Current Federal Social Security Programs

We come now to the subject of Federal Social Security legislation, as first enacted in 1935 and as amended in important respects in 1939 and more recently in 1950. This legislation has three major divisions:

(1) The Old-Age and Survivors Insurance Program (frequently given the alphabetical touch as OASI).

(2) The Public Assistance and Children's Services Program.

(3) The Employment Security Program.

Under the Old-Age and Survivors program, an extensive variety of benefits are provided. For simplicity we might divide them into three groups:

(1) Old-Age income benefits for qualified workers, ranging from $20 to $80 a month for individuals; from $30 to $120 a month for a couple.

(2) Income benefits for certain **dependents** of qualified **deceased** workers. These may range up to $150 a month for a family.

(3) Lump-sum benefits payable **upon the death** of qualified workers, ranging up to $240.

Let us next look at the Public Assistance program. Under this program funds are made available for the following types of State programs:

(1) Old-age income assistance—This provides funds for State assistance programs administered on a needs test basis to aid those individuals who receive little or no Federal Old-Age insurance benefits. The Federal portion of these payments is determined by a statutory formula which fixes a relationship between what the State pays within a certain limit and what the Federal Government will add under this program. The maximum Federal share of an individual's monthly payment is $30, being arrived at roughly on the basis of 75% of the first $20 of the average payments made under the State plan plus 50% of the next $30. One of the very questionable aspects of this program is the manipulation, under State procedures, that seems to be encouraged. Some States, for example, seem to have found it advantageous to extend payments very widely in small amounts on which the proportion of Federal matching is high. In other words, there is evidence that the mechanics of the program, and not true need, can be—and frequently is—an influential factor in some localities.

(2) Aid to needy blind—This is similar in its operation to the Old-Age Income Assistance program, although a much smaller number of persons are affected.

(3) Aid to dependent children—This program may be regarded as performing, with respect to dependent children, the same function that the Old-Age Income Assistance program fulfills with respect to the basic Old-Age and Survivors Insurance program.

This part of the Federal Public Assistance program also includes payments to the States for (a) maternal and child health services, (b) services for crippled children, and (c) general child welfare services.

(4) Aid for totally and permanently disabled persons — This program, adopted in 1950, makes funds available for State plans providing aid for the totally and permanently disabled on a needs test basis in the form of income payments and for certain medical expenses.

We come now to the Fourth Horseman — unemployment — whose onslaughts are attempted to be covered by the third broad division of the Social Security Act. Its principal effect has been the establishment of a system of unemployment compensation programs administered by the several States. Benefits are provided as a matter of right, pursuant to various State laws supported in almost all States entirely by payroll taxes on employers. Through the Federal tax mechanism, the Federal Government maintains some measure of control over these State plans, although wide latitude was made available to the States for experimentation in varying the conditions of eligibility, level of benefits, and other provisions. This is widely regarded as a desirable arrangement permitting appropriate recognition of the special needs, circumstances, and objectives of the several States. We must be on our guard against repeated efforts to interfere with this sound principle and to extend the role of the Federal Government, as proposed in the Moody bill which received attention in Congress last month.

The programs just described are most ambitious and constitute quite an undertaking. Even so, they are only a part of the fantastic and incongruous array of activity which the Federal Government is sponsoring in this broad field of Social Security.

Third: Other Federal Government Operations

Alongside the programs under the Social Security Act of 1935

Continued on page 48

*An address by Mr. Lincoln before the American Bar Association's Ohio Valley Regional Meeting, Louisville, Ky., April 10, 1952.

The Outlook for Business

By ROGER W. BABSON

Mr. Babson, stating that because President Truman has declined re-election, he is now more optimistic on business outlook. Says feeling is widespread that President's successor will be more kindly disposed toward business.

As my readers know, I have thus far been pretty blue about the prospects for business up to election time next November. But, as I told you in my release on unemployment last week, President Truman's decision to pull out of the race has changed my outlook. I feel more optimistic now!

Roger W. Babson

When I was a boy in Gloucester, Massachusetts, my father ran a store. He often said to me: "Roger, it isn't how much money people have in the bank that makes them buy my merchandise—no, sir, it's HOW THEY FEEL!" That was good advice in 1900, and it is still good.

Just take a look at what's happened in the last year. You will remember that the bureaucrats and the brain-trusters in Washington were warning the nation that a new wave of inflation was just ahead—that there soon would be big shortages again. That was only twelve short months ago. Did these shortages show up? They did not. Why? Because the people who do the buying decided to save more and buy less. The government statisticians could measure inventories, but they couldn't figure out people's feelings!

Everybody Feeling Better

In my opinion, business and the public have both been holding back from making decisions and buying until after the elections. Now, however, with the President making his historic "shall not run" decision, all that is changed. There is a widespread feeling that nearly all of his possible successors would be more kindly disposed to business. A feeling of relief has spread through the country from one end to the other.

Now, this feeling is not something you can measure in black and white. You can't put it into a graph. But, it is the kind of thing that will make a man go out and spend a little more money than he would have before. Just a month ago he may have told his wife that "there'll be no new car this year." Today, however, he may feel that things aren't so bad after all, and say: "There is enough in the bank for a rainy day; so, with election prospects looking brighter, why not now enjoy the new car?" This should cause currently high inventories to be pared down.

Swing to Right

There is another important possibility that should not be overlooked. With President Truman out of the running, every effort will be made to pick a candidate behind whom the whole Democratic Party can unite. Now, the big bulk of Southern Democrats happen to be very conservative. If they are to be appeased and "kept in line," it is highly necessary that the Convention nominate a team that will be conservative enough to attract full support from the South—like Russell, Kerr or Stevenson. So the Democrats don't look so formidable to business as they did a few weeks back.

What about the Republicans? Well, to me, it is pretty hard to see any candidate outside of Eisenhower or Taft. It doesn't seem likely that the Convention will be foolish enough to pin its hopes on some "dark horse" that may fall down in the big race. Businessmen generally would feel pretty good right now if they knew for certain that a conservative is to be in the White House next January. Thus, sizing up both the Democrats and the Republicans, it looks to me like a swing to the right!

More Spending Right Away!

Finally, the Democrats know that if business is good and the voters are happy next Nov. 4, they will have a better chance to win again. You can bet that their "smoke-filled rooms" are already busy mapping the strategy for keeping things humming right up to polling time. They may have lost their leader, but they haven't lost their sense of direction.

Already we have seen the government granting permission to the military to award contracts to "job distress" areas. It isn't a far step from this to finding other reasons why defense spending should be stepped up in the months immediately ahead. Certainly, if the people get an impression that a new wave of inflation is on the way, which recent strikes indicate, they may do a little more buying themselves.

Stanley Weaver Joins S. R. Livingstone

Stanley M. Weaver

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Stanley M. Weaver has become associated with S. R. Livingstone & Co., Penobscot Building, members of the Detroit Stock Exchange. Mr. Weaver was formerly in the Trading Department of C. G. McDonald & Company and prior thereto was with Straus & Blosser.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering $2,700,000 Missouri Pacific RR. Series SS 3% serial equipment trust certificates to mature annually May 1, 1953 to May 1, 1967, inclusive at prices to yield from 2.15% to 3.15% according to maturity. Issued under the Philadelphia Plan, the offering is subject to approval by the Interstate Commerce Commission.

The certificates are secured by the following new standard-guage railroad equipment estimated to cost $3,387,056.07: Eight Diesel Electric Road Switching Locomotives, six Diesel-Electric Road Passenger Locomotives, and three Planetarium Cars.

Also associated in the offering are R. W. Pressprich & Co.; Freeman & Co. and Pollock & Co., Inc.

Quite Unconvincing

"You know, there is an economy wave — a fake economy wave—on in the Congress. Well, I had my own economy wave before the budget was ever sent to the Congress. And I gave the heads of these departments of national defense quite a pain in the neck before I sent that budget down. The amounts needed for national security were cut to the bone before they were put into the budget. It's an honest budget, and don't let anybody tell you anything else. If they cut much more, we'll be opening up some big holes in our defense and inviting new attacks by the forces of aggression.

President Truman

* * *

"It's foolish to say that we can't afford to protect ourselves. The truth is that we can't afford to spare any effort to prevent another world war. Nobody can calculate the cost of the next world war — if it comes. Anything we spend to prevent it is trifling compared with what such a disaster would cost us and the rest of the world.

"This great country of ours—stronger and more productive than ever—does not face a danger of internal collapse. To reduce our defenses because of exaggerated fears about the health of our economy, is just simply sheer folly."—President Harry S. Truman.

This type of harangue is unfortunately often all too effective from the rear end of a train at the "whistle stops."

It is not likely to convince the informed student that billions could not be removed from the national budget by merely eliminating waste—or that we can afford not to take such action.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The 16th Annual Dinner of the Security Traders Association of New York, held April 18, at the Waldorf Astoria Hotel, was attended by about 1,400 members and guests.

Among those attending the dinner were: Donald C. Cook, Chairman Securities and Exchange Commission; Richard B. McEntire, Paul R. Rowen, Clarence Adams, Robert I. Millonzi, Commissioners, Securities and Exchange Commission; John J. Mann, Chairman of the Board of the New York Curb Exchange; Frank J. Coyle and Frank Klem, Vice-Presidents, New York Stock Exchange; H. Russell Hastings, President, National Security Traders Association, Inc.

Pictures taken at the dinner appear on pages 25 through 40.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Annual Bowling match with Philadelphia was held and New York was victorious as follows:

Total Pins

New York—9,135 Philadelphia—8,386

Prizes New York

High Single Game: 224—Richard Goodman.
High Two Game Series: 408—Arthur Burian.
Best Over Average: 59—Wilbur Krisam.
Low Score: 111—Sam Gold.

Prizes Philadelphia

High Game: 214—Lon Jacoby.
High Three Game Series: 514—Jack Murphy.
Best Over Average: 16—Wallingford.
Low Prize: 70—Ed Knob.
Philadelphia comment, "Wait Till Next Year."

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association will hold its 17th Annual Summer Outing on May 16, 1952 at the Country Club of Maryland. Howard L. Kellermann, Alex. Brown & Sons, is Chairman of the Entertainment Committee.

Favorable Factors in Business Outlook

Dr. Jules Backman cites as favorable factors, rise in consumer incomes, abnormally high rate of savings, expanding armament program, and liquidation of retail inventories. Urges abandonment of price controls.

Speaking before a group of the Independent Retailers Syndicate in New York City on April 16, Dr. Jules Backman, a Professor of Economics at New York University, stated that because the civilian economy has been in recession the past year, "the corrections already experienced are establishing a stronger foundation for business expansion when the present recession runs its course. Production and sales of hard goods and soft goods have been declining since the first quarter of 1951. While major emphasis has been given to raw material controls as the reason for the decline in the production of hard goods, demand for these products also has declined sharply. In the absence of raw material limitations, it is questionable whether production would have been significantly different from the amount actually produced. The decline in consumer buying of hard goods in the past year was a compensation for the over-buying in the first nine months after the Korean War started."

Jules Backman

Continuing, Dr. Backman said: "I am more optimistic than most persons about the probability of a moderate rise in durable goods sales in the months ahead. These purchases would be financed out of higher incomes and lower rates of savings than have prevailed recently. There is a probability that instalment credit controls will be further relaxed. This development, too, would contribute to greater volume of durable goods sales."

Favorable factors in the outlook, according to Prof. Backman, include a moderate rise in consumer incomes, the abnormally high rate of savings, the expanding armament program, and the large scale liquidation of retail inventories since last spring. Dr. Backman told the IRS. "Retail inventories have been reduced about 12%. This will mean less necessity for sharp markdowns in order to obtain a liquid position. The reduction in markdowns will be a favorable factor in the outlook for retail profits.

"The persistent decline in sensitive wholesale prices in recent months indicates that the underlying pressures are still downward. These sensitive prices which rose more than 50% in the eight months following the outbreak of the Korean War have declined to the point where they are now only 11% above the pre-Korean level." Professor Backman pointed out that "In the past, sharp declines in these sensitive prices have preceded and portended lower prices at retail. I believe that this relationship will prevail again and that moderate declines in retail prices will take place in the months ahead. The cuts in clothing prices already announced are in line with these expectations."

Prof. Backman emphasized that "the major characteristic of 1952 would be moderate changes as compared with 1951. This will apply to retail sales, retail prices, and retail profits. However, a new round of wage increases seems assured in light of the Wage Stabilization Board's decision in the steel case. As this increase spreads throughout the economy, it will be reflected in a larger Federal budgetary deficit and in increasing pressures for higher prices. The final magnitude of the pressures generated will be significantly influenced by the size of our armament program. That it will mean a squeeze on corporate profits in many industries seems certain within the framework of present government policies.

"We should abandon our present system of price control which is much too ambitions for the current armament program. Wage and price controls should be scrapped. At most, a loose system of selective price control with very liberal standards might be useful for a few items in very short supply."

Specialists Ass'n First Annual Dinner

Sidney Rheinstein, President of the Association of Specialists, announced that the First Annual Dinner of that organization will be held at the Hotel Biltmore, New York City, today, April 24.

Richard M. Crooks, Chairman of the Board of Governors of the New York Stock Exchange, and Edward C. Gray, Executive Vice-President, will be guests of honor at the dinner.

Organized in 1948 to promote better understanding of the functions of the specialist system, the Association of Specialists has a membership of 337. All are members of the New York Stock Exchange who act as specialists on the trading floor.

In addition to Mr. Rheinstein, who was elected President in 1950, other officers of the Association include William M. Meehan, Vice-President; Leonard Wagner, Secretary, and Kenneth R. Williams, Treasurer.

W. L. Trenholm With Lee Higginson Corp.

Lee Higginson Corp. announces that William L. Trenholm has become associated with them as Manager of the institutional bond department in their New York office, 40 Wall Street. Mr. Trenholm was formerly with F. S. Moseley & Co. and before that with The First Boston Corp.

Blair, Rollins Elects Buellman, Portmore

Blair, Rollins & Co. Inc., 44 Wall Street, New York City, announce that Edwin A. Bueltman and Richard E. Portmore have been elected Assistant Vice-Presidents of the firm.

Erlich Foreign Mgr. For Hayden, Stone

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announced that Alfred M. Erlich has become associated with that firm as Manager of its foreign securities department.

With Orvis Bros.

Orvis Brothers & Co., members of the New York Stock Exchange, have announced that Kathryn Keer has become associated with that firm as a customers' broker in its Newark office, 18 Clinton Street.

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Problems Confronting Commercial Banks

sets are considered by the supervisory authorities as risk assets.

Problems Arising From Deflation

Entirely different problems will arise if the forces of inflation should give way to those of deflation. While a serious depression in the United States in the foreseeable future is not likely, yet it is quite evident that unless something unforeseen occurs the economy of the country will shift over from a sellers' to a buyers' market. This in turn means not only keener competition and lower profits but also that some of the current assets which are highly liquid in a sellers' market become less liquid in a buyers' market. Moreover the transition from a sellers' to a buyers' market has an important effect on the composition of the net current assets. Cash and its equivalent tend to decrease, while inventories and accounts receivable tend to increase. But in a buyers' market these current assets lose part of their liquidity. The effects of the transition from a sellers' to a buyers' market on the working capital position of a business concern can be appraised by a careful analysis of what happened to industries which witnessed such a change during 1951. The careful banker, realizing that a change in all industries from a sellers' to a buyers' market is likely to take place sometime in the future, will study the record carefully and try to avoid losses not only to itself but also to its customers.

Basically the problem that confronts the United States is more deflationary than inflationary. The productive capacity of the country has increased considerably. There are no shortages of food or of apparel. Most of the pent-up demands that had been accumulated during the war have been met. Taxation is very heavy and the constant decline in the purchasing power of the dollar has reduced the purchasing ability of those whose income has remained more or less constant. The outlook for business therefore creates problems for the economy of the country as a whole and particular problems for the commercial banks. Upon the solution of these problems by the banks will to a considerable extent depend the longer-range outlook for business and in some instances the survival of many small and medium-sized businesses. Irrespective, however, as to whether there will be continued stability or whether the forces of inflation or deflation will prevail the trend toward mergers among banks and businesses will continue.

The trend toward mergers will be further accentuated by the personnel problem that confronts many commercial banks. This applies to regular employees in general and to management in particular. During the past few years banks in general, particularly the smaller country banks, have not attracted the same type of young men as a generation ago. Moreover a "lost generation" developed during the periods of the depression and the war, with the result that there are many banks in the country which have no second layer of executives to succeed the present top management. Where this is the case the death of one key officer has often led to the absorption of an old institution by another which is better staffed. The problem before the banks therefore is to endeavor not only to attract capable and well-educated young men and women to the banking profession but also to provide them with adequate training facilities in order to create a new generation of capable bankers.

There are relatively few bankers today who were in an executive position prior to the depression and who know how to handle loans in periods of keen competition during a buyers' market. Many of the loan officers of today were promoted during the last dozen years when the economy of the country was in the middle of a sellers' market, when profits were satisfactory and failures were relatively small. The main reason why banks today, particularly those located in smaller and medium-sized towns, are not able to attract capable young men and women is the relatively low compensation as compared with that prevailing in other industries. The principal reason for this is that the low money rate policy which prevailed up to the beginning of 1951 has held earnings of the banks down at a time when their expenditures increased rapidly. The solution of this problem lies in the banks' charging a higher price for the commodity which they sell and for the service they render. So far as open market rates are concerned, such as rates on government obligations, bankers' acceptances or even commercial paper, there is little that the small, medium-sized or even large bank can do since these rates are determined in the open market by demand and supply. There is, however, no reason why the over-the-counter rate should not be commensurate with the cost of doing business by a bank. If the banks were to adopt such a policy it would mean a widening in the spread between the over-the-counter rate and rates determined in the open market.

The attraction of capable young men and women to the banking profession is perhaps a greater problem than is generally realized. Banking is one of the most complicated businesses and a bank officer in a responsible position must know not only his own business but also that of his customers and must at the same time familiarize himself with broad trends in business and in the movement of commodity prices. Since it is fairly certain that the sellers' market sooner or later will give way to the buyers' market since competition in the future is bound to be very keen, it is of the utmost importance that the problem of personnel, and particularly of developing management by the banks, be given the attention that it deserves.

Payment of Interest on Savings Deposits

As a result of the increase in money rates which has occurred during the past year, mutual savings banks and many commercial banks have increased the rate of interest on savings deposits. Many commercial banks have not as yet made any decision and are studying this problem carefully. The question whether a bank should increase the interest paid on savings deposits is not easy to answer and will to a large extent depend on the position of the individual bank. Obviously where the earnings of a bank are large enough to warrant an increase in rates this could be done with impunity. Such would not be the case, however, where an increase in interest rates paid on savings deposits would necessitate a deterioration in the quality of bank assets.

Aside from the considerations which confront the individual bank the decision should rest to

Continued on page 16

From Washington Ahead of the News

By CARLISLE BARGERON

In the great debate between President Truman and his former Secretary of State, Jimmy Byrnes, over whether the President read Brynes a lecture, the missing but highly material witness is Admiral W. E. Leahy. I don't know whether he could testify on this particular episode but aside from Jimmy's vanity it is unimportant.

Carlisle Bargeron

The deeper significance of the controversy is that Truman is trying to place the blame on Jimmy for the post-war appeasement of Stalin. On that the Admiral knows plenty and of the whole kit and kaboodle of them—from Roosevelt the Great down through MacArthur —his is the only record that is clean on the subject.

The Admiral never had any illusions about Stalin and he didn't want to appease him even during the war. At Yalta he counselled against any deal with Stalin to bring him into the war against Japan. Nearly everybody else around Roosevelt, including General Marshall and General MacArthur from far off, was insisting that, the war with Germany over, we would have to land 5 million troops in Japan. But Leahy argued that the Navy had Japan choked and would be able to finish her off in short order.

Having been proved right, he pursued his argument against kowtowing to Stalin after VJ-Day and he was the one to build the heat under Jimmy. A good year before Byrnes left the State portfolio, stories circulated around Washington that he was on the way out and these stories were coming from the Admiral's entourage.

I can't say whether Truman actually gave Brynes the lecture he wrote and subsequently turned over to his biographer, but there is no doubt he had come to have a strong feeling against his State Secretary.

A little previous history is interesting. My recollection of the afternoon of Roosevelt's death is that the flash came over the ticker around 5:30 p.m. Anyway, within five minutes, came a flash that Byrnes was rushing to Washington from South Carolina. The ticker read about like this:

Flash—Roosevelt is dead. *Flash*—Truman has been summoned to the White House. *Flash*—Byrnes is rushing to Washington.

It struck me as strange at the time and it strikes me as strange now that Byrnes' returning to Washington rated such importance in the flow of momentous news. Byrnes had retired from the Government.

There is no doubt in my mind that it occurred to him instantly upon hearing of Roosevelt's death to get back to Washington and take over the State Department. The thought that something had to be done quickly about the State Department raced through the minds of many another Democratic leader that same afternoon. Stettinius was the Secretary of State; he was a Republican and he was next in line of succession to the Presidency.

Truman and Byrnes were good friends at the time and he undoubtedly welcomed Byrnes' presence but the fact is that the latter just moved in on him and just took it for granted that, of course, the new President would need him as Secretary of State. And in those days of confusion it never occurred to Byrnes to talk over foreign policy with Truman. It isn't that he deliberately ignored the President. It just didn't occur to him that Truman would have anything to offer or would want to be bothered. And until the needlers got in their work it didn't occur to Truman, either, that he should be consulted.

As to Byrnes' record as Secretary of State I have no criticism. He went out of his way to get along with Stalin. His whole nature is to compromise, to work things out. He was never the contentious sort. This was his great trait in a very long and useful career.

And at the time Stalin was still our fellow Democrat, our great war time ally. Together we were to work and save the world. He was to share our global responsibilities. Certainly it would have been a shock for Jimmy to go over and get hard-boiled with him. Who was he to turn over the apple-cart of such brotherly love as we were enjoying?

But Admiral Leahy was always cynical and he kept up a steady argument to Truman that we had to quit giving concessions to Stalin. For a long time his was the sole remonstrating voice.

In time, criticism of "appeasing" Stalin began to be heard from the Republicans; it grew into a major political issue. Byrnes, himself, had become disillusioned about Stalin and was pursuing a tighter policy months before he left office.

But the "appeasement of Stalin" continued to grow as a political issue, coupled with the charge that the Administration was coddling Commies in the Government. The result was that the Administration decided to turn against Stalin with a vengeance. They began pouring billions into Europe and they went to war in Korea. The question, of course, is just whom the Administration has worked its vengeance against—Stalin or us.

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Problems Confronting Commercial Banks

a considerable extent on the question whether the trend in money rates which has prevailed during the past year is secular in character, i.e., will continue for an indefinite period of time, or cyclical, i.e., temporary in character. The answer to this question will depend on whether inflationary or deflationary forces will prevail. As was stated previously the inflationary forces emanate primarily from the fiscal position of the Treasury and the huge defense expenditures. The large capital expenditures by corporations are also in the initial stage contributing factors to the inflationary forces. Short of a world-wide war, sooner or later military expenditures are bound to decline. Capital expenditures cannot be maintained at present levels for an indefinite period. Once these two types of expenditure begin to decline more and more of our production will become available for civilian consumption; all industries in the country will witness a transition from a sellers' to a buyers' market; competition will be keen; some unemployment is bound to develop and the prime consideration of the monetary authorities under these conditions will be how to prevent a downward spiral from becoming serious. Developments in 1949 forecast more or less what will take place in the future once military and capital expenditures begin to decline. The principal measures at the disposal of the Administration to prevent a too rapid decline in business activity will be, as was the case in 1949, the easing of credit in order to stimulate home construction and the sale of durable consumers' goods. If the above analysis is correct it follows that sooner or later the period of relatively high money will come to an end and the trend of interest rates will be downward and not upward. If this analysis is correct it raises the question as to the advisability of commercial banks' now raising their interest rates on savings deposits to a level which could not be maintained for a long period of time.

The Trend of Interest Rates and Its Effects on Investment Policies

The flexible open market policy adopted by the Reserve authorities early in March 1951 and the ensuing decline in prices of government obligations and other high-grade bonds came as a great surprise to many and had a pronounced effect on the investment policies of some institutions. Instead of analyzing the causes of the change in the open market policy of the Reserve authorities and attempting to ascertain the aims, many bankers became extremely pessimistic about the outlook for money rates and prices of government bonds. In fact some expressed the opinion that a 3½ or even a 4% return on government obligations was bound to prevail in the not distant future.

The movement of interest rates has an important bearing on the investment policies and activities of the banks. Had the latter carefully studied the record they would have found that the principal aim of the Reserve authorities was not to bring about an increase in money rates but rather to reduce the availability of Reserve Bank credit and to prevent the monetization of the public debt; the increase in money rates was only incidental. The principal aim was to regain initiative in the creation of reserve balances which rested in the hands of owners of government securities so long as prices of government securities remained pegged. It was fully realized that in a period of very high taxes a moderate increase in money rates could not materially influence the forces of inflation one way or another.

The same policy prevails today and will continue so long as there are inflationary forces operating in the economy. Once the inflationary forces have given way, however, and the sellers' market in all industries is converted to a buyers' market the policy of the Reserve authorities will undergo a change. In the meantime the following facts should be borne in mind: (1) Under conditions as they exist at present, particularly in view of the rapid expansion of production for defense purposes and the position of the Treasury, orthodox credit restrictive measures as they were adopted in some European countries will not be adopted in the United States. This is due partly to the fact that conditions in the United States are entirely different from those prevailing in the rest of the world and that restrictive credit policies would interfere with the defense effort and with the expansion of plant and equipment to sustain the defense effort. Further, orthodox credit restriction would greatly interfere with the refunding operations of the Treasury and might make it extremely difficult for the latter to obtain new funds outside of the commercial banks. By the same token a return to money market conditions as they existed prior to Korea is not likely. Even after the transition from a sellers' to a buyers' market it is doubtful whether the Reserve authorities would agree to return to a policy of pegging government securities at a fixed level. The flexible open market policy is here to stay. In the future this policy will be guided by business conditions and by the movement of commodity prices.

If the above conclusion is correct it offers a clue to the banks as to how to shape their investment policies. In a period when loans are rising it is advisable to shorten the maturity of bonds. Rising loans result in an increase in the volume of deposits and in the means of payment. Loans created for the purpose of furthering the defense effort, which does not lead to an increase in the supply of commodities entering the consumer stream, are inflationary in character. If, on the other hand, the volume of loans tends to decline it indicates a slackening demand not only for money but also for commodities or a liquidation of inventories. Under these circumstances it is advisable for the bank to lengthen its maturities partly in order to maintain earnings and partly because a slackening in loans caused by a decline in business activity or the liquidation of inventories means a lower level of business and lower commodity prices. This in turn forecasts lower money rates and hence higher bond prices.

Above all in handling its portfolio a bank should make sure first and foremost that the securities are of the highest quality. If this is the case then sooner or later the bonds, no matter what price they may be selling at today, are bound to return to par. In this case time is the best cure for all portfolio ills. Moreover a well-managed institution will invariably maintain a sufficient amount of highly liquid assets to take care of its liquidity requirements and hence such an institution will never be in a position where it is forced to sell long-term obligations, particularly governments, at a loss. The portfolio should be based on the needs of the individual institution. It is quite evident that a portfolio of a bank located in an important money market center and having only a small percentage of savings deposits will be different from that in a country bank operating largely with savings deposits.

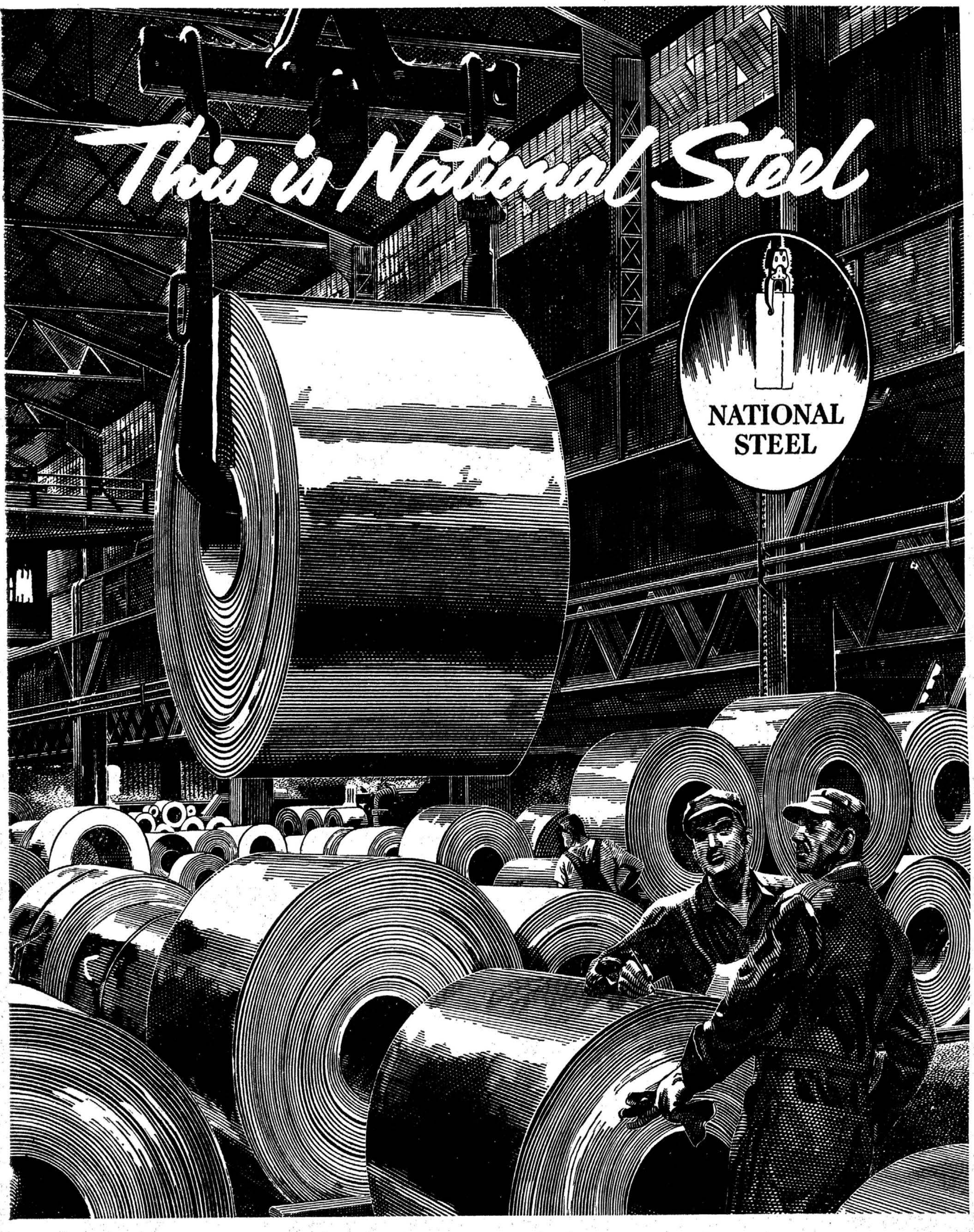
Conclusions

(1) The principal problems confronting the nation are to maintain the integrity of the dollar and to prevent sharp fluctuations in business activity. It is, however, certain that sooner or later a transition from the sellers' to the buyers' market is bound to take place and this will create problems which the commercial banks should consider now. Such a transition not only has an effect on profits of business concerns but also on the composition and liquidity of current assets.

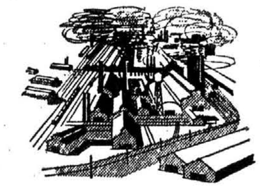
(2) Because of the high cost of business, high taxes and the acceleration of the payment of taxes the need for working capital will continue great. This will be felt particularly by those concerns which have no access to the capital market or can sell their securities directly to large institutional investors. The capital resources of the banks have not kept pace with the volume of deposits nor with the growth of risk assets. Careful thought must be given to the problem of how to increase the capital resources of the banks either through retained earnings or through the sale of additional shares in the open market.

(3) The problem of attracting capable young men to the banking profession and developing a new generation of bankers for top level management is perhaps greater than is generally realized. If this problem is not met it will accelerate the merger movement among banks.

(4) Money rates are the result of economic developments and the movement of commodity prices. In periods of increasing business activity, rising prices of commodities and rising inventories, the volume of bank loans is bound to increase. In such a period it is advisable to shorten the maturity of the bond portfolio. Once the volume of loans begins to decline this in itself reflects a slowing down in business activity and the liquidation of inventories, thus forecasting lower money rates, and hence maturities can be lengthened. Under any circumstances, however, banks should always maintain an adequate amount of highly liquid short-term assets so that they are never placed in a position where they are forced to sell long-term obligations. If these obligations are of high quality sooner or later they will return to par.

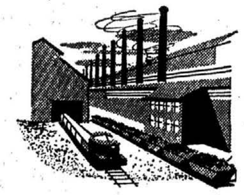


SEVEN GREAT DIVISIONS WELDED INTO ONE INTEGRATED STEEL-MAKING STRUCTURE



WEIRTON STEEL COMPANY

Weirton, W. Va. World's largest independent manufacturer of tin plate. Producer of many other important steel products.

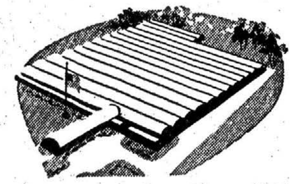


GREAT LAKES STEEL CORP.

Detroit, Mich. A major supplier of standard and special carbon steel products for a wide application in industry.

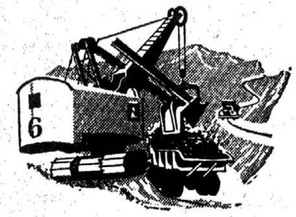
STRAN-STEEL DIVISION

Ecorse, Mich. and Terre Haute, Ind. Exclusive manufacturer of world-famed Quonset building and Stran-Steel nailable framing.



NATIONAL STEEL PRODUCTS CO.

Houston, Texas. Warehouse and distribution facilities for steel products in the Southwest.



HANNA IRON ORE COMPANY

Cleveland, Ohio. Produces ore from extensive holdings in the Great Lakes region.

THE HANNA FURNACE CORP.

Blast furnace division located in Buffalo, New York.

NATIONAL MINES CORP.

Supplier of high grade metallurgical coal for National Steel's tremendous needs.

A major source for the four billion tin cans America uses each year

It's a practical certainty that you have cans in your cupboard that are made of tin plate from National Steel, the world's largest independent producer of tin mill products.

National Steel has achieved a tremendous tin plate production volume through its Weirton Steel Company division, which operates the largest and fastest electrolytic lines in the steel industry. This National Steel division did much of the pioneer work in developing the electrolytic process which has revolutionized the production of tin plate. Recently, it originated a new method of utilizing these modern electro-plating facilities to effect savings of as much as 50% in scarce and precious tin.

And the manufacture of tin plate is only one field in which National Steel has contributed to the continuous improvement that has taken place in steel technology. This year its expansion program will result in a 6,000,000 ingot-ton capacity—more steel for America's defense, more steel for America's civilian needs.

This is National Steel . . . in the front of steel progress . . . fastest growing of America's steel production leaders.

NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

SERVING AMERICA BY SERVING AMERICAN INDUSTRY

Britain's Distorted Economy

By PAUL EINZIG

Dr. Einzig maintains Britain's present distorted economy is result of mistaken planning and ill-advised use of controls over several years. Cites control of rents, when other prices have risen, as resulting in housing shortgage. Advocates decontrol of rents.

LONDON, Eng.—The United Kingdom in the early 'fifties provides a striking example of a country whose economy has become distorted as a result of mistaken planning and ill-advised use of controls over a period of years. Even those of us who are in favor of controls as a means of checking the excesses of unfettered private enterprise must admit that in many respects Britain has provided an instance to illustrate the way in which controls should never be used. Bad planning has distorted the country's economic system and has created vested interest in favor of the perpetuation of the distortions. First and foremost among the policies which has produced such results is the control of rents of working-class houses at their prewar level. The situation rent control has created is largely responsible for Britain's adverse balance of payments and the delay in her rearmament effort.

Dr. Paul Einzig

While the price of everything has risen since 1939, the rents of houses and flats below a certain figure must remain unchanged. Since the cost of maintenance and repair is now several times higher than before the war, landlords are unable to afford to maintain their properties in good condition. There is an all-round deterioration of prewar houses which are gradually assuming the character of slums. The rents of privately built new houses are of course higher, but those built by the local authorities are kept down by means of subsidies granted by the government. Generally speaking, it is true, therefore, that industrial workers and their families pay very low rents, entirely out of proportion with other items of their budget which have risen very considerably.

On the face of it the policy of controlling rents at artificially low levels, and thus keeping down the cost of living of the working classes at the expense of the house owners and the taxpayers, has its advantages. Were rents allowed to rise it would be inevitable to adjust wages and social service benefits to the higher cost of living. The inflationary spiral would receive an additional stimulus, leading to an all-round increase of prices.

Even so, the disadvantages of such an adjustment would be heavily outweighed by its advantages. For in the existing state of affairs the unduly low level of rents results in two grave disadvantages. It is responsible for the perpetual shortage of housing accommodation as a result of which it is practically impossible to move workers from districts where they are redundant to districts where there is an acute shortage of labor. And pressure in favor of meeting excessive demand for housing accommodation, stimulated by the unduly low level of rents, results in the diversion of too much manpower and materials to the construction of additional houses.

In no other sphere has the equalitarian tendency that characterizes postwar Britain proceeded so far as in the sphere of housing. High taxation has forced practically all owners of "stately homes" to sell or let their houses, which have become converted into schools, hotels, country clubs or other institutions. Big town houses have been divided into a number of flats or are run as private hotels. This change has provided accommodation to a very large number of people. On the other hand, owing to the low level of controlled rents, members of the lower income groups now occupy much more spacious accommodation than before the war. Rents of working-class homes now represent a much smaller percentage of their budgets than in 1939, and they now feel they can afford the luxury of occupying more spacious houses and flats. The effect of this factor heavily outweighs the division of big houses for the use of a larger number of families.

Before the war, if a working-class family occupied a three-bedroomed house and the children, having grown up, went to live elsewhere, the parents usually sublet two bedrooms, or they moved into a smaller house or flat. This is no longer done. In prewar days the difference of, say, five shillings between the rent of two rooms and four rooms was considered well worth saving. In the postwar world it is not considered worthwhile to move for the sake of saving five shillings a week. Owing to the artificially low level of rents, the additional comfort derived from retaining the full accommodation after the departure of the children is secured at a very low cost. If rents were not controlled the difference would probably be many times more than five shillings. As it is, most people of the lower-income groups can well afford the luxury of additional accommodation.

This means that the young generation has to be provided with new houses, in addition to the existing working-class houses which are now occupied by much fewer people. While it is undoubtedly a good thing to reduce the extent of overcrowding that existed before the war in working-class districts, the extent to which this has been done as a result of the unduly low level of rents has gone beyond what Britain could afford at the present time. As Mr. Aneurin Bevan, when Minister of Health, admitted in a speech in 1950, there must be a list of priorities in the satisfaction of the needs of working classes, and the provision of houses must be limited by the need for satisfying also other needs. However reasonable this argument may appear to the disinterested observer, it is difficult to expect its acceptance by the millions of people who have been on the waiting list for housing accommodation over a period of years. It was the discontent with the housing program of the Labor Government, more than anything else, that has resulted in the Conservative victory at the general election of 1951. And, even though the Conservative Government realizes the need for cutting down capital investment, for political reasons it has to make an effort to maintain and even increase the housing program at the cost of postponing productive investments such as the construction of hydro-electric power stations and the modernization of factories.

The artificially stimulated demand for housing accommodation necessitates the import of much additional building materials. It also diverts labor and materials from the production of goods for export, and from rearmament production. What is perhaps even worse, the shortage of housing accommodation has resulted in a high degree of rigidity in the employment of manpower. Although there is now fairly extensive unemployment in the textile industries, it is impracticable to shift the redundant workers to districts where they are needed in the aircraft industry. No houses are available there for them. As a result, their manpower is wasted, while the production of urgently needed jet fighters is held up for lack of manpower. To some extent the problem is sought to be solved through the extension of rearmament industries in districts where there is local unemployment. This is an absurd solution, and in most cases it is not practicable.

The right solution would be to decontrol rents, or at any rate, to raise their controlled level and adjust it to present-day requirements. This would of course entail an all-round increase of wages and social service benefits, but it would be worthwhile for the sake of putting an end to the present distorted state of the national economy. Unfortunately, it would be political suicide, and therefore it is not likely to be done.

Max Hollander Joins Bache in Cleveland

Max E. Hollander

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Max E. Hollander has become associated with Bache & Co., National City East Sixth Building. In the past he was with Ira Haupt & Co. and was Cleveland Manager for E. H. Rollins & Sons, Incorporated.

Morgan Stanley Group Offers Gustin-Bacon Mfg. Co. Com. Stock

The first public offering of securities of Gustin-Bacon Manufacturing Co., a leading manufacturer of glass fiber products, was made on April 18 by Morgan Stanley & Co. and associates. The offering covers 261,900 shares of common stock priced at $21.50 per share. Of this total 209,540 shares are being immediately offered to the public by the underwriters. The balance of such shares are subject to subscription at $21.50 per share by holders of the company's common stock.

Gustin - Bacon Manufacturing Co., organized in 1903, is engaged in the manufacture and fabrication of glass fiber insulation products. It pioneered and is a leader in the development, fabrication and sale of lightweight fine dimensional glass fiber insulation products in flexible, continuous roll form. These products, marketed under the trade-names of Ultralite and Ultrafine, are used for heat or sound insulation on railroad cars, trucks, trailers, automobiles, aircraft, and ships, and in the building and other industries. The company, also produces a plastic bonded organic fiber mat used for heat and sound insulation principally for the automotive industry. Its principal manufacturing plants are in Kansas City. The company also has an established line of railroad and industrial mechanical products.

Curb 5 & 20 Dinner

The New York Curb Exchange Five and Twenty Club held a corned beef and cabbage dinner on Wednesday, April 23, 1952, at the Downtown Athletic Club, New York City.

Highlight of the evening was a get-together of all former and present members of the Curb Exchange. Among those in attendance were John J. Mann, and Edward T. McCormick, Chairman and President of the Curb, respectively.

The Club, with a membership of 160, is composed of Exchange members who have held Curb seats for 25 or more years.

Philip Diamond, Chairman of the Entertainment Committee, was assisted by George J. Bernhardt, Leonard C. Greene, Marcus Kaufman, Charles Leichner, Edward A. O'Brien, Milton E. Reiner and Francis X. Gaudino of the Exchange staff.

Baruch, Rothschild Co. Formed in New York

Baruch, Rothschild & Co., Inc., has been formed with offices at 44 Wall Street, New York City, to deal in investments and act as underwriters and originators of their own issues. Officers are Louis J. Nettune, Chairman of the Board; Sailing P. Baruch, President; George F. Rothschild, Executive Vice-President, and Samuel Masiello, Secretary-Treasurer.

Mr. Nettune is President of Keniland Oil & Gas Co., Inc. Mr. Baruch has had extensive experience in the financial district and was a member of S. W. Baruch & Co. He is also President of Baruch Oil Corp., and a former member of the Rubber Exchange.

Mr. Rothschild has been in finance since 1927. A former member of the Produce Exchange, he was a member of the old New York Stock Exchange firm of Duryea & Co.

Joins Townsend, Dabney

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Ellen E. Stowell has joined the staff of Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges.

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

CHAPEL HILL, N. C.—Carl M. Smith is with Reynolds & Co.

The Equitable Reports

The need and the demand of the American people for life insurance service are greater than ever. During 1951, new business written by the Society totalled $1,200,000,000. To policyowners and beneficiaries, The Equitable paid out $423,742,000 during the year.

Life insurance is a very personal matter. Its services must be adjusted to the individual needs of the policyowner. We, in The Equitable, take special pride in the great field force of competent and enthusiastic agents and agency managers who perform this personal service. Indeed, the greatest single contribution of life insurance to the American public has been the development of a large force of intelligent, trained and enthusiastic field underwriters who are prepared to serve the American people in attaining their goals of individual and family security.

At The Equitable, much time and effort are devoted to the selection and training of our agents and their managers. We think there is no better adult education in the country than that which Equitable makes available to them. We regret, though, that our present policyowners and those who have need of insurance protection and estate planning are not making as much use as they should of the services that this great organization can furnish. Policyowners and their beneficiaries, as well as the insurance buying public who expect to realize the full measure of insurance protection, should consult one of our 8,000 Equitable field representatives and keep in touch with him.

During 1951 The Equitable continued to increase its financial capacity to meet its existing obligations and to take on additional ones. Premium income during the year amounted to $727,003,016 and net earnings from investment operations amounted to $167,459,000. After paying all claims and expenses of operation—including a greatly increased Federal Income Tax and the additions to our policy reserves required by the nature of our business—the margin remaining was $134,000,000. Out of this total we made extraordinary additions to our reserves of $10,100,000, paid or set aside $100,300,000 for dividends and added $23,600,000 to surplus funds. Haskins & Sells, Certified Public Accountants, who have maintained a continuous audit of our transactions during the year, have issued their certificate stating that our accounts and transactions are in conformity with generally accepted accounting principles and with regulations prescribed by the Insurance Department of the State of New York.

Taking a closer look at taxes we find that the Revenue Act of 1951 imposed a new tax on the life insurance companies which cost The Equitable $11,350,000, an increase of $5,100,000 over our tax for 1950. This increase in the 1951 tax took all of the increase in the rate of the Society's investment earnings during the year.

Like everyone else in the land, we feel this increasing contribution to the cost of Government because our Federal Tax payment for 1951 was approximately one fifth of the Ordinary dividends which we set aside for distribution to our policyowners during the current year. Then too, like everyone else in the land, we are suffering from the continued inflation of our money supply —now in excess of $190 billions, up more than $10 billions during 1951—and the consequent depreciation of the purchasing value of our insurance dollar.

It is for these reasons that we in The Equitable have been critical of the monetary policies which shirk the grave duty of controlling the supply of money in these days, when it is principally inconvertible paper. Those who took us off the gold standard, whether they realized it or not, tremendously increased the need for competent, courageous Federal Reserve policies with respect to credit and the supply of money. At least the loosening of the peg on market prices of Government Bonds during 1951 was a step in the right direction.

Thomas I. Parkinson PRESIDENT

CONDENSED STATEMENT OF CONDITION

RESOURCES

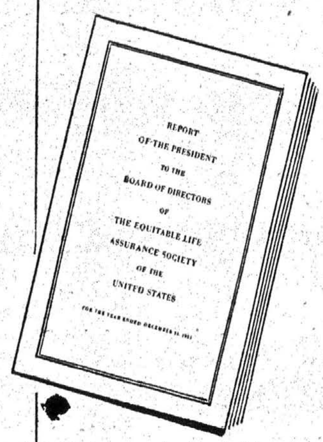
BONDS AND STOCKS*	As of December 31, 1951	As of December 31 1950
U. S. Government obligations	$ 599,391,351	$ 726,482,517
Dominion of Canada obligations	243,769,704	299,419,790
Public utility bonds	779,733,386	795,849,372
Railroad obligations	506,073,372	521,420,938
Industrial obligations	1,894,352,280	1,680,552,354
Other bonds	171,792,619	133,210,925
Preferred and guaranteed stocks	88,901,458	90,455,667
Common stocks	10,987,179	8,642,995
MORTGAGES AND REAL ESTATE		
Residential and business mortgages	977,249,680	788,666,769
Farm mortgages	189,747,553	150,933,941
Home and branch office buildings	9,802,273	10,573,799
Housing developments and other real estate purchased for investment	150,402,737	129,056,089
Residential and business properties	6,450,798	6,997,068
OTHER ASSETS		
Cash	120,240,491	68,135,232
Transportation equipment	96,895,150	38,497,145
Loans to policyholders	151,194,411	142,478,440
Premiums in process of collection	48,280,990	48,119,219
Interest and rentals accrued and other assets	49,635,340	44,052,280
Total	$6,094,900,772	$5,683,544,540

OBLIGATIONS

POLICYHOLDERS' FUNDS	As of December 31, 1951	As of December 31, 1950
To cover future payments under insurance and annuity contracts in force	$4,996,110,978	$4,648,335,206
Held on deposit for policyholders and beneficiaries	336,836,732	323,281,234
Dividends and annuities left on deposit with the Society at interest	147,093,366	130,044,178
Policy claims in process of payment	31,718,781	28,191,420
Premiums paid in advance by policyholders	89,534,730	85,105,097
Dividends due and unpaid to policyholders	7,172,082	6,703,102
Allotted as dividends for distribution during the following year	85,900,152	80,650,408
OTHER LIABILITIES		
Taxes—federal, state and other	21,653,000	17,891,000
Expenses accrued, unearned interest and other obligations	12,137,244	8,789,419
Reserve for revaluation of Canadian and other foreign currency accounts at free market rates of exchange	2,185,000	13,617,000
SURPLUS FUNDS		
To cover all contingencies	364,558,707	340,936,476
Total	$6,094,900,772	$5,683,544,540

*Including $5,575,621 on deposit with public authorities as of December 31, 1951

In accordance with requirements of law all bonds subject to amortization are stated at their amortized value and all other bonds and stocks are valued at the market quotations on December 31, as prescribed by the National Association of Insurance Commissioners.



• *For a completely detailed statement of the Society's operations during 1951 write for a copy of your President's Report to the Board of Directors.*

The Equitable Life Assurance Society of The United States

HOME OFFICE: 393 Seventh Avenue, New York 1, New York

THOMAS I. PARKINSON, *President*

EQUITABLE AGENCY MANAGERS AND GENERAL AGENTS IN NEW YORK CITY

A. BLEETSTEIN
393 Seventh Avenue

MONROE W. BLEETSTEIN
855 6th Avenue

MYRON H. COHEN
101 West 31st Street

JOSEPH V. DAVIS
225 West 34th Street

WILLIAM J. DUNSMORE
120 Broadway

LEO EISEN
Nelson Tower Bldg.

M. W. GOLDSTEIN
30 Broad Street

EUGENE HOMANS
120 Broadway

HORACE H. WILSON CO.
295 Madison Avenue

J. BROOKE JOHNSTON
393 Seventh Avenue

MAX REIBEISEN
1475 Broadway

E. W. REJAUNIER
450 Seventh Avenue

SID SMITH
393 Seventh Ave ue

MAXWELL M. SH FFRAN
225 West 34th reet

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

For the past several years there has been a general trend on the part of corporations toward the publication of more informative and detailed annual reports.

Fire and casualty companies have participated in this trend and most institutions are now publishing more comprehensive stockholder reports than in earlier periods.

This development is both significant and beneficial. For a considerable period of time and to a certain extent there still exists a lack of understanding of the character and operations of insurance companies. This is true even among some of the so-called professional investors.

Part of the reason for this exists in the nature of the insurance operation and part arises from the accounting procedures which the different companies, as a result of regulatory practices, are required to follow. Also, there is even difference of opinion among the recognized authorities as to the most satisfactory method of reporting earnings.

However, the reports now being issued by some of the more progressive insurance companies are not only contributing to a better understanding of the operations and problems of a particular company but are also aiding investors in evaluating different companies in the industry. The magnitude of this change can be realized if the annual reports issued as recent as five years ago are reviewed. Of course the changes are even greater the farther back you go.

This year the number of companies which have tried to present an informative review to stockholders seems considerably greater than a year ago. Possibly this is because many of the major companies are approaching or celebrating anniversaries of the organization of the institution. Others have used their annual report to discuss the difficulties which the insurance industry is experiencing on particular lines of risks. Nevertheless, one is impressed by the improvement which has been made in the reports during the past few years.

While many companies have presented excellent reports for the year 1951, one of the best is that of the Fireman's Fund Insurance Company of San Francisco. The report presents a comprehensive picture of the underwriting and investment operations for the past five years and discusses them in relation to its functions and responsibilities.

One of the interesting presentations in the Fireman's report is that showing the per share earnings for the past several years.

Practically every insurance company shows earnings on the basis of statutory underwriting results and investment income. In other words no allowance is made in reported earnings by the different companies for the increase or decrease of stockholder equity in the unearned premium reserve. This means that earnings may be understated during a period of rising premium volume and overstated during a declining period.

By adjusting for these changes in the unearned premium reserve a more accurate idea of the earnings can be obtained. This is the procedure followed by most insurance stock analysts in estimating the earnings of the different companies.

Fireman's Fund is one of the few companies that recognizes this method of computing earnings by publishing it in its annual report.

Figures for the past five years taken from the company's report are shown below:

	1951	1950	1949	1948	1947
Earned Per Share—					
Before Federal Income Taxes	$3.02	$5.46	$6.52	$3.24	$0.65
Earned Per Share—					
After Federal Income Taxes	2.46	3.26	4.24	2.47	0.54
Add: Equity in Unearned Premium Reserve Incr. at 35%	2.31	1.34	1.79	2.69	2.56
Adjusted Earned Per Share	4.77	4.60	6.03	5.16	3.10

The above earnings figures exclude realized and unrealized gains on capital assets and minority shareholders' interest and are adjusted to the capitalization as of Dec. 31, 1951.

Incidentally, the earnings of Fireman's Fund last year made a much better showing than did those of the industry generally. Whereas most companies reported substantial underwriting losses and sharp declines in earnings on an adjusted basis, the San Francisco company actually showed a gain in earnings.

Another interesting feature of the annual report of this Company is the presentation of information relative to investment operations.

The net investment income of the Company has shown steady growth over the past five years. In 1947 the total amounted to $3,645,000 as compared with the record of $6,205,000 last year. A large part of this gain is accounted for by the larger volume of invested funds which increased by approximately $70 million during the period.

Also the rate of return on investments improved and helped to bolster investment income. In 1947 the average rate of return on bonds was 1.63%. By 1950 this return had increased to 1.77% and in 1951 reached 1.91%. The yield on stocks at book value was 6.05% in 1947 and in 1951 amounted to 8.17%.

An interesting fact brought out in this report is that the amount of money invested in stocks has changed very little during the past five years although market appreciation has added over $10 million to the value of these holdings.

Other insurance companies have also issued excellent annual reports but in spite of the progress already made, there are still some that provide only meager information on operations. It is hoped that the trends in evidence over the last several years will continue so that all stockholders will have an informative annual report.

With Smith, Clanton Co.

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—Cleveland W. Bradshaw is now associated with Smith, Clanton & Company, 2508 Kenmore Drive.

Hentz Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Bertram V. Fletcher has been added to the staff of H. Hentz & Co., 120 South La Salle Street. He was formerly with Lee Higginson Corp.

Continued from page 4

Improved Debt Management— The Treasury's Opportunity

lieve, has been given insufficient consideration by investors.

The newly-freed Treasury security market is sensitive and narrow. I mean by that, that on occasions longer-term bonds will undergo price changes of as much as ½ a point in a day with no important customer activity. And a run-up in the price of Treasury bonds of a point or so over a period of a week has occurred. This does not mean that the Treasury therefore is enabled to sell a billion or so of bonds at corresponding price increases. It does mean that Treasury announcements as to new financing must be handled differently than they were when the Treasury was financing against a pegged market.

This was not fully realized apparently when the 2⅜s 1957/59 were announced in February. The Treasury covered all the necessary details in a single overnight surprise announcement. This increased the precariousness of setting the terms. And although I am convinced that Treasury and Federal Reserve officials believed the terms were attractive, investors did not, and this accounted for the failure of the issue.

I confess that the market later proved that those who declined the offering made a mistake, but the test of successful financing is that made against an existing market condition. Successful financing cannot be predicated on investor speculations as to what might happen over the next two months. The Treasury's job is not to encourage such speculation, nor to prove to investors that they made a mistake in declining the offering, but to encourage them to accept Treasury financing when the books are open. This, therefore, requires that the market and investors be prepared for a financing before the final terms are set. No private issuer of securities would attempt to finance otherwise.

I therefore contemplate that in the future the Treasury will revert to the postwar policy of first making a general announcement, as to the size and character of its financing, and only after the market has had a chance to adjust itself to the weight of the financing will the Treasury arrive at, and publish, the precise and final terms.

Under such procedures any further offering of 2⅜s should consist of a preliminary announcement that an exchange offering would be made. This might be followed by a decrease in the price of these bonds from 101½ to 100½ or 100¾, more or less overnight. I know quite well that die-hard, low-interest-rate-at-any-cost advocates may look aghast at such a procedure, but I think it is true that they do not disapprove of a point and one-half advance in the price of Treasury securities over a relatively short period.

In other words, I would guess that an exchange offering involving the additional issuance of 2⅜% bonds might result in an offering price of 100¼ to 100½. You can see that, in my analysis, the decisions taken by the Treasury with respect to its financing have a very important bearing on the outlook for Treasury security prices.

Now, I have outlined a procedure with respect to a refunding that may not take place. I certainly don't know whether it will or not, and I therefore should spend a moment on what happens if it doesn't.

What Temporizing May Mean

If, with the passage of successive days, the Treasury fails to clarify by such announcements, or otherwise, its attitude toward debt management, then with the passage of each day the market's belief that the Treasury will temporize in the hope of higher bond prices will enlarge. It could result, as I outlined earlier, in an explosion of bond prices later on. In other words, ultimate instability in the prices of Treasury securities would be insured.

With respect to cash financing: A substantial portion of the Treasury's cash needs will be of a seasonal nature. That is, a cash deficit in the second half of the current calendar year may be expected to be followed by some cash surplus in the first half of the calendar year 1953. Therefore sizable sums may be raised from corporations and business who will accrue tax reserves against their 1953 tax liabilities. A favored medium for such investment is Treasury bills, those of the regular series and those that fall due on quarterly tax dates. But if the maximum amount of Treasury financing is to be effected outside of the commercial banks all other sources should be explored to the full. The burden of proof should rest with those who say that **it is not there** rather than on those who claim that some money can be raised **if properly-priced securities** are offered.

Prospect No. 1 for this type of financing should be savings bonds. I shall not go into this subject here. In fact, I am almost ready to give up on it. I suppose that some day the Treasury will announce revisions in the terms of savings bonds, but I do not have much confidence that the changes that are likely to be made will succeed in materially increasing net sales. I hope I am wrong.

This brings up the possibility of long-term bond financing. Only a minority expect the Treasury to offer long-term bonds at coupon rates and on terms that will really appeal to savings banks, savings and loan associations, pension funds, insurance companies, and commercial banks, who hold a large percentage of time deposits. I happen to be one that believes that the chances are better than ever because I have a high regard for the objectiveness of the Treasury officials who are concerned with these financing problems, and because the desirability of such an offering is so clear.

The principal argument against an offering of long-term bonds by the Treasury is a belief that little money is currently available. In my view, whether money is available depends, in part, on the rate of return offered. For example, I doubt very much that the Treasury could raise any reasonable sum if it were to offer a bond carrying a coupon rate of 2¾%. I believe, on the other hand, that the Treasury could raise a considerable sum with a 3% coupon.

Should There Be a 3% Bond?

Some say that a 3% bond is out of the question because of the much lower yields prevailing in the market. I do not happen to agree with this. The present market yields reflect a preponderance of doubt that any long-term offering will be made. Following a preliminary announcement to the contrary, the bond market would have to undergo an adjustment. This might amount to an increase in the yield of the longest 2½% bond of 5 yield points or thereabout; in other words, a price decline of around a point or so. But this should not be viewed as a calamity. Within two days, on relatively small buying, the price of the 2½s 1967/72 advanced practically a point.

A 3% bond with a term of 1977-82 would not be excessively cheap when viewed against the market or the requirements of investors. But it would be cheap enough to extract a reasonable amount of money on a basis that investors would be willing to hold the securities as a permanent investment.

Let us examine for a moment the opposing contention, namely, that the Treasury should not offer long-term bonds until it is clear statistically that X dollars are free and available for Treasury bond investment. By the time any substantial sum has been accumulated, the marginal buying that would be asserted would take place in a market which would be bare of day-to-day offerings. This marginal buying would depress the yield of outstanding bonds considerably. Consequently, the large mass of investor money might be reluctant to purchase a new issue priced against such market conditions, unless the rate of return offered seemed disproportionately "away from the market."

In other words, if the Treasury were to wait until substantial sums obviously were available, then by that time bond prices would have advanced on a marginal demand, and any successful financing by the Treasury would represent more or less forced purchases on the part of investors as a whole. I want to be clear on this point. I do not contend that investors waiting with idle funds would not buy. They would. They might even be grateful for another 2½% bond at par. But such investors, in my opinion, would view the newly acquired investments as temporary, rather than permanent holdings. They, I am sure, would be quick to sell such Treasury securities as non-Treasury investments became available and they would be tempted to speculate on the renewed availability of non-Treasury media. Thus any tendency on the part of the Treasury to starve the market for long-term bonds, or to be reluctant to compete with private credit in times such as these, insures an unnecessary ultimate instability in long-term Treasury security prices. Certainly such abstinence would not conform with the objective of seeking to sell the maximum of Treasury securities outside of the commercial banking system.

It seems to me that the Treasury needs to be bold in seeking to sell Treasury bonds. Such a policy obviously requires some small step-up in the financing costs over the alternative of waiting but the real gain would come from achieving permanent investments in Treasury securities in contrast to temporary holdings.

Repercussions of Failure to Offer Long-Term Bonds

Again, however, the weight of opinion in the market and the realities, partly political, require that we consider the repercussions that might follow from any failure of the Treasury to offer long-term bonds. If this is the case, I believe investors will assume the Treasury's policy is to temporize, to seek advice but to adhere to caution, in the hope that it may eventually sell long-term bonds at lower rates.

This will not increase the confidence of investors in Treasury securities. It will impair their confidence because they will lose faith in the objectiveness of Treasury officials. The Treasury thereby would invite "scare buying" of outstanding Treasury bonds with comparable unstability in their prices. The situation in the Treasury security market might be similar to our experience in the commodity markets when the scare buying in the second half of 1950 zoomed prices upward, only to be followed by a long period of decline, in 1951 and 1952. It also would be similar to the experiences of manufacturers of certain lines of consumer goods where, through the force of circumstances and rising taxes and high labor costs, some manufacturers found their goods to have been priced out of the range of popular demand.

For the longer run I find my thoughts trending back to the 1930s. We had then a dearth of non-Treasury investments, a superabundance of excess reserves in the banking system, of idle funds in other financial institutions and the Treasury bill rate was less than ⅛ of 1%, but Treasury financing of long-term bonds required a coupon rate of 2¾% for bonds that were partly tax free.

Today such bonds are fully taxable, tax rates are higher and more broadly applicable. Consequently, a 2¾% bond today would represent a lower return on money than a similar rate during the 1930's. But there is a common ground between that period and the one that lies ahead. In the 1930's the Treasury financed against a market that was not pegged. It financed on terms that were set in the market place. It did not finance on ones which were imposed, if necessary, by unlimited par support on the part of the Federal Reserve System. Regardless of the Treasury's future cash needs, the Treasury faces the patent necessity to refund some portion of its large short-term debt. The weight, both potential and actual, of these refundings will offset, in my opinion, other forces that may tend to lower the yields offered on intermediate and long-term Treasury bonds.

Consequently, I do not believe that interest rates on long-term Treasury bonds will move lower over the longer-run even though capital expenditures decrease and business becomes recessionary. Obviously, the prudent character of Treasury debt management will have an important bearing, but I doubt that even the Treasury can bring about a resumption of the low rates of the past decade—except—as the government succeeds in dominating the Federal Reserve System.

Burns Joins Trading Dept. of Morfeld Co.

ST. LOUIS, Mo.—Eugene T. Burns has joined the trading department of Morfeld, Moss & Hartnett, 721 Olive Street, members of the Midwest Stock Exchange. Mr. Burns was previously manager of the trading department of Metropolitan St. Louis Co., and prior thereto was with Dempsey-Tegeler & Co.

With Thomson, McKinnon

(Special to THE FINANCIAL CHRONICLE)

LA GRANGE, Ga.—Herman O. Hamilton is with Thomson & McKinnon, 14 North Court Square.

Paul J. Nowland Co., New NYSE Firm

WILMINGTON, Del.—Paul J Nowland will acquire membership in the New York Stock Exchange and form the firm of Paul J. Nowland & Co. as of April 24, in partnership with W. E. Tull. Mr. Nowland has conducted his own investment business from offices in the Equitable Building for many years.

With Barclay Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Byron W Noonan has joined the staff of the Barclay Investment Co., 39 South La Salle Street.

New Orleans Bond Club To Hear H. X. Schreder

Harold X. Schreder

NEW ORLEANS, La. — The Bond Club of New Orleans will sponsor an address by Harold X. Schreder, Executive Vice - President and Director of Research of the Distributors Group, Inc., today (April 24) at the St. Charles Hotel. Mr. Schreder will speak on "Business Conditions and the Stock Market."

John Brick Joins W. C. Langley & Co.

W. C. Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announce that John Brick has become associated with the firm. Mr. Brick was formerly with Kidder, Peabody & Co.

REPORT OF CONDITION OF

Underwriters Trust Company

of 50 Broadway, New York 4, N. Y., at the close of business on March 31, 1952, published in accordance with a call made by the Superintendent of Banks pursuant to the provisions of the Banking Law of the State of New York.

ASSETS	
Cash, balances with other banking institutions, including reserve balances, and cash items in process of collection	$8,458,046.51
United States Government obligations, direct and guaranteed	11,833,451.96
Obligations of States and political subdivisions	1,263,824.57
Other bonds, notes, and debentures	1,304,423.58
Loans and discounts (including $1,632.25 overdrafts)	16,507,490.12
Banking premises owned, None; furniture and fixtures and vaults	83,597.00
Other assets	155,711.88
TOTAL ASSETS	$39,606,545.62
LIABILITIES	
Demand deposits of individuals, partnerships, and corporations	21,803,558.80
Time deposits of individuals, partnerships, and corporations	4,403,132.19
Deposits of United States Government	319,482.89
Deposits of States and political subdivisions	8,383,630.10
Deposits of banking institutions	485,951.08
Other deposits (certified and officers' checks, etc.)	981,471.61
TOTAL DEPOSITS	$36,377,226.67
Other liabilities	214,536.25
TOTAL LIABILITIES	$36,591,762.92
CAPITAL ACCOUNTS	
Capital †	$1,000,000.00
Surplus fund	1,000,000.00
Undivided profits	1,014,782.70
TOTAL CAPITAL ACCOUNTS	$3,014,782.70
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$39,606,545.62

†This institution's capital consists of common stock with total par value of $1,000,000.00.

MEMORANDA	
Assets pledged or assigned to secure liabilities and for other purposes	$8,662,278.35
(a) Loans as shown above are after deduction of reserves of	44,219.00
(b) Securities as shown above are after deduction of reserves of	204,758.82

I, William D. Pike, Secretary, of the above-named institution, hereby certify that the above statement is true to the best of my knowledge and belief.

WILLIAM D. PIKE,

Correct—Attest:

C. W. KORELL
SUMNER FORD } Directors
J. B. V. TAMNEY

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The largest gathering in the history of the Quarter Century Club of **The National City Bank of New York** and **City Bank Farmers Trust Company** attended the 16th annual banquet at the Hotel Astor on April 17. 1,225 members of the bank's staff, all of whom have served continuously for 25 years or more, contrasted with the 199 members present at the first Quarter Century Club dinner in 1937. Wm. Gage Brady, Jr., Chairman of the Board of National City, made a brief address. W. Randolph Burgess, Chairman of the Executive Committee of the bank and Chairman of the Board of the Trust Company; Howard C. Sheperd, President of the bank; Lindsay Bradford, Vice-Chairman of the Trust Company and Richard S. Perkins, President of the Trust Company, were also hosts. Harry P. Wehr, head of the purchasing department was Chairman of this year's Quarter Century Club Committee. Randolph S. Merrill, Manager of the bank's Varick Street Branch, will be next year's Chairman. The complete world-wide membership of the National City Quarter Century Club is 2,004, representing 55,695 combined years of service.

* * *

UNDERWRITERS TRUST COMPANY, N. Y.

	Mar. 31, '52	Dec. 31, '51
Total resources	$39,606,546	$41,235,200
Deposits	36,377,227	38,025,900
Cash and due from banks	8,458,047	8,698,800
U. S. Govt. security holdings	11,833,452	13,475,700
Loans & discounts	16,507,490	17,296,200
Surplus and undivided profits	2,014,783	2,006,900

* * *

Broadway Savings Bank of New York announces the election of Harry R. Flory as a member of its Board of Trustees. Mr. Flory graduated from Wooster College and the Columbia University School of Journalism. He started his newspaper work on the Wooster Ohio, "Daily News," and in 1938 became European news manager with headquarters in London. For the past nine years he has directed the UP foreign news reports in New York City. In 1943 Wooster College granted him the degree of Doctor of Humanities, and he is presently a member of the Board of Trustees of his Alma Mater.

* * *

The United States Military Academy is being honored by a special display in the windows of the **East River Savings Bank** in Rockefeller Plaza, New York, and by other exhibits in its branches throughout the city. This year marks the 150th anniversary of the founding of the Military Academy at West Point. The displays are centered about the theme of the Sesquicentennial observance, "Furthering Our National Security." The exhibits in the East River Savings Bank are varied in subject. The West Point Museum has loaned many of its prize materials to the bank for these exhibits. Included are models of artillery guns from 1800 to date. These models show the development of artillery in the U. S. Army. Another display features relics of the Indian Wars. There is also an exhibit which includes firearms from the Revolutionary period through the time of the Civil War. Sabers of many famous men are also shown, including the sword used by General Winfield Scott during the Mexican and Civil Wars. Other items of interest are the medals of General George Goethals and a sample of the medals and awards of the United States. Special Sesquicentennial material on view includes the medallion struck in honor of the 150th anniversary and the Sesquicentennial Booklet.

* * *

THE CORPORATION TRUST COMPANY, NEW YORK

	Mar. 31, '52	Dec. 31, '51
Total resources	$2,394,373	$2,441,600
Deposits	175,889	166,500
Cash and due from banks	1,043,696	997,200
U. S. Govt. security holdings	472,226	472,300
Surplus and undivided profits	523,896	471,300

* * *

The merger of the **North Wales National Bank, of North Wales, Pa.** (common capital stock of $100,000) into the **Montgomery Trust Co. of Norristown, Pa.,** under the charter and title of the latter, became effective March 14.

* * *

J. Harry Schisler, First Vice-President of the **Fidelity and Deposit Company of Maryland,** at **Baltimore,** was elected a director of the company at the regular monthly meeting of the board, on April 16. In announcing the latter's action, B. H. Mercer, President, stated that Mr. Schisler would fill the vacancy created by the recent death of Rodney J. Brooks. Mr. Schisler first entered the surety business in 1910 as a clerk with the American Bonding Company of Baltimore. When that company merged with the F&D in 1913, he became associated with the latter's claim department, eventually rising to the position of Manager. Following his election as a Vice-President in 1947, he was placed in full charge of all the F&D's claim and salvage activities. He was elected First Vice-President in February, 1950. Mr. Schisler is a member of the International Association of Insurance Counsel, Vice-Chairman of the publications committee of the insurance section of the American Bar Association, and is a member of both the Maryland bar and Baltimore City bar.

* * *

As the opening event of its 30th anniversary celebration this year, **The Bank of Virginia at Richmond** asked the entire staff in all offices for suggestions and offered special cash prices for the best ones. The staff replied — 458 suggestions from 165 people, or from one-third of the staff of 500. Faced with more suggestions than expected, the committee extended the time for its report and increased the amount of awards. By final results announced recently, the bank paid $801 in 100 awards to 64 staff members. Leslie D. Austin, Jr., of the bank's Main Street office in Norfolk, Va., won the $100 top award for a suggestion to revise the system of clearing returned checks in Norfolk. Miss Mary Virginia Jenkins, supervisor of the checking and savings department at the Fourth and Grace Streets bank in Richmond, won second prize and $50 for a suggestion to save time in the posting of loan accounts. Other suggestions ranged from major matters to the recommendation for a larger and better bulletin board.

* * *

An addition of $100,000 was recently made (March 14) to the capital of the **Farmers National Bank of Canfield, Ohio,** increasing it from $150,000 to $250,000; a stock dividend of $50,000 and the sale of $50,000 of new stock made possible the enlarged capital.

* * *

The board of directors of **The Detroit Bank at Detroit, Mich.** at its regular meeting on April 8, authorized the retirement of $2,000,000 par value preferred capital stock of the bank, representing the entire amount of outstanding preferred stock held by the **Reconstruction Finance Corporation,** to be retired for cash on May 20. Also, on the same date, the directors authorized the transfer of $2,000,000 from preferred capital stock retirement provision to the surplus account.

A special meeting of the shareholders of the bank has been called for April 29, to vote on the proposal of the directors to increase the common capital stock from 325,000 to 375,000 shares through the issuance of rights on the basis of one share for each 6½ shares held of record on April 29. The shareholders will also be asked to fix the price at which the additional shares will be subscribed for and to authorize the directors to enter into an agreement with underwriters covering the sale of shares unsubscribed by the shareholders, to the underwriters, at a price not less than that so fixed for sale to shareholders.

* * *

NATIONAL BANK OF DETROIT, DETROIT, MICH.

	Mar. 31, '52 $	Dec. 31, '51 $
Total resources	1,597,499,971	1,554,837,578
Deposits	1,498,582,734	1,471,260,301
Cash and due from banks	428,059,660	387,038,331
U. S. Govt. security holdgs.	689,849,255	701,176,316
Loans & discts.	294,544,205	2[illegible]2,451,914
Undiv. profits	10,950,[illegible]97	9,456,132

* * *

The Douglas County Bank of Omaha, Neb., announces the promotion of Walter W. Clark, to the office of Cashier on April 1. K. G. Harvey is President of the bank.

* * *

The sale of new stock to the amount of $200,000, and a stock dividend of $100,000, has served to increase the capital of the **Peoples National Bank of Paducah, Ky.,** from $200,000 to $500,000, effective April 5.

* * *

The **First National Bank** (capital $100,000) and the **Farmers National Bank** (capital $150,000), both of **Somerset, Ky.,** has been effected under the charter of the First National Bank, and under the title of the **First & Farmers National Bank.** The consolidated bank, which opened under its new title on April 1, has a capital stock of $250,000 (in 12,500 shares of common stock, par $20 each); surplus of $500,000 and undivided profits of not less than $150,000.

* * *

The Harney County Branch of the **United States National Bank of Portland, Oregon,** recently moved into newly enlarged and remodeled quarters. The branch is located in Burns, Oregon. A public open house on April 5 marked the occasion. E. C. Sammons, President of the state-wide banking organization, was guest speaker at a luncheon given by the Burns Chamber of Commerce to mark the opening. H. R. Dickerson is Manager of the bank's branch at Burns and R. H. Van Houten is Assistant Manager.

* * *

The First National Bank of Burlington, Wash. (capital stock $50,000) was placed in voluntary liquidation on March 15 having been absorbed by the **National Bank of Commerce of Seattle, Wash.**

On Vacation

Milton Capper, partner in Edelmann & Capper, New York City, is vacationing with his wife in Florida. Mr. Capper, an advocate of thread line fishing, will try his hand at bonefish and tarpon in the Florida Keys. After his return from Florida May 12th, Mr. Capper is planning to form the Wall Street Anglers' Club with other Isaak Newtons.

English Gold and Silver Markets

We reprint below the quarterly bullion letter of Samuel Montagu & Co., London, written under date of April 1.

GOLD

The amount of gold held in the Issue Department of the Bank of England is unaltered at £356,823.

The Bank of England's buying price for gold remained unchanged at 248s.0d. per fine ounce, at which figure the above amount was calculated.

In the course of his Budget speech in the House of Commons on March 11, Mr. R. A. Butler, Chancellor of the Exchequer, revealed that the loss of gold and dollar reserves had been $299 millions in January and $266 millions in February, an average for the year of $63 millions a week. At the end of February, the reserves were $1,770 millions as compared with $2,335 millions held at the end of 1951.

The gold output of the Transvaal and Orange Free State for January and February, 1952 is shown below, together with figures for the corresponding months of 1951 for the purpose of comparison:

	Fine Ounces	
	1952	1951
January	972,906	954,791
February	916,071	886,057

SILVER

During the first quarter of 1952, there were no movements in the official quotation which ruled throughout, therefore, at 77d. per ounce .999 fine for both cash and two months' delivery. There was a steady demand for essential industries and this continued to be met by sales of silver from official stocks.

The New York market quotation was unchanged at 88 cents per ounce .999 fine throughout the period.

From the beginning of the quarter until the middle of March, prices for exportable silver ranged between 7d. and 9d. premium over the official price, in conformity with the movements of the Dollar/Sterling rates quoted on the Continental free exchange markets.

On March 14, the authorities announced that no more licenses for the export of Bar Silver to the Continent would be granted without the production of a written undertaking that the silver was not ultimately destined for the Western Hemisphere. For some time past a great part of the Continental imports of silver from London has undoubtedly been re-exported to the U.S.A. to complete Dollar/Sterling exchange transactions on the Continental free markets. Following this announcement, prices for exportable silver were quoted as low as 82d. to 83d., but sellers generally held off at these levels and the market reacted to 83d. to 84d. by the end of the month.

Lloyd E. Canady Adds

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—Cleveland W. Bradshaw has become associated with Lloyd E. Canady & Co., Commercial Bank Building.

With Benj. D. Bartlett

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Hall C. Park has become associated with Benj. D. Bartlett & Co., members of the New York and Cincinnati Stock Exchanges.

Joins The Marshall Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Walter G. Mann has joined the sales staff of The Marshall Co., 762 North Water Street. He was formerly with Lee Higginson Corporation.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues to stay on the constructive side, with new highs being registered in many issues. Volume is expanding, and although it is not yet up to previous standards, it is trending in the direction that is giving encouragement to many operators in Treasury obligations. To be sure, the absence of large offerings is still responsible in no small measure for the sharp upturn in certain issues, but there has been, however, more sizable amounts of securities appearing from time to time. Because of the enlarged interests of buyers, and the growing number of purchasers, the market has been able to absorb these offerings without any important effect upon the trend of prices.

Although the restricted issues appear to have the front of the stage, because of renewed buying by fund investors, there has been a very persistent demand for the eligibles. Pension funds, private, Federal, and those from several of the states, have been mainly responsible for the strong tone in the tap bonds. Commercial banks in the outlying areas have been getting large city bank competition because of the desire to extend maturities.

Liquidity Overdone

A comparison of the holdings of government securities at the end of 1951 and at the close of 1950, shows some interesting developments have taken place in the year just past in the ownership of these obligations. Commercial banks, for instance, were much more liquid at the close of 1951 than they were at the end of 1950. Treasury bills and certificates of indebtedness were more than 26% of their total holdings of government securities at the end of last year, compared with just slightly more than 9% at the close of the previous year. Notes were under 19% at the end of 1951, contrasted with 30% at the close of 1950. Bonds amounted to less than 55% at the finish of last year, against more than 60% at the close of 1950. This important shift by the deposit banks into the more liquid short-term lower income Treasury obligations during 1951 may explain in more ways than one, the recent move by these same banks to acquire the longer-term higher income government obligations. Liquidity preference might have been carried a bit too far by the commercial banks.

The other important development brought out by the Treasury figures on the ownership of government securities was the heavy turn-in of the last two isseus of the restricted bonds in 1951, at the request of the Treasury, for the non-marketable 2¾s. This locked up rather permanently a sizable amount of marketable bonds that could have been used to create loanable funds through sale in the open market. The other feature that strikes one noticeably was the heavy liquidation of the ineligible bonds by life insurance companies in 1951. They were the principal sellers of Treasury bonds last year.

Savings banks on balance were buyers of the ineligible obligations, with the increase in deposits, that came near the end of 1951, probably responsible in no small measure for this performance by these institutions. Fire and casualty companies were likewise on the purchase side as far as Treasury issues were concerned in 1951. With them the near eligible tap bonds were the most favored obligations.

Government investment accounts, the Federal Reserve Banks and other investors were the main buyers of the Treasury obligations which were liquidated last year. Other investors were heavy buyers of the eligibles as well as the coming eligible restricted obligations. Government investment accounts and Federal were the buyers of the other restricted bonds.

Partial Exempts Bought Heavily

The most prominent purchases by the commercial banks in 1951, aside from the short-term obligations, were made in the partially exempt obligations. These acquisitions were paced by the 2⅞% due 1955/60, followed by the 2¾% due 1956/59, the 2¾% due 1960/65 and then the 2¾% due 1958/63. The 2⅞% due 1955/60, according to the records, appealed most in 1951 to central reserve city banks, with those in the New York district leading the way, with the Chicago district third because the country banks just beat them to the punch in the purchase of this obligation. The 2¾% due 1956/59, showed a split picture with the leadership being shared by the New York City banks and the reserve city banks.

As for the 2¾% due 1960/65, there was no question but what the banks in the reserve city districts were the leaders as far as purchases of this issue were concerned. The New York City member banks were next as far as buyers were concerned, but they were not even a close second. The rear was brought up by the country banks. The 2¾% due 1958/63 showed the large money center deposit banks back in the saddle again with the New York City member institutions holding the whip hand once more. The reserve city institutions and the country banks followed in that order, but well behind the leader.

The shift by the commercial banks into short-term, liquid securities in 1951, affected nearly all of these institutions and made a casualty of the longest eligible Treasury obligation. The heaviest selling in the 2½% due 9/15/67-72 last year was done by the reserve city banks. They were followed by the New York City member banks, but these eliminations were very small by comparison. The principal buyers of the September 2½s were the non-member banks, with the Chicago banks a distant second.

Re-elected for 10th Consecutive Year

The Puts and Calls Dealers Brokers Association, Inc. of New York, have re-elected Sid D. Harnden President of the organization for the 10 consecutive year.

A dinner commemorating the event was held at the Hotel New Yorker on April 16. Lawrence Botts and Charles Godnick, Godnick & Sons, were co-Chairmen of the affair.

Assel and Kreimer Form Own Firms

CINCINNATI, Ohio—The investment firm of Assel, Kreimer & Company has been dissolved and Joseph H. Assel has formed his own company, J. H. Assel Company, with offices in the Provident Bank Building. Herbert F. Kreimer has formed H. F. Kreimer & Co., with offices also in the Provident Bank Building.

Garvin, Bantel & Co. Admits New Partners

Garvin, Bantel & Co., 120 Broadway, New York City, members of the New York Stock Exchange and New York Curb Exchange, announce that Gordon G. Daniel and G. Donald Gallagher have been admitted to the firm as general partners and that Thomas J. Thompson has retired as a general partner.

Canadian Securities

By WILLIAM J. McKAY

The postwar Canadian pros-erity, accompanied by a rapid ate in population growth, has led o speculation regarding the fu-ure gross national income of the ountry. This is important be-ause an increase in the so-called gross national product," com-ensurate with population rowth, is essential to mainte-ance of prevailing standards of iving, and in order to raise the iving standards of the general ublic, there must be, as a rule, ssuming an equitable distribution f income, a relative increase in he "gross national product."

According to an estimate of ilbert Jackson, a Toronto econ-mist, Canada now needs an in-rease in gross national product f 4% per year, compounded an-ually, to keep up with the na-ion's growth in population and apital investment.

In Mr. Jackson's opinion, to ncrease the gross national prod-ct by the required 4%, Canada hould invest 20% of her gross ational product each year and ep up the rate of corporate and ersonal saving.

"Do this, and we double the hysical volume of Canada's total utput at the rate of once in 18 ears, instead of once in 23 years, s we have done in the past two ecades," Mr. Jackson declared.

The 3% average annual increase n the physical volume of Canada's otal output during the past gen-ration, in the view of Mr. Jack-on, required that Canadians hould invest about 15% of the ross national product. "As a mat-r of record the figure was about 6%," Mr. Jackson stated, adding at the physical volume of pro-uction per man hour increased n the period from 1929 at an an-ual rate of 2%. This was mainly he result of technological im-rovement, accompanied by reater investment in modern and ore efficient machines. "But we anadians chose to take part of e resulting benefits in the form f more leisure—that is by short-ning our average work week and educing the number of man hours er man year. In the result, the hysical volume of our production er man year increased at the rate ot of 2%, but of 1½% per year."

That the Canadian authorities ave in view the further exploita-on of Canada's vast natural resources to provide for its rapid population growth and the maintenance of high living standards is indicated by the decision to go along alone with the long contemplated St. Lawrence River Project. New York State has thus far failed to enter into a cooperative arrangement to carry out the project, and Congress has failed, despite years of importuning, to enact legislation for this purpose. Only last week, President Truman gave the O. K. to Canada to inaugurate the vast undertaking on its own account.

The St. Lawrence River Project involves both a seaway and power development. As evidence that the Canadian Government intends to inaugurate the project a plan is afoot to incorporate a Crown company for building it. The actual project does not look too great either in dollars or engineering magnitudes as things go these days. Below Montreal there is a 30-foot draft, a 14-foot draft in the stretch between Montreal and Prescott, which has not been improved since 1900, and a 25-foot draft westward over the Welland Ship Canal was finished in 1912. It is this 14-foot bottleneck which should be removed. The General Engineering branch of the Canadian Department of Transport in 1949 estimated the cost at $350 million, not the $1 billion which opponents mention. In its fast expanding economy, it is contended, Canada cannot afford not to make this seaway available at the earliest possible moment.

Francis V. Nixon With Edgerton, Lofgren

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Francis V. Nixon has become associated with Edgerton, Lofgren & Co., 609 South Grand Avenue. Mr. Nixon was formerly with Hopkins, Harbach & Co. and Pacific Coast Securities Company. Prior thereto he was Sales Manager for Gross, Rogers & Co. and in the past conducted his own investment business in Los Angeles and New York City.

With Paul Rudolph Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Paul M. Magoon has become affiliated with Paul C. Rudolph & Company, 127 Montgomery Street.

With Schwabacher & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — L. Stuart Wing is now associated with Schwabacher & Co., 600 Market Street at Montgomery, members of the New York and San Francisco Stock Exchanges.

Continued from page 2

The Security I Like Best

direct partnership interests in several drilling operations.

Following the retirement and conversion of a substantial portion of preferred stock in 1951, company's capitalization has become more stabilized and the amount of potential dilution from converting the $1.10 second preferred stock is relatively small. Dividends on the common stock at the present $1.20 annual rate appear secure. The accelerated drilling program may preclude an early increase in disbursements, but the enlarged earning potential over early future years has favorable implications. Since the company is now in a position to extend its indicated growth trend rather impressively into the future, the issue may be considered attractively priced at current levels (around 22) with regard to earnings and yield and offering above average attraction for holding at this time.

Acreage and Well Locations

At the end of 1951, Sunray had a total of 1,639,188 undeveloped acres under lease in 22 states, and last year production was obtained in 15 states and in Canada.

In the Williston Basin area, Sunray has leases on more than 200,000 acres in the South and Southeast section. In the Redfish Bay-Mustang Island oil field in Corpus Christi Bay, Texas, Sunray has some 8,000 acres under lease where it is carrying on a highly satisfactory drilling program. In Canada, company continues active in its search for oil and gas reserves in the western provinces of that country.

In Alabama, Sunray holds about 4,500 acres under lease near the recent Humble discovery well and while no drilling has been undertaken as yet, company believes its holdings there may be in the "play." Sunray has acquired approximately 12,000 acres in Northern Mississippi in the general area where another important oil company has brought in a promising oil well. A discovery well brought in last Christmas Eve in Acadia Parish in Southern Louisiana near Lake Charles was said to be one of the two best discoveries made last year in that area. This well, located on a 7,500 acre block, has three pay zones.

In Redfish Bay, Corpus Christi, Texas, company has brought in 19 oil wells and one gas well and has four rigs on barges drilling. It is estimated that around 100 wells will be eventually drilled in this area over the next three years.

Company has about 14,000 acres of leases in the Spraberry Trend Field in West Central Texas, of which 5,000 acres are proven and the remaining 9,000 acres are unproven. Twenty producing wells have been brought in in this field. Production officials believe possibilities in this field look better now than they did a year ago.

As of Dec. 31, 1951, Sunray had 5,600 gross active producing oil and gas wells and 3,330 net active producing oil and gas wells. In 1951 Sunray participated in the drilling of 315 gross wells or 204 net wells. During the first six months of 1952, company's budget calls for drilling 190 gross wells and 141.3 net wells.

Production

In 1951, Sunray produced 26,632,000 net barrels of oil for a daily net average of 73,000 barrels of crude which represented an increase of 5% over 1950. Production was obtained from 13 states and Canada, with Texas, California and Kansas being the 3 biggest producing states. In California, the Newhall-Potrero Field in Los Angeles County is the most important. The latter oil field has been described as literally "standing on end"—with oil horizons unlimited and the pay zone running downward to "no one as yet knows where." Company brought in eight new producing wells in this field last year. Company is now obtaining about 1,500 barrels per day from the Redfish Bay Field and estimates potential production there within the next three years of around 10,000 barrels per day, assuming no further tightening of pipe supplies.

Refining

Company operates three refineries located at Duncan and Allen, Okla., and Santa Maria, Calif., which have a combined daily capacity of 45,000 barrels. Crude oil and other products run at these refineries last year amounted to 13,555,000 barrels, which compared with 11,317,000 barrels in 1950. Refinery runs averaging 37,000 barrels daily in 1951 represented a 6,000 barrel per day increase over 1950. The Duncan refinery, acquired late in 1947 from the government at a cost of $5,100,000 (cost $20 million) has a daily capacity of 25,000 barrels of crude, plus 7,000 barrels of excess gas oil and this has proven to be a very advantageous acquisition. Both crude oil throughput and earnings of the refining division have shown steady growth in recent years, reaching a new high in 1951.

At Snyder, Scurry County, Tex., Sunray operates the largest field LPG extraction plant in the world from the standpoint of product output as related to cubic feet of natural gas handled. The plant is operated in partnership with 35 companies and approximately 60 individuals owning leases in the Kelley-Snyder area which is a highly productive area having close to 1,000 producing wells. Sunray's net interest in this project is 7.31%.

Sunray recently announced plans for building a new 28,000 barrel per stream day gasoline refinery at Corpus Christi, Texas. The first preliminary construction work will start immediately on the plant site about seven miles west of the port of Corpus Christi where Sunray operates deep water terminal facilities in connection with its coastal pipeline operations. The project is scheduled for completion in the late summer of 1953.

Reserves

Sunray continues to add to crude reserves in excess of its production. On the basis of a recently completed appraisal made for the company by an independent oil and gas engineer, Sunray added approximately 40 million barrels proven crude reserves in 1951 excluding California, the most important of which additions came from the following fields: Spraberry Trend, 13 million barrels; Redfish, 9,700,000 barrels; Mustang Island, 3,500,000 barrels; Western Kansas, 3,500,000 barrels; Oklahoma, 2,500,000 barrels, and Louisiana, 900,000 barrels. Since Sunray produced nearly 27 million barrels of crude in 1951, the net gain to reserves amounted to around 13 million barrels. Thus it is estimated that present total proven reserves approximate 327 million barrels although it was stated that an additional 7-8 million barrels could be conservatively added. With regard to natural gas reserves, the petroleum engineer referred to above estimates Sunray added 100 billion c.f. in 1951, making a total of 1¼ trillin c.f. gas reserves at the end of 1951.

Canadian Operations

In the Dominion of Canada, principally Alberta, Sunray has widely diversified interests and is represented in many of the areas now undergoing exploration. At the end of 1951 it was participating in exploration and development activity on approximately 6 million acres of oil and gas leases and drilling rights, Sunray's net interest being 311,128 acres of oil and gas leases and 1,180,185 acres of crown drilling reservations. Sunray, with a direct interest of 20-25% with Pacific Petroleums and others, is specifically interested in a large block of acreage now undergoing important tests in the Fort St. John area of Northeastern British Columbia. Sunray also owns a 33⅓% direct interest in a drilling program where a well is being drilled on 60,000 acres in the Flathead area of Southeastern British Columbia. The rate of exploration and drilling in Alberta is now second only to that in the State of Texas. In addition to this activity, Sunray has sizable investments in the common stocks of Pacific Petroleums, Ltd., Peace River Natural Gas Company and Canadian Atlantic Oil Company.

The importance of Sunray's holdings in Canada will become more pronounced in the future now that Canadian authorities have approved the long-standing proposal made by the West Coast Transmission Company to construct a gas pipeline extending to Vancouver and then southward to major cities in our own Pacific Northwest. Both Sunray Oil and Pacific Petroleums will have an interest in this pipeline which would appear to offer great potentials for the future.

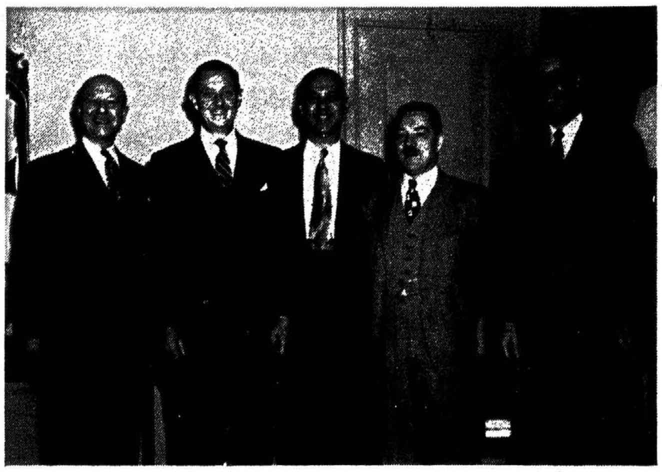
Earnings

The company's earnings report for 1951 was by far the best in its history, results amounting to $2.23 per share compared with $2.13 per share in 1950. Net earnings were up 19% over 1950. The most active phase of Sunray's 1951 drilling program did not take place soon enough last year to keep the company out of the excess profits tax bracket and it was therefore subject to an EPT of $2,243,000. The company's EPT credit base is estimated at $13,250,000. From an oil accounting standpoint, it should be noted that Sunray's reported earnings are not strictly comparable with those of most oil companies and are on the conservative side because of much higher per barrel depletion charges resulting from the higher cost value at which a large proportion of its oil reserves are carried on its books.

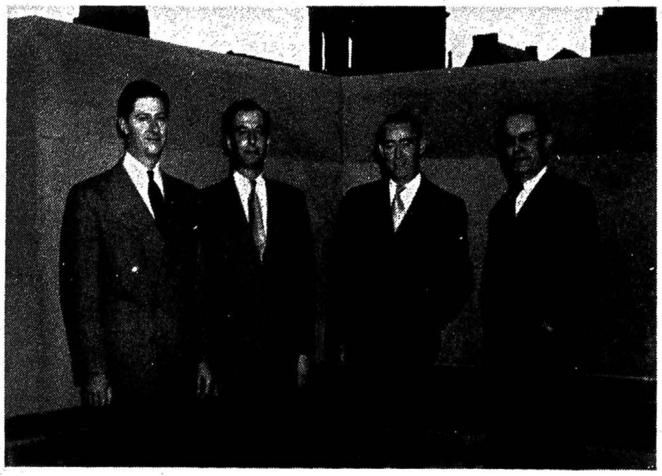
Based upon the company's accelerated drilling program now under way, its success in bringing in new reserves and indications of higher earnings from its expanding refinery and other processing operations, it is believed that earnings in 1952 will be able to rise further and should be less vulnerable to excess profits taxes.

Finances

Company's financial position at the end of 1951 was the strongest in history with a current ratio of 3:1. Capital expenditures in 1951 amounted to around $30 million and for the first half of 1952 this item has been budgeted at around $20 million. Dividends have been paid each year since 1936 and in 1951 common shareholders received about 48% of the company's net income. Company's finances appear adequate to take care of present expansion plans without recourse to new financing. Sunray appears to be in the early stages of important growth and unlike a number of other companies in this field, seems to be a long way from maturity and it is for this reason that I feel the stock is so interesting.



Arthur Heine, *Burton, Cluett & Dana;* Ed Peene, Charles Bruggeman, John D. Hines, and Paul Guy of *Dean Witter & Co.*



Len Booth, *George D. B. Bonbright & Co.*, Rochester; Reg Knapp, *Wertheim & Co.;* Edwin J. Markham, *Wertheim & Co.;* Joe Kane, *Dominick & Dominick*

Henry J. Richter, *Scherck, Richter Company*, St. Louis; Donald C. Cook, *Securities & Exchange Commission;* John S. French, *A. C. Allyn and Company, Inc.;* Fred Barton, *Eastman, Dillon & Co.*

Francis J. Cunningham, *Kidder, Peabody & Co.;* Randy Moore, *Goldman, Sachs & Co.,* Chicago; Lou Bumsted, *Kidder, Peabody & Co.*

Walter Todd, *B. V. Christie & Co.,* Houston, Tex.; Joseph V. McManus, *Joseph McManus & Co.;* A. Gordon Crockett, *Crockett & Co.,* Houston; Graham Walker, *Joseph McManus & Co.*

T. F. Mackessy, *Abbott, Proctor & Paine;* Theodore R. Young, *Theodore Young & Co.;* Milt Isaacs, *Straus, Blosser & McDowell,* Chicago; Joseph E. Masek, *M. H. Bishop & Co.,* Minneapolis

John R. Chapin, Jr., *Kidder, Peabody & Co.,* New York; George M. Becker, *Kidder, Peabody & Co.,* New York; Al Hutchinson, *Kidder, Peabody & Co.,* Philadelphia

Bill McCullen, *Hendricks & Eastwood, Inc.*, Philadelphia; Abner Goldstone, guest; Mort Cayne, *Cayne & Co.*, Cleveland; Stanley Roggenburg, *Roggenburg & Co.*

Joseph Kirk, *Delafield & Delafield;* Joe Harris, *Harris & Company;* Morris Seiler, *Bache & Co.;* Eddie Amendola, *Bache & Co.;* Jim Flood, *Bache & Co.*

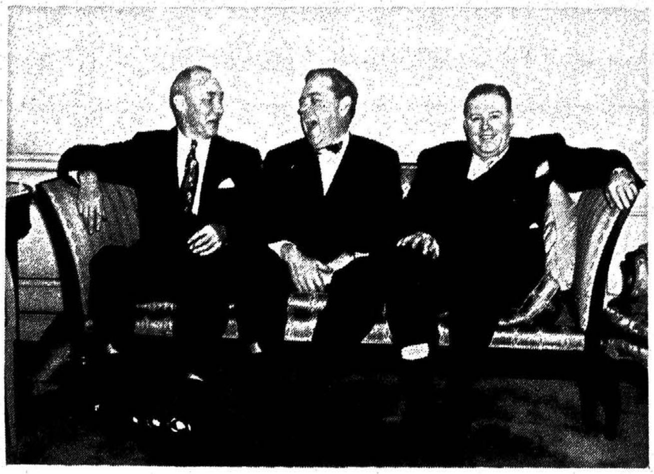
Tom Greenberg, *C. E. Unterberg & Co.;* John E. Kassebaum, *Van Alstyne, Noel & Co.;* Joseph C. Eagan, *Frank C. Masterson & Co.;* Leslie Barbier, *Ingalls & Snyder*

Jay L. Quigley, *Quigley & Co., Inc.*, Cleveland; Ed Harding, *Pennsylvania Railroad*; Hank Serlen, *Josephthal & Co.*; Clifton Smith, *Francis I. du Pont & Co.*

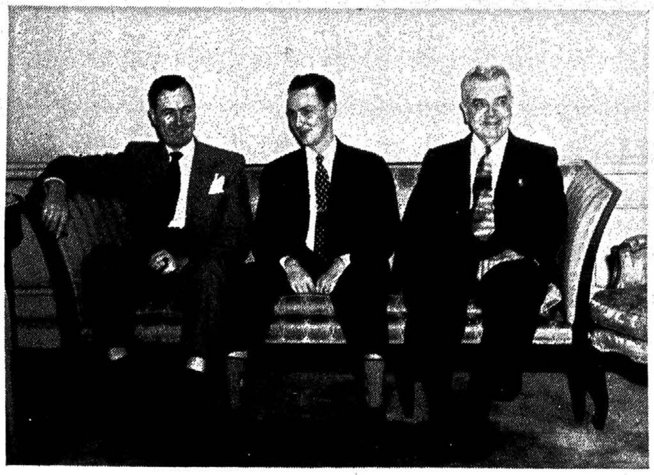
Harold B. Smith, *Pershing & Co.*; G. Harold Noke, *Francis I. du Pont & Co.*; Walter F. Saunders, *Dominion Securities Corporation*; Lester J. Thorsen, *Glore, Forgan & Co.*, Chicago

Ben Brooks, *Henry B. Warner & Co., Inc.*, Philadelphia; Herb Singer, *Singer, Bean & Mackie, Inc.*; Johnnie Jennings, *Reynolds & Co.*, Philadelphia; John H. Stevenson, *Singer, Bean & Mackie, Inc.*

Herb Nickel, *Grace National Bank of New York;* Ira Krupnick, *Aetna Securities Corp.;* Shelby Cullom Davis, *Shelby Cullom Davis & Co.*



Bill Mulholland, John F. McLaughlin, and Tom Feeley, all of *McLaughlin, Reuss & Co.*



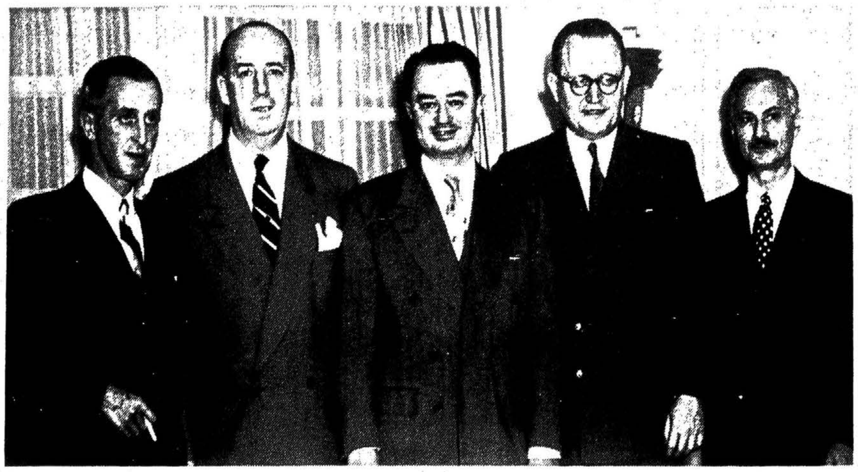
Edward J. McCormack, *McLaughlin, Reuss & Co.;* Don Cronin, *R. W. Pressprich & Co.;* Frank J. Brady, *McLaughlin, Reuss & Co.*

Joseph Janareli; Walter Mason, *Scott, Horner & Mason, Inc.*, Lynchburg, Va.; Harry Peiser, *Ira Haupt & Co.*; Ben Van Keegan, *Frank C. Masterson & Co.*

Ben Shankman, Harry Zeeman, Fred Loeliger, Bob Boas, and Bill Springer all of *Carl Marks & Co. Inc.*

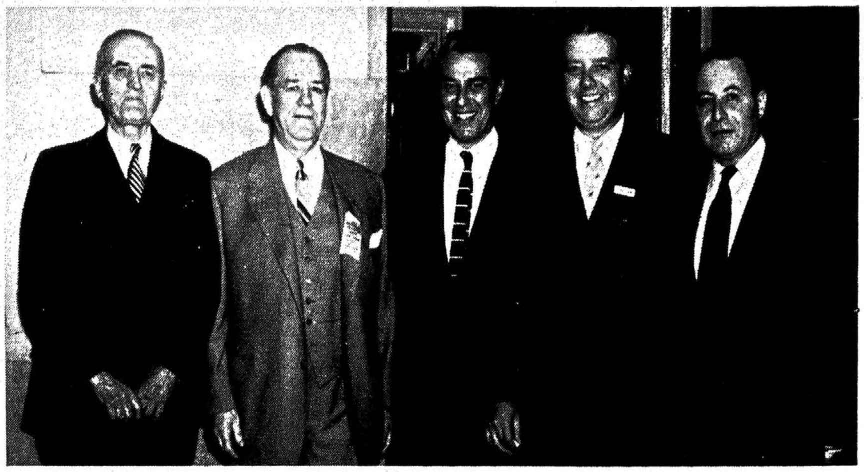
Ken Howard, Frank Walsh, Lawrence P. Sheehan, and Joseph Monahan, all of *J. A. Hogle & Co.*, New York City

Jack Murphy, *Hornblower & Weeks*, Philadelphia; Fred Burdorf, *Hornblower & Weeks*, New York City; Andrew Starace, *Hornblower & Weeks*, New York City; Tom Jones, *Hornblower & Weeks*, New York City



J. P. McCabe, *Kugel, Stone & Co., Inc.*; William E. Sullivan, *Bank of the Manhattan Co.*; John H. Kugel, *Kugel, Stone & Co., Inc.*; Frank Mullen, *Greater New York Savings Bank*; A. Joel Canter, *Sartorius & Co.*

Hoy Meyer, *Gruntal & Co.*; C. B. O'Keefe, *First National Bank of Chicago* (New York City); E. J. O'Connell, *C. F. Childs and Company*; H. R. Gesell, *Kugel, Stone & Co., Inc.*; John J. Carleton, *First National Bank of Chicago* (New York City)



David R. Mitchell, *Hill, Thompson & Co., Inc.*; John J. O'Kane, Jr., *John J. O'Kane, Jr., & Co.*; Harry D. Miller, *Nugent & Igoe*, East Orange, N. J.; Charles M. Zingraf, *Laurence M. Marks & Co.*; William M. Rosenbaum, *Wm. M. Rosenbaum & Co.*

Harry Arnold, *Goldman, Sachs & Co.;* Bill Wittich, *Grimm & Co.;* Harry R. Amott, *Amott, Baker & Co., Incorporated;* Lex Jolley, *Johnson, Lane, Space & Co., Inc.*, Atlanta

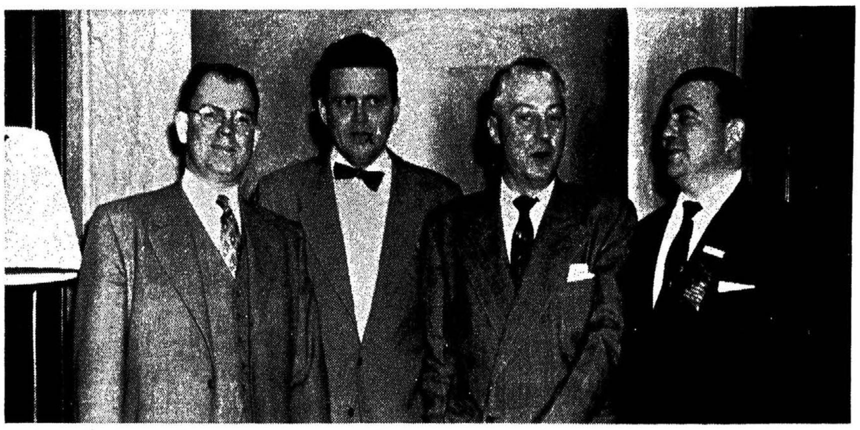
Gus Schlosser, *Union Securities Corporation;* Frank Breen, *Schirmer, Atherton & Co.*, Boston; Lou Walker, *National Quotation Bureau;* James B. Maguire, *J. B. Maguire & Co., Inc.*, Boston; John Hudson, *Thayer, Baker & Co.*, Philadelphia

Arthur Weigner, *Lehman Brothers;* James F. FitzGerald, *W. L. Canady & Co.;* Howard Van Dehsen, *Harris, Upham & Co.;* Jim Campbell, *H. C. Wainwright & Co.;* Mike Heaney, *Michael J. Heaney & Co.*

Bill Kumm, *Dunne & Co.;* Larry Doyle, *Hardy & Co.;* John M. Mayer, *Merrill Lynch, Pierce, Fenner & Beane;* A. Philip Megna, *Francis I. du Pont & Co.;* John Heck

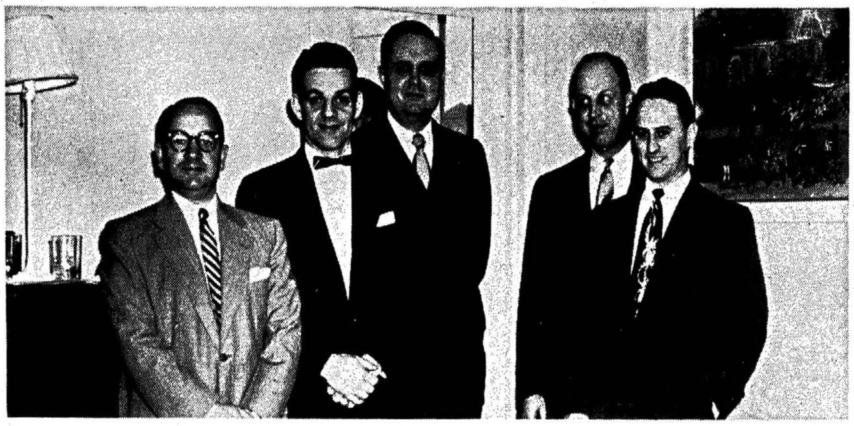
Mel Wien, *M. S. Wien & Co.;* Sam Lombardo, *Tellier & Co.;* Joe Redinger, *Tellier & Co.;* Robert Franklin, *M. S. Wien & Co.*

Hal Murphy and Ed Beck of the *Commercial and Financial Chronicle*



Jim Treanor, *Guest;* Ted Moynahan, *J. Arthur Warner & Co., Incorporated;* William D. O'Connor, *Fitzgerald & Company, Inc.;* Alfred F. Tisch, *Fitzgerald & Company, Inc.*

Isadore A. Stern, *Hunter Securities Corporation;* Richard Wright, *Hunter Securities Corporation;* Tom Love, *George E. Snyder & Co.,* Philadelphia; Wilfred G. Conray, *G. H. Walker & Co.,* Providence, R. I.; Duke Hunter, *Hunter Securities Corporation;* Carl Swenson, *G. H. Walker & Co.,* New York City



Michael Pinto, *Goodbody & Co.;* Irving LeBeau, *May & Gannon, Inc.,* Boston; Chas. S. Benner, *Charles S. Benner & Co.,* Allentown, Pa.; George Dockham, *Hincks Bros. & Co., Inc.,* New Haven, Conn.; John McCue, *May & Gannon, Inc.,* Boston

Everett W. Snyder, *E. W. Snyder and Co.*, Syracuse; Walter Gutman, *Goodbody & Co.;* John O'Mara, *Goodbody & Co.;* Edward Bullock, *Reid-Bullock Co.*, Syracuse; Jim Cleaver, *Goodbody & Co.*

Rodolphe Casgrain, *Casgrain & Co., Ltd.*, Montreal; Arthur Schwartz, *Bache & Co.;* Herbert Hipkins, Charles King, and Bob King, *Charles King & Co.*

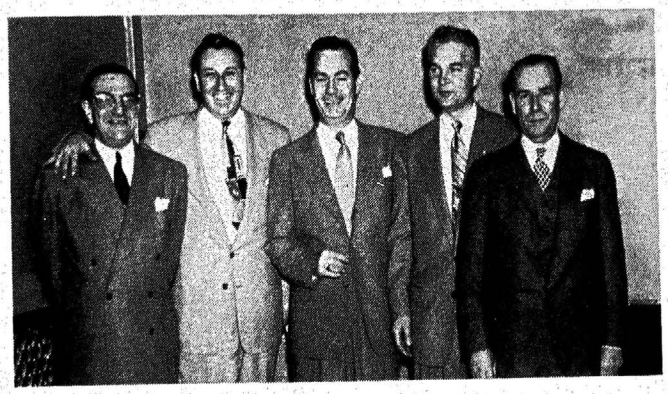
Fred Underwood, *Boenning & Co.*, Philadelphia; Geo. McVey, *Lehman Brothers;* John C. Rogers, *J. C. Rogers & Company, Limited*, Montreal; John Penny, *Lee Higginson Corporation;* Warren MacKain, *Glidden, Morris & Co.*

H. Sheldon Parker, *Kay Richards & Co.*, Pittsburgh; O. D. Griffin, *Griffin, Kuipers & Co.;* Henry G. Kuipers, *Griffin, Kuipers & Co.;* Thomas J. Hickey, *J. W. Sparks & Co.;* Charles H. Jann, *Estabrook & Co.*

H. Frank Burkholder, *Equitable Securities Corporation*, Nashville

Jim Canavan, *New York Hanseatic Corporation;* Joe Morrissey, *Richard J. Buck & Co.;* George J. Dineen, *Coggeshall & Hicks;* George Lawson, Manufacturers Trust Co.

Fred W. Opitz, *Roberts & Co.;* Elmer E. Myers, *George B. Wallace & Co.;* John D. Ohlandt, Jr., *J. Arthur Warner & Co., Incorporated;* Alonzo H. Lee, *Sterne, Agee & Leach*, Birmingham, Ala.; Milton Capper, *Edelmann & Capper*



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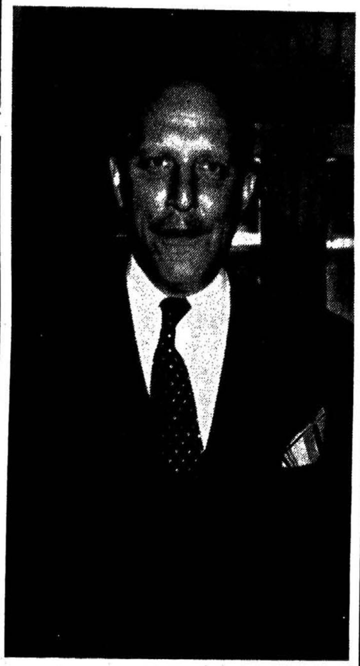
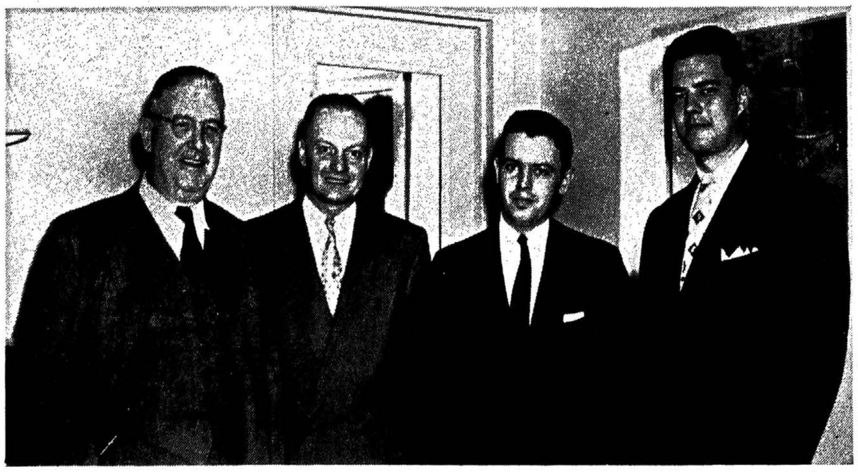
Milton Underdown, *Hill, Thompson & Co., Inc.;* Fred L. Harson, *Fraser, Phelps & Co.*, Providence, R. I.; Robert Strauss, *Daniel F. Rice and Company*, Chicago; William H. Boggs, *Hill, Thompson & Co., Inc.*

Richard Mead, *J. P. Morgan & Co. Incorporated*

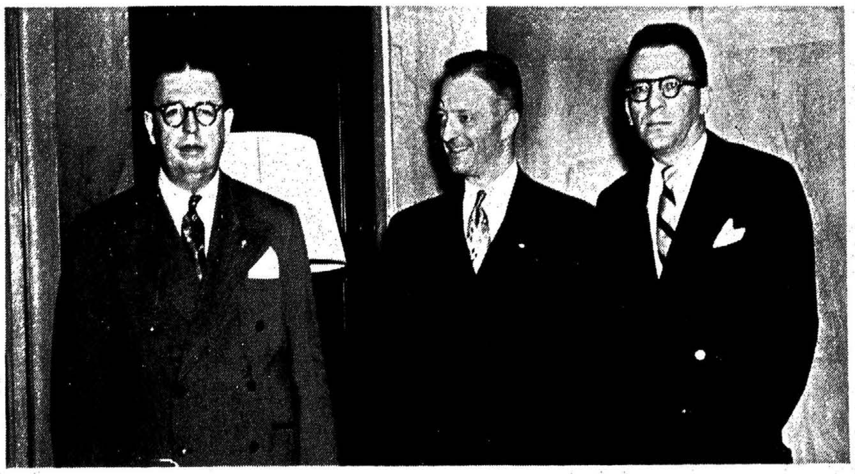


Eugene Dickhuth, *New York Herald Tribune*

Walter Filkins, *Troster, Singer & Co.*



Neil O'Connell, *Laird & Company*, Wilmington, Del.; Harold Clouser, *Laird & Company*, Wilmington, Del.; Arthur Bullock, *Paine, Webber, Jackson & Curtis*; Frank Walters, *Paine, Webber, Jackson & Curtis*



Ed Welch, *Sincere & Co.*; George E. Rieber, *National Association of Securities Dealers*; Irwin R. Frumberg, *Securities & Exchange Commission*

Frank Harrington, *H. D. Knox & Co., Inc.*, Boston; Sam Magid, *Hill, Thompson & Co., Inc.*

Irving Greene, *Greene and Company*; Phil Clark, *Amos C. Sudler & Co.*, Denver; Robert M. Topol, *Greene and Company*; Daniel Cowin, *Hettleman & Co.*; B. W. Pizzini, *B. W. Pizzini & Co., Inc.*

Security Traders Association of New York

16th Annual Dinner April 18, 1952

Charles J. Quinn, *Dean Witter & Co.;* Sam Brown, *Dean Witter & Co.;* Thomas E. Wood, *H. N. Whitney, Goadby & Co.;* Ben B. Potwardoski, *H. N. Whitney, Goadby & Co.*

Michael Voccoli, *Charles King & Co.;* Joe Malavet, *Bache & Co.;* Jerry Burchard, *Charles King & Co.;* Stanley Younger, *Charles King & Co.;* Jim Flood, *Bache & Co.*

Bill Burke, *May & Gannon, Inc.*, Boston; Daniel G. Mullin, *Tucker, Anthony & Co.;* Joseph F. Whalen, *Hanrahan & Co.*, Worcester, Mass.; John F. Lynch, *Hanrahan & Co.*, Worcester, Mass.; A. C. Bickelhaup, Jr., *Grabau-Buchman*, Syracuse; Bill Eiger, *Goodbody & Co.*

Nat Krumholz, *Siegel & Co.;* D. Raymond Kenney, *D. Raymond Kenney & Co.;* Charles D. Ogden and Arnold J. Wechsler, *Ogden, Wechsler & Co.*

Our Reporter's Report

Corporate underwriters who have been keeping busy these last few weeks were satisfied to sort of "sit back and take a breather" as the trend of new financing veers momentarily toward the municipal market.

Those who handle the marketing of new issues for corporations haven't got much to kick about at the moment unless it might be the period of relative slack which looms ahead.

But things have turned out decidedly better than might have been anticipated a few weeks back when new offerings were getting a somewhat cool reception and the threat of some degree of congestion was in the offing.

However, that condition never came to pass and, quite to the contrary, underwriters and dealers alike find themselves with little, if anything, in the way of inventory problem.

The secondary market, it developed, reflecting a combination of lack of any appreciable volume of offerings, and persistent ease in the money market, as witness the behavior of the Treasury list, which edged persistently forward to make the yields on new debt securities look attractive to buyers.

The latter had been quite stubborn for a time and books invariably had been open for several days on such issues before buyers appeared in numbers sufficient to soak up a given deal. But they did get around to it and with satisfactory result so far as underwriters are concerned.

Settling Movement

Some of the recent new utility issues experienced a bit of settling upon being released from syndicate. But there was no severe pressure apparent. Consumers Power Co.'s new 3¼s which got away a little slowly a fortnight ago, might be cited as an example.

This issue was released from syndicate early in the week and settled back to a low of 102¼ from the initial offering price of 102.973 where the yield was 3.11%. It has been quoted since just a shade above that level.

The bankers who brought out that issue paid the company a price of 102.157 and dealers had the opportunity to turn back bonds before the agreement was terminated.

Alabama Power Issue

With the lull in new business shaping up ahead, it appeared that buyers looked a bit more kindly upon the Alabama Power Co.'s new issue than had been the case with other recent flotations.

Even one of the so-called "Big Five" insurance companies was reported to have gotten in early with its order for a sizable piece of this one. And evidently as the news spread, it generated demand from other sources which might have lagged otherwise.

At any rate it was indicated that prospective buyers had disclosed sufficient interest to account for about two-thirds of the $12,000,000 total as books opened.

A Real Fast One

Bankers handling the Peabody Coal Co.'s new 20-year sinking fund first mortgage bonds decided to accelerate the marketing of that particular piece of business which had been down tentatively for next week.

Brought out yesterday this $15,000,000 issue, first of its kind in many months and therefore affording the element of diversification, set something of a mark for celerity in moving out to investors.

Preliminary interest had tagged this operation as a quick sell-out and this presumably could have been a factor in speeding up the marketing since the new issue calendar was virtually free at the moment.

The next major undertaking on the list will be Union Electric Co. of Mo.'s $30,000,000 of 30-year first mortgage bonds on which bids will be opened next Tuesday.

Kenneth Dunshee With Albert Frank Agency

Kenneth H. Dunshee has resigned as public relations director and assistant secretary of The Home Insurance Company to join Albert Frank-Guenther Law, Inc., advertising agency, and has been appointed a member of that company's Plans Board.

In his new post, he will act as consultant on The Home Insurance Company's advertising program, as well as in the developing of special projects including the Home's centennial celebration in 1953.

He will continue to edit the official publication of The Home Insurance Company, "News from Home," one of the most popular institutional magazines in the country. Regarded as one of this country's leading authorities on the history of fire fighting, he will also act as an advisor to The H. V. Smith Museum where he has served as curator for the past 12 years.

David Warshaw Opens

JAMAICA, N. Y.—David Warshaw has opened offices at 178-33 Croydon Road to engage in the securities business.

With Frank Knowlton

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Gene F. Aberouette has become connected with Frank Knowlton & Co., Bank of America Building.

George Kirby, Others Join Schwanze Co.

(Special to THE FINANCIAL CHRONICLE)

AURORA, Ill. — George W. Kirby, Stanley B. Bradenburg, and Terence M. Coyne have become associated with Schwanz & Company, Inc., Merchants National Bank Building. Mr. Kirby was formerly for many years a partner in Cavanagh & Kirby of Chicago, and more recently has been with James E. Bennett & Co.

Gustav Muth Opens

FOREST HILLS, N. Y.—Gustav Muth is engaging in the securities business from offices at 134 Continental Avenue.

Public Utility Securities

By OWEN ELY

American & Foreign Power

American & Foreign Power was reorganized Feb. 29, this year, after many years of litigation and some last-minute concern over pending court appeals. After signing of the order by the Federal Judge, over-the-counter when-issued trading in the new securities was initiated, and later the new securities—4.8% junior debentures due 1987 and new common stock—were listed on the Stock Exchange.

The 4.8% debentures are currently selling at 69 with a range on the Exchange of 72⅝-68¼, as compared with the old line debenture 5s of 2030 (undisturbed in reorganization) which are around 88½ with a range this year of 93-85. While the new issue has a much shorter maturity and offers a more attractive yield than the 5s, the approximate 20-point spread between the two issues has persisted thus far. Foreign investors in the debentures can receive interest on the two issues free from the 30% withholding tax, since the company's operations are in the foreign field.

While accurate figures are not yet available, following is the estimated system capital set-up:

	Millions	Percent
Bank Loans—Parent	$9	2%
Long-term Debt—Parent Deb. 5s of 2030	50	12
Junior Deb. 4.8% of 1987	67	16
Subsidiary Companies	59	14
Preferred Stock—Subsidiary Companies	10	3
Minority Interest in Subsidiaries	33	8
Common Stock Equity (7,152,711 shares)	186	45
	$414	100%

Recent market interest has, of course, been mainly in the new common stock, which reached a high of 12¼ but recently declined to 9⅝ (10 at this writing). In the recapitalization proceedings before the SEC, the company sometime ago indicated its hopes of initiating dividends at the annual rate of $1, providing there was no change in conditions. However, conditions have changed and as a result some doubt has arisen as to the timing and amount of the initial dividend. Consolidated pro forma share earnings were $2.33 for the 12 months ended March 31, 1951, but by the 12 months ended Sept. 30 had receded to about $2.02. Preliminary calendar year figures are expected to be available shortly.

The indicated decline in earnings is not the only factor in the dividend situation, however. The parent company's cash position at New York is also important. It is understood that this has deteriorated somewhat because of the virtual embargo on dollar remittances in Brazil in recent months, which has prevented the company from converting much of its equity earnings in that country into dollars. The company had expected that the Export-Import Bank at Washington would, before this time, have approved a $41 million loan to the Brazilian subsidiaries which would have aided in the construction program in that country. Such approval has been delayed, possibly due to political repercussions over foreign exchange actions of the Brazilian Government.

President Vargas of Brazil earlier this year placed a new interpretation on a 1946 order intended to prevent U. S. companies from taking out in dollars more than 8% profits on their investment. In declaring reinvested local currency earnings to be "national capital," and therefore ineligible for a return in dollars, he made it retroactive, so that many companies which have been letting their profits remain in Brazil over the past few years now would find it difficult or impossible to take out either principal or earnings on this "new money." Due to American & Foreign Power's experience and farsightedness (technically, all of its Brazilian investment is registered in dollars), it would not normally have had any difficulties due to the edict. However, because of a severe shortage of dollars in Brazil due to heavy imports (particularly of wheat, which no longer is obtainable from the Argentine due to the severe drought in that country), dollar remittances on foreign capital have been severely restricted since last September. Foreign Power was hurt by this latter development because it had commitments for purchase of American materials and machinery for the construction program in Brazil. However, Foreign Power does only about 28% of its business in Brazil, and operates in Cuba, Mexico, Panama, and other "hard currency" countries, so that it is not entirely dependent on South American currency regulations.

Pro forma earnings projections prepared some time ago in connection with recapitalization plan proceedings estimated 1952-55 share earnings in a range of $3.22-$4.21 and parent company earnings at $1.61-$1.81 (these figures have been adjusted for final changes in the recapitalization program). To what extent these forecasts would be scaled down under present conditions is, of course, unknown.

Practically the only stock on a comparable basis with Foreign Power is Brazilian Traction Light & Power on the Curb, currently selling at 10½ and with a range this year of 13⅛-10. The dividend rate is $1. This company has a fairly conservative capital structure, and share earnings (adjusted for a recent split-up) ranged between $1.85-$2.35 during the period 1947-50. It has usually maintained a strong cash position and has a long dividend record except for omissions in 1933-35 and 1939-40. Foreign Power has a more diversified spread of operations and has an interesting speculative feature in its $100 million investment in the Argentine—which it might be able to salvage in the future if political conditions improve in that country.

Continued from page 11

A Reversion to Sane Monetary And Credit Principles

with their credit to private borrowers.

Not all commercial banks are in the same position with regard to their holdings of government obligations. Some banks interpreted literally the "Pattern of rates" schedules announced by the Treasury and Federal Reserve in 1942 and pursued a policy of heavy holdings of long term-bonds at higher yield on the ground that they were as liquid as short-term Treasury bills. Other banks, either holding that the policy was a mistaken one and not in the best public interest or believing that the policy might suddenly be altered, pursued a more cautious and prudent policy of diversifying their holdings and arranged maturities so that they could weather changes without being forced to sell. In other words, they provided for internal liquidity by holding securities which would provide cash by merely letting them run off rather than depending on the market or Federad Reserve banks for liquidity.

There are undoubtedly many banks today in a position to ride out any storms affecting the price of government bonds. To the extent that this is the case, we have a stabilizing influence in the money market; government bonds falling below par will not cause panicky selling. However, without Federal Reserve support, banks have to resort to their own resources or borrow at the Federal Reserve to increase their reserves and lending power, with the effect that credit is tightened.

Somewhat the same considerations apply to the effects upon the **lending policies of nonbank investors**, though the operations of insurance companies, savings banks, farm, and building and loan institutions are not so sensitively affected by credit policies as are commercial banks. They do not have large demand liabilities, nor do they trade on such thin equity. Nor are they so intimately bound to accommodate their customers' credit needs. They are therefore freer to sell government securities to take advantage of any differential yields in other investments or advances.

Consumer saving. The classical theory relates the amount of saving to interest rates as a charge or reward for abstinence or waiting. It is a false implication to state that there would be no saving without this price. The classical theory gives ample consideration to "negative interest," i.e., saving which would take place even at a cost. But all savings cannot be accounted for on this basis. If only the marginal savings that find the market are interest-induced, the total supply would be affected by changes in interest rates. As an inducement to save, I see no difference between higher interest rates on savings and higher yields on investments. Saving is related to income and also to assets, and it follows that any credit policies resulting in changes in income and capital values must also affect savings.

Business plant expenditures program. There is a close relationship between interest rates and capital expenditures. This seems to be admitted by economists quite generally. Even those who deny the influence of interest costs on business decisions generally make an exception of capital industries, e.g., public utilities, housing, real estate, in which the return on capital constitutes an important part of the total costs. The idea that lower interest rates increase capital investments is at least as old in economic literature as Turgot, who, I believe, used the simile of the river overflowing its banks. When the water recedes (lower interest rates), the area of land for cultivation (demand for investment funds) increases. To cite an example: lower mortgage rates in the postwar period stimulated a housing boom and plant expansion programs. The existence of a backlog of demand hardly accounts for the degree of stimulation that took place.

Business inventory policies are affected by changes in interest rates insofar as they constitute a cost in carrying inventory. Because such a cost may be a relatively minor one does not warrant the charge that it does not influence businessmen's decisions. If the businessman is oblivious of the cost, the banker will usually remind him by making the funds less available or available on stricter terms when inventory loans become speculative.

Credit Expansion a Cause of Inflation

This question also needs interpretation. Can one say which of the two blades of a pair of scissors is responsible for the cutting edge? One may assert that the pressure is being exerted on one blade, but without the other, cutting would be ineffective. Thus the post-Korean (and postwar) demand factors activated the money supply already present. In this sense, credit expansion may be said to have been a conditioning factor and it contributed to the inflationary process. Until activated, however, money supply lay dormant.

Since going off the gold standard, the stage is always set for inflationary movements. Under managed money, the policy has been to keep all bank assets liquid, and this in turn keeps credit easy. The concerted psychological urge to stock up with consumers' goods inventories and to start investments in plant expansion, housing, etc., before war restrictions could be put into effect found the financial system immediately available for providing "effective demand" for goods, services, and securities.

The postwar boom of 1945-48 was the result of pent-up forces which had been suppressed during the war. Basically, the monetization of the public debt provided excessive purchasing power which could find an outlet only after controls were lifted and civilian goods became available. Consecutive rounds of wage rate increases were more than absorbed by higher prices. In the same manner, farm support prices increased costs and entered into the wage-price farm support spiral. A tighter credit policy might have contributed to the control of inflation and would not, in my opinion, have done any serious harm. Even a moderate restriction would have done some good. I do not share the view expressed by many economists entering this debate that a moderate credit policy would have had no significant effect but that a drastic policy would have caused catastrophe. Both the reasoning and conclusions of these economists seem to me inconclusive and erroneous. (See Question 1.)

Credit Controls

General Credit Controls obviously cannot be made effective so long as government debt is supported by the banking system at artificially low rates of interest. This situation is not of recent origin, nor is it a product of war financing alone. We have to go back to the devaluation of the dollar and the abandonment of the gold standard in 1933, with the subsequent deficit financing, easy-money policy of the thirties and the forties to get at the basis cause of our present dilemma. Deficit financing at artificial low rates through credit inflation has so expanded and weakened our credit structure that we are afraid to use orthodox credit controls lest the market collapse. Hence we propose insulating certain sectors from the influence of market forces; e.g., segregating special secondary reserves consisting of U. S. obligations in the commercial banks. Parenthetically, it may here be observed how one control leads to another and still another. First we segregate the credit and monetary system from market forces by making money irredeemable; then we monetize the debt which we now propose to segregate in part to free it from the operation of market forces. No wonder some serious economists propose going back to the gold standard and the disciplinary influences of a free market.

General credit controls will not work effectively in the face of expansionist policies only. Interest rates should be allowed to find their own market level. The federal budget should be balanced and debt monetization stopped. Either credit contraction must take place or production be increased to new high levels; that is, we must grow into our inflated monetary structure, which means producing assets for the time being without corresponding increase in debt. The alternative to this policy of checking inflation is the precarious risk of a credit collapse—a collapse, incidentally, which would probably be attributed to the "failure of capitalism" rather than to poor money management.

Selection controls involve supervision of the purposes for which bank credit may be extended. This supervision may be exercised by a government department, a central bank, or by an especially constituted body—informally or in accordance with specific legislation.

These controls have had their origin during the cheap money era, when a general rise in interest rates has been prevented (to minimize interest burden on the public debt) and when it was considered necessary or expedient to restrain or guide the use of credit by direct action.

Various countries have had experience with selective credit controls—all of them, so far as I know, countries pursuing easy-money policies through credit inflation. Control of stock exchange margins in the United States originating in the Securities and Exchange Act of 1934 was perhaps the first example of statutory controls, but during the war years statutory regulation of installment credit was introduced and in 1950 legal restrictions were put on residential real estate construction credits. England, France, Sweden, the Netherlands, Canada, Australia, and New Zealand are among the countries resorting to forms of selective credit controls during the war and postwar years, with Australia having perhaps the most detailed regulations. Experience in these countries as well as in our own is not conclusive. Differences in economic and political conditions, especially with respect to the banking structure and banking methods, would make problematic the conclusion that success or failure in one country would mean success or failure in another.

In general, I would consider selective credit controls appropriate instrumentalities only in situations where significant imbalances have occurred, and then only as temporary expedients, to be relaxed and suspended when the "emergency" subsides. I would favor informal arrangements rather than control on a statutory basis, and supervision or administration of monetary controls through the Federal Reserve rather than by a government department or a specially constituted body. If left in the hands of the Federal Reserve authorities, there would seem to be a better chance of sooner abandoning such selective controls in favor of a return to the instruments of quantitative controls and interest rates.

One is tempted to review here the pattern of perpetual inflation which government regulation and control seems to be constructing, and the fiction of free prices, free markets, free competition, free contracts, and free enterprise under conditions of so-called "controlled inflation." Credit expansion and rising prices soon get beyond the control of money managers. The money managers complain that they are handicapped with weak control laws and that they need more and more power. What they really need is the effective brakes on inflation which currency redemption would provide. What they really need is the restraints of economic forces which the discipline of the gold standard would provide. The most positive countercyclical policy is to stop monetizing unproductive debt. The most convincing test of the people's approval or disapproval of public expenditures and new debt would be provided by the redeemability of our money into gold.

Government Deficit Financing And the Managed Economy

Government deficit financing can be even more disrupting than private because of the monopolistic control which government can exert on the banking system. Banks are virtually forced to buy government securities at fixed prices; the balance unsold is taken by the Federal Reserve banks. Thus the public debt is monetized and inflates the currency. The simplicity of the operation has deluded many into the belief that management of the debt and of the credit system can be directed more effectively to the social objective of full employment, etc., than can competition in a profit enterprise market. The case has been effectively stated by a prominent author who has described our banking system based on business paper down to 1929 as the worst possible system and the subsequent monetized government debt as the best possible. This view is based on the overpowering assumption that business debt is unmanageable and inflationary whereas government debt is readily adjustable to the financial or monetary needs of business and government; it assumes that planned control by government money managers is more effective than competitive forces in the money market and less dangerous, too.

Federal Reserve powers are adequate but they have not been used effectively as a review of Federal Reserve policy since 1914 would demonstrate. T r e a s u r y domination prevented adequate use on two major occasions, namely, the postwar periods, and on other occasions, e.g., the late '20s, and at the present moment when group pressures, such as business, labor, and farmer, exercise restraints upon the implementation of credit controls.

General credit policy probably works more successfully in controlling expansion than in stemming deflation or stimulating business recovery. The difficulties of curbing inflation are perhaps more political than economic. Since the government has taken on responsibilities of controlling business fluctuations, political pressures have become a way of life because of the fear which the Administration has of a condition of "less than full employment." General credit policies are too cautiously used for fear of causing credit contraction, with consequent falling prices, unemployment, business failures, and everything else that goes with depression.

The classic example of general credit policy initiated to check contraction and induce business recovery is that of the early '30s. It is generally cited as a complete failure of monetary control. It has been stated that trying to stimulate investment and consumption spending by an easy-money policy was like "pushing on a string" or like "leading a horse to water"; that the failure of this monetary policy prompted economists to shift emphasis to fiscal policy which provided a more direct influence on income and expenditure. However, this case is not a good example, because the situation was needlessly complicated by a manipulated monetary unit which destroyed public confidence in the integrity of the dollar. Confidence in the dollar is basic to the smooth operation of any monetary and business mechanism. A strong case can even be made in support of the easy-money policy immediately following the passage of the Glass-Steagall Act in February, 1932. A careful analysis of the credit pattern of the market from February to June of that year provides convincing proof that the monetary policy was effective until a disruptive political situation in the autumn of 1932 presaged a change in economic policy which threatened to shatter confidence in the monetary unit. This case provides evidence that conditions of relative political and economic stability and sound monetary policies will work but that tampering with the monetary standard does not provide an atmosphere congenial to the smooth operations of any market mechanism.

Machinery for Monetary Policy

The second main group of questions raised by the Patman questionnaire pertains to the machinery for the formulation of monetary policy. The final draft of questions directed to economists contained no questions on this subject, although students of economics should be well qualified to throw light on many aspects of this subject and their judgment is less likely to be biased by self-interest than that of either bankers or government officials.

Administrative processes and the machinery for formulating and implementing policies are always important considerations in achieving economic goals. This is not recognized in the "Foreword" to the "Replies and Materials." After indicating the importance of monetary policy as "one of the fundamental determinants of prices, production and employment" (Part I, page XV), it is implied that some mechanism needs to be established for the purpose of formulating monetary policy; that the rules of the gold standard had to be adandoned because they were too mechanical; that economic changes of the past generation require the formulation of monetary policy involving discretion.

I cannot subscribe to the view that the rules of the gold standard are too mechanical and involve no discretion. The advent of central banking did indeed complicate the administration of our monetary and credit system under the gold standard system. The more credit (debt) in the system, the greater are the risks and responsibilities of the policy makers and administrators. However, we have always needed the sound judgment of competent and reasonable men in order to keep expansion of credit within bounds, even under the simple and easily understood rules of the gold standard. The great virtue of the gold standard is that monetary decisions can c o n s t a n t l y be checked by the convertibility or redeemability of demand claims on gold reserves. Without such a check, no market test is possible of the judgment of reasonable and competent money managers without a total collapse. If we cannot learn how to manage money and credit under the discipline of convertibility, that is, free choice in the market, the chances are slight that we will be able to manage money without such market controls.

Government Ownership of Federal Reserve Banks

Despite the trend toward **government ownership and management,** I favor the present private ownership and mixed management of Federal Reserve banks for the following reasons:

In times of war or great public emergencies, the resources of the banking system are necessarily and rightly put at the disposal of the government, and the central bank (Federal Reserve banks) becomes, to all intents and purposes, a government financial institution; that is, (a) it is managed to serve government financial needs, (b) its resources are so devoted, (c) its excess earnings are channeled to the government (and its losses would undoubtedly be absorbed by the public treasury, as in the case of the Bank of France in 1931), and (d) its owners share in the earnings and losses to no greater extent than usual.

In peacetime, however, more normal conditions should prevail; i.e., the central bank is not and should not be solely a fiscal agency and banker for the government; it should also serve commerce, industry, and agriculture. The Federal Reserve System was established to finance commerce and business. The lawmakers framing the Federal Reserve Act wisely p r o v i d e d for private ownership and a mixed management for the Federal Reserve banks. An ingenious and well-balanced a r r a n g e m e n t was adopted whereby the public (consumers), banks (lenders), and business (borrowers) are represented on the Federal Reserve bank boards of directors, and other measures provide for appropriate representation of all the interests concerned. The Federal Reserve Board of Governors was constituted a body relatively independent of political or group-interest control. To be sure, the implementation of this system has not always resulted in a board free from dominating influences, and it can hardly be said to have occupied the political independence which used to characterize the Supreme Court. However, I believe that private ownership and all the other characteristics of balanced powers which now exist should be maintained. The Federal Reserve System should serve the economy—the competitive market economy, including both private and government sectors—and should not be made the agency of any dominating economic or political factor in times of peace. Wartime conditions are necessarily special, and monopolized, single-purpose objectives and methods can be tolerated on such grounds—but should be tolerated "for the duration" only.

Open Market Operations

The rationale for the present assignment of **control over open market operations** is based historically on the reasonable assumption that buying and selling of eligible securities by the several Federal Reserve banks of the System should be co-operative—the practice of independent action having on occasion proven inconsistent and contradictory. In the beginning the effect of open market operations on member bank reserves was not fully appreciated. Only after it was discovered that open market operations could be used as a powerful instrument of credit control was the FROMC legally constituted. At first only the bank officials were members but later the members of the Board of Governors were added.

There is sound reason for keeping the FROMC a separate body, even though they deal with one of several instruments of credit control. Were all control powers concentrated at a single point, it would still be expedient for open market operations to be put into the hands of a special committee and that committee should have on its membership representatives of the operating Federal Reserve banks. Bank operations are appropriately performed by the banks themselves. The bankers are familiar with credit conditions and the money market and are in close touch with private business as well as with government fiscal operations.

I favor the present arrangements, which enable an appropriate, s p e c i a l i z e d body upon which members of the Board of Governors sit to take action on banking operations they are especially qualified to perform. The members of the Board of Governors can reconcile the use of this and other credit control instrumentalities at initial and at later stages in order to get the desired over-all results.

The Treasury-Federal Reserve conflict may prove not to be futile. The public hearing which resulted from this clash of policy has led to a temporary "accord" but the prospects seem likely that the Treasury will be forced to yield to the broader, more embracing, and long-run views of the Federal Reserve. This should certainly take place if we can assume that we will in the course of time enjoy a period of protracted peace.

A complete co-ordination of financial agencies which has been proposed in one form or another would achieve unity, but at the price of making a banking and credit regulating body like the Federal Reserve Board a political body ancillary to the Executive Branch of the government. The temptation to subordinate economic to political ends under such organization would be too great to resist. The proposal is dangerous. It would put too much power into political hands. Even with the gold standard and redeemability of our currency, we would need a s e p a r a t i o n of powers, but without such a market check, the public has lost its control of the purse and a concentration of monetary power could be used for political ends without check or hinderance. A better device to encourage economic dictatorship could hardly be conceived.

Benjamin Kaufman

Benjamin Kaufman, associated with Schwabacher & Co., New York brokerage firm, passed away suddenly April 9.

William A. H. Leonard

William A. Hazard Leonard, partner in Moore, Leonard & Lynch, passed away on April 14.

William C. O'Neill, Jr.

William C. O'Neill, Jr., who until his retirement was a partner in William C. O'Neill & Sons, passed away at the age of 61.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William R. Hickey has joined the staff of Walston, Hoffman & Goodwin, 550 South Spring Street. He was previously with Lester, Ryons & Co.

Halsey, Stuart Group Offers Peabody Coal Co. 4½% Bonds

Halsey, Stuart & Co. Inc. on April 23 headed a group of underwriters which publicly offered $15,000,000 Peabody Coal Co. first mortgage sinking fund bonds, series B, 4½% due April 15, 1972 at 100% and accrued interest. The purpose of the issue is to retire outstanding first mortgage bonds, series A, and to reimburse the company for expenditures made and to be made for capital additions.

The bonds will have the benefit of a sinking fund which will require the payment of $500,000 in each of the three years ending April 15, 1956 to 1958, $750,000 annually during the next four years, $1,000,000 annually during the next five years and $1,100,000 annually in each of the four years ending April 15, 1968 to 1971. Only $1,100,000 are to be outstanding at maturity. For sinking fund purposes the bonds may be redeemed at 100%. The bonds may be redeemed for other purposes at prices ranging from 103% to 100%.

Peabody Coal Co. and its subsidiaries own or lease coal lands having recoverable coal estimated at over one billion tons of which over 989 million are in lands owned by the company. These properties are largely in the state of Illinois. The company's larger customers are the Commonwealth Edison group of companies and certain other public utilities in the Chicago Metropolitan Area. The company's agreement with Commonwealth Edison Co. to purchase coal extends through 1982 and, among other things, provides that the utility for itself and its subsidiaries will purchase from Peabody not less than 50% and may purchase up to 66⅔% of the system's coal requirements for generating electricity. Purchases under this contract are from coal produced at certain designated mines on a cost-plus basis, including in cost depreciation and depletion in investment in active contract mines, amortization on net investment in closed contract mines, and a return of 5% per annum on the company's net investment balances in such active and closed contract mines, plus a profit of 15 cents per ton on coal delivered. Payments to date under this agreement was substantially more than adequate to pay the annual interest requirement on all of the company's long-term indebtedness, including the series B bonds. The company also sells substantial amounts of coal to railroads, industrial companies and at retail through its own subsidiaries.

With Investment Research

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Donald F. Moss is now affiliated with Investment Research Corporation, 53 State Street.

E. E. Mathews Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Thomas F. Mullins, Jr. has been added to the staff of Edward E. Mathews Co., 53 State Street.

Texas Income Shares

FT. WORTH, Tex. — Texas Income Shares, Inc., has been formed with offices in the Majestic Building. J. Vance Hoaglard is a principal of the firm.

Bosworth, Sullivan Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — James W. Arrott, Jr., has been added to the staff of Bosworth, Sullivan & Co., 660 Seventeenth Street.

Continued from first page

Investment Banking and "Private Placements"

from the syndication and sale, of security issues.

The Company I represent is in intimate contact with the capital markets. Its principal business is to assist corporations in financing their requirements for working capital and plant expenditures. Our capital is employed in the underwriting of security issues which are purchased, alone or in association with other investment banking firms and which security issues, in turn, are resold, directly and through dealers, to investors throughout the country.

All types of securities are included—mortgage bonds, debentures, preferred stocks, common stocks, convertible issues, etc. Such securities are handled in various types of transactions: as principal or agent; as public offerings or offerings to security holders; or as private placements. While practically all types of issuers are served, I propose, for brevity, to discuss the subject at hand only in its relationship to industrial issuers.

Among those who have not had occasion to engage in public financing, an investment banker's function is sometimes looked upon as being solely that of "merchandising" securities. In some instances the banker is brought into the situation only when additional capital is needed, and needed promptly. When he is consulted before a company's financing needs become acute, the full benefit of his advice can be obtained in financial planning as well as in the sale of the resulting securities.

Advising on Financing

Insofar as our company is concerned—and I believe the statement applies also to other substantial investment banking houses—the opportunity to study and advise with an issuer in his financial planning is welcomed and incurs no obligation. Investment banking is highly competitive; the building of a desirable clientele and its retention through satisfactory performance is essential as in any other service business.

In designing a long-range, flexible, financing plan or a specific issue of securities, there is no general formula. The manner of handling a particular situation depends upon careful consideration of all the facts and circumstances obtaining at the time.

A thorough understanding of a company's operations, its prospects, its future requirements and its points of weakness and strength, as well as a knowledge of security market conditions, are essential to those who would do a constructive job of formulating a financing program with an issuer. We view the matter as a combined effort on the part of the issuing company and the investment banker, with ultimate decisions, of course, resting with the issuer.

The investment banker knows that men in your position are deluged with paper work for your staff and his approach will not be through questionnaires. At your convenience, he will want to visit your plants, see your products manufactured, learn how and where they are sold, and talk to operating executives in an endeavor to understand what it is that produces the figures in your income account and what is represented in the figures in your balance sheet. He will want to hear of your plans for the future and to review your projections and forecasts in the form you have them available in order to see your company as you yourself see it. He will recognize the respect the confidential nature of the relationship.

You will find him conversant with current problems, such as the need for additional working capital arising from the necessity of financing increased inventories and receivables on the basis of current and prospective sales in terms of present day dollars and from the required acceleration of income tax payments under the persent tax law. He is aware of the further effect of the depreciated dollar on the amounts of expenditures required for plant modernization and expansion and for plant renewals and replacements as compared with the amount of depreciation allowable for tax purposes. He is aware, also, of the difficulty of retaining, after taxes, sufficient earnings for these and other purposes.

First Consideration in Financing Program

The preservation of a sound capital structure will be a first consideration in the investment banker's approach to a financing program. The relative debt and equity of the company will be compared on various bases with those of its competitors and other representative companies. Care will be exercised in an effort to avoid over-burdening the company with fixed charges, and at the same time not to overlook the advantage, from the stockholder's standpoint, of the use of relatively low cost senior financing to a reasonable extent and in appropriate cases. The idea will be to leave open suitable avenues for additional financing, including bank credit lines for seasonal, self liquidating requirements, so that the company may be in position to take advantage of market conditions in respect of various types of securities.

If, and when, the decision is to finance, the individual issue to be marketed should be designed to meet the specific circumstances of the company at the particular period of its development, and in relation to the competition of the issue in the capital market at the time.

Detailed comparisons will be made for you of the provisions of issue, interest or dividend rates, prices and yields, and the various asset, earning and market equity ratios of issues of comparable companies. Out of study and discussion will come decision by the company as to the terms of the prospective issue. For instance, if the issue is to be a debt security, its maturity and the amount and form of a sinking fund will be determined in the light of the company's projected ability to repay comfortably, considering its other obligations and security market conditions then prevailing.

Also in the case of a senior security, it is desirable that the investment banker explore with the issuer the design of sound and appropriate covenants relating to the incurring of additional debt, payment of dividends on junior securities and the taking of other voluntary action. Properly designed, such provisions of issue offer a measure of protection to investors against possible downgrading of the security, and are usually taken into consideration by institutional investors and by statistical agencies in assigning the relative security ratings which are published for the information of investors.

Such provisions of issue, properly designed, should be in the best interest of the issuer in that they will enable the issue to tap a larger part of the investment market than would otherwise be the case. Such a broadened market becomes available without cost to the issuing company because, when so designed, such covenants represent only what good management would do anyway as a matter of sound business policy. I could cite many instances where the provisions of issue have been such as to effect substantial savings in interest cost to issuers.

Care must be exercised, however, to leave the issuing company sufficient latitude to conduct its business on a sound basis under ever-changing conditions. Thus, within suitable limits, leeway should be provided for additional senior securities to meet contingencies, and appropriate increases should be permitted as net assets increase through retained earnings or through the sale of additional junior securities, the objective being to preserve a reasonable relationship of debt to equity. Provisions using earnings tests as a basis for restricting the issuance of additional securities we view as usually undesirable, because their effect may be to encourage increases in debt in anticipation of reduced earnings, and to prevent the financing of expenditures for cost reducing improvements when such improvements are needed to restore or improve earning power.

In a debt security, it follows, of course, that a default occurs upon failure to pay interest or principal when due. However, we do not generally favor certain other default provisions such as, for instance, a covenant to maintain working capital at some prescribed figure, with the issuer hazarding a default through what may be a temporary drain on working capital which would not otherwise impair the company's ability regularly to pay its interest, sinking fund and maturity. We prefer the voluntary action type of covenant which I previously mentioned. Non-callable issues, and redemption provisions so restrictive as to prohibit debt refunding, are to be avoided.

We have never entered into, or even asked for, an agreement with any issuer giving us an exclusive or preferential position in future financing. There is no obligation on the part of any company to consult with us or obtain our approval of actions which it proposes to take.

Certain companies seek investment banking advice in respect of problems which arise subsequent to their financing. The investment banker is in close touch with market developments and, if he is familiar with the affairs of an issuer, will often make suggestions in the issuer's interest. It is a source of satisfaction to us that many companies have returned for advice time after time.

I have gone thus far into detail for the purpose of emphasizing that a security issue is designed—functionally designed. By the same token, the pricing of an issue is not arrived at arbitrarily. Information is readily available as to the basis on which other issuers have done their financing and the expenses involved, and there is ample opportunity to study detailed comparisons, to consult others and so to arrive at mutually satisfactory terms.

Rise of Institutional Type Investors

Before discussing methods of offering available to issuers, it is appropriate that I refer to the change which has taken place in the relative importance of individual investors as compared with institutional type investors in the marketing of senior corporate securities.

Increased taxes have, of course, reduced the investable income of the individual investor from what it would otherwise be. Lowered interest rates, reflecting national credit conditions and policies, have made corporate bond yields less attractive to investors, especially after individual income taxes. Thus, the reduced investable income of individuals and the funds of personal trusts and institutional investors not enjoying exemption from income tax, are invested to a considerable extent in tax exempt securities.

The increasing tendency of individuals to seek safety of principal, the growing magnitude of the savings of lower income groups placed in life insurance and savings deposits, and the growth of pension plans, have increased substantially the demand for corporate debt obligations on the part of institutional investors not subject to high income taxes.

The increased demand for corporate debt obligations, combined with the low interest cost of borrowed funds and the deduction of interest expense in the calculation of taxable corporate income, have often encouraged the use of debt securities rather than equities as the media for financing capital requirements.

The institutional character of the market for corporate debt securities has influenced also the design of such issues in respect of sinking funds and other provisions of issue, including restrictive covenants, to gain acceptance by institutional investors. At times, such influence has been at work in varying degrees both in public offerings and in private placements.

As in the case of the design of a program and a particular issue, the advice of the investment banker in respect of method of offering and the issuer's selection as between the alternative procedures will be influenced by the circumstances surrounding the particular case.

What Is "Private Placement"

Neither "private placement" nor "public offering," as such, is defined in the Securities Act or the regulations of the Securities and Exchange Commission. The term "private placement" is generally applied to the sale of an issue of securities, usually senior securities, to a limited number of buyers who purchase for investment and not in contemplation of resale. Such a limited offering, with or without an investment banker acting as agent for the issuer, has been construed as coming within the provisions of the Act exempting from registration "transactions by an issuer not involving any public offering."

The term "public offering" is applied to an offering of securities, usually but not necessarily through underwriters, to the general public including any and all types of buyers without limit as to number or qualifications. Public offerings require registration under the Securities Act, except certain transactions and certain securities, such as, for instance, exchanges with existing security holders and issues by railroads, banks, municipalities, etc., which do not concern us in the present discussion.

The private placement method of financing has risen to substantial proportions in recent years. This development is a reflection of two factors, i.e., the effect of the registration requirements of the Securities Act, and the increased importance of institutional type investors in the composition of the market demand for debt securities.

In choosing between the two financing procedures, the decision in any specific case depends, among other things, upon where the better market for a particular type and amount of a prospective issue is to be found at the time. If the issue is of a variety or type which does not interest institutional investors, the decision is automatically made in favor of a public offering. If the issue is of a type acceptable to institutional investors, the question will be whether the volume of funds in institutional hands then seeking employment will result in sale of the entire issue on terms attractive to the borrower; if so, a private placement may well be considered. If institutional investors, particularly the large insurance companies, have entered into substantial forward commitments which, together with other factors, reduce their interest in the purchase of new issues, a more attractive rate and other terms may be found in the market through a public offering.

There are other factors in the nature of an issuer's business which may have a determining influence. Certain operations with features more readily explained to a few experienced investors than to the general public may, at times, be more successfully financed by private placement. Also, for instance, in the case of construction projects, based upon technical engineering estimates without record of earnings and involving a long time commitment, private placements may be the logical procedure.

There are advantages in the public offering method which in particular instances should not be overlooked. These include the benefits of widely distributed ownership of a company's securities, such as the support resulting from the direct financial interest of many geographically dispersed investors, and the opportunity which may well be afforded to an issuer to repurchase the securities at discounts in the public market at times of higher interest rates and correspondingly lower bond prices, to satisfy sinking fund requirements or to employ excess funds.

As to simplicity, private placements have the advantage from the standpoint of the physical volume of papers involved. Public offerings require, in addition to the registration procedure, the preparation and printing of instruments embodying the terms of issue, the use of engraved securities and the distribution of prospectuses. In a private placement, the lenders, in some cases, may require information substantially equivalent to that which would be included in a registration statement and prospectus, and the procedure may, depending upon the circumstances, require loan agreements and indentures not far different in form from those required for a public offering. However, it is fair to say that the private placement procedure is generally simpler, from the standpoint of preparation of documents, than is the public offering procedure.

Time and Expense of Gathering Registration Data

Some issuers are concerned about the time to be consumed by officers and staff of the company in gathering data for registration. In our experience, issuers have found that such time consumption is substantially less than they had feared. Many have found the self-examination effort required in developing the registration statement as being of substantial benefit to the company. It is true that the time required for preparation of the registration statement and the further twenty-day waiting period entails risk of a market change before commitment.

Registration involves the payment of a registration fee, unimportant in amount, and the costs of accountants, counsel, trustee and similar services. Many of such expenses are also incurred in private placements. When all such costs are analyzed the economies realized in this respect by the private placement procedure are of minor importance in relation to other considerations, pro or con.

Another item to consider is the investment banker's compensation, which varies with the services rendered. When the banker is acting as agent for the issuer in a private placement, the fee will, of course, be less than when he is called upon to take an underwriting commitment and when widespread distribution of the securities is involved. In any event, the fee will be negotiated with the issuer in the light of readily available information as to fees in comparable transactions. To those familiar with the profit margins in industry and payments for other services, the amount of such compensation will seem on the low side.

It is appropriate to consider the subject of underwriting expense in connection with over-all cost. On a 25-year bond, for example, an underwriting fee of, say 1½ points, actually amounts to but six cents per year per $100 of principal. As against this, a difference of ¼ of 1% in interest rate would be equivalent to four times the annual cost of such an underwriting fee. And, of course, the value of the underwriter's advice in respect of provisions of issue and other matters may only be apparent at some future date. An impartial commentator on financing methods used the expression "penny-wise and pound foolish" in his discussion of the subject.

Some issuers, through a misunderstanding, or lack of experience, have an apprehension of their liabilities under the Securities Act. Disregarding outright fraud, with which we are not concerned, let us look at this situation. The liabilities of issuers for recission or damages under the Act may arise if the registration statement "contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading." The liability is not applicable if the issuer is able to sustain the burden of proof that it had reasonable grounds to believe, and did believe, that the statements were true and that there was no such omission. The Act provides protection to the issuer against liability in respect of statements made on the authority of an expert, such as, for instance, the certification of accounts by independent auditors, and also limits the time within which action may be brought which would involve the issuer in liability.

Some issuers may hesitate at the disclosure of business details required by registration and may be concerned that certain information, as for instance the terms of important contracts, will directly benefit their competitors. The fact remains, however, that many companies in highly competitive industries have not found registration harmful to their operations.

Some issuers have considered it desirable to effect arrangements, under private placement agreements, whereby they could, in consideration of a standby fee, take down amounts of money as they may be needed in the future and with interest to run only on the amounts borrowed. The attractiveness of such standby arrangements has decreased somewhat as a result of the relatively greater increase in short-term, as compared with long-term, interest rates, and as a result of the effect of the excess profits tax on the cost of corporate borrowing.

The effect of agreements previously entered into is also a consideration. In cases where a private placement has been made, even where the consent of the lender is not required as a condition of an increase or refunding of the debt, there is a natural tendency for an issuer to discuss, and sometimes arrange, additional financing with the previous lender.

This brief review of some of the considerations entering into the choice between public offering and private placement indicates the basis for the statement that it is a matter of specific cases and conditions. At times and for certain issuers it seems clear to us that better terms for the issuer have been obtained in public offerings than could have been done in private placements. At other times, and for other issuers, the opposite has been the case. Investment bankers are prepared to handle financing in either manner as the issuer chooses after evaluating the considerations.

The Law as It Affects Choice of Private or Public Offering

And now my final topic—a few of the perplexities that have arisen in applying the law as it affects the choice between public offerings and private placements. A need for clarification exists as a result of the conflict between fixed legal terminology and changing conditions. It is particularly here that you, representing the financial side of issuers, should perhaps concern yourselves.

As the matter now stands, public offerings, with certain exceptions, require registration; private placements do not. The test used to determine whether or not a public offering, and therefore a registration requirement, is involved, has been the number of investors to whom the offering is to be made. The figure of 25, with some variations, depending upon the circumstances and size of a particular offering, has been used as sort of an arbitrary dividing line.

Agreeing that the principal objective of registration was to protect uninformed investors, it is not believed that it was ever intended that a numerical limitation be applied to the term "informed investor." If the intent of the law is to be fulfilled, the crux of the matter is not the number but the characteristics that can fairly be said to determine whether an investor is or is not "informed."

An offering without registration can be made to a limited number of uninformed individual investors. On the other hand, an offering to more than about that same number of thoroughly informed and experienced investors—and to illustrate the point, let us call them insurance companies, universities, trust funds and savings banks—would require registration.

An unregistered private placement, made to a limited number of purchasers for investment, may be resold later to any number of investors, informed or uninformed, without registration. This is a paradoxical situation, particularly when it is considered that such resale may be made by an informed to a large number of uninformed investors at the very time when the condition of the issuer of such securities is deteriorating.

The persent situation works to the detriment of issuers by denying them the combined benefits of the two methods of financing. In order to avoid registration, an issuer is required to negotiate for the sale of his issue to a limited number of purchasers.

Many, many pages have been written on the pros and cons of private placements and public offerings. Many suggestions have been made to cure the inequity, or double standard, of the present situation. These have ranged from the one extreme of requiring registration of all issues, whether public or private, to exemption from registration so broad that it might defeat the very purposes of the Securities Act. In between have been suggestions for simplification of the registration requirements and exemption from registration of securities meeting certain tests, such as for instance, stock exchange listing. Some suggestions would involve changes in regulations within the framework of the persent laws; others would require amendment of the Act.

We do not advocate nay expansion of the present registration requirements nor elimination of the exemption of private placements. We do see merit in the idea of providing exemptions from registration along the lines recognized in the persent Blue Sky laws of certain States—that is, first, by type of security and issuer and, second, by type of investor to whom the offering is made.

A Suggested Amendment to Securities Act

It is suggested that thinking might profitably be directed toward placing of public offerings on even terms with private placements for issuers of securities who regularly file or agree to file specified information with the Securities and Exchange Commission, and when such securities are being sold only to informed investors, regardless of number. "Informed investors" might be regarded as including all experienced organizations purchasing securities for investment, such as insurance companies, banks, universities, pension trusts, foundations, other professional administrators of funds, etc. There are, of course, a number of points of terminology and definition to consider, but it is believed that amendments could be designed which would better serve the two basic principles of the Securities Act—the requirements for adequate disclosure and the protection of uninformed investors.

Such amendments would be in the interest of many issuers, enabling them to issue securities under simplified procedures and to tap a susbtantially larger part of the market for funds than is now available to them through private placement. Such a change also would be in the interest of the many informed investors who, by reason of the prevalence of private placements to limited numbers, are today excluded from opportunity to participate in the purchase of a substantial amount of desirable securities.

If I may take the liberty of suggesting action by the Controllers Institute, it would be that it study this subject from the security issuer's point of view. Your conclusions and recommendations would be highly valuable and might well lead to constructive results if you direct your study, as I hope you would, specifically to the question—"What is best for the issuer?"

* * *

In using the example of debt financing to illustrate certain points in regard to the design of a security issue and the selection of the method of offering, I do not mean, for one moment, to suggest the use of a debt instrument to the exclusion of preferred or common stock. There is a time and place for each, as well as for debt issues or preferred stocks convertible into common stock. In fact, as some of my audience know, we have advocated, in their particular situations, the use of convertible preferred stock as having the advantage of providing needed funds at relatively low cost and as a vehicle to provide, through possible future conversions, for the issuance of common stock at a price somewhat above that at which an equivalent amount of such stock could be sold under the market conditions then prevailing. In other situations, it has been appropriate to assure provision of additional equity funds through sale of common stock.

Likewise, in confining the discussion to public offerings and private placements, I have not intended to minimize the advantage, in certain instances, of offerings to security holders in the form of rights to subscribe for new or additional equity or convertible issues.

My remarks have been directed principally to the subject of providing additional capital for corporate purposes. I will not impose further upon your time today to discuss the problem, equally important in some instances, of retention of proprietorship capital in closely held or family owned companies. The handling of such situations, including provision for the sale of securities to furnish funds required by principal owners as, for instance, for the payment of inheritance taxes, is a subject in itself.

In conclusion, I hope that I have contributed something to your understanding of the function of an investment banker and that you may be more likely in the future to consider the help which he is equipped to provide in connection with your financing problems.

Railroad Securities

Chicago & Eastern Illinois

At a special meeting on May 9, stockholders of Chicago & Eastern Illinois will vote on a proposal to pay off the small remaining accumulated unpaid dividend on the Class A stock in common stock. The Class A stock has preference as to dividends up to $2.00 a share annually, cumulative only if earned. As of the end of last year accumulations amounted to $4.00 a share. Of this, $2.00 has been declared in cash, payable quarterly this year, April 16, etc. It is proposed to pay the remaining $2.00 in common stock, based on the closing market price of the common on the day the dividend is declared.

The accumulated dividend on the 383,751 shares of Class A stock outstanding comes to $767,502. The common stock closed last week at 18¾, compared with the year's high of 19. Taking the common at last week's close it would require the issuance of 40,933 shares to satisfy the Class A dividend claim. Any fluctuation in the price of the common in the interim before declaration of the dividend (if approved by stockholders) will naturally change this figure somewhat, but at least the calculation gives a rough idea of what may be expected. The common is now outstanding at 369,679 shares so that the proposed operation will mean an increase of only slightly more than 11%. This does not appear as a too important dilution of the junior equity under the circumstances.

The letter sent to stockholders by Mr. Roddewig, President of the road, in connection with the proposal was particularly interesting. He brought out the point that for some years past the management has been engaged in a program calculated to change the character of the road from a marginal one to one of more consistently profitable operation. This required heavy capital expenditures on the property and purchase of a large amount of new equipment. As part of this program the property became fully dieselized in 1950. It was further pointed out that, exclusive of borrowings, cash expenditures for additions and betterments to road and equipment since 1945 had amounted to over $19,500,000. It is largely because of these heavy cash outlays that the company feels that it would be inadvisable, if not impossible, to pay off the entire Class A dividend in cash, and has therefore come up with the alternative proposal to pay half of it in stock.

Of particular interest to stockholders were Mr. Roddewig's comments on the coal situation and outlook. He said, in part: "It was felt that a very large new market for Southern Illinois coal would become available by reason of new steam generated electric power plants then contemplated or in operation along the Ohio and Tennessee rivers. Accordingly, about two years ago discussions were begun with the Tennessee Valley Authority, which was constructing or preparing to construct several large generating plants on the Tennessee River. Later, TVA located another new power plant near Chiles, Kentucky, to supply electricity to the new Atomic Energy Commission plant which is now under construction at Kevil, Kentucky. The location of this latter TVA plant at Chiles was influenced largely by the offer of the C&EI to provide a rate for rail-barge delivery which would enable mines on its line in Southern Illinois to supply coal on a competitive basis."

The letter also discussed the large steam generating power plant being constructed by a subsidiary of a group of public utility companies at Joppa, Illinois. This plant is also being constructed to supply power to the Atomic Energy Commission plant. Joppa is served exclusively by Chicago & Eastern Illinois. In line with these developments the company naturally had to make substantial improvements to the property, and particularly in its facilities at Joppa. It was brought out that as a result of these expenditures the company will be able to handle a minimum of 3,500,000 tons of coal annually to the electric plant at Joppa and for movement by river barge beyond Joppa. The importance of these new traffic potentialities to a property the size of Chicago & Eastern Illinois is obvious when it is realized that in 1951 the total coal movement over the company's lines amounted to 2,750,000 tons.

Chicago Analysts to Hear

CHICAGO, Ill. — Rawleigh Warner, Chairman of the Board of the Pure Oil Company, will address the luncheon meeting of the Investment Analysts Club of Chicago on April 24th in the Georgian Room of Carson, Pirie, Scott & Company. Mr. Warner will discuss the oil industry and the Pure Oil Company. He will be accompanied by R. L. Milligan, Executive Vice-President, Raynor Sturgis and Douglas Campbell.

Changes Firm Name

PASADENA, Calif.—Van Denburgh & Karr, Inc., of Los Angeles, announced the change of the firm name to A. S. Van Denburgh & Co. and the removal of its offices to 27 South Euclid Avenue, Pasadena.

Join Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb. — Elmer E. Graff, Raymond & Graff, Merton R. Lane, Charles W. Otis, Clarence O. Rosenberger and Bill D. Travis have joined the staff of Waddell & Reed, Inc., Continental National Bank Building.

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Direct Placement of Corporation Loans—A Logical Development

ment and municipal bonds on the other. They are not available for 1906, but starting with 1916, the assets of these groups were 26% of the debt, while by 1950 they had risen to 83%. Obviously if accurate figures were available for the aggregate of pension funds and certain others which should properly be added to the asssets of the savings institutions, the last percentage figure would be considerably higher. This is most important since it is probable that the current rate of growth of the pension funds exceeds that of the other funds.

While demand and supply was not the only factor at work making for lower interest rates during this period, it certainly contributed, and in any event the result is most important and served to provide another strong reason for life insurance funds to seek more profitable outlets. In 1919, the earliest year for which figures are available, triple A corporate bonds provided a yield on the average of about 5.50%, while A bonds provided a yield of almost 6.50%. For 1950, however, the average yield on triple A bonds was 2.62% and on A bonds it was 2.89%.

These figures are indicative of a high degree of receptivity on the part of institutional investors for investments providing a better rate of return, and this is further evidenced by the use of their funds in this period to purchase freight cars, automobiles, trucks, and other items for hire, as well as for producing oil and gas properties and for constructing such projects as the New Jersey Turnpike and multiple unit housing developments.

The SEC Requirements

The particular features of the Securities Act as it now stands, which are generally considered as those which have contributed in some measure to the development of direct placements, are those making for the general complexity of the registration statement and the cost of preparation and printing; the waiting period with its attendant market risk; the uncertainty of commitments and the continuing expense and bother arising from trustee requirements, redemption notices and in some cases the obligation to list on an Exchange. Of these, the market risk and the uncertainty of a commitment are probably the most important.

To focus on the method of direct placement to best advantage, perhaps it would be helpful to view it from the angle of various interested parties.

Advantages of Direct Placement

First, let us look at it from the viewpoint of the borrower. The advantages to him are:

(1) The speed with which the transaction is consummated.

(2) The elimination of the underwriting fee and the filing fee, and the reduction of other expenses such as attorney's and accountant's fees.

(3) He obtains a commitment which is firm as to price.

(4) He has a closer relationship with the lender which can make possible a waiver or modification to meet a special problem which would otherwise require a vote of holders or possibly even refinancing.

(5) Greater ease in obtaining funds in the future after greater knowledge and experience has been achieved.

(6) The opportunity to present a situation which is thoroughly sound but complicated and difficult to understand.

(7) The opportunity to have the funds made available over a period of time as they are required, thus resulting in large interest savings.

The disadvantages which might result when a large corporation finances in this manner could be:

(1) Somewhat more stringent terms. Generally the institutional investor desires a contract with somewhat more protective covenants than is the case with an issue to be sold to the public. Such covenants however may actually be advantageous to the borrower and we have seen several instances where this has been important.

(2) A slightly higher interest cost which may offset or partially offset lower expenses.

(3) There is no opportunity to buy back the issue at a discount in future years, a practice which helped many corporations having available cash throw-off during the 1930's. I feel sure, however, that no corporate executive would plan to retire debt in such a manner for several reasons.

(4) No general market status is established and no rating is available which perhaps fails to realize in full public relations value of a high credit rating.

In general, the same advantages listed above apply to both large and small corporations, except that it should be pointed out in the case of the small corporation that the underwriting fee would be very high and other expenses also may bulk large, hence the potential saving can be much greater. This can be exceedingly important, so it must be said that for those small corporations having sufficiently strong earning power and asset positions as to qualify, the direct placement has been a great benefit. Moreover, unless some artificial restriction is placed on either the borrower or lender which hampers or eliminates freedom of action, it seems clear that in the future the small corporation will continue to benefit from the direct placement procedure.

Looked at now from the viewpoint of the lending and investing institutions, it seems possible to list the following advantages:

(1) An opportunity to make a sizable investment in a given situation that would not be possible in the case of a public offering.

(2) The opportunity to develop economic data in respect of the industry in which the particular corporation operates, as well as financial information in respect of its earning power and asset position through direct contact with the chief executive officers of the corporation.

(3) The opportunity to utilize amortization features and protective covenants which seem to be more expertly tailored to the requirements of a particular situation than is usually possible in a public offering.

(4) The opportunity, generally speaking, to obtain a slightly better yield than would be obtainable in the case of a publicly offered issue.

Disadvantages of Direct Purchases

There are, of course, certain disadvantages in respect of direct purchases.

(1) The fact that such issues are not as readily marketable. This is important because it makes it difficult to dispose of the asset at a later date if an opportunity to make a more attractive investment with the same funds should arise. Not the least important desirable aspects of marketability is the corollary of one of the great advantages attributed to a public issue by the investment banking fraternity, namely, the opportunity to purchase an additional amount at a discount at a later date if conditions are deemed favorable; in other words, the opportunity to average downward the initial cost of an investment. There is also a certain element of satisfaction, if nothing more, in knowing how other investors value a particular item.

The question of marketability should be further qualified, however, by emphasizing the fact that large blocks of securities are frequently very difficult to market even if registered and listed on an Exchange.

It seems clear that to a greater extent than formerly we have an investment market that has become largely institutional in character. If one institution wishes to dispose of a sizable block of securities, it is exceedingly difficult to accomplish this objective unless other institutions are buying.

(2) The possibility that some people unfamiliar with the relationship between an investing institution and a corporation whose securities it owns, may feel that where it owns all or a major part of an issue conditions of undue influence or control may exist. This criticism, which has been heard quite frequently, appears to be without practical foundation. Actually, the lending institution, in those cases in which it is only a creditor and holds no stock, cannot dictate to management and has no desire to do so, its primary interest being confined to its desire to obtain an investment return. Once an investment has been made the institution has a great interest in the welfare and prosperity of the business and no aptitude or desire to influence decisions.

In those cases where the investment of the institution is represented by shares having voting power, the permissive investment is so small as to be of no practical importance.

Under New York law, for example, an insurance company may not have an investment in common stock in an amount exceeding 2% of the issued and outstanding shares of a corporation or in excess of 1/10th of 1% of the admitted assets of such insurance company.

Smaller investing institutions have not entered into direct placements as frequently, but it has been by no means uncommon for them to do so. Some have participated in very large direct placements, while in addition others have financed directly smaller borrowers usually in the general vicinity of their home offices. Other companies have not equipped themselves to make the study and investigation and to do the negotiating which is required in direct financing, but there have been indications in recent years that more and more medium-sized companies are recognizing the value of this type of financing and adding the staff necessary to engage in it.

Moreover, several trustees of large pension funds have also taken steps recently to become active in this field.

It is interesting to focus on the volume of directly placed corporate securities as compared to the total.

Volume of Direct Placement

From figures developed by the Financial Analysis Section of the Securities and Exchange Commission, it appears that during the period from 1934 through 1939 the percentage of corporate issues placed directly was approximately 23.5%. This figure increased somewhat, then declined during the war years 1943 through 1945 to an average of 29.0%. For the five years 1946 through 1950, however, which must be characterized as the period in which there occurred the largest volume of new capital formation in the history of our country, this percentage rose on the average to 46.5%. In 1950, it was 51.2%.

The requirements of competitive bidding imposed on public utilities and railroads has, of course, removed from these issuers and choices which are enjoyed in a free market. As you can readily see, where the issuer has complete freedom of choice, as in the case of industrial and commercial issues, that choice has been exercised preponderantly in favor of the direct negotiation with the lender.

I think from the above observations you can see that the practice of direct placements of securities has both its advantages and disadvantages and that not all of the advantages or all of the disadvantages are on one side and, in fact, various of them may be present and of importance at different times.

If the public issuance of securities is subject to undue disadvantages, as has been suggested for some time because of certain requirements of the Securities Act, seemingly it would be advisable to explore these particular requirements with a view to eliminating any that do not appear to be necessary in the light of experience and ameliorating the effects of others to the extent that this could be done and still retain protection to the public which the Act contemplates. I believe consideration should be given to simplifying the registration statement and prospectus and to loading each with as much investment information as possible, to shortening the waiting period, and to the development of a procedure in which offerings can be made during the waiting period.

Suggestions along these lines have recently been made by such personages as G. Keith Funston, President of the New York Stock Exchange, Edward T. McCormick, President of the New York Curb Exchange, and James Coggeshall, Jr., President of The First Boston Corporation.

In addition, suggestions have been to amend the Securities Act, the intent of which presumably would be to modify the volume of direct placements. One of these would require registration with the Securities and Exchange Commission of all security issues greater than a stipulated size. Presumably certain of the advantages of the direct placement, such as the speed with which the transaction may be consummated and the expense factors, might be modified somewhat by such a requirement. It would seem, however, to be wholly inconsistent with the purposes of the Securities Act.

Competitive Bidding vs. Direct Placement

Another suggestion which has been made would require competitive bidding for all securities issued by industrial companies involving an amount in excess of a certain stipulated figure. Most industrial companies would find it extremely difficult to operate under such a requirement because there is comparatively little standardization possible in respect of industrial company financing, and this is true even with respect to companies of similar size engaged in essentially similar businesses.

An important problem which would arise in this connection would be the determination of the manner of treatment under the Act of term loans which are taken by banks or groups of banks which, in some instances, may have maturities running for as long as 10 years.

Of far greater importance, however, to the management of industrial companies would be the impairment of management function which would be involved. There would seem to be no compensating advantage for the loss of this freedom.

As I have endeavored to point out, the present system has merely evolved out of the investment atmosphere and its shifting currents which have characterized the past two decades. In short, the direct placements appears to be of distinct advantage to a very wide segment of our business community and a process which has been achieved by simple evolution.

It is likely that the interplay of demand and supply at a freely competitive market will doubtless bring further evolutionary developments which may improve the present system for financing industrial companies still further. This is the free enterprise system upon which we have relied and under which we have primarily achieved our present remarkable economic development. The interplay of these forces should be relied upon and encouraged as much as possible in the confident belief that they will bring about further improvements in our financial process. They should not be hampered by artificial restraints unless some very strong compelling reasons are present.

I believe that one trend of recent significance and importance, however, may have a tendency to overcome certain of the disadvantages. This is the fact that more and more competent investment banking firms are injecting themselves into the direct placement field by providing helpful technical advice to corporations and by assisting in the presentation of all the facts to institutions. It has been estimated that about 50% of the total number are handled through investment bankers. The percentage presented to my own company in this manner has been somewhat larger.

Industrial companies that con-

Table I—Assets of U. S. Life Companies and Net Long-Term Debt in U. S.

Dec. 31	Assets of Life Companies	—Net Long-Term Debt— Private*	Public	Total	—Assets As % of Debt— Private	Public	Total
	(In billions of dollars)				(Per cent)		
1906	2.9	22.0†	4.2†	26.2†	13	69	11
1916	5.5	43.4	5.3	48.7	13	104	11
1927	14.4	81.5	28.0	109.5	18	51	13
1950	64.0	125.1	219.1	344.2	51	29	19

*Net long-term Private Debt: All private net corporate debt outstanding at end of year having an original maturity of one year or more from the date of issue (including bonds and mortgages) plus mortgage debt of individuals and unincorporated businesses, including farms.

†Gross debt. Public debt includes short-term.

Table II—Savings Institution Assets* and Net Long-Term Private Debt

Dec. 31	Savings Institution Assets	Net Long Term Private Debt	Assets As % of Debt	AAA	A
	(In billions of dollars)		(Per cent)		
1906	not available				
1916	11.5 (est.)	43.4	26	5.49†	6.48†
1927	30.6	81.5	38	4.57	5.04
1950	103.3	125.1	83	2.62	2.89

*Life insurance companies, mutual savings banks, and savings and loan associations. †1919 figures.

template financing should consider carefully the various characteristics of both the direct and the public route since theirs is the great responsibility that accompanies real freedom of choice. They should weigh the possible advantages of obtaining the assistance of an investment banking firm in each case.

If they decide to go the direct placement route, and with or without the assistance of the investment banker, they should be prepared to develop a great deal of information in respect of their business. The institution will require enough detail to make a significant financial and economic comparison between the company in question and other units in similar lines of business. They will not only have to determine the logical behavior of the business under various conditions but also the behavior of the industry In general, they will endeavor to become as familiar with the business in question as it is possible for a layman to become in the time available. Businessmen should regard this as an advantageous development and one that will be most helpful in future years rather than the reverse, and this could well be so whether or not the proposed direct placement is consummated at that time.

In other words, be prepared to divulge all the pertinent facts and figures in respect of your business in the knowledge that by so doing you will be developing an atmosphere of trust and confidence that will redound to your advantage in seeking long-term funds eventually, even though the reward may not be immediate.

Blyth-First Boston Group Offers Tucson Utility Common Stock

Blyth & Co., Inc. and The First Boston Corp. jointly headed an investment group which offered publicly yesterday (April 23) 140,000 shares of common stock of The Tucson Gas, Electric Light & Power Co. The stock was priced at $26.50 per share.

Proceeds from the sale will help finance the company's construction program including the payment of $1,000,000 of promissory notes previously incurred for such outlays. During 1952 and 1953 the company plans to spend about $12,400,000 for electric facilities and about $1,100,000 for gas facilities. Chief items in the program are the installation of a 20,000 kw. turbo-generator and the partial installation of a 40,000 kw. unit in the company's new electric generating station. The former is expected to be in operation by mid-1953 and the latter by mid-1954.

The company supplies the entire electric and natural gas requirements of Tucson and its immediate vicinity, plus electric service to the 50-mile adjacent area in Pima County. From 1940 to 1950 the population in Pima has nearly doubled and that of Tucson has increased by a third. The company's maximum hourly peak demand has risen from 15,100 in 1941 to 56,620 kw. in 1951 and is expected to hit 81,400 kw. for 1952.

Dividends on the common stock have been at the quarterly rate of 40 cents per share since September 1951. For 1951 the company reported total operating revenues of $6,718,015 and net income of $935,133 or $2.39 per common share.

With Chas. W. Scranton

(Special to The Financial Chronicle)

NEW HAVEN, Conn.—Roger B. Mullins is with Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange.

Continued from first page

As We See It

buke him. If the Constitution has provided no definitive, direct method of dealing with an over-ambitious President, no method which can be evoked promptly and effectively, then we must begin at once to devise such a provision and insert it in the document with a minimum of delay. Meanwhile, there are a number of steps a courageous and resourceful Congress might take to deal in a practical way with the immediate situation by which the country is faced. Whether all or any of these measures will be taken during the next few weeks or months will afford a measure of the good sense, the statesmanship, and the political courage of the legislative branch of the Federal Government.

Let there be no mistake about it, this is a deadly serious thing by which we are faced. Its real danger far transcends the question as to whether the steel workers have a good claim to higher wages, whether the steel companies could or could not "bear" the cost of such higher rates of pay and the like, whether steel prices should be raised to pay the cost of the higher pay to the workmen, and any other similar issue.

Of course the Administration has "sold out" to the militant unions throughout the country. Of course the Democratic party has long been "sold out" to the unions and to the farmers. It is a deep disgrace to the party and to the country, that such is the fact. Obviously, any act by the Government which compels the steel companies to pay more to their wage earners than they are willing to pay, and which in addition forbids the companies to add the additional cost to the price of their products, is an outrage. But even more essential to the life of the nation and of our freedom, is the issue of the right of the President to seize private property whenever in his judgment the "best interests of the people" suggest or require it. The issue becomes even more vital when freedom of the press becomes involved. It is of such stuff that dictators construct their programs.

Roosevelt and War

The fact of the matter is that a decade or more of Franklin D. Roosevelt and his high-handed notions and deeds, his contempt for orderly constitutional procedures, his repeated challenges to all that the American system is, and his immense capacity for drawing the plaudits of the crowd, have created an exceedingly dangerous callousness to such things in this country. Four years of war which, according to Roosevelt-inspired, popular ideas at any rate, required "temporary" surrender of much that had always been sacred in this country further aggravated the situation.

The state of affairs is even more dangerous than might appear on the surface. During the past decade or two the Washington authorities — sometimes with aid and comfort of local governments—have created large blocs of subsidized individuals who are always quite ready to support any action on the part of government which seems to them to help further line their pockets. These blocs, particularly organized labor and the organized farmers of the land, have, we are afraid, become victims of the old adage that "the jingle of the guinea heals the hurt that honor feels." They constitue so large a part of the voting population that it becomes more and more difficult to arouse enough people about these basic questions of our life and health.

We Must Save Ourselves

We have no desire and no intention of calling the motives of any of these parties into question. We shall assume that the President has acted and will continue to act according to his own lights. We take it as a fact that he actually believes that this country will best survive and thrive in the future under some system quite different from that which has brought it to its present state of greatness — assuming, of course, that he is sufficiently acquainted with such matters as these to be fully aware of the revolution he is now leading or trying to lead. All this, however, does exactly nothing to protect the people from what is actually taking place or is being threatened.

Only the people can save themselves — and time is running out.

Urges Higher Rates on FHA and VA Mortgages

Aubrey M. Costa, President of the Mortgage Bankers Association of America, says "log jam" in these loans is due to rates that cannot compete with other segments of money market. Holds high rate of home building will be maintained this year.

Aubrey M. Costa

Aubrey M. Costa, President of the Mortgage Bankers Association of America, and President of the Southern Trust & Mortgage Co., Dallas, speaking at the opening session of the Association's Eastern Mortgage Conference convening in New York on April 14 called upon the Federal government to act immediately to break the "log-jam" in the FHA-insured and VA-guaranteed mortgage markets by raising the interest rates of these loans so that they can again compete with other types of investment and the nation's needed defense housing program can be completed. The entire money market, Mr. Costa pointed out, has moved to a higher price level in the past year except for the FHA and VA rates which, by government edict, remain rigidly frozen. The FHA rate is now 4¼% and the VA rate 4%.

"These rates should be increased so that private investors will again be attracted to the government programs," he declared. "An increase in these rates to match those now obtainable from corporate securities will produce funds from private sources to complete the present defense housing program and provide opportunities for veterans to purchase homes. Present FHA and VA rates are not now effective because they are not competitive with rates which investors can secure in other types of investments—and large investors have a responsibility to invest policyholders' and depositors' funds on the most advantageous terms they can.

"An increase in rates can easily be accomplished by action of government officials. No new legislation is required. So far, they have offered no proposal for ending the stalemate that has existed in the FHA and VA mortgage markets for more than a year, apparenty preferring to wait for a change in the market. There is no evidence that money conditions are likely to ease within this important period of getting the defense housing program underway. The problem that exists today is as urgent as any before the country.

"An increased rate on both loans would involve only a small additional cost to the borrower but would be sufficient to open up the market in both fields. On an $8,000 25-year mortgage, for example, an increase of one quarter of one percent would only mean an increased payment by the borrower of $1.12 per month.

"In addition to the general rate increases, the present defense housing loans should be changed so that the interest rate on the debentures, which are exchanged by FHA in case of foreclosure, should be increased from their present 2½% to a rate which would assure their sale at par. In addition, the present waste provisions of these loans should be improved since many of the properties to be built under this program are in remote places.

"The only possible alternative for making these programs work is an increased appropriation from Congress for the Federal National Mortgage Association for further purchases of FHA and VA loans or more direct loans by the Veterans Administration or advance commitments for defense housing loans.

"These measures are highly inflationary and place a further burden on the Federal budget, a step which should be avoided at all costs.

"If the Federal agencies continue adamant in their present stand not to increase these rates, there is the strongest possibility that a clamor will develop for more direct government lending in the home building field. This would be entirely unnecessary since actually there are ample private funds available—but at the present unrealistic rates which the government has set, these funds will continue to seek a more profitable return in other investment media. Managers of these funds—the large life insurance companies, trust funds, savings banks, etc., would be derelict in their duty if they did not take such a view because they have a responsibility to their depositors and policyholders to do the best investment job possible.

"In these times, with taxes at an all-time high and with the Federal government more deeply in debt than ever before, it would be an economic mistake of unparalleled magnitude for any Federal funds to come into the home financing field when there is not the slightest reason for such action."

With one quarter of 1952 behind us, Costa told the mortgage men that the prospects for a good home building year appear brighter every day and considerably more promising than they appeared on January 1.

"This year gives every evidence of being a good home building year. Present estimates, based on various controlling factors, indicate there will likely be produced 900,000 or more units. This compares to 1,100,000 in 1951, and 1,350,000 in 1950. There still remains a tremendous market for new homes in this country.

"The materials situation has improved greatly, and practically all items are now in good supply. Some of them are in surplus. Restrictions have recently been liberalized and it appears the shortage of copper is about the primary difficulty at this time.

"It is now clear that our home building program in 1952 will be accomplished with no detriment to the defense program as the American capacity of producing has been clearly demonstrated in that we are going to be able to provide the things needed for defense as well as for our domestic economy."

With King Merritt Co.

(Special to The Financial Chronicle)

PONTIAC, Mich.—Frederick J. Schumacher has joined the staff of King Merritt & Co., Inc., 53½ West Huron Street.

Joins Paine, Webber

(Special to The Financial Chronicle)

DETROIT, Mich. — Joseph T. Hartner is now with Paine, Webber, Jackson & Curtis, Penobscot Building.

Three With Waddell Reed

(Special to The Financial Chronicle)

DETROIT, Mich.—Geraldine L. Bruce, John W. Grimes, and Philip J. Watson are now with Waddell & Reed, Inc., 600 Woodward Avenue.

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Some Observations on The Social Security Program

which have already been described we must also consider:

(1) The Railroad Retirement Act.

(2) The civil service employees insurance and retirement program.

(3) The public health services.

(4) The benefit programs for members of the armed forces and veterans.

In the aggregate they amount to a staggering assortment of programs and benefits.

(1) By the Railroad Retirement Act, Congress has established an anomalous program that has some of the characteristics of the OASI program and some of the characteristics of an employer's welfare program, even though the United States is not the employer of the railroad workers affected. This intermixture of different objectives has caused endless confusion and serious problems for the nation, far beyond the circle of railroad workers. For example, the level of survivors' benefits for railroad workers was originally set above the level previously adopted for OASI. This was then used as a reason for raising OASI benefits, and the 1950 Social Security Act amendments succeeded in bringing those survivors' benefits to a level well above those for railroad workers. However, with the 1951 amendments to the Railroad Retirement Act the emphasis has once again been reversed. As long as these Acts continue on their present basis, this kind of leap-frog behavior is likely to continue.

(2) The civil service employees insurance and retirement plan provides, for some two million civil service employees of the Federal Government, benefits similar to those provided for other workers under the Social Security Act. It also offers welfare benefits similar to those provided by many employers under employer-sponsored or supported private insurance and retirement plans. A broad problem presented by these programs for special groups of workers is the confusion, the overlapping of benefits, and the inconsistencies that develop as employees move about among these different employments during their working years. There is also, of course, a seemingly endless competition to extend and expand the benefits under these programs one beyond another.

(3) The public health activities of the Federal Government present a somewhat more rational picture. These include a number of areas which are an appropriate concern of government. On the whole, the achievements in this field have been notable, due in no small measure to some outstanding individuals who have served this agency and to the successful integration of its activities with private health agencies and those of State and local governments. Where the boundaries of these activities of the Federal Government should be drawn is a matter that, by its nature, probably cannot be rigidly fixed. However, constant alertness is required to prevent unwarranted extensions into areas which are the proper responsibility of the State and local governments and of private endeavors.

(4) Armed forces and veterans. The benefits and services provided for members of the armed forces and for veterans constitute a bewildering variety of undertakings, overlapping in many instances other Social Security programs. Included here are a great variety of separate plans of many kinds predicated on service in different wars, among which are various categories of pensions, life insurance, and medical services. There is an insurance program for veterans of World War I and a different program for World War II veterans. More recently an arrangement for indemnity benefits has been enacted, the costs of which are borne entirely by the Federal Government. A further extension to provide benefits for the survivors of those in the armed forces is currently under consideration in Congress in the Kilday bill.

In the field of health and medical care alone, the program undertaken by the Federal Government, largely through the Veterans Administration, is of staggering dimensions. The annual expenditures on these activities were estimated at $2 billion in 1949. That year the report of the Hoover Commission suggesting a reorganization of Federal medical activities estimated that the Federal Government is attempting to give varying degrees of direct medical care to 24 million beneficiaries—about one-sixth of the nation. Since that report was completed, these expenditures for health and medical care have increased substantially.

The problems in this area seem to be in a chaotic state. Clearly, some broad policy must be set which will distinguish between the purposes of a sound Social Security program, as such, and the rewards which the nation may well wish to bestow on those who served in the armed forces. A fundamentally different approach is called for than that adopted following our earlier wars, whose veterans constitute a relatively small portion of the total population. With the continuance of hostilities, the number of persons who will have had a period of service in the armed forces is very large indeed, and if their dependents are also taken into account, they constitute a very substantial proportion of all citizens.

Fourth: How Are These Federal Activities to Be Regarded?

It is not unnatural that these vast operations of the Federal Government should evoke varied reactions. Any organization that disburses so tremendous a volume of cash benefits and services is bound to acquire a considerable body of supporters on that account alone. Remember the slogan "Tax and tax and spend and spend." This, in part, perhaps explains the thinking behind many proposals for further extending these programs, for raising benefits, increasing the services, increasing the costs. From another school of thought we hear many expressions of the greatest alarm.

The magnitude and complexity of these vast undertakings and the very questionable direction some of the developments have taken quite properly fill some people with deep concern. This has led some to oppose all these activities, to resist all change, and even to advocate the abolition of much of what is now being done.

The responsible citizen can hardly support either of these extremes. Much as we might fear the consequences of these programs — particularly if some needed changes are not made—I believe blind opposition is more unwise and even dangerous. Instead, I believe, the greatest good can be realized only if we attempt to appraise them with the best intelligence we can muster, determine to discover the rightful role and proper limits of each, and work steadfastly to have their true objectives realized. This, of course, is a formidable task.

There are no fixed answers for all the problems with which Social Security is concerned. Our society is not static; the nature of the problems we face continues to change from time to time, and solutions that are appropriate at one time may need substantial revision at another. It is a continuing task we face. However, there are some guiding principles that we might follow at all times—principles by which we can measure the appropriateness of our actions from time to time. Let us briefly consider some of them.

Fifth: Who Shall Be Responsible?

When we deal with Social Security we are dealing with a phase of political philosophy. Our views on Social Security will ultimately depend on how we regard ourselves and our fellow men and what we believe are the proper relationships between ourselves, our fellow men, and our government. If we cherish, as I think most of us really do, the concept of man endowed by his Creator with certain inalienable rights, I believe we become keenly aware of the responsibilities that go with the concept, and also of the danger that these rights will be lost if our individual responsibilities are surrendered to government.

Three broad areas of responsibility exist in regard to those hazards of life with which Social Security is generally concerned. First and fundamental is the area of individual responsibility, including responsibility for one's family and one's dependents. Secondly, there is the area of responsibility arising from an employer-employee relationship. Thirdly, there is the area of responsibility of society as a whole through government.

Our economic and social organization is such that there is an important role which must be filled by individuals, by employers, and by government if our economy is to function most effectively. Some aspects of our industrialized economy create situations which persuade us that it is unrealistic to believe that all the major problems we face can be dealt with satisfactorily by the action of individuals alone. On the other hand, we seem to lose sight altogether too much of the importance of the part that individuals must play and the over-all responsibilities which they should properly assume.

The hazards of life with which Social Security deals result in intensely human problems involving individuals. Yet we should understand that the interest of society as a whole in dealing with these problems is not primarily in the individual as a person but rather in protecting society itself against the consequences which would otherwise flow from these individual tragedies. The test of the measure of social action needed in a particular situation is not basically the same test as the individual might apply but what is necessary to achieve the protection of society as a whole.

If the level or scope of Social Security benefits is such that it leaves little room for individual effort or for private group effort, it most certainly is too high. Not only would it, under those circumstances, be going beyond the social need of society as a whole, but it would be discouraging individual effort and weakening individual responsibility rather than strengthening and supporting such effort. Where the line should be drawn requires the wise balancing of many factors, and as I indicated before, any answer is affected by changing conditions. But we might well wonder at the levels to which some of these benefits have already been pushed—e.g., up to $80 a month under OASI for an individual, and up to as much as $150 a month for families. Nevertheless, there are those who would push them even higher—judging them as if the Federal Government should assume full responsibility for providing all or substantially all of the income which might be deemed desirable. This approach mistakes completely the proper function of government action in this field, and unless this is well understood there is much trouble ahead.

I have dwelt on this matter of the respective areas of responsibility for dealing with these problems of security. I have done so advisedly, because it seems to me that this is the basic consideration in weighing first the propriety of any government action and then of the type of action and of the level of benefits that might be appropriate. There are, however, a number of other considerations to which I should briefly refer.

Sixth: Importance of State and Local Governments

Even when we might conclude that some action by government is appropriate, we should try, in so far as practicable, to keep these activities as close as possible to those who pay the bill and who are in a position to judge the effectiveness of the program. The Federal Government should not undertake activities that can more appropriately be undertaken by State and local governments.

Seventh: Production, the True Basis of Economic Security

The advocates of more and still more Social Security seem to fail to understand the limitations of this type of action in providing true security. Social Security measures are not a panacea for economic ills. They will not produce a single loaf of bread or a single garment for the needy. Social Security is merely a kind of medicine—a bitter kind that needs to be used wisely if fatal results are to be avoided. We need to realize that true social or economic security depends on a sound economy, on steady employment, and a high level of production of those goods and services by which we all are sustained.

Eighth: Importance of the Effect on Voluntary Services

Sir William Beveridge was one of the leading architects of the elaborate system of Social Security established by the British Government. After observing the results of his labors, he expressed alarm at the effect these programs were having in discouraging the voluntary services that had been carried on in the past by devoted persons in a great variety of endeavors. Somewhat belatedly, he became aware of the real importance of these many nongovernmental activities and undertook in a long volume to give them due recognition and to caution against developments in the governmental programs that were destroying these invaluable activities that could not possibly be replaced by governmental compulsion. This is a lesson we should learn well before it is too late.

Ninth: What Is the Basic Issue in Social Security Today?

The problem we face, as I see it, is to keep these programs from getting out of hand, from overwhelming the whole Nation, from being extended into areas beyond the appropriate boundaries of government action. It is the insidious growth and extension by little steps on many different fronts that we need fear most. Lacking a well coordinated, long-range policy, it is difficult for Congress to avoid first this and then that extension urged by the siren song of the public weal. Such advances will surely be ruinous in the aggregate.

In more concrete terms, the basic current need is a thorough coordination resulting in the establishment of OASI as the primary provision for all in the field of retirement and survivorship protection, on the foundation of which their individual protection can be superimposed. The competitive overlapping in activities, functions, and benefits between OASI, on the one hand, and, on the other, the Public Assistance program, the Railroad Retirement Act, the programs of the Veterans Administration, and the civil service employees and similar

SOME SOCIAL SECURITY FACTS

1.—Program	No. of Beneficiaries or Recipients as of Dec. 1951	Amt. of Benefits or Payments Paid During 1951
Monthly Retirement and Disability Benefits		
Old-Age and Survivors insurance	2,996,000	$1,361,046,000
Railroad retirement	267,100	268,733,000
Civil service retirement	171,000	196,529,000
Veterans pensions	2,391,000	1,647,938,000
Total	5,825,100	$3,474,246,000
Monthly Survivors Benefits		
Old-Age and Survivors insurance	1,383,000	$ 523,485,000
Railroad retirement	149,700	49,527,000
Civil service retirement	34,500	14,014,000
Veterans administration	1,020,300	519,398,000
Total	2,587,500	$1,106,424,000
Unemployment Insurance		
State programs	797,300	$ 840,411,000
Railroad unemployment insurance	31,600	20,217,000
Total	828,900	$ 860,628,000
Public Assistance		
Old-Age assistance	2.701,100	$1,433,989,000
Aid to dependent children	2,041,500*	552,888,000
Aid to blind	97,200	54,536,000
Aid to totally and permanently disabled	124,400	53,608,000
General assistance (cases)	323,000	195,247,000
Total	5,287,200	$2,290,268,000
Grand Total	14,528,700†	$7,731,566,000

2.—Status of Social Security trust funds as of Dec. 31, 1951

(Representing excess of tax receipts or contributions and credited interest over benefit payments and expenses)

(a) Old-Age and Survivors insurance trust fund	$15,540,000,000
(b) Railroad retirement account	2,694,000,000
(c) Unemployment trust fund (incl. railroad acct.)	8.526,000,000
(d) Civil service retirement and disability fund	4,800,000,000‡
(e) National Service Life insurance; U. S. Government Life insurance funds	6,800,000,000‡
Aggregate Amount of Trust Funds	$38,360,000,000

*Number of children and adult "caretakers" (usually the mother).
†Includes some duplication.
‡Estimates.

State programs is an intolerable condition and should be corrected.

Tenth: The Relation of Federal Tax Policy to Social Security and Insurance

These observations would be incomplete if we did not consider one other broad aspect of Federal activity affecting Social Security. I refer to the Federal tax policies. There has not been an adequate measure of coordination, and as a consequence, there are strange inconsistencies in the tax laws as they touch on matters which concern Social Security, insurance, and related mechanisms pertaining to the problems caused by our Four Horsemen. A few illustrations may be in order.

Under the existing laws and regulations, benefits payable under the OASI program and under the Railroad Retirement Act are not treated as income to the recipients and are not subject to Federal income tax. On the other hand, payments which an individual may provide for himself through an individual annuity or which he may receive from his employer's retirement plan are subject to income tax. This is hardly a situation which is conducive to individual private effort to provide old-age income security and might even be a factor in the minds of some of those who are favoring an increase in the level of OASI benefits in preference, say, to benefits under an employer-sponsored retirement plan.

It seems to have been the clear intention of Congress, as expressed by the Revenue Act of 1942, to encourage employers to establish retirement plans for their employees, since employers are allowed tax deductions for payments made to approved plans and, in general, such payments are not taxable to employees until received as benefit payments. On the other hand, no similar encouragement as to deductions on their personal income tax return is extended to employees respecting their contribution under employer retirement plans. The immediate practical result of this policy is to place a powerful impediment in the way of contributory pension plans which have many desirable qualities. Not the least of the considerations involved is that it enables an employee to participate in providing his own old-age security—an obligation for which he has the primary responsibility. By appearing to make it attractive to avoid this responsibility and by encouraging employees to feel that it is desirable to shift this responsibility to someone else, the government is promoting a principle which is essentially contrary to our philosophy.

The lack of an element of tax relief under retirement plans for self-employed persons, among which lawyers and many other professional persons are included, as compared with the relief given corporate employers, has engaged the attention of the American Bar Association and other groups. The reasonableness of some measure of relief is clearly apparent. This is the objective of the Reed and Keogh bills which have been introduced in Congress. While the purposes of these bills are worthy, the means by which they undertake to provide relief are too narrowly drawn, excluding, as they do, the use of the facilities of insurance companies except to a very limited extent. On the other hand, it will be recognized that piecemeal efforts, such as these, to deal with particular groups may not be a satisfactory approach, particularly in view of such broader issues as those just referred to in the case of the large number of persons covered under contributory retirement plans.

Eleventh: What Shall We Do?

First, as citizens we have a clear responsibility to acquaint ourselves as fully as possible with this important area of citizenship and government. We must equip ourselves to assume positions of leadership in thinking on these problems with our neighbors and our representatives in government. Much good work has been done in various areas by groups working with chambers of commerce and various trade associations. Working committees of these organizations have long and patiently analyzed and discussed issues and principles, have weighed specific legislative measures, and generally have provided a much-needed source of sound thought. We need a broadening of these efforts to encompass and interest many more individuals and groups.

Secondly, Congress should undertake the broad studies envisaged by Senate Resolution 300, adopted in 1950 but not yet acted upon, and by the more recent S.Con.Res. 51, calling for a thoroughgoing study of the Railroad Retirement system. The gravity of the situation and the need for some such studies has even been recognized by the President in his recent budget message. Congress in the past has had the help of representative citizens in its deliberations on these matters, and in many respects deserves commendation for the manner in which the difficult issues have been approached and dealt with. There are, however, too many illustrations of another sort. Irrespective of all that has already been done, the need for thoroughgoing study and patient analysis and wise decision is greater than ever. Congress needs the support and help of the best minds the country can marshal for this undertaking. It should be urged to give this subject a high order of priority.

In Social Security the government set out to build defenses against the ravages of the Four Horsemen. Let us make sure we do not, in the process, create new terrors and pull down the many other defenses it has been our good fortune to possess.

Stylon Common Stock Offered at $1 a Share

A syndicate headed by Gearhart, Kinnard & Otis, Inc., and including Sheehan, McCoy & Willard of Boston and White & Co., of St. Louis offered to the public on April 23 an issue of 275,000 shares of Stylon Corp. common stock at $1 a share.

Stylon, a Massachusetts concern, with headquarters in Milford, is the fourth largest manufacturer and distributor of ceramic floor tile in the United States. The company also distributes imported tile and bathroom and kitchen fixtures.

An outgrowth of two firms formed in 1937 and 1940, respectively, by Joseph Mass, the company's assets as of March 31, 1952 had reached $1,708,275, including $338,171 cash. Mr. Mass is still President and Treasurer. Its capitalization consists of 2,000,000 shares of $1 par common, of which 1,200,000 shares are outstanding.

Proceeds of this offering are to be used for general corporate purposes.

John Canaras Opens

John Canaras is engaging in a securities business from offices at 904 Hunts Point Avenue, New York City.

David Levine Opens

JACKSON HEIGHTS, N. Y.—David Levine has opened offices at 85-05 35th Avenue, to engage in the securities business.

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Let's Have a Long Range Foreign Policy!

"depression" is a fearsome one; "economic debacle" is worse. Few people and fewer still leaders in the United States are willing to face the prospects or possibilities of these events which are threatening to come unless we change our ways. Congressman Van Zandt recently brought out before the House of Representatives that for the average American family of four persons the cost of the foreign aid extended by this nation is about $3,500. The total authorized to date is $128 billion. As the late Mr. Forrestal said, "A busted benefactor no matter how deep and sincere his beneficence obviously can be of little use to any community."

There is no one in our government who has displayed any signs of being willing to tell the European nations in clear-cut, definite language that the end of our economic and military aid is coming and that it will come on such and such a date. There are few leaders outside of government who are willing to say it and have the strength and integrity necessary to mean it.

The first requirement for a participant in any discussion is a knowledge and understanding of his subject. Put bluntly, he must know what he is talking about. I do not mean that facetiously. We are talking about the American foreign policy, and yet I doubt if any of us knows exactly what this foreign policy is.

On the one side of the world we are waging a war—under wraps, to be sure; a war which we have been told was not war, but a police action. On the other side we are arming ourselves and, what we would like to hope will always be, friendly nations to prevent war. If it is our policy to arm our fellow nations to prevent war in Europe, why did we refuse to arm the Chinese of Chiang Kai-shek—the only Chinese Government recognized by us and by the United Nations—to avert war in Asia? Why do we refuse equal help to Chiang or even to be helped by him?

Our Foreign Policy Not Approved

No matter what foreign policy our government in Washington may have, it does not have the approval of the citizens of the United States. Their approval has neither been sought nor requested, nor have they even been given adequate information on which they could intelligently base approval or disapproval.

There has apparently been no serious effort to plan a far-sighted foreign policy. The policy, such as it is, seems to have grown and wavered on spur-of-the-moment decisions at Teheran, Yalta, Potsdam, Quebec, Cairo, and various other distant conference localities. Some of it has resulted from the crises which have flowed, or perhaps backfired, from the results of the secret executive agreements reached at those conferences. These agreements have not been completely disclosed to the American people, nor even to their elected representatives in Congress. They have never been exposed to the searchlight of an open debate; they have never been accepted by any democratic process. The extraordinary development of this nation has been based upon its representative form of government. The great strength of the republican process, the collective judgment of the elected representatives of the people, has not been used in this, the most important problem of our times. The Constitution, on which our liberties and well-being are founded, has been completely ignored. Article II of the Constitution reads as follows:

> "He (the President) shall have power, by and with the advice and consent of the Senate, to make Treaties, provided two-thirds of the Senators present concur."

That vital phrase—"by and with the advice and consent of the Senate"—is our Constitutional guarantee in foreign affairs.

The truth is that the United States of America's foreign policy shifts with the winds. It temporizes with the best expedient of the moment—or rather what appears to be the best expedient—in an effort to gain breathing time. And then we meet the next crisis with the next expedient. We might say that our foreign policy is on a day-to-day basis, with decisions dictated by crises, real or imagined.

I believe that it is not unfair to say that the people of the United States understand the foreign policy of Great Britain better than they do our own, for they all know that the policy of Great Britain is based on the welfare of England first. No thinking American can take umbrage with such a policy on the part of Great Britain. As for ourselves, many of us wish that a similar policy was in effect in this country.

This practice of moving from one crisis to another has offered a tremendous opportuntiy for Communistic sympathizers to influence our policies.

Two Expedients in Europe

Our foreign policy leaders would like to confine the European issue to which of two expedients should be adopted: On the one hand, the proposal that the United States aid in an effort to unite Western Europe in order to strengthen the Atlantic Union; and, on the other hand, the proposal that the United States strengthen the Atlantic Union in order to unite Western Europe. In either case, even more liberal gifts of arms and money by us and inadequate efforts by other nations would result.

The United States Government seems to be in favor of the first proposal. Great Britain seems to prefer the second. To the average thinking American there is little difference—just the old question of which comes first—the American egg or the American chicken?

Let us start with this phase of our international problem. But in doing this let us not forget that our actions in the rest of the world affect the results of our efforts in Europe. What is our choice as to Europe? As I have said, it seems to be: Do we act on the premise that God helps those who help themselves; or do we continue to pour out money and military aid—the life-blood of our nation—in the hope that if we give Western Europe enough transfusions she will eventually be able to exist without our help. But all the medicine in the world will not effect a cure if the patients do not have the will to live.

I believe strongly in the recent advice by former President Hoover that now is the time to re-evaluate our position. Perhaps the word "evaluate" or "appraise" would have been better since we cannot re-evaluate that which has never been evaluated.

In any appraisal, the first step is to find a basis of appraisal. What are we trying to do? What do we expect our foreign policy to accomplish in Europe?

Are we trying to gain breathing space, to save ourselves today; or are we planning for tomorrow—for the world of our children?

Is it our policy to plan from day to day—to guarantee only what the day may bring, and let tomorrow take care of tomorrow's problem? Or is it our policy to guarantee our future—and our children's future?

As individuals, the American people have accepted the soundness of insurance in so far as it pertains to their personal lives, but when it comes to the national life, which is of much greater importance to their children and their grandchildren, they have not followed the principles which have made insurance the bulwark of the individual. The individual who procures insurance does it to protect himself and his immediate family. He is reassured by the financial strength and fair dealing of the companies with which he deals. He knows that they are sound and he feels that they will not hide behind some legalistic interpretation of a comma somewhere in the policy. He is also reassured by the state government's supervision of the insurance company he selects. He is making sound provision for the future for those nearest and dearest to him.

A Day-to-Day Policy

Is our foreign policy doing the same for our country? Is our foreign policy directed at building the essential bulwark for the future? I am sure that everyone in this audience could do much better than myself in emphasizing the importance to the individual of a sound insurance plan, but I do not believe that the average person in this audience, or the average American, and certainly not many of the men in the State Department, have given anything like the thoughtful consideration that they should to the effects on our children and our grandchildren of the foreign policies which have been in effect over recent years—those wavering foreign policies that make it impossible for anyone to have faith. These ever-wavering policies delude ourselves and our friends, and even confuse our enemies.

It is possible that if we had not had this extemporaneous day-to-day outlook that we would never have had our present Korean affair. After all, wasn't the Kremlin reassured that we would not defend Korea? It was on Jan. 12, 1950, that the Secretary of State, Mr. Acheson, defined our "defensive perimeter" in the Pacific as an arc from the Aleutians through Japan and the Ryukyu Islands to the Philippines, specifically exempting Korea. Of Korea, Acheson said: "A guarantee against military attack is hardly sensible or necessary." On this same day he stated, "In Korea we have taken great steps which have ended our military occupation." Since that day, American casualties in Korea have reached 107,000.

I do not stand alone in my concern as to the effects on Americans of the lack of a definite, sound foreign policy. In his speech at Jackson, Miss., last month, General MacArthur said:

"In the field of foreign policy, our efforts are largely confined to the contribution of vast sums which we do not have and which we must borrow, toward the rehabilitation of economies abroad, the rearming of other nations and the relief of foreign underprivileged and distressed."

I continue to quote General MacArthur:

"As a good neighbor, we do desire to help the rest of the world in every reasonable way. But certainly that is no excuse

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Let's Have a Long Range Foreign Policy!

for wrecking our economy at home. . . .

"Let us regain faith in our ability to achieve our own destiny—and let charity begin at home!

"The will to be free either exists in human hearts, or all the money in the world cannot put it there!"

The theory that charity begins at home was understood in Theodore Roosevelt's day, but it is not so well understood now. It is what we called "enlightened self-interest." General Eisenhower, in his recent report on the progress of the North American Treaty Alliance, said:

"The unity of NATO must rest ultimately on one thing—the enlightened self-interest of each participating nation." Then he added:

"It would be fatuous for anyone to assume that taxpayers of America will continue to pour money and resources into Europe unless encouraged by steady progress toward mutual cooperation and full effectiveness."

There is a parable in the Bible which deals at length with the necessity for enlightened self-interest. It is the Parable of the Talents, in the 25th Chapter of Saint Matthew. I would like to read a part of this parable:

"For the kingdom of heaven is as a man traveling into a far country, who called his own servants and delivered unto them his goods.

"And unto one he gave five talents, to another two, and to another one; to everyman according to his several ability; and straightway took his journey.

"Then he that had received the five talents went and traded with the same, and made them other five talents.

"And likewise he that had received two, he also gained other two.

"But he that had received one went and digged in the earth and hid his lord's money."

You will recall that when a reckoning was made, the Master said to each of the men who had traded with their talents: "Well done, thou good and faithful servant; thou has been faithful over a few things, I will make thee ruler over many things."

But the third servant, who had buried his talent, he called a "wicked and slothful servant," and took away the single talent which had been given him.

There is a lesson in this Parable of the Talents that we would do well to consider in appraising our foreign policy. We have been told that our giving away of our substance without regard to whether the recipients are trying to help in accordance with their capabilities is the Christian thing to do.

I do not conceive of Christianity as a philosophy of weakness. Yet giving to those who will not help themselves is weakness and abets more weakness. Weakness is not meekness.

There have always been people who wanted to "get into heaven" without earning their way. It seems to me the choice, as far as we are concerned, is quite clear. We cannot afford to help those who will not help themselves. If we continue to do this, we will not only weaken ourselves, but we will weaken the very shield we are trying to erect on the European frontier.

Gen. Eisenhower on European Aid

In his report on the state of the North Atlantic Treaty Alliance, General Eisenhower said, in effect, that the United States could not afford to pour billions into Europe without risking bankruptcy.

This is not what our government told us a year ago when they sent General Eisenhower to Europe. It may be that the picture is clearer to General Eisenhower today, after his year of seeing Western Europe at close hand.

Nevertheless his statement points up what all too few Americans have been saying for months—and even for years. We cannot continue to drain our own resources indefinitely to supply the rest of the "free world" with money and arms. If this is our policy, it is a policy detrimental to the future of our country.

Let us again consider this from the standpoint of wise provision for the future. If the Commander-in-Chief of the Supreme Headquarters of the Allied Powers in Europe feels that we are heading for bankruptcy unless we can reach a balance between what we contribute to strengthen Europe, and what Europe is doing to strengthen itself, then I think we can very well press the question:

What have been the results of the past State Department policies of sending billions of dollars and thousands of men across the Atlantic? What have we bought with our money, money which has been or will be extracted from the pockets of every American, even those yet unborn?

We certainly have not bought any lasting friendships with our money, because money does not buy friendships. If we are going to play Santa Claus to Western Europe and the world, let us moderate our generosity to one day a year instead of the 366 we are using this year.

In a recent story in the New York "Times" by Harold Callender, on April 2, he said: "American policies have been much criticized in Europe on the ground that they have adversely affected Europe's stability." In heaven's name, what are we buying in Europe?

We all know that the government's foreign, domestic, and overall fiscal policies are adversely affecting our own future stability. Is it not time to "regain faith in our ability to achieve our own destiny," and to admit that what is not good for America, and of questionable good for the world, should be evaluated, or if you prefer "reappraised"?

Isn't it about time we had an appraisal of exactly what we are getting with this policy of spending, impoverishing ourselves and weakening our credit for years to come?

The real point at issue here seems to be: What is Western Europe doing for itself? Are we buying real security by strengthening Western Europe at such great expense—and at such risk to ourselves—or are we sending good money after bad in a hopeless effort to cement friendship with money?

Let me repeat once more General MacArthur's words:

"The will to be free either exists in human hearts, or all the money in the world cannot put it there."

What has been the result of these billions of dollars we have poured into Europe? What have we bought with our money and efforts?

Perhaps we have bought some time, but at what price? We bought time in Korea and in that time the Russians have produced many planes with which to bolster up the Communist resistance to what was once an overpowering American air superiority.

Perhaps in buying time we have just postponed the day of reckoning. Can we afford to drain our present and future reserves to buy today's ephemeral security—particularly when we have no guarantee that those reserves may not some day be turned against us—that the weapons we are sending to Europe may not become the tools of the Kremlin in forwarding Russia's consuming desire to divide, impoverish and destroy the rest of the world to make way for the onward march of Communism?

Of one thing we can be certain—there is no confusion about the foreign policy of our enemy. If we permit ourselves to grow weaker, while Europe is not growing any stronger, then let us remember that this is exactly the course prescribed by the "Communist Manifesto," written more than one hundred years ago by Marx and Engels. Weaken the capitalist world, they said, and it will destroy itself!

Communist Manifesto—Blue Print Of Russian Policy

And the Communist Manifesto is the blue-print of Russia's foreign policy today!

We have no longer any room for doubt on this score. Russia's foreign policy is clearly outlined—by her actions and by the statements of her spokesmen.

But our foreign policy is enmeshed in a tangle of confusion and uncertainty. Before World War I we played a comparatively simple role. We were guided by the Monroe Doctrine and the British concept of world trade, which meant freedom of the seas.

In the intervening time we have been thrust into a role of world leadership—as we like to call it. This leadership, however, has some definite limitations.

It is interesting to appraise European reactions to the results of our foreign policy thus far. In a leader entitled "The Phantom Army," the London "Times" refers to a statement issued by NATO after the recent Lisbon meeting that the North Atlantic organization will have "approximately 50 divisions in appropriate conditions of combat readiness" this year.

The "Times" scoffs at this figure. It says the total will not be more than half that number. Without German divisions, and with France contributing only a scant dozen divisions and Britain declining to send more troops into the NATO pool, the "Times" does not see how there can be any increase in the strength of Western European military power.

Neither do we, unless the United States supplies more men, as well as more money and more arms.

If the NATO statement was intended to impress the world, the "Times" says, "it will not impress the Kremlin."

The "Times" goes on to suggest that raising what amounts to a "token army" seems to offer "the maximum amount of provocation with the minimum amount of deterrent effect."

Asiatic Situation

And now let us look at the other side of the world.

It is difficult to reach any conclusion as to how much consideration was given to the advantages and disadvantages of bringing the Russians into the war with Japan. The fact that Russia was not needed to win the war became progressively clear to many as 1945 went on and to everyone after the first atomic bomb was dropped. I know that the dangers involved in her entrance were clear to at least some of the advisers, if not to the top policy makers in Washington, prior to the Yalta conference, where so much was given to obtain so little.

There has never been adequate explanation as to why the agreements at Yalta were concluded. It has been said that Mr. Roosevelt's health failed after he left for Yalta. If that was the case, did his advisers recommend against entering into such serious and far-reaching agreements? Was Alger Hiss too influential? But no matter what the cause, we know the results today. Despite the magnificent handling of the situation in Japan by General MacArthur since V-J Day, our position in Asia has steadily deteriorated. Since V-J Day our policy has been two-faced. Ostensibly, at least, for the benefit of the American public, we have presented a vigorous opposition to the advance of Communist control over China and Southeast Asia, but by our decisions on many points we have forwarded that advance immeasurably.

The pressures we exerted in connection with the Netherlands interests in the East Indies, though not publicized, have had far-reaching and disastrous consequences in the spread of Communistic influences throughout southeastern Asia. The results of our attitude towards the Chinese Nationalists are better known. It was in China that we undermined the great dike against the spread of Russian Communism into Asia. How many Americans are certain as to who has really been in control of our Asiatic policy? And how many Americans are certain that none of this control was exercised by agents of the Kremlin? Or by those subject to the influence of those agents?

We do know that those who questioned the integrity of anyone sympathetic to the Communistic cause were subjected to abuse by persons close to the formulation of our international policies. But no matter whether those policies were formulated by loyal Americans or by Americans influenced to a greater or lesser degree by Fellow Travelers, the results have been disastrous.

No one knows just what the future in Asia will hold for us, but I believe that the American people are convinced that the advice of the man most able to develop a statesmanlike plan is not being used. He has not been a counsellor of our government for more than a year. Even if he is not now a counsellor to our government, General MacArthur is a great counsellor to the American people on what should be our course in Asia. I believe that our problem in the Far East can best be solved by asking General MacArthur's advice and then following it.

Our international relations, not only in Europe and in Asia, but in the rest of the world, have been seriously impaired by the United Nations organization. The ideals, which we felt were behind the United Nations were such that it could only have been a success if all the nations of the world had the same ideals and desires that we ourselves have had. None of us should forget that Alger Hiss played an important part in the formulation of the United Nations at San Francisco. This part perhaps may prove to be more harmful to the future of our country than the part he played at Yalta. And yet we are now told that an American Ambassador was informed in 1939 that Hiss was not a trustworthy American.

The United Nations has always been very solicitous of Russia First, it has arranged for the Americans to bear the largest share of the costs. Second, it has given Russian spies an open door to free travel within the United States, spies whose salaries are largely paid for by American taxpayers, although Americans are not permitted to travel in Russia, even at our expense. And, third, it has given the Kremlin a sounding board for the exposition of their specious doctrines and their invectives aimed at the United States and other freedom-loving countries.

If any benefits should come to the future peace and welfare of the world from the United Nations they will be completely overshadowed by the damage resulting from the conduct of the Russians which was made possible by the weakness of our foreign policies at the time we entered the United Nations and by their decisiveness since that time.

Summary

Let us summarize what our appraisal seems to indicate.

First, we have no definite long-range foreign policy by which the decisions of our government in foreign affairs can be measured. Whatever policy we do have is apparently a policy of a militarily impossible, panicky containment, the scope of which is dictated by the moves and feints of an untrustworthy, unscrupulous enemy.

Second, in the absence of a definite foreign policy, we operate on a basis of expediency, buying from day to day whatever breathing space is offered.

Third, in carrying out this policy of expediency we are weakening ourselves economically and militarily, with no assurance that we are gaining any real strength among our European allies.

Fourth, such a policy is completely in accord with the Russian objectives, as laid down in the Communist Manifesto — that is, weaken the financial mechanism of the capitalist system, and it will destroy itself.

In short, we have been voyaging without compass or rudder, and the only thing we are sure of is that if we continue, ultimately we will run out of fuel, founder or run aground and be destroyed.

If this estimate, or appraisal, seems overly pessimistic, let me ask: Upon what basis can any other conclusions be drawn? But let me add that the American people will have an opportunity next November to decide upon its future course.

Unfortunately, an appraisal from outside the government must rely upon such facts as the government has chosen to make known publicly. If there are other facts, the public has not been informed of them. And if there are facts which bear upon these questions, then it is about time we heard them.

Those who share a view opposite from mine may ask:

What do you suggest as a substitute or alternative policy?

The best insurance for our future is a foreign policy that places the interests of the United States first. To achieve this we must have a long-range policy. This must be prepared by our best qualified men, men of unimpeachable integrity and Americanism, even if they are not popular in administration circles. It must not try to mold the rest of the world into the pattern we think it should be in. It must recognize the right of true individual liberty for our citizens. It must not tax our people into slavery. It must be in accord with the Constitution. It must avoid secret executive agreements. It must not place the United Nations above the United States of America.

William Sholten Now With Shields & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William A. Sholten has become associated with Shields & Company, members of the New York Stock Exchange. Mr. Sholten was formerly a partner in Sholten, Knight & Co. and prior thereto in Woodruff, Sholten & Co. In the past he was with E. F. Hutton & Co. and the First Boston Corporation in New York City.

Mutual Funds

By ROBERT R. RICH

Mutual Funds Industry Shows New Strength

First quarter figures just released on the mutual funds industry indicate a renewed strength and stability. This is of particular importance because this stability factor occurred during three months that were marked by unsettled market conditions, an uneasiness about the country's economic development during the next nine months, a clouded international picture and a puzzling and perhaps explosive domestic political situation.

Gross sales on mutual funds' shares totaled $198,234,000 compared with $177,696,000 in the first quarter of 1951, for a gain of nearly $21,000,000. In addition, gross sales were over $4 million larger than the preceding quarter.

Repurchases of shares compounded this strength factor by falling drastically to $48,795,000 from $104,469,000 in the first quarter of 1951 and from $62,150,000 in the fourth quarter of 1951.

Net sales, a figure indicating the net growth of the mutual funds industry, was in the first quarter of this year nearly double that of the comparative figure in 1951 and almost $18,000,000 greater than the fourth quarter of 1951.

Net sales for the first quarter of 1952 stood at $149,439,000 compared with $131,889,000 in the last quarter of 1951 and $73,227,000 in the first quarter of last year.

Analysis of first quarter figures, compiled by the National Association of Investment Companies, demonstrates an across-the-board decrease in repurchases not only for the industry, but for every group within the industry and for every comparative test than can be made.

Total repurchases as a percent of total assets declined to 1.45% from 1.99% in the preceding quarter and 3.92% in the first quarter of 1951.

Repurchases for the common stock group declined to 1.18% compared with 1.92% in the last quarter of 1951 and 2.77% in the first quarter of last year. Repurchases for balanced funds was 1.10% of fund group assets contrasted with 1.24% and 1.93%. Bond and specialty fund group repurchases, which in the past have been in the heaviest seas, were only 2.80% compared with 3.34% in the preceding quarter and a phenomenal figure of 9.2% in the first quarter of 1951.

Mutual Funds' Repurchases as Percent of Assets

by quarters

January 1, 1950 to March 31, 1952

(Total Repurchases as Percent of Total Assets)

	No. of Funds in Group	1st Qtr. 1952	4th Qtr. 1951	3rd Qtr. 1951	2nd Qtr. 1951	1st Qtr. 1951	4th Qtr. 1950	3rd Qtr. 1950	2nd Qtr. 1950	1st Qtr. 1950
All Funds	103	1.45%	1.99%	2.75%	2.62%	3.92%	3.27%	2.70%	3.71%	2.64%
(Fund Group Repurchases as Percent of Group Assets)										
Common Stock	45	1.18%	1.92%	2.84%	2.03%	2.77%	2.32%	2.16%	3.54%	2.31%
Balanced Fund	32	1.10	1.24	1.76	1.59	1.93	1.82	1.44	2.26	1.76
Bond & Specialty	26	2.80	3.34	3.99	5.56	9.20	7.09	5.30	5.76	4.33

Mutual funds' repurchases as a percent of gross sales also declined remarkably in the first quarter of this year compared with the last quarter of last year. The decline in the repurchase rate is remarkable when compared with the first quarter of 1951.

For all funds, the repurchase rate as a percent of gross sales was 25%, compared with 32% three months earlier and 59% a year ago.

For the common stock group of 45 funds, comparable figures were 22% as against 29% ninety days ago and 59% twelve months earlier.

Balanced fund repurchases amounted to only 16% of gross sales this quarter. In the preceding quarter they were 19% and a year earlier were 26%.

The 26 bond and specialty funds were "under water" only 12 months ago with repurchases at 121% of gross sales. In the last quarter the figure was 67% and today it stands at 46%, almost one-third of last year's statistic.

New high records in total assets and sales of shares of mutual funds were attained during the first quarter of 1952.

Total net assets of 103 mutual funds on March 31, 1952, were $3,357,576,000, an increase of $227,947,000 over Dec. 31, 1951 and $693,821,000 over March 31, 1951.

Sales of new shares during the first quarter of 1952 amounted to

Continued on page 52

Bullock Expects Utilities' Revenues To Increase 10%

Increases of 9-10% in revenues and 12-13% in net income during 1952 are anticipated for the electric utilities in a study released by Calvin Bullock.

With the outlook for increased revenues, due in part to expanded facilities, decreased operational costs and a better tax base, the overall basis of the industry's economics appears currently favorable and the increase in net income appears possible, the company states:

"The present level of common stock prices and the ability of many companies to sell at 30 to 50% over book value minimizes dilution of common stock earnings and offsets the higher cost of senior capital," the company adds.

Earning Power Impressive

The study says that the earning power stability of the electric utilities has been impressive in relation to the huge increase in taxation.

"Based on the latest Federal Power Commission data, Class A and B electric utilities reported $818,013,000 composite net income for 1951—off only $3,930,000, or 0.5%, from the previous year. On an annual basis total taxes increased from $938,827,000 to $1,134,963,000, up 20.9%, while Federal taxes alone increased 33.6%. . ."

The expected stabilization of Federal income taxes at 52% and repeal of the 3⅓% energy tax may mark this year as the first in a long time in which electric utilities can be expected to increase net income as a result of growth," the study points out.

Industry Is Crisis Proof

In the opinion of Calvin Bullock, the utilities are better fortified than almost any other major industry in the event of a depression.

The company says: "Experience indicates that sales to residential customers continue to increase even during a severe depression, thus effecting a stabilizing influence."

Rate structures are designed so that as load declines the lowest steps are first affected, while at the same time the least economical generating units are the first to be dropped.

"Furthermore, interconnections by modern power pools are so extensive that the industry can reach further than formerly for the most economic generating unit available. Although demand changes are less rigid than in the past they afford considerable cushion."

Structure Is Conservative

Calvin Bullock also pointed out that during former depressions the utilities were heavily burdened with high interest and preferred dividend rates. Now, under SEC regulation the utilities have accrued large non-cash charges for amortization which were available to clean up top-heavy capitalizations. More conservative depreciation practice has contributed toward sounder capital structures.

PERSONAL PROGRESS

GEORGE A. BAILEY, JR., Treasurer of Sovereign Investors and Dr. S. Howard Patterson, Professor of Economics, University of Pennsylvania were elected to the Board of Directors at the annual meeting of Sovereign Investors' stockholders on April 21.

Schedule of Broadcasts On Mutual Funds

The following programs will originate on Station WOR from 10:15 - 10:30 a.m. on the date indicated:

April 27: Harry I. Prankard, Partner of Lord, Abbott & Co., "Why Invest in Common Stocks?"

May 4: Hugh Bullock, President of Calvin Bullock, "Collective Investing."

May 11: George Putnam, Partner of Putnam Management Co., "The Prudent Man and The Prudent Institution."

May 18: Henry J. Simonson, Jr., Chairman of National Securities & Research Corp., "The Business Outlook."

May 25: Herbert R. Anderson, President of Distributors Group, Inc., "When Are Common Stocks Too High?"

June 1: Merrill Griswold, Chairman of Board of Trustees, Massachusetts Investors Trust, "Investing Your Money."

June 8: Fred E. Brown, Jr., Vice-President of the Union Service Corporation Group of Investment Companies, "Choosing Your Investments."

Other Guests: E. W. Axe, E. W. Axe & Co.; Edward Johnson, II, Fidelity Management & Research Co.; James H. Orr, Colonial Management Association; S. L. Shelley, The Keystone Co. of Boston.

INVESTMENT COMPANY DIVIDEND REPORTS

All listings are quarterly payments from net investment income unless otherwise noted.

Investment Company—	Div. Per Share	Approx. Bid Price	When Payable	Holders Of Record
Blue Ridge Mutual Fund	10c	$9.50	5-15	4-29
Boston Rund	18c	22.71	5-26	4-30
Canadian International Investment Trust Limited	10c*	----	6- 2	5-15
Diocesan Investment Trust Shares	9c	----	5- 1	4-15
Diversified Funds—				
Diversified Com. Stock Fund	7.5c	5.07	5-26	5- 5
Diversified Investment Fund	18c	13.02	"	"
Diversified Pfd. Stock Fund	15c	11.38	"	"
Other Series—				
Agricultural	17c	11.94	"	"
Automobile	12c	8.48	"	"
Aviation	10c	9.69	"	"
Bank stock	7c	9.69	"	"
Building supply	14c	10.46	"	"
Chemical	12c	17.13	"	"
Corporate bond	7c	10.66	"	"
Electrical	14c	14.96	"	"
Food	10c	----	"	"
Government bonds	5c	----	"	"
Insurance stock	9c	13.69	"	"
Machinery	15c	11.87	"	"
Merchandising	14c	12.53	"	"
Metals	12c	12.04	"	"
Oil	22c	29.96	"	"
Pacific Coast Investment Fund	1[illegible]c	13.27	"	"
Public Utility	9c	9.63	"	"
Railroad	8c	7.47	"	"
Railroad equipment	13c	8.37	"	"
Steel	15c	9.32	"	"
Tobacco	10c	10.08	"	"
Dominion & Anglo Investment Corp., Ltd.—				
Common (increased)	$3*	----	4-29	4-21
Extra	$7*	----	4-29	4-21
5% preferred (quarterly)	$1.25*	----	6- 2	5-15
Franklin Custodian Funds—				
Income series	5c	----	5-15	5- 1
Bond series	9c	----	5-15	5- 1
Institutional Shares, Ltd.—				
Aviation Group Shares	35c	12.20	5-31	4-30
Stock & Bond Group Shares—				
From investment income	9c	15.82	5-31	4-30
From realized profits	16c**	----	5-31	4-30
Lexington Trust Fund Shares	10c	9.84	5-15	4-30
Puritan Fund	12c	----	4-25	4-18
Railway & Light Securities	25c	19.00	5- 1	4-23

*Payable in Canadian funds; tax deductions at the source. Non-resident tax 15%; resident tax 7%.

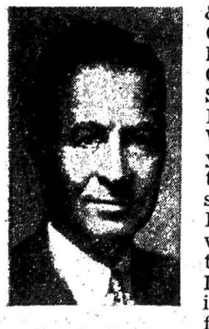
**Reported in error last week as 6c.

Securities Salesman's Corner

By JOHN DUTTON

"He Didn't Buy — Because He Wasn't Sold"

As I write this week's column, I have before me a copy of a talk given by Douglas Laird, Director and Sales Consultant of National Securities & Research Corp., at the Mutual Fund Conference in San Francisco, Feb. 20, 1952. Whether you are interested in selling Mutual Funds, individual securities, or both; I believe that if you send for a copy of this talk that you will find it to be full of helpful ideas on all phases of salesmanship.



Douglas Laird

Mr. Laird developed what he terms the "Three Legs of the Salesmanship Platform"; namely the product, the clock, and the human element. If any one of them is short or weak the salesman will slip one way or another.

He discusses the *product* which is in this case the "Mutual Funds." He gives sound reasons for believing in that product. It is true that you cannot sell anything unless you can believe in its economic justification.

Next, he takes up leg number two. What do you do with *your time?* How do you organize it? Why is it some top salesmen have time for selling appointments, for research, for study, for record-keeping, for their social life, for their family and community activities, and are in the highest income brackets, yet there are other salesmen who never have enough time and earn only a modest livelihood? A suggestion is made for gaining sales efficiency, through the use of a simple planning device, that should assist anyone in developing more "clock efficiency." Mr. Laird makes the wager that your sales can be doubled if you follow this suggestion for one full month.

The third leg of the "Salesmanship Platform," Mr. Laird terms the *human element.* The reasons why so many prospects don't understand what we are saying, or who do not buy, are naturally complex. Some suggestions are made for keeping attention while in the interview, through the use of demonstrations. One point in particular I believe should be emphasized and reemphasized. It has been my own observation that if you can sit around a table with your prospect, if you get out your pencil, if you have some charts, or printed matter to show him, if you can ask questions and write down the answers, or even make some simple diagrams on a plain sheet of paper while you are talking, you are going to increase interest and hold attention. Your chances of making yourself understood and, equally important, that you will understand your prospect, will be much greater than if you sit in a chair on one side of the room, and he is comfortably lodged in another way over in the corner.

Mr. Laird rightfully concludes that we have within ourselves the natural resources that can make us better salesmen. He mentions some of these resources: Industry —resourcefulness—imagination—receptiveness — determination — pleasantness and sincerity. Then he offers some suggestions for self-analysis and improvement.

There are also presented in this transcrip valuable information on character analysis, overcoming the "cost" objection, and a most helpful observation regarding the secret of selling—which as you know is "motivation."

The four primary motives that cause all individuals to take any action are listed and analyzed. If you can find out what your prospect wants, you can then direct his attention to the satisfaction of his needs and desires.

Some suggestions for closing the sale are also summarized by Mr. Laird. Why not drop a line to the National Securities & Research Corp., 120 Broadway, New York 5, N. Y., and ask them to send you a copy of "He Didn't Buy—Because He Wasn't Sold." We can always learn more about our job.

Continued from page 51

Mutual Funds

$198,234,000, compared with $194,039,000 during the last quarter of 1951 and $177,696,000 during the March quarter a year ago. Net sales, after redemptions, were $149,439,000 during the March, 1952 quarter, compared with $131,889,000 for the previous quarter and $73,227,000 for the first quarter last year.

Mutual Funds' Repurchases as Percent of Gross Sales
by quarters
January 1, 1950 to March 31, 1952

Fund Group:	Number of Funds	1st Qtr. 1952	4th Qtr. 1951	3rd Qtr. 1951	2nd Qtr. 1951	1st Qtr. 1951	4th Qtr. 1950	3rd Qtr. 1950	2nd Qtr. 1950	1st Qtr. 1950
All Funds	103	25%	32%	50%	53%	59%	61%	53%	64%	40%
Common Stock	45	22	29	52	49	48	50	47	75	39
Balanced	32	16	19	28	26	26	27	23	32	22
Bond & Specialty	26	46	67	86	108	121	141	112	91	68

OPEN-END REPORTS

NET ASSET value per share of Fundamental Investors was $20.27 on March 31, 1952, an increase of 3.8% since the first of the year and of 14.4% compared with the corresponding figure on March 31, 1951.

In the first quarter, net assets increased from $115,475,000 to $127,755,000; shares of the company were owned by 34,400 investors on March 31, 1952, as compared with 31,676 individuals and institutions who were shareholders at the end of December, 1951.

Largest holdings of the Fund by industries were in petroleum and natural gas, public utilities, railroads, chemicals and drugs, and electrical and electronic companies which, together, represented 53.3% of assets on March 31, 1952.

During the quarter, the proportion of assets invested in the following industries was increased: automotive, electronic, petroleum and gas, and public utilities. Reductions in investment holdings during the quarter were in insurance, metals and mining, retail trade and steel issues. Cash and equivalent was equal to 3.3% of assets at March 31, 1952.

Investments newly added during the quarter included shares of American Power & Light, International Petroleum, Merck, Motorola, Owens-Corning Fiberglas, Southern Natural Gas, Studebaker and Texas Utilities. The Fund disposed of certain holdings including American Telephone, Commercial Credit, Consolidated Edison, Humble Oil and Safeway Stores.

A $15 MILLION increase in total net assets was recorded by Wellington Fund in the first three months of this year. The increase boosted net assets to a new high of $209,010,374 on March 31, 1952, from $193,930,722 at the close of last year. Net asset value per share in the same period increased to $20.42 from $20.02 a share on Jan. 1, last.

The report showed investments divided into 63% in common stocks; 24% in investment bonds and preferreds; 1% in appreciation bonds and preferreds; and 12% in U. S. Governments and cash.

The Fund reduced the investment in metal and mining and machinery common stocks since the beginning of the year. The investment in telephone stocks was also reduced on expectation of heavy new financing. Increases were made in natural gas, oil and selected railroad common stocks because of their improved earnings prospects. The increase in paper stocks was largely in companies concentrating on household products.

WALL STREET Investing Corporation reports total net assets on March 31, 1952, of $3,425,203 compared with $2,432,503 at the end of March last year. Shares outstanding on March 31, 1952, were 247,270 and net asset value per share was $13.85. A year earlier there were 193,619 shares outstanding and net asset value per share was $12.56.

TOTAL NET assets of Shareholders' Trust of Boston on March 31, amounted to $7,470,938, equal to $26.77 per share, compared with $6,833,316, or $25.90 per share on Dec. 31, 1951.

Investments in common stocks comprised 71.7% of total net assets on March 31, 1952; corporate bonds, 13.4%; preferred stocks, 11.6%, and net cash and receivables, 3.3%.

NEW SHAREHOLDERS of Fundamental Investors set a record in the first quarter of 1952. During that time 2,736 persons and institutions were added to the total number of shareholders. This is greater than the increase in any full year from 1933 to 1947, inclusive. It is equal to 38% of the total increase for 1951 and suggests that this investment company is gaining new owners at a rate 50% above that of last year, one of the top years in the company's history.

In terms of daily operations, 36 holders were added to the total number of shareholders each business day during the quarter, exclusive of those who increased their previous holdings.

During the quarter, total net assets increased from $115,475,000 to $127,755,000. The $12,000,000 gain is greater than the Fund's total net assets at any time during the first 11 years of the 20 it has been in existence.

At the end of the quarter on March 31, 1952, the average value of each shareholder's investment in Fundamental Investors, Inc., was more than $3,700. This compares with $3,600 in December, 1951; $3,500 in 1945; $1,400 in 1940 and $1,200 in 1935.

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Federal Budget Not Excessive

as a means of meeting the extraordinary costs of government, but also as a means of combating inflationary pressures by reducing the total supply of money.

Criticism of Present Tax Structure

I have stated that taxes should be equitably imposed. And in this connection I wish to make a few comments and to express some criticisms of our present tax structure which have been brought forcefully to my attention in my analysis of our corporate life. I make no wild complaint against the heavy tax rates in general; to do so would be but crying in the wilderness, so far as real hope for relief is concerned.

There is, however, ample cause for complaint and justifiable basis for demanding prompt remedial action, when a specific tax is clearly inequitable, or when it militates against the maintenance and preservation of our capitalistic system of free enterprise. As an example of patent inequity, consider the double tax on corporate dividends—a shareholder not only being taxed on the net income of the corporation in which he holds his shares, but again when a portion of that income is distributed to him as a dividend. No other form of individual income, whether it be rents, royalties, interest or other, is subject to such a dual assessment.

If Congress were intentionally to seek for a means of destroying the incentive of investors to place their funds in equities, it could not have devised a better or more effective means for accomplishing that purpose. To many investors in the middle income group and above, those who can afford to take the risks that equity investments involve, the prospective returns in corporate earnings is so inequitably taxed that the gamble is not worth the candle.

To keep our free enterprise system healthy and growing, it is essential that it be able to draw upon a continuous supply of fresh venture capital. Retained earnings will not last forever. Since the war undistributed corporate profits and depreciation allowances supplied about 60% of the total requirements of domestic corporations for new plant, equipment and working capital. But the high tax level combined with unusual cost of production is gradually reducing this source of equity—a source which is not available to new enterprises in any event. The danger, it seems to me, is that, with equity funds reduced in supply, corporate enterprises will be forced more and more into the debt market, with resulting unfortunate consequences in the event of an unforeseen business recession or depression; or forced to obtain their funds from the government, which we all agree should be only the last resort.

Abolish Double Taxation of Dividends

Probably no greater stimulus could be given to the system of free enterprise than to abolish this ill-conceived, and unfortunately perpetuated double taxation. If such abolition is not possible, or politically practical, at least, the Congress might, as a temporary expedient, follow the example of our Canadian neighbor, and allow investors a tax credit in some appropriate percentage of the dividends received on common stocks. Such a tax credit would provide an important equity investment stimulus.

While on the subject of equity investments I should like to make one further constructive suggestion. I believe that the existing capital gains period should be reduced from the present six-months requirement to some shorter period, such as three months. Here again, without asking for relief from equitable taxation, it is my opinion that a more than 100% increase in the revenue now obtained from long-term capital gains transactions would result. Of course, it goes without saying that adoption of this proposal would be beneficial not only to the Treasury, but to investors, the securities business and our corporate enterprises generally. To the extent that the period is shortened, to that extent will investment risk, in this period of domestic and international uncertainty, be reduced; the liquidity of equity investments be magnified, and the volume of such transactions multiplied.

The advantages to be gained by adopting these proposals so far outweigh the benefits the government presently enjoys under existing tax laws that it is difficult to see why such amendments have not been adopted. It is to be sincerely hoped that in the near future, the Congress will do something about it, not in the interest of the securities business, the incidental beneficiaries, but in the interest of the public and of free enterprise, which now stands in need of confident equity investors to buy the plants and wheels and tools which supply the jobs we need and to preserve and increase the high standard of living to which our people have become accustomed.

Thomas Graham Pres. of JCOC Group

Thomas Graham, Bankers Bond Co., Louisville, Ky. has been elected President of the Alumni Association of the Joint Civilian Orientation Conference.

Thomas Graham

The Conference has been held regularly by the Secretary of Defense during the past four years, and is a program to acquaint leading civilians from all parts of the country, representing industry, the professions, and all other categories of civilian endeavor with the problems and status of the Department of Defense and get their views on these matters.

Mr. Graham is a member of Conference Number Nine.

Joins H. M. Byllesby

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—F. Robert Vierling, Jr. has become associated with H. M. Byllesby and Company, Incorporated, 135 South La Salle Street, members of the Midwest Stock Exchange. He was formerly with Blair, Rollins & Co., Inc. and A. C. Allyn & Company, Inc.

Joins Davies Staff

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif. — Mafeo Roman is with Davies & Co., 100 Benjamin Franklin Court.

Wilson, Johnson Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Carl F. Cunningham is with Wilson, Johnson & Higgins, 300 Montgomery Street.

Continued from page 7

Wage Stabilization and Emergency Disputes

is, dropping Jan. 15, 1951 as the usual date from which to compute the cost-of-living allowance.

The allowance of holidays with pay is open to question because the steel workers in 1947 chose to accept an increase in pay of 15 cents an hour without holidays with pay at the time that the automobile workers, rubber workers, and electrical workers were getting an increase of only 11.5 cents plus the addition of six paid holidays. Now holidays with pay are recommended for the steel workers on the ground that they have become "a prevalent practice in American industry." The extra allowance of 25% for Sunday work as such seems to violate the Board's own rule that fringe concessions shall not set new patterns. Penalty rates for Sunday work as such are common in industries where processes are not continuous, but they are far from common in continuous process industries or in industries where Sunday work is unavoidable.

The essential difficulty with the recommendations of the Board, however, is not with its decisions on particular points. Rather the trouble is with the sum of these decisions. No matter how much the individual concessions granted the steel workers fell within area or industry patterns, the total package was of record-breaking size. And it was granted to men who are described by their union as standing in the forefront of American industrial workers in wages and working conditions. If such a package does not violate the letter of the Board's rules, that is an indication of the inadequacy of those rules. Certainly it violates both the reality and spirit of wage stabilization. Small wonder that the London *"Economist"* reported the steel workers as "jubilant at the recommendations" which it describes as "far more favorable to the union than had been expected." [2]

III

I have said that the main issue in the steel case is not the merit of the decision but the process by which it was made. I do not agree with Senator George that the public members of the Board are biased. Their reputations as fair and experienced arbitrators, as I have pointed out, are well-established. How could such good men produce such a bad decision? The explanation is found partly in the fact that the Board has been assigned functions that do not mix and partly in the fact that it was using methods that are inappropriate for the administration of a wage stabilization policy. These points are important because they indicate the need of basic reforms if the country is to continue its efforts to impose direct controls on wages and prices. Let us look at the two underlying defects in the Board's operations:

(1) The Mixture of Incompatible Functions: The incompatible functions that the Board has been assigned are (1) the administration of a wage stabilization policy, and (2) the prevention of strikes or lockouts that would interrupt vital production. The responsibility for this state of affairs is not the Board's but the President's because the incompatible functions are imposed on the Board by the executive order creating it.

In critical cases, such as the steel case, the Board is primarily concerned with preventing interruptions to production rather than with deciding disputes over the interpretation and application of wage stabilization policies. The more strongly the Board feels the necessity of preventing interruptions to production, the larger are the concessions it will recommend in order to preserve industrial peace. And we have seen that the rules of the Board set virtually no limit to the concessions that the Board may recommend and still not violate its rules for stabilizing wages. In the steel case the Board proposed record-breaking concessions because it was more concerned with preventing an interruption to defense production than with p r o t e c t i n g the country against inflation. Perhaps the prevention of interruptions to production should be placed ahead of the prevention of inflation, but if that is done, the decision should be made by a person or agency who is not responsible for stabilizing wages or prices. Furthermore, the decision should be made only **after** the wage stabilization issues have been decided. Certainly the development of proper balance in public policies requires that the Government have **some** agency that is primarily concerned with stabilizing wages and that is prepared to champion the cause of stabilization when other agencies are prepared to sacrifice it for other purposes. The Wage Stabilization Board is the principal a g e n c y in the government charged with the responsibility for stabilizing wages, and if it does not champion the cause of wage stabilizing, no one else will.

(2) The Use of Inappropriate Methods: The Board in the steel case used methods that are inappropriate to the function of interpreting and applying the rules of wage stabilization. The public thinks of the Board as a quasi-judicial body, making the kind of decisions that a board of arbitration makes. In the less important cases this is true. In the steel case, however, the Board was a bargaining body. The public members were attempting to find the lowest terms that would induce the union to forego a strike. In the words of the London "Economist" "apparently the public representatives . . . made concessions to the labor point of view because they found themselves quite unable to compromise with the industrial representatives. . . ."

But bargaining is not an appropriate way to interpret and apply stabilization rules. Undoubtedly the interpretation and application of stabilization rules require the exercise of discretion. But the kind of discretion called for is **judicial** discretion—discretion that is free to decide any point either way. Interpretation of wage stabilization policies by bargaining means that the policies will mean one thing when the union is small, weak, and non-militant and a very different thing when the union is strong and tough and the industry is vital to defense. Such methods of administration are intolerable in a free society, and sooner or later the courts are bound to hold that fixing the legal obligations of employers by bargaining between administrative officials and union representatives does not meet the requirement of due process of law and does not provide a constitutional basis for restrictions on the use of private property. Certainly rejection by the employer of bargains made between the public and the union representatives is not a sound basis for seizure of the employer's property by the government. The only equitable basis for seizure must be the rejection of recommendations formulated by public members through a truly quasi-judicial process.

But is not bargaining an inevitable and inherent characteristic of tripartite bodies? Many people believe that it is. I do not agree. The best operation of tripartite bodies, it is true, requires a certain breadth of view and independence on the part of representatives of labor and industry. If this breadth and independence cannot be obtained, then there is no point in having tripartite boards. The labor and industry members should not be mere messenger boys for interests outside the Board. The labor representatives on the Board should be able to say to the public: "This is a decision that seems acceptable to me who views the case from the labor point of view but not from the point of view of the particular group of employees immediately involved in the case." And the industry representatives should be able to make the same kind of declaration to the public.

If breadth and independence of viewpoint can be obtained among the industry and labor representatives, tripartite boards should have good success in reaching unanimous decisions in a large proportion of cases, as experience under the Canadian Industrial Disputes Act and with the British Industrial Court indicates. Incidentally, where the Board makes recommendations rather than a final decision in a case, there is no calamity in three separate opinions—from the public members, the labor members, and the industry members. In cases where *both* the labor members and the industry members say that the public members are wrong, one can be pretty certain that the public members are right or nearly right—just as they are probably right when both sides think they are right. But when one side thinks that the public members are right and the other side thinks that they are wrong, one is compelled to be uncertain about the fairness of the decision.

IV

The present incompatible mixture of functions in the Wage Stabilization Board should be corrected by limiting the responsibilities of the Board to those that its title implies—namely, the recommending of wage stabilization policies to the Director of Economic Stabilization and interpreting and applying the established wage stabilization policies. This would not mean that the Board would receive no dispute cases, such as the recent steel case, because there would be disputes over the application of the stabilization rules. It would, however, mean that the Board would be relieved of the temptation to stretch the interpretation of its stabilization rules for the purpose of preserving industrial peace. And since the Board would not be responsible for preventing strikes, the temptation of the public members to bargain with labor and industry representatives would be greatly reduced, if not eliminated. The Board would be able to become what a wage stabilization body should be, a quasi-judicial body, not a bargaining one.

But limiting the functions of the Wage Stabilization Board to recommending and applying wage stabilization policies would create the necessity for setting up other arrangements for handling the cases in which unions or employers refused to accept the Board's decisions. Suppose, for example, that the Board found in a given case that sound stabilization policies permitted wage and fringe concessions costing 10 cents an hour and the union insisted on striking unless it were given 15 cents. Some agency, other than the Wage Stabilization Board, would have to decide whether to sacrifice sound stabilization policies in order to prevent interruption of defense production. If one union were to get 15 cents, other unions would, of course, insist on the same.

The government would be put on a tough spot, and this is as it should be. Public officials would have to decide whether to accept a strike, to defend the wage stabilization program by seizing the industry, or to capitulate and to permit departures from wage stabilization policies. Officials would be deprived of the convenient ambiguity of present procedures which permit them to make large concessions in order to preserve industrial peace while still pretending that wage stabilization policies are not being violated.

V

The steel case sharply illuminates the discriminatory differences between wage stabilization policies and price stabilization policies. In this case the employees are being given increases that substantially exceed the rise in the consumer price index since Dec. 1, 1950, or Jan. 15, 1951. The government view at the present moment is that the stockholders of the steel corporations should absorb a large part of this increase. Let us contrast briefly the broad features of wage stabilization policies and price control policies.

The essential feature of wage stabilization policy, as I have pointed out, is that employees are given rather complete protection against rises in the consumer price index. In addition, wages may be raised for a variety of reasons. No comparable protection is permitted to most employers. Under the Capehart amendment they are permitted to pass on increases in cost up to July 15, 1951. The law allows offsets for increases in indirect as well as direct costs—a provision that is unsound. But advances in costs after July 15, 1951 may not be passed on. Distributors, however, are guaranteed their customary percentage margins — an unduly liberal allowance. Employers may apply for relief in hardship cases, but the general rule of the Price Stabilization Agency (subject to some exceptions) is that hardship will not be found unless the profits of an industry before taxes are less than 85% of the average of the three best years in the four-year period 1946-1949. If wages were governed by the same rules as prices employees would be protected against rises in the consumer price index only up to July 15, 1951, but not beyond and would be given no relief until the purchasing power of their straight-time hourly earnings had fallen to 85% of the average of the three best years in the period 1946-1949.

A wage-price stabilization program cannot command the respect and support of the public for long unless it applies substantially the same principles to the regulation of both wages and prices. The present program should be reformed without delay. Fortunately legislation by Congress is not required to authorize the most essential reforms—though repeal of the Capehart amendment would be desirable and the maintenance of percentage mark-ups for distribution cannot be defended. The basic principles of a fair and practicable program of wage and price control were set forth in a policy statement issued by the Research and Policy Committee of the Committee for Economic Development in December, 1951. The essence of the C.E.D. proposals is that both employees and employers be protected against rises in direct costs but that the protection be moderately less than complete. In other words neither prices or wages as a general rule would be permitted to rise quite as much as prices determining direct costs or quite as promptly as these prices. The C.E.D. proposals have the merit of permitting flexibility of prices, of limiting the effect of increases in costs upon prices, of protecting employees and business concerns against serious hardship, of giving both employees and business concerns an incentive to fight increases in costs and to improve efficiency, and of treating the principal economic groups substantially alike.

Had the principles recommended by the C.E.D. been guiding the present wage-price stabilization program, there would have been an excellent chance that the steel dispute would have been settled by collective bargaining. The steel companies, knowing that they could pass on a considerable part of a wage increase in the form of higher prices, would have been in a position to make an offer to the union—something they could not well do when the size of price increases that might be allowed was uncertain. Unless the present system of price-wage controls is reformed along lines similar to those recommended by the Committee for Economic Development, these controls should be allowed to lapse. It would be better for the country to run the risk of some inflation than to impose controls as discriminatory and unjust as those embodied in present wage-price policies.

VI

What should the country do about strikes or prospective strikes that would imperil the public health or safety or threaten economic disaster? The standard procedure has been for the government to seize the industry. But seizure in itself settles nothing. It has been fairly effective in protecting the country against interruptions of production, and it gives the two sides an opportunity to negotiate at their leisure free from the pressure of deadlines. Sometimes this is useful, and settlements result—as in the case of the trainmen and the switchmen who have settled the issues which threatened to precipitate a strike in the summer of 1950. But in the case of the engineers, conductors, and firemen no settlement has occurred and seizure does not seem to have created an atmosphere favorable to negotiation.

If the country must expect to be confronted from time to time with prospective strikes that threaten disaster, a well-considered procedure for dealing with these emergencies should be developed. The Taft-Hartley Act falls far short of providing the country with good arrangements for dealing with emergency disputes. The Act provides that whenever the President believes that a dispute might threaten the national health or welfare, he may appoint a Board of Inquiry to report on the facts and the positions of the parties. If the Board finds that a stoppage would produce a national emergency, the President may ask the Attorney General to seek an injunction enjoining the strike or lockout. If the District Court finds that a stoppage does or would imperil the national health or safety, the court may enjoin it. If the dispute is still unsettled at the end of 60 days, the Board of Inquiry reports to the President the position of the parties and the efforts that have been made to settle the dispute. Within 15 days after this report, the National Labor Relations Board is directed to take a secret ballot of the employees of each employer on the question of accepting the final offer of the employer. Within five days after the vote, the National Labor Rela-

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[2] *The Economist,* March 29, 1952 p. 796.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Last week's column had scarcely been set up by the printers when a hurricane knocked it off its pinnings. There were all sorts of "reasons" around to explain it. If you phoned your broker you probably heard a couple of earfuls about what that. The most widely accepted "reason" was the upsetting of the applecart by Harry S. Truman in the takeover of the steel companies.

* * *

Frankly I doubt if the battle between the steel companies and the Administration had anything to do with the break. When all of this is done with and finished I think will fare better than is generally believed at the present time.

* * *

The reasons are elsewhere. Signs of an impending break appeared many weeks ago when this column gave due warning. That reaction came and a rally followed. Last week I suggested buying again, saying the market "doesn't give any serious signs of any new or impending reaction. The signs in fact point the other way."

* * *

The break that followed right after these words appeared in print gave you a chance to get in, if you were so minded. The question now before us is what to do about them from here on in.

* * *

Right after the break the market rallied and at this writing seems to have weathered the storm and is ready to go up again. At least that is the obvious indication.

But underneath the obvious there are other things that are not so obvious. On purely technical grounds the market can react down to about 250 in the Dow Averages and still keep its nose clean. When I think I see a 10-point reaction coming I prefer to get out and let the other guy do the holding on.

* * *

Here are a few other little things that cast a cloud on the immediate future. For the past few days, while the rally was going on, many stocks developed volume on the upside. But instead of following up their early strength, they faded and in no time quotations were under the levels at which most of the activity occurred. Such action is usually indicative of major distribution. Incidentally, distribution occurs on the upside, not on the downside.

* * *

When such action is isolated, or limited to a handful of stocks, it is usually suspicious. When it spreads to the general market it becomes immediately dangerous. I suppose I can guess at a couple of reasons to explain all this, but reasons are excuses and you can get them from other sources. Maybe it's because our economy is such that we can't pay any more taxes and our armament program is so heavy we can't economize. Take your choice.

[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.]

With R. J. Plunkett

(Special to THE FINANCIAL CHRONICLE)

WAUSAU, Wis.—John G. Garland is now associated with Raymond J. Plunkett & Co., First American State Bank Building, members of the Midwest Stock Exchange. He was formerly Wausau manager for Dayton & Gernon.

With George K. Baum Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Donald L. Roberts has become associated with George K. Baum & Co., 1016 Baltimore Avenue. He was formerly with the Commerce Trust Company.

Joins Baxter, Williams

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Russell C. James has become associated with Baxter, Williams & Co. of Cleveland. He was formerly with Westheimer & Co., Merrill, Turben & Co. and the Ohio Company.

With White & Company

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Alton Gumbiner is with White & Company of St. Louis, members of the Midwest Stock Exchange. He was formerly with McDonald, Evans & Co.

Taussig, Day Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Louis R. Wolken is now associated with Taussig, Day & Company, Inc., 509 Olive Street, members of the Midwest Stock Exchange.

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Wage Stabilization and Emergency Disputes

tions Board must certify the results to the Attorney General who then obtains a discharge of the injunction.

This procedure is not well calculated to settle difficult disputes. In the first place, it quite unnecessarily arouses the feelings of employees by causing an injunction to be issued against them. "Injunction" is a word charged with much emotion. The essential result, namely the maintenance of the status-quo for 60 or 80 days, could be easily achieved without the use of injunctions by imposing on both sides the obligation to make no changes in wages or working conditions for a limited period—as is done by the Railway Labor Act. The vote of employees on the employer's last offer at the end of 60 days is bound to result in a rejection—as it has whenever a vote has been held. Worse than this, the vote is bound to impede a settlement of the dispute. The employer, anticipating that the vote will be unfavorable and that he will eventually have to raise his offer, will naturally keep his "last" offer low. Furthermore, the vote and the rejection will tend to make the attitudes of the men more rigid and uncompromising. Finally, the vacating of the injunction makes the stoppage harder to prevent because it naturally arouses the belief among the men that, having voted down the employer's offer in a government-conducted vote, they are now quite within their rights in striking.

Of course, the provisions of the Taft-Hartley Act do not have to be used, and the President has been wise in not using them. Nevertheless, the public, who are not familiar with the details of the Act and who do not realize how bad are its provisions for handling difficult disputes, naturally ask why the Act is not used. Confusion would be avoided and the ground would be prepared for the development of constructive arrangements to handle emergency disputes if the emergency dispute section of the Taft-Hartley Act were repealed.

What arrangements should be made available to the Government for handling emergency disputes? One of the instruments should certainly be seizure. But if seizure is used, proper authority for it should be provided and its use should be surrounded with safeguards. Seizure that is not based upon proper authority naturally arouses alarm, stirs up emotion, and creates an atmosphere which makes the dispute harder to settle. Arrangements for handling emergency disputes should include the following:

(1) A stand-still period long enough to permit adequate investigation of the dispute. This should probably be 60 days, with provision for extension if necessary.

(2) Authority for the President to appoint an Emergency Board of public members to investigate and to recommend terms of settlement of the dispute—in other words, a Board essentially the same as the Emergency Boards created under the Railway Labor Act.

(3) Authority for additional steps to be taken if one side or both sides reject the recommendations of the Emergency Board. Experience indicates that rejection is likely to occur in a considerable proportion of cases. The Government should be given three additional powers for dealing with this situation. One is authority for the President to enter into arrangements with either or both parties to continue the production of essential services in sufficient quantities to safeguard the public health or safety. The effect of these arrangements would be to permit an incomplete strike or lockout—one that would enable the parties to carry on an economic fight without inflicting intolerable injury upon the community. The second is authority to seize the property and to operate it for the account of the owners. In the event of seizure, the Government should be prohibited from changing the terms of employment without the consent of the parties. The obligation should be imposed on the Government to observe the laws regulating safety and plant conditions that apply to private employers. The third is authority to hold a show-cause hearing at which the parties would be given an opportunity to show why the recommendations of the Emergency Board should not be put into effect. If the Government, after the show-cause hearing, decides to put the recommendations into effect, strikes or lockouts should be prohibited for a limited period of time—say six months. The parties should be permitted, of course, to reopen the case by mutual consent at any time and either party should be permitted to reopen the case without the consent of the other at the end of the period of six months. This would make possible a trial of the recommendations for a brief period and a fresh start on settling the case after six months or before.

The proposed arrangements would give the Government a reasonable variety of options to employ in handling the dispute. It might decide to do nothing—to let the parties fight it out even at the risk of a great emergency. Or it might let the parties fight it out while arranging for a limited amount of production. Or it might seize the property and hold it while the parties attempted to come to terms during seizure. Finally, it might insist upon a tryout of the recommendations of the Emergency Board.

The recommendations of the Emergency Board might not be particularly satisfactory to either party. It is important, however, to bear in mind the nature of a dispute that exists after an Emergency Board has made recommendations and after one or both of the parties have rejected these recommendations. The dispute is no longer the original one that divided the parties. It is one of considerably less importance. It has been reduced to the difference between the recommendations of the Emergency Board and the conditions that the employer or the employees would prefer to have—differences much less than the original ones between the employer and the employees. Parties rejecting the Emergency Board's recommendations are simply unwilling to accept the terms that impartial men regard as reasonable.

One may argue that in a free society neither side should be compelled to accept the terms recommended by neutrals, however wise and reasonable those neutrals may be. But is either side entitled to precipitate a national emergency because it does not like the terms that neutrals recommend? This is the form that the dispute takes after the Emergency Board's recommendations have been made. The rights of the community are no less important than those of the parties, and it should not be compelled to stand by and let the parties imperil the national health or the national safety or inflict on it a great economic disaster simply because they do not like the recommendations of neutrals.

VII

More important than the specific arrangements for handling emergency disputes is the way in which the arrangements are worked out and the sponsorship under which they are launched. How well any arrangements work will depend upon how unions and employers regard them. Trade unions have been well established in the American community now for at least 15 years. In some industries, such as railroads, the building trades, the printing industry, and others strong unions have existed for more than a generation. Unions are pretty used to dealing with employers, and employers are pretty used to dealing with unions.

Is there not enough able and experienced leadership among unions and employers to work out an agreement that provides arrangements acceptable to both sides for handling emergency disputes? Congress would undoubtedly be called to enact into law the essential terms of such an agreement—as it passed the Railway Labor Act in 1926 after the railroads and the railroad unions got together. Disputes that threaten national emergencies are bound to occur from time to time. The public has the right to expect that experienced labor leaders and experienced industrial relations executives propose and sponsor adequate arrangements for dealing with these disputes.

The new administration that takes office next winter, whether Democratic or Republican, should ask the leaders of labor and industry to recommend well-thought out arrangements for handling emergency disputes. The new administration should not be satisfied with proposals which meet only part of the problem or which dodge difficulties. It should insist on arrangements that provide for all contingencies and that adequately protect the public interest. It should not complacently accept the abortive kind of industrial relations conferences that the country had in 1920 or 1946. The time has come for the leaders of labor and industry to assume the responsibility for proposing real restrictions on their own freedom of action. Our much-vaunted capacity in practical affairs will seem quite hollow if the leaders of labor and industry cannot provide the public with effective protection against disputes that threaten the national health and safety or that would cause economic disaster to the country.

With W. E. Hutton & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—James H. Stone has become connected with W. E. Hutton & Co., First National Bank Building. He was formerly with Lehman Brothers of New York.

Foster Bros., Weber Add

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, Ohio—Rollo G. Smith has been added to the staff of Foster Bros., Weber & Co., 410 Madison Avenue, members of the New York and Midwest Stock Exchanges.

Joins Slayton Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Huey G. Huhn has become associated with Slayton & Co., Inc., 408 Olive Street.

Slayton Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — Howard E. Payne, Jr., has been added to the staff of Slayton & Company, Inc., 1126 Oakwood Avenue.

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)	Apr. 27	100.4	98.1	103.1	Not
Equivalent to—					
Steel ingots and castings (net tons)	Apr. 27	2,085,000	2,038,000	2,141,000	Avail.
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Apr. 12	6,366,300	6,376,750	6,404,400	6,120,200
Crude runs to stills—daily average (bbls.)	Apr. 12	¶6,315,000	6,557,000	6,693,000	6,127,000
Gasoline output (bbls.)	Apr. 12	21,542,000	21,410,000	21,756,000	19,371,000
Kerosene output (bbls.)	Apr. 12	2,720,000	2,598,000	2,472,000	2,691,000
Distillate fuel oil output (bbls.)	Apr. 12	9,412,000	9,434,000	10,219,000	8,492,000
Residual fuel oil output (bbls.)	Apr. 12	8,746,000	8,865,000	8,981,000	8,834,000
‡ Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Apr. 12	157,781,000	*158,431,000	------	147,734,000
Kerosene (bbls.) at	Apr. 12	17,017,000	16,533,000	------	15,799,000
Distillate fuel oil (bbls.) at	Apr. 12	48,494,000	*48,827,000	------	47,048,000
Residual fuel oil (bbls.) at	Apr. 12	35,880,000	36,565,000	------	37,691,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Apr. 12	690,660	707,142	708,826	777,989
Revenue freight received from connections (no. of cars)	Apr. 12	627,945	658,406	671,713	691,086
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Apr. 17	$235,105,000	$228,502,000	$250,763,000	$220,797,000
Private construction	Apr. 17	120,896,000	87,549,000	157,204,000	98,768,000
Public construction	Apr. 17	114,209,000	140,953,000	93,559,000	122,029,000
State and municipal	Apr. 17	93,441,000	81,360,000	71,801,000	69,376,000
Federal	Apr. 17	20,768,000	59,593,000	21,758,000	52,653,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Apr. 12	8,175,000	8,145,000	9,765,000	9,967,000
Pennsylvania anthracite (tons)	Apr. 12	604,000	546,000	685,000	529,000
Beehive coke (tons)	Apr. 12	60,000	*109,000	139,000	132,800
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE = 100	Apr. 12	320	*314	260	288
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Apr. 19	§7,120,000	*7,154,289	7,353,977	6,730,464
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Apr. 17	188	184	181	151
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Apr. 15	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	Apr. 15	$52.72	$52.72	$52.72	$52.69
Scrap steel (per gross ton)	Apr. 15	$42.00	$42.00	$42.00	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Apr. 16	24.200c	24.200c	24.200c	24.200c
Export refinery at	Apr. 16	27.425c	27.425c	27.425c	24.425c
Straits tin (New York) at	Apr. 16	121.500c	121.500c	121.500c	147.000c
Lead (New York) at	Apr. 16	19.000c	19.000c	19.000c	17.000c
Lead (St. Louis) at	Apr. 16	18.800c	18.800c	18.800c	16.800c
Zinc (East St. Louis) at	Apr. 16	19.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Apr. 22	98.28	98.05	96.75	97.68
Average corporate	Apr. 22	110.15	110.15	109.60	111.62
Aaa	Apr. 22	114.46	114.46	113.70	115.63
Aa	Apr. 22	113.12	112.93	112.56	114.08
A	Apr. 22	109.60	109.24	108.88	110.70
Baa	Apr. 22	104.14	104.31	103.97	106.21
Railroad Group	Apr. 22	107.44	107.27	106.56	108.34
Public Utilities Group	Apr. 22	109.60	109.60	109.24	111.25
Industrials Group	Apr. 22	113.70	113.50	113.31	115.24
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Apr. 22	2.62	2.63	2.72	2.65
Average corporate	Apr. 22	3.16	3.16	3.19	3.08
Aaa	Apr. 22	2.93	2.93	2.97	2.87
Aa	Apr. 22	3.00	3.01	3.03	2.95
A	Apr. 22	3.19	3.21	3.23	3.13
Baa	Apr. 22	3.50	3.49	3.51	3.38
Railroad Group	Apr. 22	3.31	3.32	3.36	3.26
Public Utilities Group	Apr. 22	3.19	3.19	3.21	3.10
Industrials Group	Apr. 22	2.97	2.98	2.99	2.89
MOODY'S COMMODITY INDEX	Apr. 22	432.1	432.1	438.2	516.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Apr. 12	173,738	271,607	183,464	199,937
Production (tons)	Apr. 12	198,938	201,244	205,407	248,406
Percentage of activity	Apr. 12	81	83	85	102
Unfilled orders (tons) at end of period	Apr. 12	423,844	447,663	409,339	726,783
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE = 100	Apr. 18	140.8	140.7	140.6	154.8
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Apr. 5	32,270	29,184	30,995	30,980
Number of shares	Apr. 5	920,179	834,611	863,650	896,196
Dollar value	Apr. 5	$41,508,247	$39,338,464	$41,129,188	$38,575,902
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Apr. 5	27,614	24,766	24,617	25,798
Customers' short sales	Apr. 5	172	152	185	728
Customers' other sales	Apr. 5	27,442	24,614	24,432	25,070
Number of shares—Total sales	Apr. 5	772,858	697,299	690,205	713,919
Customers' short sales	Apr. 5	5,858	4,593	6,279	27,004
Customers' other sales	Apr. 5	767,000	692,706	683,926	713,919
Dollar value	Apr. 5	$33,126,961	$31,192,645	$29,198,097	$29,017,008
Round-lot sales by dealers—					
Number of shares—Total sales	Apr. 5	216,990	181,280	179,850	198,160
Short sales	Apr. 5	------	------	------	------
Other sales	Apr. 5	216,990	181,280	179,850	198,160
Round-lot purchases by dealers—					
Number of shares	Apr. 5	348,760	342,130	401,230	370,870
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Mar. 29	238,890	217,440	271,710	323,580
Other sales	Mar. 29	7,003,580	6,807,840	6,233,920	7,426,600
Total sales	Mar. 29	7,242,470	7,025,280	6,505,630	7,750,180
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Mar. 29	754,160	702,320	651,690	830,000
Short sales	Mar. 29	108,910	117,680	137,560	134,410
Other sales	Mar. 29	570,270	582,350	520,140	686,160
Total sales	Mar. 29	679,180	700,030	657,700	820,570
Other transactions initiated on the floor—					
Total purchases	Mar. 29	197,800	165,410	125,400	188,470
Short sales	Mar. 29	10,100	8,100	14,400	26,100
Other sales	Mar. 29	203,610	220,280	131,360	208,920
Total sales	Mar. 29	213,710	228,380	145,760	235,020
Other transactions initiated off the floor—					
Total purchases	Mar. 29	268,185	249,198	301,945	300,433
Short sales	Mar. 29	43,310	44,400	35,750	39,970
Other sales	Mar. 29	352,871	294,255	327,611	339,510
Total sales	Mar. 29	396,181	335,655	363,361	379,480
Total round-lot transactions for account of members—					
Total purchases	Mar. 29	1,220,145	1,116,928	1,079,035	1,318,903
Short sales	Mar. 29	162,320	170,180	187,710	200,480
Other sales	Mar. 29	1,126,751	1,096,885	979,111	1,234,590
Total sales	Mar. 29	1,289,071	1,267,065	1,166,821	1,435,070
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	Apr. 15	111.5	*111.6	111.8	------
Farm products	Apr. 15	107.2	*107.4	108.1	------
Processed foods	Apr. 15	107.9	*107.9	109.3	------
Meats	Apr. 15	110.7	110.9	112.6	------
All commodities other than farm and foods	Apr. 15	112.2	*113.2	113.2	------

*Revised. ‡On new basis. ¶Includes 428,000 barrels of foreign crude runs. §Preliminary figure.

	Latest Month	Previous Month	Year Ago
AMERICAN ZINC INSTITUTE, INC.—Month of March:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	85,028	77,296	80,450
Shipments (tons of 2,000 lbs.)	85,575	77,448	80,462
Stocks at end of period (tons)	26,004	26,551	11,105
Unfilled orders at end of period (tons)	66,620	70,442	80,769
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK — As of March 31:			
Imports	$228,004,000	$234,441,000	$314,433,000
Exports	137,664,000	134,818,000	105,731,000
Domestic shipments	8,211,000	8,317,000	11,952,000
Domestic warehouse credits	27,556,000	37,360,000	18,278,000
Dollar exchange	6,214,000	27,106,000	1,703,000
Based on goods stored and shipped between foreign countries	50,849,000	51,388,000	26,493,000
Total	$458,498,000	$493,430,000	$478,590,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.—215 CITIES—Month of March:			
New England	$23,734,964	$14,980,048	$22,698,922
Middle Atlantic	75,177,630	62,305,102	88,247,516
South Atlantic	26,600,025	33,068,865	30,672,841
East Central	81,251,996	55,469,560	114,095,197
South Central	62,408,618	58,966,245	74,073,694
West Central	18,254,853	22,555,473	24,386,887
Mountain	10,132,597	10,372,331	14,580,381
Pacific	53,820,598	55,437,055	62,875,122
Total United States	$351,381,281	$313,154,679	$431,630,560
New York City	31,535,059	33,765,418	49,584,940
Outside of New York City	319,846,222	279,389,261	382,045,620
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of February	7,063	8,357	6,590
COAL OUTPUT (BUREAU OF MINES)—Month of March:			
Bituminous coal and lignite (net tons)	41,100,000	43,770,000	44,839,000
Pennsylvania anthracite (net tons)	2,952,000	3,162,000	2,183,000
Beehive coke (net tons)	605,200	596,800	641,300
COPPER INSTITUTE—For month of March:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	86,841	*80,876	91,243
Refined (tons of 2,000 pounds)	94,563	95,979	112,933
Deliveries to customers—			
In U. S. A. (tons of 2,000 pounds)	112,625	104,795	116,793
Refined copper stock at end of period (tons of 2,000 pounds)	58,487	59,747	55,609
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Lint—Consumed month of February	768,889	------	898,991
In consuming establishments as of Mar. 3	1,681,311	------	2,335,678
In public storage as of Mar. 3	4,453,419	------	4,627,419
Linters—Consumed month of February	119,952	------	109,626
In consuming establishments as of Mar. 3	278,514	------	327,758
In public storage as of Mar. 3	112,688	------	131,455
Cotton spindles active as of Mar. 3	19,854,000	------	20,896,000
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of January (000's omitted)	29,217,183	28,274,921	26,772,763
Revenue from ultimate customers—month of January	$522,258,300	$501,340,100	$477,673,000
Number of ultimate customers at Jan. 31	46,890,115	46,821,950	45,086,092
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX — 1935-39=100 (COPYRIGHTED) AS OF APRIL 1:			
Composite index	105.8	105.9	107.0
Piece goods	97.7	97.8	101.7
Men's apparel	106.4	106.6	105.5
Women's apparel	101.5	101.7	102.9
Infant and children's wear	105.9	105.9	106.1
Home furnishings	108.6	108.8	111.6
Piece goods—			
Rayon and silks	90.7	90.8	92.8
Woolens	110.7	110.7	112.4
Cotton wash goods	94.9	95.1	104.3
Domestics—			
Sheets	103.0	103.8	113.6
Blankets and comfortables	122.2	122.5	120.8
Women's apparel—			
Hosiery	95.6	95.8	100.5
Aprons and housedresses	98.5	98.8	100.1
Corsets and brassieres	107.9	107.9	108.0
Furs	96.8	97.3	98.1
Underwear	100.6	100.9	102.2
Shoes	109.2	109.2	108.7
Men's apparel—			
Hosiery	106.6	106.6	105.0
Underwear	110.7	111.1	110.0
Shirts and neckwear	102.4	102.4	102.3
Hats and caps	100.2	100.3	100.4
Clothing including overalls	104.8	105.1	103.5
Shoes	109.0	109.3	111.4
Infants' and children's wear—			
Socks	102.9	102.9	102.0
Underwear	102.9	102.9	102.7
Shoes	112.3	112.3	112.1
Furniture	108.2	108.3	106.7
Floor coverings	118.9	118.9	125.3
Radios	103.0	103.0	102.9
Luggage	101.8	101.9	104.3
Electrical household appliances	106.4	106.5	107.3
China	100.7	101.1	102.9
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of March	£2,337,000	£56,379,000	£22,618,000
PORTLAND CEMENT (BUREAU OF MINES)—Month of February:			
Production (barrels)	16,545,000	*17,039,000	15,201,000
Shipment from mills (barrels)	14,362,000	*12,696,000	11,294,000
Stocks (at end of month—barrels)	24,519,000	22,336,000	22,224,000
Capacity used	76%	73%	76%
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—Month of February (000's omitted):			
Savings and loan associations	$428,443	$404,496	$362,733
Insurance companies	114,626	124,084	129,560
Bank and trust companies	256,379	267,049	246,702
Mutual savings banks	68,843	79,173	67,523
Individuals	207,045	221,107	183,848
Miscellaneous lending institutions	195,572	202,345	192,387
Total	$1,270,908	$1,298,254	$1,182,753
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of March:			
Net sales	------	------	------
Net purchases	$485,200	$6,686,500	$482,674,850

*Revised figure.

Continued from page 5

The State of Trade and Industry

of 2,000,000 cars and trucks by May. So far this year, it reported, the industry has turned out 1,635,000 cars and trucks, compared with 2,446,000 in the like 1951 period.

Both natural and synthetic rubber controls were almost completely wiped out by the National Production Authority. Effective on Monday of this week the NPA has abolished its controls on the manufacture of rubber products, which specified maximum amounts of natural rubber to be used in various products. Allocation of butyl synthetic rubber is also ended, as are inventory controls on both butyl and natural. Henry Fowler, head of the NPA, stated that from now on there will be "relatively free competition between natural and synthetic rubber."

Steel Output Scheduled This Week to Recover to 100.4% of Capacity

Eleven days from now it'll cost some consumers more to get steel from the mill, says "Steel," the weekly magazine of metalworking.

This is because railroad freight rates are going up again May 2.

Sale of steel from mills is generally on an f.o.b. mill basis, thus leaving it to the buyer to pay the freight charges. Consequently, those who get their steel by rail will be hit, this magazine states.

This freight rate increase won't show up though until June 16 in prices of steel sold by warehouses. Under government pricing regulations, freight charges between mills and warehouses are passed on to the warehouse customers, but the freight costs for one calendar month cannot be reflected in warehouse prices until the sixteenth day following a calendar month. Thus, freight costs incurred by warehouses in May will be used in computing warehouse sales prices for the period of from June 16 to July 15, it adds.

The railroad freight rate increase effective on steel May 2 will be 6% over the year-ago rate in the East and 9% over the year-ago rate in the South and West. These amounts complete the 15% boost the railroads wanted over the year-ago level.

These freight rate increases will also add many millions of dollars to the steel industry's costs of doing business, for the rate increases will apply to raw materials used by steel producers, this trade paper states.

By the end of the week, the steel industry's operations were back up almost to the high level prevailing before they were dropped in anticipation of a steel strike. "Steel" estimates the production of steel for ingots and castings during the week ended April 19 was at a rate of 96.5% of capacity, yielding 2,004,000 net tons.

Progress toward a balance between steel supply and demand continues and is reflected in government thinking on controls. Government controllers reveal that controls soon will be taken off most secondary tin mill products, and they are considering a Tin Plate Industry Advisory Committee request that black plate be freed from restrictions, "Steel" declares.

The Defense Production Administration is increasing the allotments of structural steel to some classes of consumers for the third quarter.

Reinforcing steel, which has been in very strong demand, is significantly easier in supply in Chicago. Whether this is resulting from government restrictions on construction remains to be seen, it states.

Another reflector of the lessening of pressure for steel supplies is steelmaking scrap. Shipments to mills are increasing, quality is improved and mills' ground stocks of scrap are growing, "Steel" notes.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be 100.4% of capacity for the week beginning April 21, 1952, equivalent to 2,085,000 tons of ingots and steel for castings, or an increase of 3.4 points above the previous week's actual production of 2,038,000 tons, or 98.1% (actual) of rated capacity. The steel industry has returned to normal operations following recent curtailments in the face of a threatened strike.

A month ago output stood at 103.1%, or 2,141,000 tons. Comparative figures for the like week a year ago are not available, according to the institute.

Car Loadings Decline Further in Latest Week

Loadings of revenue freight for the week ended April 12, 1952, totaled 690,660 cars, according to the Association of American Railroads, representing a decrease of 16,482 cars, or 2.3% under the preceding week.

The week's total also represented a decrease of 87,329 cars, or 11.2% below the corresponding week a year ago, and a decrease of 16,725 cars, or 2.4% below the comparable period in 1950.

Electric Output Continues Downward Trend

The amount of electric energy distributed by the electric light and power industry for the week ended April 19, 1952, was estimated at 7,120,000,000 kwh. (preliminary figure) according to the Edison Electric Institute.

The current total was 34,289,000 kwh. below that of the preceding week when actual output amounted to 7,154,289,000 kwh. It was 389,536,000 kwh., or 5.8% above the total output for the week ended April 21, 1951, and 1,274,364,000 kwh. in excess of the output reported for the corresponding period two years ago.

U. S. Auto Output Reflects Mild Increase the Past Week

Passenger car production in the United States the past week, according to "Ward's Automotive Reports," rose to 92,285 units, compared with the previous week's total of 91,105 (revised) units, and 124,389 units in the like week a year ago.

Passenger car production in the United States advanced last week about 1% above the previous week's figure which set a new high for the year.

Total output for the current week was made up of 92,285 cars and 25,488 trucks built in the United States, against 91,105 cars and 24,774 trucks (revised) last week and 124,389 cars and 32,624 trucks in the comparable period a year ago.

Canadian output last week advanced to 6,243 cars and 3,020 trucks, against 4,988 cars and 2,313 trucks in the preceding week and 6,744 cars and 2,745 trucks in the similar period of a year ago.

Business Failures Rise Slightly

Commercial and industrial failures rose to 188 in the week ended April 17 from 184 in the preceding week, Dun & Bradstreet, Inc., noted. At the highest level since July last year, casualties exceeded the 151 which occurred in the similar week of 1951 and were even with 1950. Despite this rise, failures remained 41% below the prewar total of 316 in 1939.

Casualties involving liabilities of $5,000 or more dipped slightly to 152 the past week, but were more numerous than a year ago when 108 concerns succumbed in this size group. A slight increase occurred among small failures with liabilities under $5,000.

Wholesale Food Price Index Holds Steady at 21-Month Low

The wholesale food price index, compiled by Dun & Bradstreet, Inc., for April 15 remained unchanged at the 21-month low of $6.37 recorded a week ago. This contrasts with $7.13 on the corresponding 1951 date, or a drop of 10.7%, but it is still 6.9% above the pre-Korea figure of $5.96.

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 Closes Week Sharply Lower

Following a mild rise early in the week, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., fell sharply at the close to finish at 300.61 on April 15. This contrasted with 301.33 one week earlier, and with 322.56 at this time a year ago.

Grain markets were generally firmer last week although trading was somewhat restricted as a result of the telephone and telegraph strike. Old crop wheat was relatively firmer than new crop wheat. Weakness in the latter was influenced by the present prospects for a large 1952 wheat crop as weather conditions continued mostly favorable except for a few dry areas of the Southwest.

The Government crop report based on conditions as of April 1, showed an indicated yield of Winter wheat of 947,000,000 bushels, or 47.0% above last year's 645,000,000 bushels.

Corn prices advanced on the Department of Agriculture report on stocks of corn on farms on April 1 which totaled 1,068,000,000 bushels, or 255,000,000 bushels fewer than a year ago and about 200,000,000 below the 10-year average. Also lending support was news tending to confirm a corn crop failure in the Argentine. Oats marketings declined; prices were irregular and finished slightly higher for the week.

Flour prices were fairly steady the past week, although some concessions were noted on Spring wheat varieties toward the close. Aside from some scattered replacement buying, however, trading in all types of flour remained very slow. Export demand for flour was also very dull. Trading in cocoa was marked by pre-holiday dullness with prices moving irregularly in a narrow range. Warehouse stocks were down from a week ago, totaling 97,841 bags against 101,403; they compared with 123,907 bags a year ago.

The raw sugar and coffee markets were irregular with prices moving slightly lower, largely in sympathy with other markets.

Cotton was steady and firm most of the week, but moved sharply lower at the close. The decline was influenced by active liquidation induced by slow yarn and cloth business and weakness in other commodities and securities markets. Mill and export price-fixing and government awards on various cotton constructions helped to support the market in early dealings. Mill consumption of the staple during the March period, as estimated by the New York Cotton Exchange, was down slightly to 740,000 bales, from 769,000 in the preceding period, and 903,000 in the corresponding period last year.

Trade Volume Affected by Seasonal Recession

Retail trade declined perceptibly in the period ended on Wednesday of last week from the high mark reached in the few days before Easter. As during the prior week the total dollar volume of retail sales was slightly higher than in the comparable week a year ago, although the year-to-year gain was not quite as large. In sections of the nation affected by labor unrest consumers remained rather wary.

Total retail sales volume in the country in the week was estimated by Dun & Bradstreet to be from 3% to 7% higher than a year ago. Regional estimates varied from the levels of a year earlier by the following percentages:

New England +3 to +7, East +4 to +8, South +2 to +6, Midwest and Pacific Coast +5 to +9, Northwest — 1 to +3, and Southwest +1 to +5.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended April 12, 1952, increased 11% from the like period of last year. In the preceding week an increase of 8% was registered above the like period a year ago. For the four weeks ended April 12, 1952, sales advanced 5%. For the period Jan. 1 to April 12, 1952, department store sales registered a decline of 7% below the like period of the preceding year.

Retail trade in New York last week declined as a result of the customary post-Easter trend along with two rainy days early in the week. Volume slumped an estimated 10% from the like period a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended April 12, 1952, increased 2% above the like period of last year. In the preceding week an increase of 5% (revised) was recorded above the similar week of 1951, while for the four weeks ended April 12, 1952, an increase of 2% was registered above the level of a year ago. For the period Jan. 1 to April 12, 1952, volume declined 10% under the like period of the preceding year.

Pennsalt Offers New Stk. to Share Owners

The Pennsylvania Salt Manufacturing Co. on April 22 offered to share owners rights to subscribe for an additional 155,349 shares of common stock at the price of $48.50 per share on the basis of one additional share for each seven held of record at the close of business April 22.

Warrants for the new stock expire at 3 p.m. (EDT) on May 8. Guaranty Trust Co. of New York has been designated as subscription agent for the company. The rights have been admitted to trading on the New York and the Philadelphia-Baltimore Stock Exchanges.

The offering is being underwritten by a group of 31 underwriters headed by Morgan Stanley & Co.

Pennsalt, producers of some 400 chemicals and chemical specialties, was founded in 1850 and has operated at a profit in every year since 1855. The company has paid a dividend on the common stock in every year since 1863, the second longest unbroken dividend record for a manufacturer listed on the New York Stock Exchange.

The prospectus, mailed to share owners today, states that proceeds from the sale of this additional stock will be added to the cash funds of the company and will be used for such corporate purposes as the board of directors may determine, including the improvement and expansion of plant facilities.

Projects of this nature which have been authorized by the board and on which work is now in progress are currently expected to cost approximately $13,000,000, including about $8,000,000 for construction of new plant facilities at Calvert City, Ky., to produce chlorine, caustic soda and anhydrous hydrogen chloride, and about $2,200,000 for expansion and improvement of production facilities for synthetic ammonia at Wyandotte, Mich.

Joins Neary, Purcell

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Sidney Pink has become associated with Neary, Purcell & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. He was previously with Barbour, Smith & Company.

With Marache Sims

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John E. Travers has been added to the staff of Marache Sims & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert B. Dunlap is with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Louis S. Kurze and Hubert L. Thompson are now with King Merritt & Company, Inc., Chamber of Commerce Building. Mr. Kurze was formerly with E. F. Hutton & Co.

Joins Staats Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Victor G. Paradise has become connected with William R. Staats & Co., 640 South Spring Street, members of the New York and Los Angeles Stock Exchanges.

J. Burnhams, Inc.

BUFFALO, N. Y.—J. Burnhams, Inc. is engaging in a securities business from offices at 578 Walden Avenue.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Alabama Gas Corp. (5/15)
April 17 filed $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).

Aluminum Co. of America
April 1 filed 489,073 shares of common stock (no par) reserved for issuance pursuant to Employees Stock Option Plan. **Price**—At a fixed price based on market. **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ Ambassador Mines Corp., Spokane, Wash.
April 7 (letter of notification) 100,000 shares of capital stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For diamond drilling and mine development. **Office**—401 Empire State Bldg., Spokane 1, Wash. **Underwriter**—None.

★ American Can Co. (5/8)
April 17 filed 989,599 shares of common stock (par $12.50) to be offered for subscription by common stockholders at rate of one such share for each 10 shares held on or about May 8; rights to expire May 26. **Price**—To be supplied by amendment. **Proceeds** — For expansion and working capital. **Underwriters**—Morgan Stanley & Co. and Clark, Dodge & Co., New York.

● American Greetings Corp. (5/6)
April 15 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Business** — Manufacture and sale of greeting cards. **Underwriter**—McDonald & Co., Cleveland, O.

American Hard Rubber Co.
March 28 filed 96,655 shares of common stock (par $12.50) to be offered for subscription by stockholders about April 25 at rate of one new share for each four shares of preferred stock or two shares of common stock held (with oversubscription privileges); rights to expire about May 12. **Price** — To be supplied by amendment. **Proceeds**—For plant additions and construction. **Underwriter**—Blair, Rollins & Co. Inc., New York. Temporarily postponed.

● American Machine & Foundry Co.
March 27 filed a maximum of 255,467 shares of common stock (no par) being offered in exchange for all of the 191,600 shares of International Cigar Machinery Co. stock (not already owned by American) on a 1⅓-for-1 basis. Offer to expire on May 23, unless extended. **Dealer-Manager**—Reynolds & Co., New York.

● Ashland Oil & Refining Co. (5/6)
April 16 filed not exceeding 600,000 shares of $100 par value cumulative second preferred stock, series of 1952, convertible prior to June 15, 1962. They will be initially offered for subscription by common stockholders. **Price**—To be supplied by amendment. **Proceeds**—For capital additions and improvements and working capital. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill.

★ Bay Petroleum Corp., Denver, Colo.
April 17 (letter of notification) 2,631 shares of common stock (par $1). **Price**—At market (approximately $38 per share). **Proceeds**—To C. U. Bay. **Underwriter**—A. M. Kidder & Co., New York.

Bell & Gossett Co., Morton Grove, Ill.
March 28 (letter of notification) 1,000 shares of common stock (par $5). **Price**—At market (approximately $27.25 per share). **Proceeds** — To R. Edwin Moore, the selling stockholder. **Underwriter**—Ames, Emerich & Co., Inc., Chicago, Ill.

Bridgeport Brass Co., Brideport, Conn. (4/29)
April 8 filed 125,732 shares of cumulative preferred stock (par $50-convertible through May 1, 1962) to be offered for subscription by common stockholders of record April 29 at rate of one preferred share for each seven and one-half shares of common stock held; rights to expire on May 13. **Price**—To be supplied by amendment. **Proceeds**—To redeem outstanding 3¾% serial debentures and repay 2½% notes. **Underwriters**—Hornblower & Weeks and Stone & Webster Securities Corp., New York.

Canadian Fund, Inc. (Md.) (4/30)
March 13 filed 800,000 shares of capital stock (par $1). **Price**—Probably $12.75 per share. **Proceeds**—For investment. **Business** — Closed-end investment company. **Underwriters**—Kidder, Peabody & Co. and Dominick & Dominick, New York.

★ Canadian Fund, Inc., New York
April 16 filed 1,700,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Calvin Bullock, New York. **Business**—Open-end investment company.

★ Canyon Gold, Inc., Cripple Creek, Colo.
April 18 (letter of notification) 2,000,000 shares of common stock. **Price**—1½ cents per share. **Proceeds**—To develop mine property. **Office**—209 East Bennett Ave., Cripple Creek, Colo. **Underwriter**—None.

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.

Carpenter (L. E.) & Co., Wharton, N. J.
March 20 (letter of notification) 5,000 shares of common stock (par $1). **Price**—At the market. **Proceeds**—To Jerome L. Long, the selling stockholder. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

● Carpenter Paper Co., Omaha, Neb. (4/25)
April 1 filed 60,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—Kidder, Peabody & Co., New York, and Kirkpatrick-Pettis Co., Omaha, Neb.

● Case (J. I.) Co., Racine, Wis.
April 4 filed 377,058 shares of common stock (par $12.50) to be offered for subscription by common stockholders of record April 24 at rate of one new share for each five shares held; rights to expire on May 12. **Price**—$24.50 per share. **Proceeds**—To repay bank loans. **Underwriters**—Morgan Stanley & Co. and Clark, Dodge & Co., New York. **Offering**—Expected today.

★ Celon Co., Madison, Wis.
April 17 (letter of notification) $110,000 of convertible subordinated debentures due 1965. **Price**—At par ($100 each). **Proceeds** — For working capital. **Office** — 2034 Pennsylvania Ave., Madison, Wis. **Underwriter**—None.

Central Oklahoma Oil Corp.
March 19 (letter of notification) 50,000 shares of common stock (par 10 cents). **Price**—At market (approximately $2 per share). **Proceeds**—To A. M. Metz, the selling stockholder. **Office** — Braniff Bldg., Oklahoma City, Okla. **Underwriter**—Israel & Co., New York.

★ Central Vermont Public Service Corp.
April 23 filed $1,500,000 of first mortgage bonds, series H, due May 1, 1982, and 108,900 shares of common stock (par $6). The latter issue is to be first offered for subscription by common stockholders at the rate of one share for each six shares held. New England Public Service Co., parent, owner of 35.5% of Central Vermont common, will waive its subscription rights to the new shares. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) For bonds, Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; Coffin & Burr, Inc. and First Boston Corp. (jointly); R. W. Pressprich & Co. and Equitable Securities Corp. (jointly); Union Securities Corp. (2) For stock, Coffin & Burr, Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane.

★ Century Acceptance Corp., Kansas City, Mo.
April 14 (letter of notification) $250,000 of 15-year 6% junior registered sinking fund debenture notes due April 1, 1967, and 24,500 shares of class A common stock (par $1). **Price**—Of notes, at par (in denominations of $100 each), and of stock, $2 per share. **Proceeds** — For working capital. **Office**—1334 Oak St., Kansas City, Mo. **Underwriter**—Wahler, White & Co., Kansas City, Mo.

Citizens Credit Corp., Washington, D. C.
April 10 (letter of notification) $125,000 of 6% subordinated debentures due 1969 (with warrants attached to purchase 3,750 shares of class A common stock at $15 per share and 750 shares of class B common at 25 cents per share). **Price**—At 99% and accrued interest. **Pro-**

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NEW ISSUE CALENDAR

April 25, 1952
Carpenter Paper Co.____Common
(Kidder, Peabody & Co. and Kirkpatrick-Pettis & Co.)
Oil & Gas Property Management, Inc.____Debs. & Common
(Dominick & Dominick)

April 28, 1952
Lone Star Cement Corp.____Common
(Hayden, Stone & Co. and Adamex Securities Corp.)
New Jersey Natural Gas Co.____Pfd. & Common
(Allen & Co.)

April 29, 1952
Bridgeport Brass Co., Bridgeport, Conn.____Pfd.
(Hornblower & Weeks and Stone & Webster Securities Corp.)
Metal Hydrides, Inc., Beverly, Mass.____Common
(D. A. Lomasney & Co.)
Peabody Coal Co.____Bonds
(Halsey, Stuart & Co. Inc.)
Southwest Natural Gas Co.____Common
(W. E. Hutton & Co. and Craigmyle, Pinney & Co.)
Union Electric Co. of Missouri____Bonds
(Bids noon EDT)

April 30, 1952
Canadian Fund, Inc.____Common
(Kidder, Peabody & Co. and Dominick & Dominick)
First National Bank of Portland____Common
(Offering to stockholders—not underwritten)
Rainbow Oil Ltd.____Common
(Hayden, Stone & Co. and T. H. Jones & Co.)

May 1, 1952
Denver & Rio Grande Western RR.____Eq. Tr. Ctfs.
(Bids 1 p.m. CDT)
Husky Oil Co.____Common
(Blyth & Co., Inc.)

May 5, 1952
Sonoco Products Co., Hartsville, S. C.____Common
(R. S. Dickson & Co. and D. H. Crawford Co., Inc.)
Northwest Bancorporation____Preferred
(The First Boston Corp. and Blyth & Co., Inc.)
Wisconsin Electric Power Co.____Bonds
(Bids to be invited)

May 6, 1952
American Greetings Corp.____Common
(McDonald & Co.)
Ashland Oil & Refining Co.____Preferred
(A. G. Becker & Co., Inc.)
New Jersey Bell Telephone Co.____Debentures
(Bids 11 a.m. EDT)
Southern Union Gas Co., Dallas, Tex.____Debs. & Pfd.
(Blair, Rollins & Co., Inc.)
Texas Electric Service Co.____Bonds & Debs.
(Bids 11:30 a.m. EDT)

May 7, 1952
Chicago, St. Paul, Minneapolis & Omaha Ry.____Equip. Tr. Ctfs.
(Bids noon CDT)
New England Electric System____Common
(Bids noon EDT)
Union Oil Co. of California____Debentures
(Dillon, Read & Co.)

May 8, 1952
American Can Co.____Common
(Morgan Stanley & Co. and Clark, Dodge & Co.)
Chicago & Western Indiana RR.____Bonds
(The First Boston Corp. and Halsey, Stuart & Co. Inc.)

May 13, 1952
Firestone Tire & Rubber Co.____Debentures
(Harriman, Ripley & Co., Inc.)
Food Machinery & Chemical Corp.____Common
(Kidder, Peabody & Co. and Mitchum, Tully & Co.)
Lion Oil Co.____Common
(Blyth & Co., Inc.)
New York State Electric & Gas Corp.____Common
(The First Boston Corp.)
Worcester County Electric Co.____Bonds
(Bids noon EDT)

May 14, 1952
Iowa Power & Light Co.____Common
(Smith, Barney & Co.)

May 15, 1952
Alabama Gas Corp.____Bonds
(Bids to be invited)
Metals & Chemicals Corp.____Common
(Beer & Co.)

May 20, 1952
National Fuel Gas Co.____Debentures
(Bids to be invited)

May 21, 1952
Iowa Power & Light Co.____Bonds
(Bids to be invited)

May 26, 1952
Dallas Power & Light Co.____Preferred
(Bids noon EDT)

June 10, 1952
Kansas Gas & Electric Co.____Bonds & Stock
(Bids noon EST on bonds; 10:30 a.m. EST on stocks)

June 24, 1952
Gulf Power Co.____Bonds
(Bids to be invited)

July 1, 1952
Illinois Bell Telephone Co.____Common
(Offering to stockholders)

July 8, 1952
Georgia Power Co.____Bonds
(Bids to be invited)

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ceeds—To acquire loan offices and subsidiaries. **Office**—1028 Connecticut Avenue, Washington 6, D. C. **Underwriter**—Emory S. Warren & Co., Washington, D. C.

★ CMS Strategic Metals, Inc., Portland, Ore.
April 7 (letter of notification) 250,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—To prospect and develop claims. **Office**—8000 S. E. Foster Road, Portland, Ore. **Underwriter**—None.

★ Colo-Kan Fuel Corp., Denver, Colo.
April 15 (letter of notification) 2,000,000 shares of class A common stock. **Price**—Five cents per share. **Proceeds**—For drilling and equipment. **Office**—711 E. & C. Bldg., Denver, Colo. **Underwriter**—None.

★ Consolidated Insurance Co., Phoenix, Ariz.
March 26 (letter of notification) 25,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—777 North Central Ave., Phoenix, Ariz. **Underwriter**—None.

Consolidated Underwriters Investment Corp.
March 26 (letter of notification) 30,000 shares of class A common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—507 Spring Street, Shreveport, La. **Underwriter**—None.

★ Continental Radiant Glass Heating Corp.
April 16 (letter of notification) 100,000 shares of cumulative convertible preferred stock (par $1) and 200,000 shares of common stock (no par) reserved for conversion of such preferred stock. **Price**—$3 per share. **Proceeds**—For expansion of sales and working capital. **Office**—1 East 35th St., New York, N. Y. **Underwriter**—Aetna Securities Corp., New York. **Offering**—Expected at any date.

Continental Royalty Co., Dallas, Tex.
March 18 (letter of notification) 120,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—To purchase royalties and mineral deeds, oil and gas. **Office**—740 Wilson Building, Dallas Texas. **Underwriter** Southwestern Securities Co. and Hudson Stayart & Co., Inc., of Dallas, Texas.

Continental Sulphur & Phosphate Co.
March 25 (letter of notification) 145,000 shares of common stock (par 10 cents). **Price**—$1.37½ per share. **Proceeds** — To pay indebtedness and for new construction. **Office**—2010 Tower Petroleum Bldg., Dallas, Tex. **Underwriter** — D. F. Bernheimer & Co., Inc., New York. Letter has been withdrawn.

● County Gas Co. (4/28-5/2)
See New Jersey Natural Gas Co. below.

● Cutter Laboratories, Berkeley, Calif.
April 4 filed 82,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans and for other corporate purposes. **Underwriter**—Blyth & Co., Inc., San Francisco and New York. Statement withdrawn.

Daitch Crystal Dairies, Inc.
Jan. 31 filed 147,000 shares of common stock (par $1), of which 125,000 shares will be offered by company and 22,000 shares by present stockholders. **Price**—To be supplied by amendment. **Proceeds** — To open additional supermarkets. **Underwriter**—Hirsch & Co., New York. **Offering**—Now expected early in May.

★ Dallas Power & Light Co. (5/26)
April 21 filed 100,000 shares of cumulative preferred stock (no par). **Proceeds**—To repay advances from Texas Utilities Co., parent, and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co., Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Lehman Brothers; Union Securities Corp.; Harriman Ripley & Co., Inc.; Equitable Securities Corp. **Bids**—Expected to be received at noon (EDT) on May 26.

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.

Dean Co., Chicago, Ill.
April 10 (letter of notification) 4,000 shares of common stock (par $10). **Price**—$16.50 per share. **Proceeds**—To T. A. Dean, trustee under the will of J. R. Dean. **Office**—666 Lake Shore Drive, Chicago 11, Ill. **Underwriter**—Boettcher & Co., Denver, Colo.

★ Deardorf Oil Corp., Oklahoma City, Okla.
April 14 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For working capital. **Office**—219 Fidelity Bldg., Oklahoma City, Okla. **Underwriter**—None.

Deerpark Packing Co., Port Jervis, N. Y.
March 21 (letter of notification) 235,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay RFC loan of $41,050 and for working capital.

DeKalb-Ogle Telephone Co., Sycamore, Ill.
April 11 (letter of notification) 20,556 shares of common stock. **Price** — $10 per share. **Proceeds** — For general purposes. **Office**—112 West Elm Street, Sycamore, Ill. **Underwriter**—None.

★ Denver Export & Import Corp.
April 18 (letter of notification) 200 shares of common stock (no par). **Price**—$100 per share. **Proceeds**—For working capital. **Office**—2440 Blake St., Denver 2, Colo. **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.

Devil Peak Uranium, Ltd. (Nev.)
April 7 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds** — For rehabilitation and development program. **Office** — Suite 839, 60 East 42nd St., New York 17, N. Y. **Underwriter**—Gardner & Co., White Plains, N. Y.

Diesel Power Corp., Pittsburgh, Pa.
Jan. 10 filed 475,000 shares of common stock being offered first to holders of preferential rights for a period of 30 days from effective date of registration statement. **Price**—At par ($1 per share). **Underwriter**—Graham & Co., Pittsburgh, Pa. **Proceeds**—For development costs and working capital. Statement effective April 2.

★ Dixonville Coal Co. (Pa.)
April 17 (letter of notification) $100,000 of 10-year 7% first mortgage convertible sinking fund bonds due June 1, 1962. **Price**—At 98% of principal amount. **Proceeds**—For improvements. **Underwriter**—Arthur L. Wright & Co., Inc., Philadelphia, Pa.

★ Dumont Electric Corp.
April 17 (letter of notification) 36,000 shares of common stock (par 10 cents). **Price**—$2.75 per share. **Proceeds**—To selling stockholders. **Underwriters**—Aetna Securities Corp., New York. **Offering**—Now being made.

Eastern Stainless Steel Corp., Baltimore, Md.
April 7 (letter of notification) 4,000 shares of common stock (par $5). **Price**—At market (approximately $15 per share). **Proceeds**—To J. M. Curley, the selling stockholder. **Underwriter**—Hornblower & Weeks, New York.

Federal Electric Products Co.
April 10 (letter of notification) 35,000 shares of class A common stock (par $1) to be offered to employees. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—50 Paris Street, Newark 5, N. J. **Underwriter**—None.

Fenimore Iron Mines, Ltd., Toronto, Canada
Jan. 25 filed 4,007,584 shares of common stock (par $1) and 2,003,792 common stock purchase warrants of which 2,003,792 shares are to be offered to present common stockholders at 75 cents per share (Canadian funds) on a basis of one new share for each two shares held. Subscribers will receive, for each share subscribed, a warrant to purchase one additional share at $1.25 (Canadian funds) per share until June 1, 1953, or an additional 2,003,792 shares. Unsubscribed shares will be offered by the company at the same price and carrying the same warrants. **Proceeds**—To finance drilling program. **Underwriter**—None. Statement effective March 10.

★ Firestone Tire & Rubber Co. (5/13)
April 23 filed $75,000,000 25-year debentures due May 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—For plant expansion and working capital. **Underwriter**—Harriman Ripley & Co., Inc., New York.

Flathead Petroleum Co., Monroe, Wash.
March 21 filed 600,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds** — For equipment and drilling purposes. **Underwriter**—None.

★ Food Machinery & Chemical Corp. (5/13)
April 23 filed 300,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriters**—Kidder, Peabody & Co., New York, and Mitchum, Tully & Co., San Francisco, Calif.

Golconda Mines Ltd., Montreal, Canada
April 9 filed 750,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—George F. Breen New York. **Proceeds**—For drilling expenses, repayment of advances and working capital. **Offering**—Date not set.

Great Western Petroleum Co.
Feb. 25 (letter of notification) 299,900 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To drill wells. **Office**—328 Empire Bldg., Denver 2, Colo. **Underwriter**—Steele & Co., New York.

● Gustin-Bacon Manufacturing Co.
March 28 filed 261,900 shares of common stock (par $5), of which 121,300 shares are being offered by the company for subscription by common stockholders of record April 14 on a one-for-five basis (with rights to expire on April 25) and the balance will be sold by certain stockholders. Certain stockholders waived their rights to 68,940 shares, which, together with 140,600 shares were publicly offered on April 18. **Price**—$21.50 per share. **Proceeds**—To repay bank loans and for new equipment. **Underwriter**—Morgan Stanley & Co., New York.

★ Hamilton Land Co., Reno, Nev.
April 14 (letter of notification) 300,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—To acquire ore dumps and for oil leases and royalties. **Office**—139 North Virginia St., Reno, Nev. **Underwriter**—None.

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.

★ Hudson Fund, Inc., New York
April 17 filed 200,000 shares of capital stock (par $1). **Price**—At market. **Proceeds** — For investment. **Underwriter**—Hudson Fund Distributors, Inc., New York.

● Husky Oil Co., Cody, Wyo. (5/1)
March 28 filed 300,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—From sale of this stock, plus $1,050,000 from sale of 100,000 additional shares to Northern Natural Gas Co., to be used for exploration and acquisition of properties and to increase investment in Husky Oil & Refining Ltd., a Canadian subsidiary. **Underwriter** — Blyth & Co., Inc., San Francisco and New York.

★ Idaho Leadville Mines Co.
April 11 (letter of notification) 300,000 shares of common stock (par 5 cents). **Price**—15 cents per share. **Proceeds**—To finance exploration work. **Office**—823 First Ave., Spokane 4, Wash. **Underwriter**—None.

★ Imperial Hardware Co., El Centro, Calif.
April 14 (letter of notification) 2,500 shares of class B stock (par $100), of which 1,600 shares are to be offered in exchange for a like number of common shares held by certain employees, and the remaining 900 shares are to be offered to a select group of employees at $120 per share. **Purpose**—To segregate common stockholders so employees hold restricted class B stock and others unrestricted class A stock. **Underwriter**—None.

Independent Plow, Inc., Neodesha, Kan.
Feb. 15 (letter of notification) 120,000 shares of common stock (par 25 cents) to be first offered to stockholders. **Price**—$2.50 per share. **Proceeds**—For working capital. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Inland Oil Co. (Nev.), Newark, N. J.
Feb. 26 (letter of notification) 599,700 shares of class A common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For drilling and equipping well and for working capital. **Office**—11 Commerce St., Newark, N. J. **Underwriter**—Weber-Millican Co., New York.

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.

★ Island Air Ferries, Inc.
April 18 (letter of notification) 284,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To purchase two transport aircraft and for working capital. **Office**—MacArthur Airport, Bohemia, N. Y. **Underwriter**—Hunter Securities Corp., New York.

Jersey Yukon Mines Ltd., Toronto, Canada
March 20 filed 200,000 shares of common stock (par $1). **Price**—$1 per share (Canadian funds). **Proceeds**—For capital payments on property account and option agreements, purchase of machinery and operating expenses. **Underwriter**—None.

Johnston Adding Machine Co., Carson City, Nev.
March 5 (letter of notification) 150,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—To purchase tools and materials and office equipment. **Underwriter**—None.

Junction City (Kansas) Telephone Co.
Feb. 29 (letter of notification) $294,000 of first mortgage 4½% bonds, series A, due Feb. 1, 1977 (in denominations of $1,000 each). **Proceeds**—To retire bank loans. **Underwriter**—Wachob-Bender Corp., Omaha, Neb.

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. **Underwriter** — Sullivan-Brooks Co., Inc., Wichita, Kan.

★ Kearney (James R.) Corp., St. Louis, Mo.
April 14 (letter of notification) 21,000 shares of common stock (par $5). **Price**—From $10.25 to $10.75 per share. **Proceeds** — For working capital. **Office** — 4236 Clayton Ave., St. Louis 10, Mo. **Underwriter**—Semple, Jacobs & Co., Inc., St. Louis, Mo.

★ Kingsburg Cotton Oil Co.
April 18 (letter of notification) 5,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—To R. W. Fewel, the selling stockholder. **Underwriter**—Fewel & Co., Los Angeles, Calif.

★ Kirby Petroleum Co., Houston, Texas
April 17 (letter of notification) 11,400 shares of preferred stock (par $10). **Price**—At market (not less than $8.50 per share). **Proceeds**—To W. T. Moran, the selling stockholder. **Underwriter**—Harris, Upham & Co., New York.

Kirk Uranium Corp., Denver, Colo.
March 24 (letter of notification) 1,000,000 shares of common stock. **Price** — 30 cents per share. **Proceeds** — For exploration work. **Office** — 405 Interstate Trust Building, Denver, Colo. **Underwriter**—Gardner & Co., White Plains, N. Y.

★ Knox-Arizona Copper Mining Corp.
April 18 (letter of notification) 150,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploring and developing mining claims. **Office**—90 North Church St., Tucson, Ariz. **Underwriter**—None.

Lindemann (A. J.) & Hoverson Co.
Nov. 28 filed 112,500 shares of common stock (par $1). **Price**—To be supplied by amendment. **Underwriter**—Sills, Fairman & Harris, Inc., Chicago, Ill. **Proceeds**—To eight selling stockholders. **Offering**—Date indefinite.

★ Lion Oil Co. (5/13)
April 23 filed 400,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, together with funds from placement of $15,000,000 of debentures with an insurance company, to be used to pay for construction of new plant. **Underwriter**—Blyth & Co., Inc., New York.

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.

● **Lone Star Cement Corp. (4/28-5/2)**
April 3 filed 154,209 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program. **Underwriters**—Hayden, Stone & Co. and Adamex Securities Corp., New York. **Offering**—Expected week of April 28.

★ **Mercast Corp., New York**
April 16 (letter of notification) 13,480 shares of common stock (par 10 cents). **Price**—$5.25 per share. **Proceeds**—To selling stockholders. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—J. R. Williston & Co., New York.
April 18 (letter of notification) 2,000 shares of common stock (par 10 cents). **Price**—$5.25 per share. **Proceeds**—To a selling stockholder. **Underwriter**—J. R. Williston & Co.

Merritt-Chapman & Scott Corp.
March 13 filed 124,147 shares of common stock (par $12.50), being 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 April 28. **Price**—$21 per share. **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. Statement effective April 2.

● **Metal Hydrides, Inc., Beverly, Mass. (4/29)**
March 21 filed 100,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To enlarge research facilities and for new construction. **Underwriter**—D. A. Lomasney & Co., New York.

★ **Michigan Spring Co.**
April 18 (letter of notification) 9,744 shares of common stock. **Price**—$13.50 per share. **Proceeds**—For working capital. **Office**—2700 Wickham Drive, Muskegon, Mich. **Underwriter**—None.

Michigan Steel Casting Co., Detroit, Mich.
March 27 (letter of notification) 40,250 shares of common stock (par $1) to be offered for subscription by stockholders of record March 31. **Price**—$5.25 per share. **Proceeds**—For working capital. **Underwriter**—None.

Mountain States Telephone & Telegraph Co.
March 7 filed 318,624 shares of capital stock, being offered for subscription by stockholders of record March 28 on a 1-for-4 basis; rights expire April 29. **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. Statement effective March 26.

★ **Mutual Investment Fund, Inc., New York**
April 21 filed $1,200,000 periodic payment plan certificates (DM); $3,000,000 periodic payment plan certificates (DMN); and $600,000 single payment plan certificates (DMP). **Managers**—Mutual Management Co., New York.

★ **Nation-Wide Securities Co., Inc., New York**
April 21 filed 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Distributor**—Calvin Bullock, New York.

National Alfalfa Dehydrating & Milling Co.
April 7 filed 69,800 shares of common stock (par $1) to be offered for subscription by preferred and common stockholders in ratio of one new common share for each 10 shares of preferred or common stock held. **Price**—$9 per share. **Proceeds**—To acquire 305,000 shares of National Chlorophyll & Chemical Co. at $2 per share. **Business**—Manufacture and sale of alfalfa meal. Office—Lamar, Colo. **Underwriter—None.**

National Chlorophyll & Chemical Co.
April 7 filed 349,000 shares of common stock (par $1) to be offered for subscription by preferred and common stockholders of National Alfalfa Dehydrating & Milling Co. in ratio of one share of National Chlorophyll common for each two shares of National Alfalfa preferred or common presently held in conjunction with offer by National Alfalfa company of its own stock. National Chlorophyll shares are to be offered for subscription only as part of a unit or package consisting of one National Alfalfa share at $9 per share and five shares of National Chlorophyll stock at $2 per share, or a total price per unit of $19. **Proceeds**—To purchase from National Alfalfa its existing chlorophyll extraction facilities and inventory and for construction of new extracting plant. **Office**—Lamar, Colo. **Underwriter**—None.

★ **National Fuel Gas Co. (5/20)**
April 18 filed $18,000,000 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**—To be opened on May 20.

★ **National Hotel Publishing Co.**
April 18 (letter of notification) 300 shares of 6% preferred stock (par $100) and 1,000 shares of common stock (no par) to be offered in units of 10 shares of preferred and one share of common stock. Of the total common stock, 610 shares are to be issued to Clayton L. Smythe. **Price**—$1,000 per unit. **Office**—179 W. Washington St., Chicago 2, Ill.

Natural Resources of Canada Fund, Inc.
April 11 filed 1,966,383 shares of capital stock (par one cent). **Price**—At market. **Proceeds** — For investment. **Distributors**—Frank L. Valenta & Co., New York.

New England Electric System (5/7)
April 9 filed 920,573 shares of common stock (par $1) to be offered for subscription by common stockholders of record about May 8 at rate of one share for each eight shares held; rights to expire May 26. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—May be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Lehman Brothers (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly). **Bids**—To be received up to noon (EDT) on May 7 at 441 Stuart St., Boston 16, Mass.

New Jersey Bell Telephone Co. (5/6)
April 11 filed $20,000,000 of 32-year debentures due May 1, 1984. **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. **Bids**—To be received up to 11 a.m. (EDT) on May 6.

● **New Jersey Natural Gas Co. (4/28-5/2)**
March 31 filed 106,000 shares of 6% cumulative preferred stock (par $20), 212,000 shares of common stock (par $10) and 106,000 common stock purchase warrants (each warrant entitling holder to purchase one share of common stock) to be offered in units of one share of preferred stock, two shares of common stock and one warrant. **Price** — Probably $50 per unit. **Proceeds**—From sale of stock and private placement of $12,500,000 first mortgage bonds will be used to retire bonds and serial notes and for working capital. **Name**—New Jersey Natural Gas Co. **Underwriter**—Allen & Co., New York.

New Mexico Jockey Club, Albuquerque, N. M.
March 17 filed 1,255 shares of common stock (par $1,000). **Price**—At par. **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. Statement effective April 5.

★ **New York State Electric & Gas Corp. (5/13)**
April 23 filed 300,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriter**—The First Boston Corp., New York.

★ **Northwest Bancorporation, Minneapolis, Minn. (5/5)**
April 16 filed 103,185 shares of convertible preferred stock (par $50) to be offered to common stockholders at rate of one preferred share for each 15 shares held as of May 5; rights to expire on May 20. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriters** — The First Boston Corp. and Blyth & Co., Inc., New York.

★ **Northwest Plastics, Inc., St. Paul, Minn.**
April 18 (letter of notification) 2,100 shares of common stock (par $2.50). **Price**—$8.75 per share. **Proceeds**—To two selling stockholders. **Underwriters**—M. H. Bishop & Co., Minneapolis, Minn., and Irving J. Rice & Co., Inc., St. Paul, Minn.

● **Oil & Gas Property Management, Inc. (4/25)**
April 4 filed $10,000,000 of 4% income debentures due May 1, 1967 and 380,000 shares of common stock (par $1). The debentures and 300,000 shares of stock will be publicly offered in units of $1,000 debentures and 30 shares of stock, remaining 80,000 shares to be sold to one officer and two other companies. **Price**—$1,030 per unit and 80,000 shares at $1 per share. **Proceeds**—For general corporate purposes. **Office**—Dallas, Texas. **Underwriter**—Dominick & Dominick, New York. Statement expected to become effective today (4/24).

● **Pennsylvania Salt Manufacturing Co.**
April 3 filed 155,349 shares of common stock (par $10) being offered for subscription by common stockholders of record April 22 at rate of one new share for each seven shares held; rights to expire on May 8. **Price**—$48.50 per share. **Proceeds** — For expansion program. **Underwriter**—Morgan Stanley & Co., New York.

Petroleum Finance Corp.
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.

● **Pittsburgh Coke & Chemical Co., Pittsburgh, Pa.**
March 28 filed 142,129 shares of common stock (no par) being offered in exchange for 118,441 shares of Great Lakes Steamship Co., Inc., common stock, held by others than Pittsburgh Coke, which owns an additional 61,109 shares. The offer, which is on a 1.20-for-1 basis, will expire on June 4. **Dealer-Manager** — Hemphill, Noyes, Graham Parsons & Co., New York.

Rainbow Oil Ltd. (4/30)
April 10 filed 350,000 shares of capital stock (par $5—Canadian). **Price**—To be supplied by amendment. **Proceeds**—To retire notes and develop oil lands. **Offices**—Calgary, Alberta, Canada, and Cleveland, O. **Underwriters**—Hayden, Stone & Co., New York; and T. H. Jones & Co., Cleveland, Ohio. Part of shares are expected to be offered for sale in Canada.

★ **Republic Supply Co. of California**
April 17 (letter of notification) 750 shares of capital stock (par $10). **Price** — At market (approximately $16.37½ per share). **Proceeds**—To J. J. Pike, the selling stockholder. **Office**—2600 South Eastland Ave., Los Angeles 54, Calif. **Underwriter**—None.

Ridley Mines Holding Co., Grafton, N. D.
Feb. 15 filed 100,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For exploration and other mining purposes. **Business** — Uranium mining. **Underwriter**—None.

Robinson (J. W.) Co., Los Angeles, Calif.
Jan. 4 filed 100,000 shares of capital stock to be offered on a pro rata basis to stockholders of record Nov. 23, 1951 (approximately 33 in number) for a 30-day period, with an oversubscription privilege. Unsubscribed shares to be sold privately to individuals selected by company. **Price**—At par ($10 per share). **Underwriter**—None. **Proceeds** — For working capital. **Business** — Department store. Statement effective Jan. 28.

★ **Royce Chemical Co. (N. J.)**
April 18 (letter of notification) 1,567 shares of capital stock. **Price**—$100 per share. **Proceeds**—For machinery and equipment. **Office**—Carton Hill, N. J. **Underwriter**—None. **Offering**—Expected to be placed privately.

Seattle Gas Co., Seattle, Wash.
March 21 (letter of notification) 10,000 shares of common stock (par $10). **Price**—$13.62½ per share. **Proceeds**—For operating expenses. **Underwriter** — Smith, Polian & Co., Omaha, Neb.

★ **Seneca Shopping Plaza, Inc.**
April 16 (letter of notification) 100,000 shares of capital stock (par $1), of which 50,000 shares are to be offered in payment of site, etc., and balance offered to public. **Price**—$3 per share. **Proceeds**—To purchase plot for erection of a Plaza. **Office**—298 Main St., Buffalo 2, N. Y. **Underwriter**—None.

Signal Mines, Ltd., Toronto, Canada
March 17 filed 600,000 shares of common stock of which 500,000 shares are for account of company. **Price**—At par ($1 per share). **Proceeds**—For exploration and development costs and working capital. **Underwriter**—Northeastern Securities Ltd.

Sonic Research Corp., Boston, Mass.
April 8 (letter of notification) 5,000 shares of common stock (no par). **Price**—$20 per share. **Proceeds**—For working capital. **Office**—15 Chardon St., Boston, Mass. **Underwriter**—F. S. Emery & Co., Inc., Boston, Mass.

● **Sonoco Products Co., Hartsville, S. C. (5/5)**
April 15 filed 150,000 shares of common stock (par $5) to be offered for subscription by stockholders of record March 21 at rate of "slightly in excess of one share for each two shares held"; rights expected to expire on May 15. **Price**—To be supplied by amendment (probably around $16.50 per share). **Proceeds**—For working capital. **Business**—Manufacture and sale of paper carriers, winding cores, and other textile specialties. **Underwriters** — R. S. Dickson & Co., Charlotte, N. C., and G. H. Crawford Co., Inc., Columbia, S. C.

South Carolina Electric & Gas Co.
March 26 filed 417,719 shares of common stock (par $4.50) being first offered for subscription by common stockholders at rate of one share for each five shares held as of April 15; rights to expire on May 1. **Price**—To be supplied by amendment. **Proceeds** — For new construction. **Underwriter**—Kidder, Peabody & Co., New York.

● **South State Uranium Mines, Ltd., Toronto**
April 4 filed (amendment) 384,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Underwriters**—E. L. Aaron & Co. and Empire National Corp., both of New York. Statement effective Aug. 23, 1951.

● **Southern Union Gas Co., Dallas, Tex. (5/6)**
April 8 filed $5,000,000 of sinking fund debentures due 1972 and 30,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For plant expansion. **Underwriter**—Blair, Rollins & Co., Inc., New York.

● **Southern Union Gas Co., Dallas, Tex.**
April 8 filed 166,706 shares of common stock (par $1) to be offered for subscription by common stockholders of record April 24 at rate of one share for each 10 shares then held (with an oversubscription privilege). **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriter**—None.

Southwest Natural Gas Co. (4/29)
March 27 filed 500,000 shares of common stock (par 10 cents), of which 330,000 shares are being sold by the company and 170,000 shares by certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To acquire additional leases and to drill wells. **Business**—Oil and gas. **Underwriters**—W. E. Hutton & Co., Cincinnati, O., and Craigmyle, Pinney & Co., New York.

★ **Spencer Grean Fund, Inc., New York**
April 21 filed 5,000 shares of common stock (par $100). **Price**—At market. **Proceeds** — For investment. **Underwriter**—None.

Standard Coil Products Co., Inc.
March 17 filed 486,858 shares of common stock (par $1), being 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 on or before May 14. **Dealer-Managers**—F. Eberstadt & Co., Inc., and Hirsch & Co., both of New York.

Standard Factors Corp., N. Y.
April 11 (letter of notification) $250,000 of 5% subordinated debentures due Dec. 31, 1957 and 10,000 shares of common stock (par $1) offered initially to stockholders. **Price**—For each $1,000 debenture, $950; and for each common share, $3.50. **Proceeds** — For working capital.

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Office—270 Madison Avenue, New York 16, N. Y. **Underwriter**—None.

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 which 1,500 class A shares and 300 class B shares are to be offered in units of five shares of class A and one of class B at $5,050 per unit (subscribers must surrender $2,500 par value of Standard Veneer & Timber Co. preferred stock in partial payment); 700 class A shares to be offered in exchange for standard common stock on a share for share basis; 1.400 class A shares to be sold to management group of Superior company; and all of 9,000 shares of preferred stock for cash at par or in exchange for standard stock. **Proceeds**—To purchase site for plywood plant, to repay loan and for working capital. **Business**—Operator of green veneer plant. **Underwriter**—None.

★ Television & Radar Corp., L. I. City, N. Y.
April 18 (letter of notification) 300,000 shares of common stock (par 1 cent). **Price**—At market (approximately 55 cents per share. **Proceeds**—For general corporate purposes. **Underwriter**—Tellier & Co.

★ Templeton & Liddell Fund, Inc., Englewood, N. J.
April 17 filed 20,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ Texas Co.
April 18 filed $30,510,000 of participations under the Employees Savings Plan together with 526,034 shares of capital stock (par $25) which may be required by the Trustee under the Plan.

Texas Electric Service Co., Ft. Worth, Tex. (5/6)
March 26 filed $8,000,000 of first mortgage bonds due 1982 and $5,000,000 of sinking fund debentures due 1971. **Proceeds** — To repay short-term borowings and for new construction. **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. **Bids**—Expected to be received at 11:30 a.m. (EDT) on May 6.

Torrington Water Co., Torrington, Conn.
March 18 (letter of notification) 3,174 shares of capital stock (par $25). **Price**—At approximately $27 per share. **Proceeds**—To Muriel Alvord, et al. **Underwriter**—Wood, Struthers & Co., New York.

Transgulf Corp., Houston, Tex.
April 10 (letter of notification) 23,000 shares of capital stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—1 Main St., Houston, Tex. **Underwriter**—Gearhart, Kinnard & Otis, Inc., New York.

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**—None. Statement effective March 25.

Union Electric Co. of Missouri (4/29)
March 27 filed $30,000,000 of first mortgage and collateral trust bonds, due 1982. **Proceeds**—To retire promissory notes and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston.; Lehman Brothers; Kuhn, Loeb & Co. and Harriman Ripley & Co. Inc. (jointly); White, Weld & Co. and Shields & Co. (jointly); Dillon, Read & Co. Inc.; Blyth & Co., Inc. and Union Securities Corp. (jointly). **Bids**—To be received up to noon (EDT) on April 29 at company's office, 60 Broadway, New York 4, N. Y.

★ Union Oil Co. of California (5/7)
April 17 filed $35,000,000 of convertible debentures due 1972. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Dillon, Read & Co. Inc., New York.

U. S. Manganese Corp., Phoenix, Ariz.
April 1 (letter of notification) 17,500 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To Greenfield & Co., et al. **Office**—610 Heard Bldg., Phoenix, Ariz. **Underwriter**—None, but Greenfield & Co. will act as broker.

★ Utah Home Fire Insurance Co.
April 15 (letter of notification) 10,000 shares of common stock (par $10) to be offered first to common stockholders for subscription. **Price**—$20 per share to stockholders; approximately $25.75 per share to public. **Proceeds**—To enlarge company's operations as an insurance carrier. **Office**—47 West South Temple, Salt Lake City 1, Utah.

Victoreen Instrument Co., Cleveland, Ohio
March 28 filed 90,000 shares of common stock (par $1), of which 60,000 shares will be publicly offered and 30,000 shares to three non-selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Underwriters**—Barrett Herrick & Co., Inc., New York, and A. H. Vogel & Co., Detroit, Mich.

★ Warsaw (Ind.) Trucking Co., Inc.
April 16 (letter of notification) 2,000 shares of 4% cumulative preferred stock to be sold to employees. **Price**—At par ($25 per share). **Proceeds** — To purchase new equipment. **Address**—R. R. No. 5, Warsaw, Ind. **Underwriter**—None.

★ Washington Oil Corp., Aberdeen, Wash.
April 15 (letter of notification) 1,975 shares of common stock. **Price** — At par ($100 per share). **Proceeds**—For moving oil drilling rig and equipment. **Office**—535 Finch Bldg., Aberdeen, Wash. **Underwriter**—None.

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 Ohio Gas Co., Lima, Ohio
March 25 (letter of notification) 19,753 shares of common stock (par $5) being offered for subscription by common stockholders of record April 1 at rate of one new share for each 16 shares held; rights expire May 5. **Price**—$11.50 per share. **Proceeds**—For general corporate purposes. **Office**—319 West Market St., Lima, Ohio. **Underwriter**—None.

West Penn Power Co., Pittsburgh, Pa.
Feb. 28 filed 221,786 shares of no par common stock of which 11,898 shares are offered for subscription by stockholders (other than West Penn Electric Co.) of record April 4, at rate of one share for each 14 shares held; rights to expire on April 28. **Price**—$37 per share. **Proceeds**—To pay bank loans and for property additions and improvements. **Underwriters** — None. West Penn Electric Co., owner of approximately 94.6% of outstanding common stock, proposes to purchase all shares not subscribed by public holders. Statement effective Mar. 21.

● Wisconsin Electric Power Co. (5/5)
April 9 filed $12,500,000 of first mortgage bonds due 1982. **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). **Offering**—Expected in May.

Wisconsin Electric Power Co.
April 9 filed 702,486 shares of common stock (par $10) to be offered for subscription by common stockholders at rate of one share for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—None.

Worcester County Electric Co. (5/13)
April 15 filed $4,000,00 first mortgage bonds, series C, due 1982. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable underwriters: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); The First Boston Corp.; Merrill Lynch, Pierce Fenner & Beane. **Bids**—Expected to be received up to noon (EDT) on May 13 at 441 Stuart Street, Boston 16, Mass.

Zeigler Coal & Coke Co., Chicago, Ill.
March 27 filed 66,125 shares of common stock, to be offered for subscription by common stockholders at rate of one new share for each five shares held. **Price**—At par ($10 per share). **Proceeds**—To repay bank loans. **Business**—Owner and lessor of coal properties. **Office**—21 E. Van Buren St., Chicago 5, Ill. **Underwirter**—None. Statement effective April 16.

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.

● American Telephone & Telegraph Co.
April 16 stockholders approved 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.

Arkansas Power & Light Co.
March 14 it was reported company plans sale in October of $12,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp., and Central Republic Co. (Inc.) (jointly); Lehman Brothers and Stone & Webster Securities Corp. (jointly); Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.

Atlantic Refining Co.
March 21, Robert H. Colley, President, said in the company's annual report that "the time may be coming when additional financing will be required to supplement retained earnings available for capital expenditures." The amount and timing of such financing cannot be presently announced. **Traditional Underwriter**—Smith, Barney & Co., New York.

Bell Telephone Co. of Pennsylvania
Jan. 2 it was announced that company's construction program for next three years calls for the expenditure of $247,000,000 of which about $81,700,000 will be spent in 1952. **Underwriters**—For bonds to be decided by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Lazard Freres & Co. (jointly); Morgan Stanley & Co.; White, Weld & Co. and Union Securities Corp. (jointly); The First Boston Corp.

Boston Edison Co.
March 28 it was announced company plans to spend $56,000,000 in 1952, 1953 and 1954 for construction program, of which $32,000,000 would have to be raised from sale of securities. It is also expected to fund bank loans which will total $8,500,000 by June 30. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Goldman, Sachs & Co. (jointly); Lehman Brothers; The First Boston Corp.; Harriman Ripley & Co., Inc.

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.

Central Hudson Gas & Electric Corp.
March 25 stockholders voted to increase 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, St. Paul, Minneapolis & Omaha Ry. (5/7)
Bids will be received by the company up to noon (CDT) on May 7 for the purchase from it of $990,000 equipment trust certificates to be dated June 1, 1952, and to mature annually from June 1, 1953 to 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co.

● Chicago & Western Indiana RR. (5/8)
April 5, the ICC approved issuance of $64,239,000 of general and collateral trust mortgage bonds due May 1, 1982; without competitive bidding. **Proceeds**—To pay at maturity $49,988,000 of 4% non-callable consolidated first mortgage bonds due July 1, 1952, and to retire outstanding $11,739,000 first and ref. mtge. bonds and the remainder used for capital improvements. **Underwriters**—The First Boston Corp. and Halsey, Stuart & Co. Inc.

★ Citizens Utilities Co.
April 14 it was announced stockholders will vote May 13 on increasing authorized common stock from 400,000 shares (par $1) to 2,000,000 shares (par 33⅓ cents) in order to provide for a 3-for-1 split-up of the present outstanding 283,729 shares of common stock and to permit the company to take advantage of any opportunities which may develop for property acquisitions requiring the issuance of common shares. **Traditional Underwriter**—Lee Higginson Corp., New York.

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.

● Consolidated Natural Gas Co.
April 18 company applied to SEC for approval of certain charter amendments to be voted upon by stockholders May 20, providing for an increase of authorized capital stock from 3,274,031 shares to 3,683,285 shares. It is

planned to offer the additional 409,254 shares for subscription by stockholders at rate of one new share for each eight shares held. **Price**—To be filed by amendment. **Proceeds** — To purchase securities of operating subsidiaries, which will use the funds for construction and other purposes. **Underwriter**—None.

Cooper-Bessemer Corp.
March 22 it was announced stockholders will vote April 28 on increasing authorized common stock (par $5) from 500,000 shares (476,578 shares outstanding) to 1,000,000 shares to take care of future stock dividends and provide additional stock for future financing of the corporation's expansion program. No plan involving the issuing of any additional common shares is presently being considered by the directors.

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.
April 22 stockholders approved a proposal to increase the authorized common stock from 3,000,000 shares to 3,500,000. It is planned to issue and sell $12,000,000 of securities and use the proceeds to retire $4,000,000 bank loans, $3,000,000 for investment in Canadian subsidiary and the balance for expansion program and working capital. **Underwriters** — Morgan Stanley & Co. and Clark, Dodge & Co., New York.

★ Creameries of America, Inc.
April 14, G. S. McKenzie, President, stated that the company may do some long-term borrowing in about two months to finance expansion program. **Traditional Underwriters** — Kidder, Peabody & Co. and Mitchum, Tully & Co.

Crown Cork & Seal Co., Inc.
April 8 it was announced stockholders will vote April 24 on increasing authorized common stock from 1,300,000 shares to 2,000,000 shares. There are no plans to sell any additional shares at this time.

★ Davison Chemical Corp.
April 17 stockholders approved creation of an authorized issue of 300,000 shares of preferred stock (par $50), of which it is proposed to initially offer and issue to common stockholders 128,533 shares (to be convertible into common stock) on the basis of one preferred share for each five common shares held. **Price**—To be announced later. **Proceeds**—From sale of stock, plus funds to be received from insurance company on a $15,000,000 long-term loan to mature May 1, 1967, for refunding of $4,300,000 outstanding 3½% notes and for expansion program. **Underwriters**—Alex. Brown & Sons, Baltimore, Md., and Kidder, Peabody & Co., New York.

★ Denver & Rio Grande Western RR. (5/1)
Bids will be received by the company up to 1 p.m. (CDT) on May 1 for the purchase from it of $4,440,000 equipment trust certificates, series R, to be dated June 1, 1952, and to mature semi-annually to and including June 1, 1967. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co.

Drewrys Ltd., U. S. A., Inc.
April 4 it was reported company may later this month consider possible financing. **Underwriters**—Probably A. C. Allyn & Co., Inc., Chicago, and Bear, Stearns & Co., New York.

El Paso Electric Co. (Texas)
April 4 company applied to the FPC for authority to issue up to $2,500,000 in unsecured promissory notes to mature not later than Dec. 31, 1953. Proceeds would be applied to construction program pending a permanent financing program planned in 1953.

★ Empire District Electric Co.
April 8 stockholders increased authorized common stock from $550,000 shares to 750,000 shares and voted to change the limitation of the unsecured indebtedness from 10% to 20%. New financing may be necessary in connection with the company's plans to spend in the next three years about $14,000,000 for new facilities. **Underwriters** — Probably The First Boston Corp.; G. H. Walker & Co.

Elliott Co.
April 11 it was announced stockholders will vote May 8 on creating an issue of 130,000 shares of 5% convertible preferred stock (par $50) of which 120,000 shares would be initially offered. **Underwriter** — F. Eberstadt & Co., Inc., New York.

First National Bank of Portland (4/30)
March 10 stockholders approved sale of 200,000 additional shares of common stock (par $12.50) to common stockholders of record April 30 at rate of one new share for each five shares held; rights to expire on May 29. Unsubscribed shares would be purchased by Transamerica Corp., which owns a controlling stock interest in the bank. **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Florida Power Corp.
Jan. 11 it was announced that additional financing will be necessary to complete the company's construction program which is expected to cost about $28,000,000 and it is contemplated that 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.
April 16 it was announced stockholders will vote May 12 on approving the creation of an issue of up to 350,000 shares of preferred stock (par $100), to be sold from time to time to finance the company's construction program. **Traditional Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

Fort Worth & Denver City Ry.
March 25 it was announced stockholders will vote May 27 on approving issuance of $17,000,000 of 30-year first mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Salomon Bros. & Hutzler.

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 Precision Equipment Corp.
March 31 it was announced stockholders will vote April 22 on increasing authorized common stock from 1,000,000 shares to 1,500,000 shares and authorized preferred stock (par $100) from 120,000 shares to 150,000 shares. Of the increase, it is reported company is considering issuance of 10,000 preferred shares and 45,000 common shares in exchange for stock of another company.

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 rejected a 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.

Glass Fibres, Inc.
April 7 stockholders voted to increase authorized common stock from 1,000,000 shares (approximately 938,000 shares outstanding) to 1,250,000 shares to provide additional stock for future expansion needs. **Traditional Underwriter**—McCormick & Co., Chicago, Ill.

Globe-Wernicke Co.
March 26 stockholders increased authorized common stock from 300,000 shares (par $5) to 600,000 shares (par $7), placing the company in a position to consider from time to time stock dividends and the giving of stock rights or warrants to present stockholders. **Underwriters**—May include Westheimer & Co., Cincinnati, O. Previous public financing handled by W. E. Hutton & Co. and W. D. Gradison & Co., also of Cincinnati.

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.

Idaho Power Co.
Feb. 27 T. E. Roach, President, announced that the company's present plans consist of the sale this summer of about 225,000 additional shares of common stock (par $20), but no preferred stock. **Price**—At a minimum of $35 per share net to company. **Underwriters** — Latest common stock financing in April, 1949, was handled by Blyth & Co., Inc.; Lazard Freres & Co.; and Wegener & Daly Corp. **Proceeds**—To repay bank loans and for construction program.

Illinois Bell Telephone Co. (7/1)
April 9 it was announced company intends to offer 682,454 shares of its common stock to shareholders for subscription on or before July 1, 1952. **Price**—At par ($100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co. (owner of 99.31% of Illinois Bell stock). **Underwriter**—None.

● Illinois Central RR.
April 9 ICC authorized company to issue and sell $25,000,000 4¼% consolidated mortgage bonds, series D, due 1982, without competitive bidding. **Proceeds**—To meet 1952-1955 bond maturities and to replace depleted working capital. It is expected the bonds will be placed privately.

★ Illinois Central RR.
April 10 it was announced stockholders will vote May 21 on increasing the authorized common stock from 1,390,511 shares (par $100) to 3,500,000 shares (no par) in order to facilitate possible future financing by means of convertible debentures.

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.

● Iowa Power & Light Co. (5/14)
April 18 company sought FPC permission to issue approximately 227,000 shares of common stock (par $10) to stockholders of record about May 14 at rate of one share for each seven shares held; rights to expire May 28. **Registration**—Tentatively scheduled for April 25. **Underwriter**—Smith, Barney & Co., New York.

● Iowa Power & Light Co. (5/21)
April 18 company asked FPC for authority to issue $10,000,000 of first mortgage bonds due 1982. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; W. C. Langley & Co., Union Securities Corp. and Glore, Forgan & Co. (jointly); Smith, Barney & Co.; Lehman Brothers; White, Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co. **Bids**—Expected to be received on May 21.

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. (6/10)
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. **Registration**—Expected on April 30. **Bids**—Tentatively expected on bonds up to noon and on stock up to 10:30 a.m. (EST) on June 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).

★ Lone Star Gas Co.
April 1 the FPC authorized the company to acquire additional properties at a cost of $5,598,129 and to build an additional 69.5 miles of transmission line at a cost of $4,010,200. It is also planned to spend about $31,000,000 in 1952 for additions to plant. Previous financing was done privately.

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.

★ Maracaibo Oil Exploration Corp.
April 12 it was announced stockholders will vote May 5 on increasing the authorized capital stock from 500,000 to 600,000 shares. No financing presently planned. No underwriting was involved in offer to common stockholders last October.

McCarthy (Glenn H.), Inc., Houston, Tex.
March 18 it was reported early registration is expected of 10,000,000 shares of common stock. **Price**—To be supplied by amendment (probably at $2 per share). **Underwriter**—B. V. Christie & Co., Houston, Texas.

Metals & Chemicals Corp., Dallas, Tex. (5/15)
March 24 it was reported company plans registration of 162,500 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected at $3 per share). **Proceeds**—For new mill and equipment and working capital. **Underwriter** — Beer & Co., Dallas, Texas.

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.

Minabi Exploration Co., Houston, Tex.
March 21 it was reported early registration is expected of 125,000 shares of common stock. **Proceeds**—To go to certain selling stockholders. **Underwriter** — Moroney, Beissner & Co., Houston, Tex.

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Mississippi Power & Light Co.
March 14 it was reported company plans to issue and sell in November an issue of $8,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probably bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); Equitable Securities Corp. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.

National Gypsum Co.
March 25 stockholders voted 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 Supply Co.
April 2 stockholders voted to increase the 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 Power & Light Co.
April 8 it was reported company plans tentatively to issue and sell $3,200,000 of bonds, $1,000,000 of preferred stock and $400,000 of common stock (latter to be sold to General Public Utilities Corp., parent). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); Kidder, Peabody & Co.; Smith, Barney & Co.; Union Securities Corp.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler.

Niagara Mohawk Power Corp.
March 22 it was announced stockholders will vote on May 6 to increase authorized common stock by 1,500,000 shares (11,094,663 shares presently outstanding). This would place company in a flexible position with respect to formulation of future finance programs. **Underwriters**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

Northern Indiana Public Service Co.
March 14, Indiana P. S. Commission authorized the company 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.)**
April 17 it was reported company plans to issue and sell about May 15 $21,500,000 of first mortgage bonds due 1982 and about 1,100,000 shares of common stock (the latter first to stockholders on a 1-for-10 basis). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders for stock and bonds, Smith, Barney & Co., The First Boston Corp., Glore, Forgan & Co., Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp., Union Securities Corp., Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). Probable bidder on bonds only, Halsey, Stuart & Co. Inc.

Northwest Natural Gas Co.
Jan. 7 company filed amended application with FPC in connection with its plan to build a natural gas transmission system in the Pacific Northwest to transport gas from Canada to markets in Idaho, Washington and Oregon, with a portion to be returned to Canada for use in British Columbia. The estimated overall cost of the project is approximately $92,000,000. **Underwriter**—Morgan Stanley & Co., New York. **Financing**—Not expected until after Provincial elections in April.

★ **Oklahoma Natural Gas Co.**
April 14 it was reported company plans sale of preferred stock (par $50). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Kuhn, Loeb & Co., Harriman Ripley & Co. Inc. and Lehman Brothers (jointly); Stone & Webster Securities Corp.; Shields & Co.

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.

Permian Basin Pipeline Co., Chicago, Ill.
April 1 company applied to FPC for authority to construct a 384-mile pipeline system from west Texas and eastern New Mexico to the Panhandle area of Texas at an estimated cost of $58,180,000. Probable underwriters for convertible notes and stock; Stone & Webster Securities Corp.; and Glore, Forgan & Co., both of New York.

Philco Corp.
March 31 it was announced that stockholders will vote June 6 on authorizing an increase in indebtedness to $25,000,000, the funds to be used for capital expenditures. **Traditional Underwriter** — Smith, Barney & Co., New York.

● **Potomac Electric Power Co.**
April 16, R. R. Dunn, President, announced company plans to raise about $40,000,000 of new money in connection with its $62,000,000 construction program in the years 1952, 1953 and 1954. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Stone & Webster Securities Corp. and Union Securities Corp. (jointly); First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co. and Blyth & Co. Inc. (jointly); Dillon, Read & Co. Inc.; Harriman Ripley & Co., Inc.

● **Pressed Steel Car Co., Inc.**
April 17 stockholders approved a proposal to increase 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 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).

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 Colorado Power Co.
April 4 it was announced stockholders will on May 9 vote on increasing the authorized common stock from 750,000 shares (no par) to 1,000,000 shares (par $7.50). Common stock financing in 1951 was not underwritten.

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.

Tennessee Gas Transmission Co.
March 28 stockholders approved an increase in authorized preferred stock from 600,000 shares (all issued) to 1,000,000 shares to provide for future financing. It is planned to issue and sell in June 100,000 of the new preferred shares and 250,000 shares of common stock. **Proceeds**—For 1952 expansion program estimated to cost about $59,000,000. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., New York.

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).

Transcontinental Gas Pipe Line Corp.
March 14 it was reported company plans issuance and sale this Fall of an issue of convertible preferred stock. **Underwriters**—Probably White, Weld & Co. and Stone & Webster Securities Corp., New York.

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.

Utah Power & Light Co.
March 7 SEC authorized company to borrow up to $10,000,000 from banks and use the money for new construction. It is intended to repay the bank loans from the proceeds of permanent financing in the fall. **Underwriters**—May be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler; Kidder, Peabody & Co. (2) For common stock—Blyth & Co., Inc., W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; The First Boston Corp. **Registration**—Of stock, probably in August, and of bonds in September.

Virginia Electric & Power Co.
Dec. 12 it was announced that company expects to spend $40,000,000 or more for new construction in 1952, of which about $30,000,000 may be raised through new financing. On Feb. 15 it was reported directors have approved plans to issue and sell in June approximately 495,000 shares of common stock (first to stockholders). A bond sale is expected in the fall. **Underwriters**—For stock, probably Stone & Webster Securities Corp. For bonds, to be determined by competitive bidding, with the following probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Salomon Bros. & Hutzler; Stone & Webster Securities Corp.; White, Weld & Co.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly).

Washington Gas Light Co.
Jan. 12 reported that company is considering plans to raise about $4,500,000 from the sale of additional common stock to its stockholders (there are presently outstanding 734,400 shares). **Underwriters**—The First Boston Corp. and Johnston, Lemon & Co. handled the offering last year to stockholders. **Proceeds**—Together with bank loans and other funds to take care of proposed $6,000,000 expansion program.

Washington Water Power Co.
Jan. 9 company applied to the SEC for authority to make bank borrowings of $40,000,000, the proceeds to be used to finance contemporarily, in part, the company's construction program. Permanent financing expected later this year. Probable bidders: (1) For stock or bonds: Blyth & Co., Inc.; Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); (2) for bonds only: Halsey, Stuart & Co. Inc.

Western Light & Telephone Co., Inc.
April 11 stockholders increased authorized common stock from 400,000 to 500,000 shares, the additional shares to be issued as funds are needed for new construction. **Dealer-Managers**—Harris, Hall & Co. (Inc.), Chicago, Ill., and The First Trust Co. of Lincloln, Neb.

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The Moscow Conference: A Continuing Threat

to the proceedings. The martyrdom device was used, with stories of FBI terrorism against those citizens wishing to attend. The news story from the U. S. of State Department intention to revoke some Americans' passports, was exploited to the fullest by all, ranging from high Soviet Government official to interpreter-escort, for chiding non-Communist Americans (without cognizance, of course, of the counterpart in many years of Moscow's policy). Then too, Secretary Acheson's critical attitude (with misrepresentation) incurred the criticism of a stay-away "I won't play" attitude (likened to the Gromyko walk out of the UN Security Council), with American "orneriness" again proving her desire for war.

Our Policy Commended

Nevertheless, my observations at the Conference convince me that our government and industrial leaders in discouraging attendance in delegate capacity, chose the better of two unsatisfactory alternate policies. Granted that intelligent and representative industrialists could have taken care of themselves in debate as well as business negotiations, and that they would have remained invulnerable to the propaganda - via - trade blandishments; the point is that the discussion and the entire "economic" agenda took place in the framework of a complete vacuum of unrealism, in completely disregarding the crucial political exigencies. Our authoritative businessmen there would have been experts in a relatively narrow field isolated from the major relevant factors, namely the pressing political ones, which were kept unmentioned.

The proceedings clearly revealed that remonstrations by any of our business leaders there would have been completely snowed under by the avalanche of peace offensive verbiage issuing from the 400-plus followers - of - the - faith. The seemingly innocuous and high-sounding resolutions would have been perverted to exploit good names. (One of the big feathers in the Conference's managers' cap was the lauding of a British Lord — displayed to the utmost.) And the difficulties of representative delegates would have been vastly increased by the make-up of the balance of our "delegation" — a combination of businessmen invited via the Conference authorities' nationally-designated "screener," of self-invited interested individuals, and labor-union representatives.

Consistent With French Attitude

In checking in Paris after the Conference as to the French Government's attitude, this correspondent learned that it was in major agreement with ours. He was told of the significance attached to the results of the attendance of French doctors at a Moscow medical conference three years ago, where French anti-Communist scientists were subjected to considerable embarrassment through devious tieing-in of innocent-sounding resolutions with politically - slanted motivations.

Weinstein Sells Great Basin Oil Common Stk.

The recent offering of 500,000 shares of Great Basin Oil & Leasing Co. common stock (par one cent) at 10 cents per share has been completed. Chas. Weinstein & Co., members of the New York Curb Exchange, and of the NASD, announced on April 18 that all of these shares have been publicly sold.

The proceeds from the sale of the stock are to be used to purchase and acquire oil royalties, and to pay rentals on oil and gas leases.

With W. E. Wardwell Co.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass. — Harry Tripp is with W. E. Wardwell & Co., 390 Main Street. He was formerly with Trusteed Funds, Inc.

Shearson, Hammill Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Munro J. Silver is with Shearson, Hammill & Co., 520 South Grand Ave.

MEETING NOTICES

NORFOLK AND WESTERN RAILWAY COMPANY

Roanoke, Virginia, April 7, 1952.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Norfolk and Western Railway Company will be held, pursuant to the By-laws, at the principal office of the Company in Roanoke, Virginia, on Thursday, May 8, 1952, at 10 o'clock A. M., **to elect four Directors** for a term of three years.

Stockholders of record at the close of business April 18, 1952, will be entitled to vote at such meeting.

By order of the Board of Directors,
L. W. COX, Secretary.

Allied Chemical & Dye Corporation

61 Broadway, New York 6, N. Y.

NOTICE OF ANNUAL MEETING

To the Stockholders:

The Annual Meeting of the Stockholders of Allied Chemical & Dye Corporation will be held at the principal office of the Corporation, No. 61 Broadway, Manhattan Borough, New York City, at 1 P.M. (Daylight Saving Time), on Monday, April 28, 1952, for the purpose of electing directors for the ensuing year and for the transaction of such other business as may properly come before the meeting.

Stockholders of record as of the close of business March 20, 1952, will be entitled to vote at this meeting. The transfer books will not be closed.

W. C. KING, *Secretary*

Dated, March 20, 1952.

The New York Central Railroad Company

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Albany, N. Y., March 25, 1952.

The Annual Meeting of the Stockholders of The New York Central Railroad Company, for the election of Directors and of three Inspectors of Election and the transaction of such other business as may be lawfully brought before the meeting, will be held in the Ball Room of the Hotel Ten Eyck, 87 State Street, in the City of Albany, N. Y., on Wednesday, May 28, 1952, at 12:00 o'clock Noon, Eastern Daylight Saving Time.

One of the purposes of said meeting is considering, and acting upon the adoption of, a joint agreement for the merger into said Company of West Shore Railroad Company, New Jersey Junction Railroad Company, New York and Fort Lee Railroad Company, The Wallkill Valley Railroad Company, The Toledo and Ohio Central Railway Company, The Lake Erie, Alliance & Wheeling Railroad Company and The Federal Valley Railroad Company, upon the terms and conditions set forth in said agreement, and taking such other action as may be appropriate incident to such merger.

Stockholders of record at 3:00 o'clock P.M. on April 25, 1952, will be entitled to vote at such meeting.

By order of the Board of Directors.
JOSEPH M. O'MAHONEY, Secretary.

DIVIDEND NOTICE

American INVESTMENT COMPANY OF ILLINOIS

86TH CONSECUTIVE DIVIDEND ON COMMON STOCK

The Board of Directors declared a regular quarterly dividend on the Common Stock of 40 cents per share, payable June 1, 1952, to stockholders of record May 16, 1952.

D. L. BARNES, JR.
Treasurer

April 21, 1952

Financing the Consumer through nation-wide subsidiaries—principally:

Public Loan Corporation
Domestic Finance Corporation
Loan Service Corporation
Ohio Finance Company
General Public Loan Corporation

DIVIDEND NOTICES

GAMEWELL

At a meeting of the Board of Directors of The Gamewell Company held on April 18, 1952, the following dividends were voted: 25c per share payable May 15, 1952 to stockholders of record at the close of business May 5, 1952. A year end dividend of 25c per share payable May 15, 1952 to stockholders of record at the close of business May 5, 1952.

W. C. BECK, Treasurer.

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company have declared quarterly dividend No. 135 of one dollar and seventy-five cents ($1.75) per share on the preferred stock payable June 2, 1952, to stockholders of record at the close of business on May 5, 1952.

GERARD J. EGER, Secretary

IMPERIAL OIL LIMITED NOTICE TO SHAREHOLDERS AND HOLDERS OF SHARE WARRANTS

A dividend of 35¢ per share in Canadian funds has been declared on the outstanding shares of Imperial Oil Limited payable June 2, 1952. Registered shareholders of record May 1, 1952, will receive dividends by cheque. Dividends in respect of share warrants will be paid on or after June 2, 1952, by The Royal Bank of Canada on presentation of coupon number 79.

Transfer books will not be closed.

By Order of the Board.
COLIN D. CRICHTON
April 17, 1952 *General Secretary.*

Hooker Electrochemical Company

$4.25 Cumulative Preferred Stock Dividend

The Board of Directors of Hooker Electrochemical Company on April 17, 1952 declared a quarterly dividend of $1.0625 per share on its $4.25 Cumulative Preferred Stock, payable June 27, 1952 to stockholders of record as of the close of business June 3, 1952.

Common Stock Dividend

The Board of Directors of Hooker Electrochemical Company on April 17, 1952 declared a quarterly dividend of Fifty Cents ($.50) per share on its Common Stock, payable May 28, 1952 to stockholders of record as of the close of business May 2, 1952.

ANSLEY WILCOX, 2nd
Secretary

HOOKER CHEMICALS

DIVIDEND NOTICES

UGI

A quarterly dividend of 35c per share on the Capital Stock, par value $13.50 per share, has been declared, payable June 28, 1952, to stockholders of record May 29, 1952.

THE UNITED GAS IMPROVEMENT CO.

JOHNS HOPKINS, Treasurer

April 22, 1952 Philadelphia, Pa.

LION OIL COMPANY

LION

A regular quarterly dividend of 50¢ per share has been declared on the Capital Stock of this Company, payable May 29, 1952, to stockholders of record May 5, 1952. The stock transfer books will remain open.

E. W. ATKINSON, *Treasurer*

April 16, 1952.

DIVIDEND NOTICE

SKELLY OIL COMPANY

The Board of Directors has today declared a quarterly cash dividend of 75 cents per share on the common stock of this Company, payable June 5, 1952, to stockholders of record at close of business April 29, 1952.

C. L. SWIM,
Secretary

April 8, 1952

THE SOUTHERN COMPANY

(INCORPORATED)

Directors of The Southern Company, at a meeting held on April 22, 1952, declared a quarterly dividend of 20 cents per share on the outstanding shares of common stock of the Company, payable on June 6, 1952 to holders of record at the close of business on May 5, 1952.

L. H. JAEGER, *Treasurer*

Atlanta, Georgia

NAUMKEAG

Steam Cotton Company

SALEM, MASSACHUSETTS

DIVIDEND No. 236

April 23, 1952

The Board of Directors of Naumkeag Steam Cotton Company at a meeting held on April 23, 1952 declared a dividend of Twenty-Five Cents (.25) a share payable on May 23, 1952 to holders of record at the close of business May 13, 1952. Old Colony Trust Company, of Boston, will mail checks.

RUDOLPH C. DICK
President and Treasurer

PEQUOT SHEETS & PILLOW CASES
pay daily dividends of luxurious and restful sleep.

"The Nation Sleeps on PEQUOT SHEETS"

CITIES SERVICE COMPANY

Dividend Notice

The Board of Directors of Cities Service Company has declared a regular quarterly dividend of one dollar ($1.00) per share on its $10 par value Common stock, payable June 9, 1952, to stockholders of record as of the close of business May 16, 1952.

W. ALTON JONES, *President*

DIVIDEND NOTICES

WEST INDIES SUGAR CORPORATION

60 E. 42nd Street, New York 17, N. Y.

COMMON DIVIDEND No. 27

The Board of Directors has this day declared a quarterly dividend of seventy-five cents (75¢) per share, payable on June 16, 1952 to stockholders of record, May 29, 1952.

CHARLES D. BROWN, JR., *Secretary*

April 22, 1952

UNITED STATES LINES COMPANY

Common Stock DIVIDEND

The Board of Directors has authorized the payment of a quarterly dividend of fifty cents ($.50) per share payable June 6, 1952, to holders of Common Stock of record May 23, 1952, who on that date hold regularly issued Common Stock ($1.00 par) of this Company.

CHAS. F. BRADLEY, *Secretary*

One Broadway, New York 4, N. Y.

Common and Preferred DIVIDEND NOTICE

Shreveport, La.
April 22, 1952

The Board of Directors of the Company has declared regular quarterly dividends of 25 cents per share on the common stock and $1.125 per share on the 4.5% convertible preferred stock of the company, both payable on June 2, 1952, to stockholders of record at the close of business May 1, 1952.

Secretary

TEXAS EASTERN *Transmission Corporation*

Southern California Edison Company

DIVIDENDS

CUMULATIVE PREFERRED STOCK 4.08% SERIES DIVIDEND NO. 9

CUMULATIVE PREFERRED STOCK 4.88% SERIES DIVIDEND NO. 18

The Board of Directors has authorized the payment of the following quarterly dividends:

25½ cents per share on the Cumulative Preferred Stock, 4.08% Series;

30½ cents per share on the Cumulative Preferred Stock, 4.88% Series.

The above dividends are payable May 31, 1952, to stockholders of record May 5, 1952. *Checks will be mailed from the Company's office in Los Angeles, May 31, 1952.*

P. C. HALE, *Treasurer*

April 18, 1952

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Enter Richard B. Russell, United States Senator from Georgia, tall, light, and not too handsome. Pretty soon a bunch of political dopesters are going to wake up to the fact that a series of entirely freak political accidents have concatenated to make Russell (as of this moment, at any rate) a pretty live possibility for the Democratic nomination for President.

People who haven't sat down long enough to figure out what has been happening have been inclined to pass by Russell. He was the candidate of the States Righters to lead the revolt and depose Truman, and there isn't anything to revolt about any more. He is one of those "reactionary Southern conservatives" who couldn't possibly by any remote stretch of imagination get the Democratic nomination, and so on.

What has happened to the Russell situation, the sum total of what has been happening, is so funny that no political Rube Goldberg would have been, a few months ago, crazy enough to figure it out.

For four years the States Righters—ever since the 1948 campaign—have been mobilizing the leading men of the South, much of its money, and have invested an incredible effort in political manpower, to pave the way for the anticipated revolt of 1952, November.

The idea was that if Truman were to run for a third term, and until recently most people expected it, they would, after the Truman renomination, set up their third party "Southern Democratic" ticket. This ticket was to swipe as many Southern electoral votes as possible from the Truman column so that if the Republican candidate had a close squeeze in the North, the election would be thrown into the House. This would happen if no candidate had an electoral majority.

Few people had any serious illusions that the House would pick the "Southern Democratic" candidate, if the decision were thrown into the House, to be President of the U. S. Most likely it would go to the GOP nominee (assuming it wasn't Eisenhower, for the revolution was to be called off if Eisenhower were the GOP nominee).

The ostensible purpose of this strategy was to beat the "left-wing" Truman. This purpose, while intensely real, was, however, secondary. The primary purpose was to restore the South to its place of prominence in the Democratic Party councils, particularly to reinstitute the two-thirds rule and that rule's power for the South to veto a left-wing nominee in a future Democratic national convention.

At first the nomination was unofficially offered to Senator Harry F. Byrd. The Virginian turned it down because his term as a Senator expires and he must either run for reelection or retire from public life. He chose not to retire merely for the sake of carrying the Stars and Bars of the 1952 revolution.

So the job was offered to Russell, accident No. 1. Accident No. 2 was not necessarily an accident, but perhaps a canny inner political sense. Russell didn't give a private (he wouldn't be likely to give a public) commitment he would head a Third Party ticket. That word had finally got around.

So Russell doesn't go to the Democratic convention next July with the stigma of a revolter on him. Whatever inner diabolical thoughts of possible revolt he may or may not have harbored, his record as a "regular" is clean.

The biggest accident is that Senator Russell got the nod of the States Rights movement, even though he is not particularly a conservative. The men behind the States Rights movement are predominantly conservatives, and while their most fundamental objective is to detach the South from the tail of the Democratic kite, they genuinely wanted a conservative.

From the practical point of view, as the conspiracy previously stood, it didn't make much difference whether Russell was or was not especially a conservative. So long as he could rally the Confederacy out of the Truman electoral column, he would do. Since he wasn't going to be President of the U. S., his views on economic matters didn't count much. If a brass monkey could have got the votes, it would have done just as well.

And accident No. 3 is the fact that although not a conservative (if fairly much a States Rights man), Russell will have the backing of the conservatives as well as the professional politicians of the South. This is because, left or right or middle of the road, Russell, if he became President, would be in a spot to restore the South to its less humiliating (at present) position on the anatomy of the Democratic donkey.

* * *

What makes the Russell aspirations pertinent are: (1) his unappreciated record of favoring many "liberal" programs, and the fact (2) that any present sign of a strong left-wing nominee who could get the nomination, is entirely lacking. The handsome TV star investigator, Senator Estes Kefauver, despite his great run at the popularity contests, doesn't have anywhere near the delegates that Russell has got riveted to the inside of his pocket.

Many think Russell, as a Southerner, is conservative.

Senator Russell does have an impressive record on several conservative issues.

He voted for Taft-Hartley. When the President tried to eliminate the anti-strike injunction from T-H, Russell voted against Truman and the unions. The Georgia Senator stood for an amendment to the Railway Labor Act which would let the states determine whether or not there would be a closed shop, instead of imposing it by Federal law or board.

Like most of the South, Senator Russell tried to curb the impact of the minimum wage law, favoring a statutory 65-cent Federal minimum wage versus the 75 cents Truman wanted. He also voted for the Kerr bill to keep Federal hands off the regulation of the production and gathering of natural gas—a bill vetoed by Truman with much demogogy.

Furthermore, Russell in 1950 voted against rent control extension. He recorded himself unofficially as favoring a 5,000 limit on public housing units, and he voted for the bill to open Federally-assisted state relief rolls to inspection.

In the field of foreign affairs, Russell has often bucked Truman. He opposed the original Foreign Military Assistance Act, and he opposed the Point IV amendment later to that Act. He supported a 10% cut in all foreign aid appropriations. Russell took the position that aid to India should take the form of a loan, rather than a gift. He is rated as one generally alertly skeptical toward handouts for foreign governments, demanding proof always that they are bringing results.

* * *

In the main, Russell is for "states' rights." He was prominently behind the states in the recent Tidelands oil bill. On the other hand, the Georgia Senator is for a whole mess of welfare and similar programs indirectly impairing states' rights and actions. His liberal record would appear to at least rival his record on conservative issues.

Thus he is sometimes called the "father of the Rural Electrification Administration," a picture hard to imagine since Mr. Roosevelt first conjured this with the magic wand of an Executive order. In any case, he is said to be "the most effective backer" of REA in the Senate.

Russell is all for TVA which he does not consider socialistic, even though he says he is against "socialistic" things. He is in general receptive to the entire public power program.

While Russell may have favored a limit last year in the number of public housing units, he did, nevertheless (like many others, including Senator Taft) vote for the Public Housing and Slum Clearance Act of 1949.

Senator Russell backed the soil conservation program a year ago, as Chairman of the Appropriations Subcommittee on Agriculture, despite the fact that the largest farm organization, the Farm Bureau Federation, itself asked for a cut in these appropriations.

He is a backer of the school lunch program, of mandatory 90% parity support, the Truman proposal for Federal aid to education, and last year's scheme for Federal aid to local public health units.

Although he has cast a couple of significant "anti-labor" votes, Russell voted for the original Wagner Labor Act of 1935. He strongly supports the Farm Home Administration which provides the most abundant ratios of credit for the least successful farmers and which is, incidentally, with names changed, the bureau started by Rexford Guy Tugwell.

Russell is supposed to assert that Federal spending is too high and cannot keep up at its present rate, yet his economy record, at least in recent years, is not impressive. As Chairman of Armed Services he has an occupational sympathy with the military establishment and in general is behind their demands for large sums, and is for UMT.

He is reported to have said that if he were President he would not attempt to reduce taxes for two years, or until such time as it were safe to cut the allowances of the military and make possible a balanced budget.

On taxes, he voted with Truman to keep the top excess profits tax rate at 85%, and against the House-proposed rate of 75%.

* * *

Russell's nomination under circumstances of the recent past would have looked remote indeed for two reasons.

One of these is the time-honored tradition that a man is not nominated from a "safe" state or section, especially the South. However, traditions have been whizzing by lately like bolts falling from a jet aircraft.

The other is his anti-FEPC, mostly anti-labor record. However, until an outstanding successor to Truman from the left comes along, and one who is strong, a compromise candidate with a big stack of delegates might look mighty nice. Labor definitely has weighed him and found him wanting, but organized labor just might have no other place to go.

So Russell's candidacy for the Democratic nomination bears watching.

(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

"I think it's because one of the directors fell asleep at last week's meeting!"

Mead Briggs Elected

Mead G. Briggs

Mead Greacen Briggs was elected a trustee of The Dime Savings Bank of Brooklyn, it has been announced by George C. Johnson, President.

Mr. Briggs is President of Briggs, Schaedle & Co., Inc., New York City, dealers in U. S. Government securities.

Kalb, Voorhis Admit

Kalb, Voorhis & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, will admit Eva E. Merrill to limited partnership on May 1.