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EDITORIAL

As We See It

We of the United States, or many of us, have quite warrantably become much exercised about the cavalier way in which our Presidents of late years, and more particularly President Truman at the present time, assume power that none of us supposed resided in that office. There can be no question but action in this matter is imperative, and that wanting effective steps we may quite possibly presently find ourselves in the power of national governments hardly less arbitrary and dictatorial than some of those we have been abhorring from afar lo these many years. If the Constitution does not already protect against this very real hazard, then it must be amended so that it will.

Many of the more thoughtful in the nation have long been deeply troubled by the monopolistic organization of farmers and workingmen for the purpose not only of imposing their will in the economic field but in the political arena as well. The success of this movement is in substantial part a result of the maneuvering of designing politicians who were able to conceive of almost limitless power bought with favors to these powerful and effectively "disciplined" minorities. It is in part an outgrowth of the development within the ranks of the wage earners and the farmers of shrewd politician-leaders whose main interest is economic gain for their followers (and of course themselves), but who often find it good strategy to enter the political arena to obtain ends which otherwise would be beyond their reach.

But we often wonder if these developments, and some others like them, are not outward and more or less superficial manifestations of funda-

Continued on page 50

Suggested Policy for The Troubled Investor

By PETER L. BERNSTEIN
Vice-President, Bernstein-Macaulay, Inc.
Financial, Economic and Industrial Consultants

Economist, although doubting imminence of major depression, expects a mildly falling stock market. Doubts rise in earnings, and is skeptical of inflation factor. Alleges vulnerability of dividends because of deterioration of corporate liquidity. Concludes coming "unpleasant surprises" for bulls will invalidate current market levels.

I

Other Investors' Plans

In adding my two cents' worth to the controversy over which way the stock market is headed, I feel a little like a farmer who brings a small amount of fertilizer to a field which is already more than saturated with it.

Peter L. Bernstein

My metaphor may have its unfortunate implications. On the other hand, I do wonder whether there is anything to be said on the subject which hasn't been said already—and probably better. Another nasty aspect of the matter is that you are faced with the alternative of sticking your neck out (and thereby giving printed evidence to be pointed to if you're wrong) or of indulging in the intricacies of weasle-worded hedging.

Personally, I have very little interest in what other people **think** about the market. The important thing is what they are **planning to do**, since—to a greater degree than most of us would care to admit—many investment decisions must be based on an effort ". . . to outwit the crowd, and to pass the bad or depreciating half-crown to the other fellow," as the late Lord Keynes so sagely described it.

In early 1946, for example, I would have found little

Continued on page 44

Investment Portfolio For the Pension Trust

By J. D. LOCKTON*
Treasurer, General Electric Company

Mr. Lockton describes nature of pension trusts, which, he contends, require a unique investment pattern. Estimates pension contributions by employer and employee are now running at annual rate of from \$2 to \$2¼ billion. Holds stock purchases and sales by pension trusts will not have serious impact on stock prices, but may be a substantial sustaining factor. Furnishes data on investment portfolio of General Electric Pension Fund, along with its annual income yields. Defends common stock purchases by pension trusts, and discusses nature and character of their mortgage and bond investments.

The nature and extent of corporate pension trust investments are a mystery to most everyone, for no satisfactory machinery exists for collecting data on them. Some of the questions about them which most often arise in the minds of practitioners in the investment field are: (1) What are pension trusts, anyway, and how do they operate? (2) Will there be a sufficient supply of the various types of securities required by this new Goliath to meet its investment demands? (3) Do pension trust investments affect the stock market or are they likely to affect it in the future? (4) What is there in this new pension trust picture for me as a dealer, broker, counselor or manager?

J. D. Lockton

I confess that I am in the dark on some of these questions, just as many of you must be. My company, General Electric, does have a self-trusteed pension trust of substantial size which affords answers to some of them—from its own operations and from its frequent contacts with several

Continued on page 48

*An address by Mr. Lockton at the Fifth Annual Convention of the National Federation of Financial Analysts Societies, San Francisco, Cal., May 5, 1952.

PICTURES IN THIS ISSUE—Candid shots taken at the 17th Annual Meeting in Galveston of the Texas Group of the Investment Bankers Association of America, appear in the Pictorial Section starting on page 23.

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(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.)

HERBERT E. GREENE
Resident Manager, Coburn & Middlebrook, New York City

Hudson's Bay Company

Almost any school boy knows that this company is not exactly a "Johnny come lately," having been incorporated May 2, 1670 under Royal Charter in England.


Herbert E. Greene

The undertaking was then and still is known as the "Governor and Company of Adventurers of England Trading into Hudson's Bay." The organization's profitable trading the past 283 years in tobacco, furs, excellent Scotch whiskey and general merchandise, is as interwoven with Canadian history as the fame of their Hudson's Bay blankets. As far back as 1863 the company was capitalized at 2 million pounds sterling, the equivalent of nearly $10 million when the dollar was worth a dollar. Present capitalization consists of 2,492,224 shares of capital stock of one pound sterling par value.

During the past year or two, a sudden new and active interest has developed in Hudson's Bay due to its tremendous oil and natural gas potential. This may well surpass even its extensive present-day merchandising operations which include 6 large department stores, 14 smaller ones, 191 trading posts, and an extensive wholesale department. The large ones are located in Victoria, Vancouver, Calgary, Edmonton, Saskatoon, and Winnipeg. In support of this trade the company operates boats, ships, aircraft and a radio network.

The following tabulation indicates a break-down of sales for the year ending Jan. 31, 1951 and 1952 in pounds sterling:

	Pounds Sterling 1952	1951
Retail Stores, Department	27,971,893	24,338,668
Fur Trade	22,730,688	19,154,341
Wholesale Department	11,518,731	10,036,996
Land Department (Receipts)	224,414	291,280
Oil and Natural Gas	142,258	94,029

Oil and natural gas is the chief feature of Hudson's Bay shares as a long-term investment with an unlimited potential.

The shares seem to me to be in a somewhat similar position marketwise as those of Texas Pacific Land Trust five years ago when they were selling between $15 and $20 per share with very limited earnings.

The Hudson's Bay Company interest in oil and natural gas is, on the one hand, in royalties from discoveries of oil and gas on the 4,300,000 acres, all of which are held under a long-term option agreement by Hudson's Bay Oil & Gas Company, Ltd., and on the other hand their one-quarter interest in that company. The Continental Oil Company of Delaware has the remaining three-quarters interest. The amount of the Hudson's Bay Company underlying royalty has not been disclosed, but is generally assumed to be not less than one-eighth and not more than one-sixth.

The jointly owned company although dormant since 1926, was reactivated in 1947. During the past four years, capital and expense items involved in exploration and development have increased from $291,000 in 1947 to $5.1 million in 1951. Acreage held by Hudson's Bay Oil & Gas Company, Ltd. totaled 9.7 million acres in 1951, which was more than double the 4.8 million acres of land held in 1947. The following five-year progress report best illustrates the growth potential of the Hudson's Bay Company:

HUDSON'S BAY OIL AND GAS COMPANY LIMITED
(Summary of Five Years' Progress)

	1951	1950	1949	1948	1947
Prospective Acreage (in thousands)	9,674	8,395	6,928	5,625	4,816
Net Wells Completed:					
Exploratory	21.0	5.3	3.8	1.0	5.6
Development	6.3	15.0	11.0	4.0	1.0
Total	27.3	20.3	14.8	5.0	6.6
*Net Producing Wells (end of year)	62.1	46.2	31.7	18.8	14.8
Net Production (barrels daily)	2,042	1,360	1,457	697	396
†Expenditure on Finding Oil Reserves, and Developing Production (in thousands)	$5,113	$2,991	$3,260	$1,314	$291

*Net Producing Wells is the technical description for a varying interest in a larger number of producing wells reduced to the equivalent of 100% ownership. Thus an interest of 10% in one well, 40% in another, and 50% in a third, would be described as one Net Producing Well. †Including both Capital and Expense.

One must understand that the development of Canada's oil and gas reserves will take time, and an investor in these shares should plan to hold them over a long period of time. As I used to tell my clients five years ago in Texas Pacific Land Trust shares, these shares look high but you will probably never buy them much cheaper.

This Week's Forum Participants and Their Selections

Hudon's Bay Company—Herbert E. Greene, Resident Manager, Coburn & Middlebrook, of New York City. (Page 2)

Olin Industries (common stock)—William Witherspoon, Manager of Statistical Department, Newhard, Cook & Co., St. Louis, Mo. (Page 2)

WILLIAM WITHERSPOON
Manager, Statistical Dep't, Newhard, Cook & Co., St. Louis, Mo.
Members, New York Stock Exchange

Olin Industries Common Stock

Out of the multitude of attractive common stocks currently available, my attention is focused upon a little-known giant — Olin Industries, Inc.


William Witherspoon

Although this company has had a long and historic background, having been established in 1892, virtually nothing was known of its financial position until the beginning of 1952.

In spite of this obscurity, the operating divisions of Olin were well known by name. The Western Cartridge Company and the Winchester Repeating Arms Company have been outstanding names among sportsmen. Its brass mill has been an important factor in the fabrication of brass products since its establishment in 1918, and its powder companies have been long recognized in the field of explosives.

It was in 1949 that news accounts of the acquisition of Ecusta Paper Company, the chief manufacturer of cigarette paper in the world. During that same year it was announced that Olin had been licensed to manufacture cellophane under DuPont patents. The first plant was to be erected at the site of Ecusta Paper and it would tie the manufacture of cigarette paper to the more established divisions of the company which had had more than 50 years of experience in the successful production and marketing of cellulose-based products.

In order to provide the raw material of wood pulp for the manufacture of cellophane and expansion of this division, the assets of the Frost Lumber Industries were acquired early in 1952 in exchange for 1,069,632 shares of Olin common stock. These assets consist chiefly of about 450,000 acres located in the States of Arkansas, Louisiana and Texas. The largest of these tracts is located near the Monroe gas field and therefore the company not only obtained a large and adequate supply of fine standing timber, but also has probably acquired vast oil and gas resources as well. Indeed, even now Olin Industries is actually in the oil and gas business, having acquired a large number of producing wells already in operation on the sites located in Texas.

At the time that these Frost assets were acquired, management policy changed from an attitude of reticence with regard to financial matters to one of virtually complete revelation. An illustrated and descriptive annual report for the year of 1951 was

Continued on page 9

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Outlook for Bank Stocks

By GEORGE GEYER*
President, Geyer & Co., Inc., New York City

Forecasting a 10% average increase in earnings of big New York City banks, Mr. Geyer sees any further gain hampered by excess profits tax. Urges more liberal dividends and restoration of sound fiscal policies to boost bank stocks. Says banks have been chief victims of inflation and low interest policy, and holds outlook for bank stocks will depend on political developments. Contends Republican victory will restore monetary orthodoxy and thus aid banks. Concludes New York City bank stocks "are cheaper than they appear."

"The Outlook for Bank Stocks" I'm afraid would be a tiresome topic today were it not for a single influence — a prospective development, I think, is of such overriding importance as to absolutely dwarf other factors commonly inherent in bank stock appraisals.

George Geyer

Commercial loans of the weekly reporting member banks in New York City during the first quarter of this year averaged 19% above the first quarter last year, and the average interest rate of 3.17% charged on business loans by leading New York City banks during the first half of March was **nearly 50 basis points above** the average rate charged in the first half of March last year. The combination of larger loans and higher interest rates produced an **improvement averaging 15% in the net operating earnings** of a dozen large, representative New York City banks in the first quarter of this year, as compared with the same period last year.

But comparison of quarterly results with year-ago figures seems likely to be far less impressive throughout the balance of this year. Commercial loans in the early weeks of this year were running up to 24% above the year ago periods, but **in recent weeks the gain over last year has declined to about 15%.** Between April 1 last year and the end of the year commercial loans of the weekly reporting member banks in New York City rose nearly $1.100 billion or 16%—but I do not think you will see any such increase in business loans this year. Borrowing to carry inventories was an important factor in the increased loan accounts last year, but the prevailing viewpoint of manufacturers, wholesalers and retailers toward inventories makes me think that bank borrowing on a comparable scale during the rest of this year, for the same purpose, is most improbable. Furthermore, business has not had to borrow as much as seemed likely to pay Federal income taxes at accelerated dates, as required under the Mills Bill.

I do not think we are threatened with any **general liquidation of bank loans** that will largely reduce the amount of commercial credit in use—I simply suggest that business borrowings this year seem unlikely to increase at the pace of last year. A single qualification of this observation that should be noted relates to the possibility of a **bigger war.** If a broadening and prolongation of the war in Korea becomes probable, or if war spreads to other parts of the world, business would forget its present inventory fears and add to stocks as rapidly as possible, with inevitable increase in bank borrowings for this purpose.

No Increase in Short-Term Rates

Neither do I think we should expect further **increase in short-term interest rates over the very near future** comparable to the continued rise in the short-term rate which occurred last year. I hear that the interest rate of 3% to prime names is soft, and that this rate is being shaded when necessary. Even if long-term interest rates should reverse the downward trend that has reappeared in the last couple weeks, I suggest that short-term rates seem unlikely to similarly improve since, I think, that evidence of a trend toward higher long-term rates would induce many large businesses which currently are borrowing from banks to consummate long-term financing—to get their long-term money at low rates; in other words, while the getting is good.

On the other hand, operating costs of the banks continue to rise. Bank help generally is not highly paid, and while a levelling-off in the rising wages may be approaching, the direction is still upward.

N. Y. City Banks' Earnings Should Show 10% Increase

Netting these prospects for bank loans and the interest rate thereon for the remainder of this year makes us think the earnings of the big New York City banks **in 1952 should average probably 10% above a year ago.** Many of these banks, it must be pointed out, hardly can earn more than at this rate predicted for 1952 without encountering excess profits tax liabilities. In fact, 1952 operating earnings of several big New York City banks may be better than next year unless the banks are able to obtain some needed relief from excess profits taxes. This prospect of lower

Continued on page 42

*A talk by Mr. Geyer at the Fifth Annual Convention of The National Federation of Financial Analysts Societies, San Francisco, Calif., May 6, 1952.

INDEX

Articles and News

Regular Features

*Mr. May's fifth article in the series on the International Economic Conference in Moscow, which he attended as a correspondent, appears this week.
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The Outlook for Aluminum

By DONALD E. BROWNE*
Vice-President & Treasurer,
Kaiser Aluminum & Chemical Corporation

Mr. Browne reviews recent developments in expansion of aluminum industry, along with plans by existing and new producers to increase output of the metal. Decries concern regarding probable over-expansion, and tells of Federal Government's plan to solve problem of recurring shortages as well as to assure markets for expanding production. Gives estimates of future aluminum production and consumption and availability of raw materials, and concludes the industry has favorable outlook over next decade.

Few materials have more interesting future prospects than aluminum, and none present more of a challenge, because the commercial history of aluminum began within the memory of living men, while other common metals—iron, copper and lead—used widely for more than a thousand years, are firmly entrenched in modern industrial practice; and fabricating, alloying, joining and coating methods for these metals have been under intensive development since the industrial revolution. A hundred years ago aluminum was a curiosity more costly and rare than precious metals. Sixty years ago aluminum was developed for commercial use and then only through the conscientious efforts of the producer to utilize its product in consumer goods to achieve market acceptance. The producer was well aware of the many fine properties of the metal, particularly its light weight and relatively high strength, its conductivity of heat and electricity, and the ease with which it is formed and alloyed. Acceptance of the metal by fabricators has been slow because in many cases new techniques were required to complete fabrication—or joining—or coating—or other processes to produce an acceptable consumer product.

Donald Browne

Production of aluminum requires a huge capital investment; in fact, at today's prices about a thousand dollars per ton of ingot capacity, and, therefore, until recently development of metal sources has been relatively slow. The Aluminum Company of America, the first producer in North America, gradually increased its capacity during the early years of this century and devised fabricating and other processes adapting aluminum to industrial uses. Development of aluminum was limited by the industry's inability to invest the capital required.

World War II and its tremendous aluminum requirements resulted in increasing primary capacity in the United States more than five-fold, to a million tons a year. Further, the great expansion in the aircraft industry and in fabricating plants necessary to produce parts required by that industry introduced thousands of individuals to the properties of the metal and trained them in methods needed to convert it to practical use. This knowledge, together with lower prices—possible because of increased production—made aluminum far more competitive with other metals than had previously been the case.

*An address by Mr. Browne before the Fifth Annual Convention of the National Federation of Financial Analysts Societies, San Francisco, Cal., May 6, 1952.

Larger Number of Producers

At the conclusion of World War II, some government-owned aluminum reduction plants were sold or leased to Reynolds Metals Company and to Kaiser Aluminum & Chemical Corporation, thereby establishing two additional major participants in the industry. The postwar boom resulted in substantial increases in prices of other metals and serious shortages in the supply of most of them. Availability and low cost, combined with knowledge of fabricating techniques, introduced aluminum in many fields never before open to it—either because it was too costly or because sufficient know-how to apply it was not available. Admittedly, in the beginning, much of this market was in substitution for other metals, but the trend of price relationships increasingly favored aluminum and the constantly expanding supply has more firmly entrenched aluminum in these markets, and in most cases, today it cannot be considered a substitute but rather a direct replacement of material formerly used. This trend toward the use of aluminum had become so compelling in 1948 and 1950 that demand greatly exceeded supply and the industry was unable to furnish all requirements—even in applications where aluminum was specified for physical properties or cost factors—and, of course, no aluminum was available to substitute for other materials. These surges in demand and recurring shortages, which have been frequent in the history of aluminum, have made it impossible to utilize the metal to a very large extent in industries dependent upon production line operations and varying market demands. Naturally, the automobile industry cannot afford to utilize large quantities of aluminum if, in periods of maximum automobile sales, aluminum will be unavailable, therefore requiring changes in tooling and models to use substitute materials.

Not all the aluminum capacity constructed during World War II was capable of economic operation under competitive conditions, and, therefore, commercial capacity in this country during postwar years was substantially less than maximum capacity available during the war. Aluminum producers recognized the shortage of capacity and during these years improved their methods and added to their facilities. A major part in this expansion of capacity between 1946 and 1951 was undertaken by Kaiser Aluminum & Chemical Corporation with which, of course, I am familiar. Our productive capacity was increased prior to Korea by approximately 62% by the purchase of a new reduction plant, addition of a new pot line at an existing plant, and in improved operating efficiency which increased the output from existing facilities. Other producers added to their capacity, which enabled the industry to produce primary aluminum at the annual rate of 750,000 tons by the end of 1950. Further plans were being formulated for additional reduction capacity for construction in 1951 and 1952.

Because the current emergency recalled the World War II shortage of aluminum capacity, the government requested meetings with industry to consider means of increasing domestic primary capacity to an extent that would provide adequate metal for both military and civilian demands. The program thus developed consisted of two steps, each providing for construction of new reduction capacity, and all aluminum producers are participating; in addition, Anaconda intends to enter the field. New capacity totaling 685,000 tons per year is being added: Alcoa—205,000 tons; Kaiser—228,000 tons; Reynolds—180,000 tons, and Anaconda 72,000 tons. In addition, Alcoa has reactivated previously idle facilities to the extent of 79,000 tons, utilizing power purchased at rates not normally economical. At the the completion of all these facilities, primary aluminum capacity will approximate one and one-half million tons, double the 1950 capacity.

Concern Regarding Over-Expansion

This huge expansion of capacity has caused concern in the minds of many people not intimately associated with the aluminum industry. Even the industry itself felt unable to accept this risk years in advance of the projected demand without assurance that reasonable opportunities would be available to support the industry for the period required to develop markets for this vast new quantity of aluminum. To encourage producers to go ahead with this expansion, as well as to make financing possible, the government has executed with each producer Supply Contracts covering five years' production at full capacity, wherein the government agrees to purchase any metal produced in the new facilities not sold or used in commercial channels. These contracts, together with Certificates of Necessity permitting accelerated amortization of a substantial part of the cost of the facilities, have made it possible for aluminum producers to raise over six hundred million dollars required for completion of the program. A high percentage of this new capacity includes power generating facilities drawing on natural gas or lignite as their source of prime energy, providing flexibility not available to plants operating on firm power contracts, deriving their source of energy from hydroelectric projects. This greatly increased capacity, subject to flexibility, assures a more adequate source of metal and should relieve the problem of recurring shortages.

Doubling the size of an industry in a period of less than five years is startling in its concept. This program, including the Supply Contracts, is reasonable if the growth of the aluminum industry over its relatively short life, and its particularly rapid growth in the past 10 years, are given proper consideration. The program is huge related to the industry's prior capacity, but it is important to retain perspective in relationship to other industries. At completion of the present program, capacity of the aluminum industry in tons will amount to less than 1½% of the steel industry, and only about 4% compared on a volumetric basis taking into account the fact that a ton of aluminum in many applications is equivalent to about three tons of steel.

Canadian Production

Since World War II, the aluminum industry has been concentrated on the North American Continent. In addition to the domestic producers, Aluminium Ltd., the Canadian producer, is a major factor in the industry — principally in foreign markets. Aluminium Ltd. also increased its capacity during World War II and the postwar period, and is proceeding now with the installation of additional capacity with plans for further increases as market demands warrant investment of capital.

Capacity of the United States aluminum industry, plotted on this chart, for the period from 1946 through the present and projected to 1960, including expansion programs now underway, shows an increase from four hundred thousand tons in 1946 to nearly a million and one-half tons in 1960. This line on the chart shows the production of secondary aluminum projected through 1960 and, above it, Canadian capacity including the announced expansion. The aggregate metal supply in the North American Continent is thus projected to be roughly two and one-half million tons in 1960. An additional line based on historical data to 1951 has been drawn on the chart dividing Canadian production between United States imports and sales in the world market. Total United States metal supply in 1960 is the sum of primary capacity, secondary production and imports from Canada and is estimated to be slightly in excess of two mil-

Continued on page 43

HERE IS A NEW APPROACH TO INVESTMENT MANAGEMENT

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The State of Trade and Industry

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

A slight downward trend in total industrial production for the country as a whole was noted for the period ended on Wednesday of last week. This condition obtained despite the fact that the output of steel recovered sharply from the sudden shutdown in the preceding week. Aggregate industrial output continued to be moderately below the high level of a year earlier and close to 10% under the all-time high attained during World War II. Reduced operating schedules continued to prevail in many textile plants, while near-capacity levels were maintained in machine-tool and armament factories.

Industrial production in April declined 1% from March, according to preliminary estimates. But at least half the drop was the result of brief shutdowns of steel mills resulting from the industry's wage dispute. This was stated by the House-Senate Committee on the Economic Report, which submits monthly business figures to Congress. Work was begun on 98,000 housing units in March. This was an increase of 4,200 over March, 1951, and the largest number of starts since last June.

Claims for unemployment insurance benefits in the latest week continued to be noticeably higher than a year ago. This spring the rise in employment, according to Secretary Sawyer of the United States Department of Commerce, has lagged behind that of a year ago. He noted that an estimated 60,132,000 persons held jobs in mid-April, comparing with 59,714,000 in March and 60,044,000 in April of 1951. The increase in employment from February to April amounted to only 380,000, while a gain of 1,099,000 occurred in the corresponding period of 1951, the Secretary pointed out.

The steel industry is recuperating rapidly from the two production knockdowns it has received from labor, according to "The Iron Age," national metalworking weekly. Steel ingot production last week rebounded sharply to 85.5% of capacity from the rate of 52.1% in the prior week. Operations this week are scheduled at 100.3% of rated capacity, up 14.8 points from last week's revised rate. The second shutdown caused some unnecessary damage because of its suddenness, but not nearly so much as was at first feared.

Steel consumers have not become panicky, despite the loss of 2,500,000 tons of production caused by the two shutdowns. During the past several weeks there has been some tightening of the market, but nothing like what many had expected, this trade weekly adds.

Even the certainty of higher steel prices isn't causing buyers to exert great pressure for delivery. This seems to bear out the findings of a recent "Iron Age" survey which showed steel inventories to range generally between 30 and 60 days. Steel inventory may be better than money in the bank, but a good many consumers evidently don't have the ready cash to invest in it. A

Continued on page 45

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What Trade Results From Moscow Parley?

By A. WILFRED MAY

This is the fifth in a series on the implications of the International Economic Conference in Moscow, which Mr. May attended as a correspondent.

The element of hypocrisy pervading the other professed aims of the Soviet-managed International Conference, and its continuing strategy, applies particularly to its *trade* phases. Recognition of this is prerequisite to a proper forecast of the possibilities for building up future East - West business.

A. Wilfred May

Certainly the Kremlin's good faith and sincerity in promulgating its promises of trade opportunities sufficient to solve all the world's difficulties, is rendered on the record of past performance. Why did the Kremlin boycott the independent international economic bodies founded after the War to promote trade and recovery, such as the World Bank, the International Monetary Fund, the Food and Agricultural Organization, the UN's Economic and Social Council, and the Marshall-founded European Recovery Program?

The motivation for such abstention seems to spring from two directions; the purely political exigencies, and the several advantages of following bilateral barter technique.

From the World Health Organization they withdrew, leaving a debt for unpaid dues of $600,000. In the UN's Economic Commission for Europe, which provides the machinery for large-scale multilateral trade, they have persistently — euphemistically speaking—dragged their feet.

The Kremlin's real obstructionist attitude toward the United States and other non-socialist countries, as consistently exhibited in the UN's Economic and Social Council, was well depicted in Geneva by United States Representative Lubin, as follows:

"To the Soviet delegate, all private business is the same. Every private businessman is cruel, greedy, mastered by feudal industrial barons and feudal tradition. And you know it is sometimes almost fun to watch the imaginary parade concocted by the Soviet delegate going by. As I have sat here day after day, the parade, as it passed, impressed me as something like a Walt Disney cartoon full of ghosts and all kinds of shadowy monsters. Of course, it is always the same show. The pictures of the monopolies which the Soviet delegate draws for us haven't changed a bit since this Council first came into existence almost six years ago. Indeed, I am sure it hasn't changed a bit since the Soviet Union came into existence in the second decade of the present century."

Surely it can be urged on the Soviet bloc that if they are sincere in seeking world trade on any basis, that they must first cooperate in wholeheartedly using the readily available UN machinery.

Trade a State Monopoly

Ever since the initiation of the Soviet regime, its foreign trade has been a government monopoly, used by the Ministry of Foreign Trade as a weapon for increasing its political influence; with imports kept at a minimum consistent with the need of its internal economic planning. Since the conclusion of World War II, the bilateral barter nature of the business has vastly increased, and overall multilateral balancing become well-nigh extinguished.

Traditionally, the Soviet has always operated through international cartels. In the 1930s this involved phosphates, potash, matches, electric lamps and petroleum products. Sometimes, in order to force themselves into cartels they dumped their own products into international markets, forcing the price down so as to force the cartels to let them come in and be partners. On some occasions the Russians actually forced payments from cartels for not dumping.

In previous instalments we have shown the traditional insignificance of Russian trade figures in the world picture. Such relative unimportance is becoming ever more pronounced, as evidenced currently in the Western countries' reported arrival at independence from the Soviet in timber. (The cheapness of Russian timber, however, still being advantageous.)

Conference Orders a Mirage

Representations of impending large orders made at the Conference to a great extent appear to be mere bluff. This can be clearly seen in the instance of China. Simultaneously with the holding of the parley in Moscow and its blandishments of Chinese trade projects before the British there, British merchants trying to do business on-the-spot in Hong Kong were being obstructed and their existent business further squeezed. China's external industrial capital comes almost wholly from Russia, to the tune of but $60 million annually, three-quarters of her foreign trade being with the Soviet bloc, with the total still remaining considerably below prewar.

The hypocrisy of the professions about trading advanced by the satellite countries is particularly well exemplified by the conduct of Czechslovakia. Their behavior in many ways shows how out of the question is the carrying-on of trade between them and the United States. They have confiscated property of American nationals without compensation, and without any conscientious attempts at settlement. They have persistently persecuted and harassed American firms. Again, to furnish the necessary information on trade to make business deals, has been declared treasonable by the Czech Government. And they have thrown our citizens into jail!

Point Four — Soviet Style

In the vast promises to "underdeveloped" countries made at the Conference is there also vast exaggeration on the basis of the practical possibilities of fulfillment. Under the so-called "Stalin Plan," the bait is held out that Moscow will hand out vast quantities of capital equipment to the world's underprivileged without the alleged niggardliness and strings of the "colonial imperialist" Americans' Point IV program. The realistic fly-in-the-ointment here is that actually the Soviet Union is experiencing severe difficulties in meeting the needs of its own satellites and of itself, for industrial equipment as well as raw materials. In fact, in a number of cases, Moscow has been busily trying to import from European sources many of those same items of capital equipment which it is simultaneously promising to the underdeveloped areas.

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The Aircraft Industry In a "Cold War" Economy

By H. W. STRANGMAN*
Treasurer, Douglas Aircraft Company, Inc.

Picturing situation in airplane industry during period of "cold war," Mr. Strangman reveals difficulties in maintaining mass production because of shortages in materials and tools, and keeping, at same time, a healthy civilian economy, but says industry is struggling mightily to rectify situation. Points out new "stretch-out" program, which extends high level production rate over longer time, has advantages of continuous output of most advanced aircraft, while reducing waste. Reveals increased need of working capital and heavy borrowing under fixed price contracts. Tells also of problem of securing responsible subcontractors.

This evening, I shall attempt to cover briefly some of the problems which confront management in the aircraft industry during a period of so-called "cold war."

Harry W. Strangman

As a matter of definition, by "a period of cold war," I speak of a period during which the aircraft requirements of the armed services are subject to pressures and fluctuations more sudden and frequent than is the case, not only in so-called normal times, but also in an all-out war.

During normal times, the needs of the Navy and the Air Force are fairly constant, but are largely constrained by the funds made available for research, development and aircraft manufacture. The funds being comparatively meager, do not permit of mass production, contracts are in the order of scores of airplanes and not the thousands which are required in an all-out war. The period between wars provides the time for research and development and the change orders incorporating new developments are taken in stride.

In a time of all-out war, the aircraft industry is relieved of the uncertainties implicit in attempting to maintain a balance between civilian and military production. Production for civilian use practically stops and everything yields to the military. Men, women, materials and money become immediately available in practically unlimited quantities and the job is comparatively easy. Models are practically frozen.

But in a cold war we are obliged to live, and operate, in a climate whose economic stability we can only partially control. We must accept the possibility—and the probability—of unpredictable expansion or contraction. We walk a tightrope. Yet, we can honestly say that uncertainty is anything but new. Since its very beginnings some 50 years ago, the aircraft industry has had the built-in characteristic of unpredictability.

We have much to offer in the way of inventive genius and managerial know-how, but sometimes it seems that these attributes are in great demand only when the bugle blows.

*An address by Mr. Strangman before the Fifth Annual Convention of the National Federation of Financial Analysts Societies, Los Angeles, Cal., May 9, 1952.

Development of Aircraft Industry

The infant aircraft industry expanded mightily to meet the demands of World War I, and then became very ill when contracts were abruptly terminated in 1918. All four of the then major producing companies were reorganized under bankruptcy laws. After a rugged recovery, the industry, confronted by World War II, perforce became the largest industry the world has ever known.

Between 1938 and 1943, floor space multiplied from 9.5 million square feet to 175.0 million square feet. Aircraft production, in airframe pounds, soared from approximately 7 million pounds in 1938 to a very healthy 1.1 billion pounds in 1944.

Then, the war ended and we had a relapse. Floor space dropped to 41 million square feet and airframe production fell to 29.5 million pounds. Then came Korea and the call to expand our production facilities and raise our output rates to near-war levels. This industry has met and is meeting the challenge. For example, in their 1951 fiscal years 13 major airframe and engine producers increased their volume from \$1.7 billion in 1950 to \$2.4 billion. Their backlog rose from \$5¾ billion at the end of 1950 to a little over \$10 billion in early 1952. In order to finance the current and prospective volumes, these 13 companies last year increased their short-term debt by \$191 million and long-term debt by \$7 million. On the balance sheet all these borrowings plus another \$30 million taken down from cash went into inventories—an increase of \$228 million in raw materials purchased and work-in-process.

These violent changes pass for the "normal" economic climate of the industry, which is, to say the least, a bit precarious. It is never wise to plan a picnic too far in advance.

Airplanes, Guns and Butter

Today, we are further bemused by a demand for "guns, and airplanes, and butter."

This is a condition which both the government and the aircraft industry are struggling mightily to rectify, but the fact remains that without enough materials and tools, it is impossible to produce everything at top speed.

Not only are available machine tools and certain strategic metals and alloys inadequate to supply all military needs, but the nation is committed to a policy of keeping our civilian economy healthy at the same time that we are endeavoring to rebuild our air power.

It is trying to achieve this balance—in superimposing rearmament on a full-blown civilian production—that contributes toward our present difficulties.

Chairman Carl Vinson of the House Armed Services Committee well summarizes our position when he says:

"Our aircraft industry is accelerating its output and doing a highly commendable job, even in the face of inevitable shortages which stem from the superimposing of rearmament upon a booming civilian production program. While a philosophy of guns and butter is, in my opinion, unsound, a philosophy of planes and butter is absurd. It troubles me to think that the delivery of a single jet fighter may be delayed because a part of its communication system has gone into a television set.

"Over 4,000 different sizes, shapes and kinds of raw materials go into a modern jet fighter, and from these 4,000 varieties of raw materials are fashioned, for example, the 137,600 parts in a typical new patrol bomber.

"Each of these thousands of materials must be ordered against future requirements, must be checked, warehoused, drawn out of inventory and spotted on production lines in one of the most complicated inventory operations in modern manufacturing."

Mr. Vinson well speaks the situation.

Advantages of the "Stretch-Out" System

You all have read and pondered, I know, the pro's and con's of the "stretch-out." This, another unpredicted influence on the climate in which we function, has given us considerable pause.

In some respects, it is a matter of genuine concern that there should be a moment's delay in our defense effort.

But, the new program has certain advantages which were not inherent in the old program of rapid build-up and rapid letdown.

These advantages are two:

(1) Extending high-level production rates over a longer time will insure that the Air Force and Naval air arm will continue to be supplied with the latest and most advanced combat aircraft, though the 126 combat wings of the Air Force and the Navy air arm may not be fully modernized until late 1955 or early 1956.

(2) Inefficiencies and waste will be largely eliminated and costs to the taxpayers thus reduced — so much for the stretch-out.

Capital Needs of Program

Now let us consider for a moment the capital needs of the present program. Without regard to the exact rate of production prescribed in this emergency, the problems of financing production are quite different than they were in World War II. Then, with business largely on a cost-plus-fixed-fee basis, current collections comprised a larger proportion of sales and expenses incurred.

Advances from the government were available in almost unlimited amounts and for a year or so such advances were interest-free and later were charged at low rates. Thus the government largely financed the industry in the hot war.

Currently, with a much larger proportion of the business on a fixed-price basis, advance payments are rare (I know of only one made to date) and progress payments are limited to a percentage of costs incurred, thus requiring the contractor of fixed-price business to wait for deliveries in order to receive his profits, if any, and making it necessary for him to invest much more capital in materials, work-in-process and receivables; thus the manufacturers must provide most of his own financing during the cold war.

With but three exceptions, all of the major aircraft and engine producers by the end of 1951 had found it necessary to borrow from the banks in order to finance their expanded production rates.

As mentioned earlier, 13 of these companies increased their short-term borrowings by \$191 million and long-term debt by \$7 million in their 1951 fiscal years. Most of this was done by straight short-term bank loans or revolving credit agreements or by V-loans.

It is not yet clear as to how much more money it will be necessary for the industry to raise in order to meet the maximum production schedules. It is known that for some, and perhaps most of the companies, borrowings have increased substantially during 1952, but the stretch-out will result in reduced maximum requirements.

The "Marshall shield" plan proposed that the government provide, at its own expense, large facilities for the production of tanks, guns, aircraft and other instruments of war. This plan would leave considerably smaller amounts of facilities to be built by the contractors under certificates of necessity. But the contractor's problem of financing these facilities is much more acute currently than it was in the last war.

Reduced Certificates of Necessity

In World War II, when business was largely on a CPFF basis, the contractor obtained certificates of necessity covering 100% of facility costs. These costs could be fully depreciated for tax purposes over a 60-month period and, if the war ended before the 60 months were up, the remaining depreciation could be "ballooned" and respread over earlier months.

Currently, CPFF business is a much smaller proportion of the total. Certificates of necessity cover less than 100% of the facility costs—about 65% seems to be the average for the aircraft industry—and there is no provision for "ballooning" of the unused portion, if the emergency ends before the 60-month period is over.

Many of these new facilities are single-purpose, suitable for the production only of a particular type of product. Others may be additions to and expansion of general purpose facilities, but when the emergency is over and armed forces procurement revert to a replacement basis, the contractor may find himself burdened with an even greater undepreciated excess capacity than he had at the end of World War II. He may find that he has millions of dollars frozen in these undepreciated emergency facilities.

Subcontractor Problem

Another major problem is that of securing capable and financially responsible subcontractors.

While the industry has spread its orders over a great number of suppliers and subcontractors — nearly 61,000 business firms were turning out parts, components and material for the aircraft program in mid-1951 — considerable difficulty has been met in the subcontracting program. The government philosophy of airplanes and butter and the terming of Korea as a "police action" has made it more difficult to place subcontracts in some qualified areas. Those concerns who have ready outlets for all their peace-type goods, produced at customary good profit margins, are understandably reluctant to cutback such production and replace it with the lower-margined defense items. As a rule they do not take kindly to government renegotiation and/or redetermination provisions and in many cases industry has to do a selling job to convince them it is to the best

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interest of the country to take the work.

Military production also seems to have been hampered somewhat by the mushrooming of new companies concerned with military production. Some of these are new subsidiaries of established companies. Others seem to have been set up independently in the hope of making large earnings with limited capital on war contracts. Many of the companies appear to be under-capitalized and so unable to guarantee performance on contracts.

Now a word about risks—

The joint regulation, dated March 17, 1952, issued by the Army, Navy and Air Force, states that, "Care should also be taken to the extent practicable to avoid the placement of additional contracts or subcontracts in situations where additional contracts will overload the contractor's production capacity, overextend his financial resources and credit, and thus tend to interfere with timely performance of contracts on hand, and create need for additional contract financing arrangements, which may be impossible to establish on a prudent basis.

"However, in those cases of subcontracts, where the prospective borrower is financially weak in relation to the financial condition of his defense contract customer, and the interests of the government would be fostered by the making of progress payments to the subcontractor by his customer, it is appropriate that steps be taken . . . to arrange to the extent practicable for such progress payments to the subcontractor by his customer. By such means in appropriate cases, the guaranteed loan may become unnecessary, or necessary in lesser amount, and the risks of loss are borne wholly or in part by the prime contractor or subcontractor responsible for selection of the prospective borrower as his subcontractor."

Thus, the "guns and butter" program has multiplied the problems of subcontracting. The potentially good subcontractors with the know-how and adequate finances hesitate to take on low margin business when there is continued good demand for their usual products.

The small subcontractor may need financing and can get it through progress payments from the prime contractor but the latter is required to assume the risk of loss and isn't happy about that feature.

All of which often leaves the prime contractor—the airplane manufacturer—in the position of a housewife who is preparing a meal, had the meat all done and is waiting for some one else to start cooking the vegetables.

It has not been my intention this evening to radiate unmitigated gloom. I have found it a very salutary experience to summarize the problems implicit in our "cold war" operation and, after examining the summary, I am quite sure that everything is not really going to hell in a hod.

Difficulties, yes. But—and here I speak from the experiences of our own company—we have thus far met nothing insurmountable.

While we cannot safely use the present as a yardstick for the future and should remember that many factors beyond our control can, and probably will, change some existing conditions and reasonable expectations, the experience and ingenuity of the industry will enable us to weather the dislocations induced by a "police action."

The answer to our problems, of course, lies in alert and progressive yet conservative management.

IBA To Sponsor New Sound Film

CHICAGO, Ill. — "Opportunity, U. S. A." is the title of a new 16 mm. black and white sound motion picture sponsored by the Investment Bankers Association of America and is to be previewed by members at the Spring Meeting of the Board of Governors, May 14-17, The Greenbrier, White Sulphur Springs, W. Va.

The film develops the saving-investing theme and in narrative form portrays the role of the investment banker in that process. It shows how the investment banker channels the savings of the nation into productive use by business and government units to provide a constant flow of modern tools so essential to a steadily rising standard of living for all. Running time of the film is 25 minutes.

Prints of "Opportunity, U.S.A." will be made available in June for the use of members and in September for general circulation.

The film project was initiated by Joseph T. Johnson, The Milwaukee Company, President of the Association, to round out the educational program of the I. B. A. Distribution of the motion picture will be under the direction of Norman Smith, Merrill Lynch, Pierce, Fenner & Beane, Chairman of the I. B. A. Education Committee.

Merrill Lynch Opens New Branch in Norfolk

NORFOLK, Va.—Merrill Lynch, Pierce, Fenner & Beane, members of the New York Stock Exchange, has opened an office in Norfolk, Va., at 107 West Main Street.

F. Fletcher Garlock is Manager and Zack Bacon, Asst. Manager.

Mr. Garlock was for 17 years the senior resident partner in Chicago of F. S. Moseley & Co., one of the country's leading investment firms. From 1937 to November, 1951, he was also a Director of the Holland Furnace Company, and is at present a Director of the Holland Color and Chemical Company, the Planters Chemical Company of Norfolk, and the Duval Distributing Corporation of Richmond and Norfolk.

Mr. Bacon has been associated with Merrill Lynch for many years in the firm's Raleigh, North Carolina, office.

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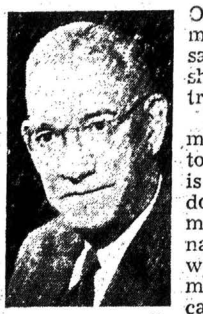
Natural Gas—Nation's Fastest Growing Industry

By CHARLES E. BENNETT*
President, American Gas Association
President, The Manufacturers Light and Heat Company, Pittsburgh

Though stating natural gas industry is booming, utility executive, however, points out problems facing the business because of its rapid growth. Describes recent expansion of use of natural gas that has led to heavy demands for capital by the industry. Lists as greatest responsibilities of natural gas industry: (1) better service; (2) unification and integration; and (3) greater safety. Says gas industry "is replete with growing pains," and producers of both natural and manufactured gas should work together in attaining their common goals.

"Life" Magazine in its March 10 issue, provided the theme for my report to you this morning. In its 14-page feature story called "Boom in Natural Gas," "Life" said: "The clean, pure fuel has now come into its own as a vital natural resource and the industry that supplies it has become the fastest growing in the United States."



Charles E. Bennett

I wonder, do we fully appreciate the significance of this magazine story? "Life," a dominant magazine read by more than 5 million persons each week, boldly proclaimed natural gas as the nation's fastest growing industry. What we in the natural gas business would have done, only a few years ago, to achieve this recognition!

When I entered the gas business in 1915, at Madison, Wisc., the gas industry was far from booming. The Sept. 30, 1950 issue of "Business Week" recalls those days. In reviewing what it termed "one of America's big growth industries," "Business Week" said, "It wasn't like this 25 years ago. Until the mid-1920's, people called the gas industry a 'quiescent' or a 'stagnant' business, depending on how polite they were."

But today the natural gas industry is booming. So is the nation's television industry . . . the atomic energy industry . . . and the titanium industry. None has yet matched our accomplishment. None faces the problems that have been created by the rapid growth of the natural gas business.

This is one of the most significant meetings in the history of the natural gas business. We gather here in Los Angeles as representatives of natural gas. We are a branch of the nation's gas industry . . . the branch that has stimulated thought, action and daring to a degree unequaled in any business.

Natural gas has centered the attention of the public on our industry to an extent never before experienced. Natural gas has stimulated individual initiative to a high degree . . . in years when individual initiative was becoming a commodity of declining proportions.

The merits of natural gas have been sensed by a giant segment of the American people. Sales of natural gas as a domestic, commercial and industrial fuel are being made today in a volume undreamed of only a few short years ago.

Where are we going? What is our goal? What is the ultimate use of our fuel? These are challenging questions. While we do not know the accurate answers today, this we do know: The steady growth that will take place in the next decade will surely make the natural gas industry one of the greatest industries this nation has ever seen.

Today natural gas is spectacular. Our physical size, total investment, public acceptance and giant sales volume make an impressive showing in any study of the country's economic life.

We have seen the number of meters serving natural gas grow to nearly 18 million in 1951. This is a 30% increase since 1949. It does not include the number of meters serving mixed gas of which natural gas is a part. This service would add more than 3 million meters. There are no signs indicating an immediate slow-down in change-over to either straight natural or mixed gas.

As we look into the crystal ball, is our vision distorted when we estimate that the day is not too far off when nearly every gas meter in the country will be busy at work clicking off measured quantities of either natural gas or a mixture containing it?

Unifying Effect of Natural Gas

We will continue to be spectacular. But, there is another side to the picture. I want to comment on a matter of the greatest importance to the entire gas industry and to all of us who make it our living. I refer to the unifying effect of natural gas.

With the rapid expansion of long-distance transmission lines to serve large distribution centers, many new problems appeared on the horizon, such as the economy of a high load factor; dual regulation; new peak load requirements; pipe shortages; customer demands for undreamed of quantities of gas. In the mad rush of business, the pipe line companies had their own specific problems. The distribution companies were faced with theirs. But, the interdependence between producers, transmission companies and distribution companies remains axiomatic. They are all partners working together for a common enterprise.

We have seen many new enterprises flash across the horizon during the years since the end of the second World War. Anyone who is impressed with how fast they rose should also take a look at how fast they fell.

Let's talk about Hadacol for a minute. Surely every person in this room remembers the virtues claimed for Hadacol—the tremendous promotion; the giant advertising campaign. For another example, possibly you will remember the aggressive efforts put behind the ball point pen. Some folks claimed this pen probably would write better under water! Here are two examples of great and exciting growth—reams of publicity and some folks making a lot of money out of the boom. Then the bubble burst!

Is this where the natural gas business is heading? I would say no, positively no! Our growth and expansion, while rapid, have been carefully controlled and have lasting qualities.

May I report to you some statistics? You may not remember them when you leave this room, but if I tell them to you, I will have fulfilled my duty in this report.

In the last two calendar years, sales of natural gas increased by more than 36%. It is almost unbelievable to us old timers in the business that nearly 45 billion therms of natural gas were sold in 1951.

Natural Gas in the Fuel Picture

Do you know the true place of the natural gas industry—statistically speaking—in the country's fuel picture?

"Scientific American" in its "Natural Gas" review of November, 1951 brought the situation up to date when it reported, and I quote, "Natural gas in 1950 supplied nearly a fifth of the nation's total energy consumption from all commercial sources. It would have accounted for a much higher percentage if it had been available everywhere in sufficient quantity to meet the expressed demands for it."

This "Scientific American" analysis is good. But, it does not tell the complete or true energy picture. We have been comparing natural gas figures against coal and oil figures for those fuels that are used in ships, on railroads, to power airplanes and highway trucks. But, natural gas is not competitive with these mobile uses of coal and petroleum. If we deduct such mobile uses from the coal and oil totals, the 1950 figure jumps from 18.7 to 27.3%.

This means we of the natural gas business are today serving well over one-quarter of the stationary, competitive energy requirements of the United States. That's mighty good! We have accepted this fuel delivery upon which the public depends. We are constantly seeking to increase it further. This is a tremendous responsibility!

In 1951, revenues from ultimate consumers rose more than 52% compared to 1949, to reach nearly $1.7 billion. To make it more emphatic, these figures do not include the natural gas that is mixed with manufactured gases.

What about the vast construction expenditures? These amounted to more than $2½ billion during 1950 and 1951.

More than $2 billion of new securities were issued in 1950 and 1951. The net increase in proven reserves in the last two years has been nearly 13½ trillion cubic feet. This is a tremendous increase in the great pool of gas which guarantees our industry's future.

It is very pleasant for me to stand here and sketch the growth of natural gas. I suspect you, too, are proud of our accomplishments. You have every right to be. What has been done, and what looms up in the immediate future, is the direct result of the loyal and faithful work of you men and women, and your associates, who have built this great natural gas industry.

Now let's stop passing out the orchids and grab hold of the brake! We of the natural gas business cannot slip into a self-satisfied frame of mind. We dare not become too complacent. Natural gas has gone whole hog in replacing manufactured gas. Now is the time to stop . . . look . . . and listen!

Mounting success always brings with it increased responsibility. The natural gas business must shoulder a far greater responsibility today than ever before. We have accepted the plaudits of the magazines and newspapers; we have modestly admitted our capacity to do an even better job in the future.

We are somewhat like the sideshow performer who comes out to the barker's platform on the midway. A brief preview performance is put on—just a taste or a

Continued on page 36

*An address by Mr. Bennett at Spring Meeting of Natural Gas Department of American Gas Association, Los Angeles, Cal., May 12, 1952.

Dealer-Broker Investment Recommendations & Literature

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

Better Grade Railroad Equities—Review with special reference to **Atlantic Coast Line; Chicago, Rock Island & Pacific; Denver & Rio Grande Western; Illinois Central; Southern Pacific and Western Pacific**—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Dow's Theory—Current comments—Free copy on request—Box 139, Wall Street Station, New York 5, N. Y.

The Exchange — Monthly pocket magazine of the New York Stock Exchange—$1.00 per year—The Exchange Magazine, Dept. C, 20 Broad Street, New York 5, N. Y.

Fire and Casualty Insurance Companies—Revised edition of pamphlet of "An Aid to Understanding Financial Reports of Fire and Casualty Insurance Companies"—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

Formula Timing Plans—Booklet plus next five issues of Investors Research Weekly Report on the stock market—$1.00—Investment Division, Investors Research Company, Santa Barbara, Calif.

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.

* * *

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

Arkansas Natural Gas Corporation — Analysis — Abraham & Co., 120 Broadway, New York 5, N. Y.

Bayuk Cigars, Inc. — Memorandum — Jacques Coe & Co., 39 Broadway, New York 6, N. Y.

Brilhart Plastics Corp.—Circular—Stanley Pelz & Co., Inc., 52 Broadway, New York 4, N. Y. Also available are circulars on **Harvil Corp.; Lexa Oil Corp.; Lime Cola Co.; Sierra Petroleum, Inc.; Tri-State Oil & Refining Co.** and **Utah Uranium Corp.**

British American Oil Company Limited — Analysis — Hornblower & Weeks, 40 Wall Street, New York 5, N. Y.

Bullard Co.—Memorandum—Faroll & Co., 209 So. La Salle Street, Chicago 4, Ill. Also available is a memorandum on **National Tea Co.**

Chicago, Burlington & Quincy Railroad Co.—Memorandum—McMaster, Hutchinson & Co., 105 South La Salle Street, Chicago 3, Ill.

Christiana Securities Co. — New bulletin — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Connecticut Light & Power—Descriptive memorandum—Chas. W. Scranton & Co., 209 Church Street, New Haven 7, Conn. Also available are data on **United Illuminating, Connecticut Power, New Haven Gas Light, Hartford Electric Light,** and **Hartford Gas.**

Delhi Oil Corporation—Bulletin—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo. Also available are reprints of an address by Irwin R. Harris on **"Why Natural Gas Stocks Enjoy a Favored Position."**

Fairbanks Morse—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available is a memorandum on **Sperry Corp.**

General Precision Equipment Corp. — Bulletin—Freehling, Meyerhoff & Co., 120 South La Salle Street, Chicago 3, Ill. Also in the same bulletin is a brief discussion of **Allen B. Du Mont Laboratories, Inc.**

General Telephone—Reprint of remarks by Donald C. Power President—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y. Also available is a memorandum on **Shakespeare Co.**

Getchell Mines, Inc.—Special report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available is a report on **Nunn-Bush Shoe Company.**

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

Kern County Land Company—Analysis—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Continued on page 59

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Continued from page 2

The Security I Like Best

recently published on a pro forma basis, combining the earnings of Frost Lumber and Olin Industries as though these recently acquired assets had been held for the full year. This statement indicated sales of $168,185,679 and a net income of $12,108,673, or about $2.38 per share on the 5,076,186 shares of common stock outstanding. Dividends, currently being paid at the rate of $0.20 per share quarterly, are expected to be gauged so that about 30% of earnings will be distributed with the remainder being retained for capital expansion.

The first of three cellophane plants was brought into production after the middle of last year but contributed nothing to earnings; in fact a small loss was sustained from this segment. Under full operation it is expected to contribute from 40¢ to 60¢ per share as based upon the present corporate tax rates. The same amount may be expected from each of the other two plants when completed.

Furthermore, the company will erect a wood-pulp plant on the property acquired from Frost. This will supply the chief raw material for the cellophane manufacture. Under full operation, this plant can be expected to contribute another 40¢ per share to earnings.

The oil and gas potentialities of the company have only been tested. Much development can be expected in this segment of the company's business. Hence, it can be seen, with a further expansion in this field and the establishment and operation of the cellophane and wood-pulp plants, that earnings of the company could be more than doubled within the next few years.

Furthermore, a longer-term program of the company envisages the entry into the petrochemical field on a large scale through its mineral reserves. This might contribute as much to earnings as all of the other divisions of the company combined.

The company is in a strong financial position with cash and government securities in excess of current liabilities. Capitalization consists of $42,650,000 of funded debt sold privately to the Prudential Insurance Co., followed by $13,951,600 4% preferred and the 5,078,186 shares of common. Capital and surplus amounted to $90,281,979 at the end of 1951. Prudential has entered into a standby loan agreement with the company for additional financing of $133,000,000 of capital investment for expansion in the various fields cited above.

The stock of this company has been closely held by family interests. Indeed, it was not until about 20% of the outstanding stock was distributed to Frost stockholders early in 1952 that public ownership of this company was at all a factor. Hence, the stock is not listed but is currently traded over-the-counter, at levels in the lower 40's. However, it is expected that the management will apply for listing this stock on the New York Stock Exchange during the course of the next year or so. Olin Industries common, in my opinion, is suitable as a growth stock for individuals, trustees, insurance companies and other institutional portfolios.

Arthur M. Acheson

Arthur Murray Acheson passed away at the age of 61. Before his retirement he was associated with Harris, Forbes & Co. and other investment firms.

From Washington Ahead of the News

By CARLISLE BARGERON

A strange quiet, relatively speaking, has existed in Congress in the wake of the story of the prisoner-of-war camp at far away Koje Island. One gets the impression that the prevailing reaction is one of downright sickening in the stomach, accompanied by a complete bafflement, an inability to understand. This is fairly true of the Pentagon.

Carlisle Bargeron

You must understand that for months we have been confronted with the picture of the armistice negotiations stalemated over the question of whether we should return Communist prisoners of war who do not want to be returned. The policy of our government has been that the war would be renewed and we would fight to the bitter end for the privilege of continuing to feed better than they have ever been fed before, thousands of Communists who only recently were trying to kill American boys. There were many and influential members of Congress who couldn't understand such a policy but there developed a widespread and emotional agitation in support of it.

In certain vociferous elements of our society, in fact, the Administration was denounced on the suspicion that it might be entertaining the notion of "giving in to the Communists" and letting these prisoners go, "just for the sake of an armistice." Such a surrender on our part, it was held, would be inhuman and never again would we be able to lift our heads among the civilized nations of the world.

Such reasoning was beyond me; it was beyond a sizable element of Congress, but the agitation was on an emotional basis, the well-springs of which would be interesting to know, and it took a courageous soul, indeed, to raise his voice in opposition. We are at war, we capture prisoners. Then we take a stand that we will continue at war rather than release those prisoners and impose upon them the necessity of returning to their home lands. There was no question involved of not returning them in order that they would not be able to fight again. There was no suggestion that by holding onto them, and supporting them in a manner to which they had never been accustomed, we would exhaust China's manpower.

No, the argument was that these prisoners had reformed and it would be inhuman to return them to the conditions under which they had previously lived.

Now, it develops at Koje Island that these prisoners for whom we were to bleed and die in the name of the United Nations and the higher civilization, were not entreating us to protect them. We were given the picture that they were cringing on their hands and knees and begging us not to return them to their homelands. But it turns out that we were taking the initiative, we were campaigning among them that they didn't want to go back. We were working to convince them of the comforts of living at our expense.

However, in order to get back an American General who was being held hostage in a Communist prisoner camp we had to make concessions. And the major concession, apparently, is that we have got to cut out seducing the Chinese and the North Koreans. If they want to go back to their homelands at the cessation of hostilities they must be permitted to do so without undue persuasion on our part. The whole thing is downright nauseating. It would seem to constitute the most disgusting chapter in the entire saga of this modern "Innocents Abroad."

It is quite apparent now that after proselyting these prisoners it would unquestionably be disgraceful to turn them back to their former masters. It would be inhuman and all the other degradatory terms that have been used in the agitation to keep them from being returned. But the agitation was not based on any knowledge that we were proselyting them.

And why, in the name of heaven, were we doing it? In so doing it was we who established the roadblock at the armistice negotiations, at least the issue over these prisoners has been represented as the roadblock for several months, months in which thousands of American prisoners have been denied their liberty. None of it seems to have any rhyme or reason.

Everywhere there is a feeling of helplessness, and along with this feeling there is a growing realization that notwithstanding we constitute the strongest nation in the world, we are helpless in dealing with the rest of the world. Beyond the giving of our dollars we have no influence, no way of throwing around our weight.

Apparently we can do nothing to bring about the release of an American newspaperman from a Czechoslovakian jail. This case happens to have received plenty of publicity as have two or three others. But there are several thousand American citizens being held in Iron Curtain countries, and nothing seemingly can be done about it.

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Subscription Price $26¼ a Share

The several underwriters may offer shares of common stock at prices not less than the Subscription Price set forth above (less, in the case of sales to dealers, the concession allowed to dealers) and not more than either the last sale or current offering price on the New York Stock Exchange, whichever is greater, plus an amount equal to the applicable New York Stock Exchange commission.

Copies of the Prospectus may be obtained from only such of the undersigned as may legally offer these Shares in compliance with the securities laws of the respective States.

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Banking Achievements, Legacies and Challenges

By ALBERT C. SIMMONDS, JR.*
President, The Bank of New York

Executive of oldest New York bank, in recounting adverse conditions at home and abroad, warns against discouragement in banking circles. Decries government inflationary policies and points out its ill effects. Sees intensification and broadening of consumer demand as bulwark against post-defense depression, and lauds banks' role in expanding credit accommodation without fostering inflation. Calls attention to low rate of bank earnings, and advocates repricing bank services to cover increased costs. Opposes issue of preferred stocks by banks.

The title for my remarks—now that I look at it—seems rather formidable. It looks like a stockpile for a lot more speeches than I ever intend to make. The reason is, I suppose, that I had in mind touching rather briefly upon a number of diverse subjects. The situation reminds me of the man who wrote a very long letter, and at the close said, very wisely no doubt, that if he had had more time he would have written a shorter letter.

A. C. Simmonds, Jr.

It is the nature of bankers, I believe, to ask questions—borrowers at least seem to think so. Unrealized by the general public is the fact that we are also continually asking ourselves questions. It is a practice, I admit, that is sometimes humbling in its effects, but by the same token it has its therapeutic value. The broad questions which we can appropriately ask ourselves today relate to my title — what are our banking achievements, what are the legacies, both economic and social, which aid or hinder us, and what are the challenges we must meet in terms of keeping our business sound and rendering the service required by new and changing conditions.

*An address by Mr. Simmonds before The Texas Bankers Association Convention, Galveston, Texas, May 12, 1952.

Before dealing with these specific items, it might be well to sketch briefly the background against which they must be considered. I think we are safe in saying that the almost seven years since V-J Day constitute a definite chapter. It is a chapter that has told a far different story from that anticipated on that September day in 1945, when the Japanese war lords put their signatures to the unconditional surrender on the decks of the battleship Missouri. At that time the whole world hoped that the horrible loss of lives and tremendous cost in money might result in the dawn of a better day. We had reason to believe that the American position of dominance in the world made a prolonged peace among the big powers a practical certainty. That bright picture, as we now know, faded all too quickly. We have Korea, we have inflation, we have taxes at a dangerously high level, and we have a large part of the rest of the world getting accustomed to a standard of generosity not compatible with our economy. We also have great constitutional questions which involve our very form of government. In addition to that there is serious evidence of a weakening in the moral fiber of the people, a development which must cause concern to every banker in the land.

However discouraging these conditions may appear, I do not feel in the least disheartened. Fortunately for us, the social and economic ills we have undergone have not been so sudden or so rapid as to deprive us of the ability and privilege to evaluate these forces and to plot our course with considered judgment. We therefore approach the uncut pages of a new chapter in a realistic mood, soberly determined to examine honestly our acts of omission and commission, to hold fast to that which is good in our American heritage and to defend our freedom ever more zealously, both within and beyond our shores.

The Inflation Complex

At the end of World War II our thoughts were focused on the economic problems of reconversion. We knew that the terrific war-born inflation gave cause for uncertainty. Of course there were some doctrinaires at strategic points along the Potomac who were sure of the answers. They decided that the expectable forces of deflation at the termination of a war economy should be offset by generating counter forces of inflation. They really believed that an economy is a simple mechanism—just push it in here and pull it out there—and everybody lives happily ever after. Largely out of that situation there has developed a tug of war between inflation and deflation, with the signals being changed almost daily. In six years we have run the gamut from making preparations for nine million unemployed, as was predicted in 1946, to the present moment when we are right back to allocation of materials, back to restrictions on prices and wages and to other emergency devices. All through this period I am sure that each of us has at times felt critical of this or that government policy, and we have had ample reasons here and there to suspect political motivation. Yet, withal, we must recognize that industry in 1946 lost its biggest customer, Uncle Sam, without encountering a tailspin, which, if pronounced, might have induced socialistic interference in our economy by government.

We are now coming into what, for the time being, we are regarding as a post-defense situation. Uncle Sam will continue to be a substantial customer, spending billions annually as a maintenance level for the military in goods and services.

Consumer Demand Can Increase

If consumer demand can be increased by some $20 billion, according to some economists, this will enable us to move smoothly into a post-defense period. It goes without saying, of course, that competition is coming back in a big way and that consumer demand at this time is nothing like as great as it was in 1946. In fact, there will be some difficulty in stimulating consumer demand beyond the present level.

We should not forget that, historically, the effective increment in consumer demand has not consisted of more bread and butter, nor even of more hats and shoes, although perhaps some more, but rather of new things. Generally speaking, new things are not seen very far ahead. Right now, there may be developments just over the horizon as momentous as the automobile, which was a prime stimulant for more than a whole generation. Aluminum, which came along at first as a new metal out of the laboratory, has become a great industry. In textiles there has occurred a revolution, the outlines and implications of which are only beginning to appear. In the chemical field there are, of course, a thousand miracles which have been brought forth in the last decade. No one can foretell what to expect of the newer metals, of electronics, or of atomic energy.

Our future progress, however, requires something more than natural resources, industrial plant and technical know-how. We must have the political honesty, intelligence and ability to operate an economy which, by all past standards, is both qualitatively superb and considerably expanded. While I do not wish to abandon the sense of caution which becomes our profession, I do indulge in the hope that the difficult labor relations between the unions and management will not prove insuperable. The public at large is finally beginning to see the issue in better perspective and we seem nearer to a more judicious and equitable solution. American history suggests that the forces of reason eventually overtake the forces of unreason. Certainly, in a larger sense, our future happiness and survival is related to the character of our people as reflected in political and social development.

Better Public Feeling Toward Banks

There is one outstanding and comforting fact, with respect to the recent turbulent years, and that is that the banks and bankers have not become the whipping boys that they were in the period following World War I. The best reason for this phenomenon is that the banks have done a patriotic, unselfish, and, in some respects, unremunerative job. Banks have not been direct contributors to the inflation which has taken place. On the contrary, they have not only willingly and conscientiously conformed to the specific credit regulations laid down from time to time, but they engaged wholeheartedly in the Voluntary Credit Restraint Program, which curtailed unhealthy credit expansion.

It has become rather conventional these days to think that everything in the period '45 to '51 went up about 50%. That rough percentage may apply to common stocks, to the average hourly wage rate, to haircuts, and to many other things. When we come to banking statistics, however, we find considerable deviation from that pattern. The rise in demand deposits of member banks since V-J Day was approximately 1%, and the rise in total deposits, time plus demand, was about 7%. There was, of course, a sharp dip in the deposit curve in 1946, mainly accounted for by a substantial retirement of government debt at the expense of War Loan accounts. This picture is complicated by considerable regional fluctuations reflecting population growth and industrial development in some areas, with a corresponding geographical disproportion in the ratio of bank capital to deposits.

In the loan and investment accounts for this period we find the most striking changes. Loans advanced from $22.8 billion to $50.1 billion, almost entirely balanced by the decline in investments, which went down from $84.4 billion to $62.9 billion. The increase in loans is, of course, understandable in view of high commodity prices and the fact that plant equipment has increased 60% since V-J Day. This extensive credit accommodation, without adding materially to the inflation potential, represents a great achievement on the part of banking.

It is interesting to note that the capital accounts of member banks have risen considerably — from $7.6 billion to $10.2 billion. Nearly all of this growth in capital funds is attributable to retained earnings, since the amount of new capital acquired from the public

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has been largely offset by retirement of preferred stock.

Taxes Cut Bank Earnings

The annual net earnings ratio for all member banks, before taxes, during the period 1945 to 1951, increased from 11.5% to 14.5% on stated capital funds. The figure after taxes, however, is the distressing one. The 1951 ratio, after taxes, despite higher interest income, was 7.6% compared with 10.9% in 1945. While cash dividends paid in '51 were 50% above those in '45, the ratio is still less than 4% on capital funds.

This matter of inadequate bank earnings is something we are all going to have to think about eventually, regardless of our geographical location. Our concern is justifiably based on two broad points of view. On the one hand, we owe it to conservative investors, who normally purchase bank stocks, to see that they are not left in an earnings vise that will squeeze out the possibility of a reasonable return. That is particularly true where additional capital funds are necessary. On the other hand, we owe it to the public to see that the banking industry is kept in such vigorous and financially healthy condition that it will continue to attract into its ranks personnel of the highest character and abiilty, and at the same time be able to extend itself in the public service and preserve its identity as a flourishing function of private enterprise so strong that it will not be vulnerable to any attempts to absorb it into the operation of government.

Price of Bank Services Should Rise With Costs

Undoubtedly part of the remedy for insufficiency of income rests in our own hands. If we were selling groceries we should know our costs and give proper weight to this factor in setting our prices. Some of our services could very well be repriced in accordance with more accurate cost determinations. We have, in my judgment, for a variety of reasons, given inadequate consideration to elements of cost in pricing our principal commodity—the use of money. Borrowers, as a rule, willingly pay rates which are equitably fixed. The other part of the remedy must be sought in the field of public policy. We have an obligation to do everything in our power to secure earnings which will sustain the health of the banking business.

The suggestion has been made that issuance of preferred stock would be one way of meeting capital needs of the banks. Frankly, I doubt that there will be very wide acceptance of this idea. Bankers will be loath to create a leverage factor which could cause wide fluctuations in their common stock, with accompanying repercussions. It is true that the existence of the FDIC lends assurance against disturbance of deposit relations. It seems to me, however, that if we are going to rely on the FDIC as an umbrella in lieu of adequate capital, we will thereby deviate from traditional principles, and poorer management will probably result, thus endangering the private system of banking.

As you know, an examination has been undertaken to determine the effects of present tax laws on the banking business. Public utilities and air lines, whose rates are determined by specially constituted commissions, have been given special consideration appropriate to the nature of their business. Banking is not a public utility, and I hope it will never become one. But it is heavily weighted with the public interest. No one will deny that bank earnings have, to an increasing degree, as the public debt has mounted, been adversely affected by considerations of public policy. I do not suggest that the banks should begin leaning on the government; I merely say that we must get paid for our services, functional as well as specific, if our business is to remain sound. Exclusion from EPT will not suffice. Instead, a new concept of bank taxation is required. This is not a pleading for special favor. It is only a realistic reminder that the banking business differs from other businesses, so much so that the regular corporation tax laws are ill adapted to the banking business. We would be derelict in our responsibility if we failed to bring this situation into the open.

Intangibles in Banking

Turning aside from the practical consideration of income and outgo we are aware that there are, in the field of banking, certain intangibles. The legacies of banking are many, but, it seems to me, that the outstanding one is character. In order for banking to give the maximum of service and maintain its position of influence in each community, banking personnel must possess integrity and a deep civic consciousness. This is a fact so generally accepted as to be taken for granted. Thus, there exists in the banking profession a tremendous potential for leadership, both in a moral and a business sense. Particularly at this time, there is need for that influence to be exerted.

It is not enough to catch up with rackets and bribery in high places. In a more general, but equally important way, we are concerned with a malady which, in one form or another, seems to have permeated practically all levels of society. I am not a preacher or a reformer, but I am sure that an aroused public opinion would not tolerate the ultra-cleverness and deviousness which the law fails to reach. A less passive attitude would hold in check administrative boards with tremendous power over our economic life which have rendered biased findings of fact.

We must remember that the character of a nation, or a business, or a family, is set by the persons in positions of authority. I submit that, in our banking lives, as distinguished from our banking jobs, we shall continue to have before us a problem larger than our own business, the problem of keeping our nation's ideals high and our people free. Each one of us must determine for himself where his duty lies. Whatever the individual situation, the old Chinese proverb applies:

"Better to light one small candle than complain about the darkness."

$330 Million Issue Of Ohio Turnpike Rev. Bonds on Market Soon

An issue of approximately $330,000,000 Ohio Turnpike Commission revenue bonds is expected to be placed on the market June 3 by a nationwide syndicate which will include, as principal members, Blyth & Co., Inc.; B. J. Van Ingen & Co., Inc.; The Ohio Company; Braun, Bosworth & Co.; McDonald & Co.; Prescott & Co., and the Weil, Roth & Irving Co. The offering will constitute the largest revenue bond financing ever undertaken.

The above-mentioned firms on May 8 advised the Commission that they have reviewed the engineering report of J. E. Greiner Company, the traffic and engineering report of Parsons, Brinckerhoff, Hall & Macdonald, the draft of the proposed trust agreement prepared by Mitchell & Pershing, New York City, and Squire, Sanders & Dempsey, Cleveland, and with the full cooperation of the Commission they expect to have available a draft of the official prospectus by May 22.

Having completed the foregoing, the financial advisers expect to submit a proposal, on behalf of the account which they have formed to underwrite said bonds, for the purchase of the bonds for consideration of the Commission at a meeting to be held not later than June 3.

An announcement of the proposed program by the Managers is being sent to the members of the account and other investment dealers who have expressed interest in this financing.

This is not an Offering Circular. The offer of these Bonds is made only by means of the Offering Circular, which should be read prior to any purchase of these Bonds.

$17,000,000

Fort Worth and Denver Railway Company

First Mortgage 4⅜% Bonds, Series of 1982

Dated May 1, 1952 — *Due May 1, 1982*

Guaranteed as to Principal and Interest by The Colorado and Southern Railway Company and Further Secured by Pledge of $14,028,500 General Mortgage Bonds of The Colorado and Southern Railway Company

The issuance, sale and guaranty of these Bonds are subject to authorization by the Interstate Commerce Commission and to approval by the Texas Railroad Commission and the Special Court having jurisdiction.

Price 101% and Accrued Interest

Copies of the Offering Circular are obtainable from only such of the undersigned as may legally offer these Bonds in compliance with the securities laws of the respective States.

MORGAN STANLEY & CO.

BLYTH & CO., INC. — THE FIRST BOSTON CORPORATION

HARRIMAN RIPLEY & CO. Incorporated — KIDDER, PEABODY & CO.

R. W. PRESSPRICH & CO.

May 15, 1952.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Debentures. The offer is made only by the Prospectus.

$20,000,000

Crane Co.

Twenty-Five Year 3⅛% Sinking Fund Debentures

Dated May 1, 1952 — *Due May 1, 1977*

Interest payable May 1 and November 1 in Chicago, Ill. and New York, N. Y.

Price 100¾% and Accrued Interest

Copies of the Prospectus may be obtained from only such of the undersigned as may legally offer these Debentures in compliance with the securities laws of the respective States.

MORGAN STANLEY & CO. — CLARK, DODGE & CO.

LEE HIGGINSON CORPORATION — SMITH, BARNEY & CO. — BLYTH & CO., INC.

THE FIRST BOSTON CORPORATION — GLORE, FORGAN & CO. — HARRIMAN RIPLEY & CO. Incorporated

KIDDER, PEABODY & CO. — STONE & WEBSTER SECURITIES CORPORATION

UNION SECURITIES CORPORATION — WHITE, WELD & CO.

May 14, 1952.

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What's Ahead in Auto Industry?

By H. J. KLINGLER*

Vice-President, General Motors Corporation

Addressing automobile dealers on sales outlook, General Motors executive points out business can continue profitable provided there is improved sales management, improved financial management, and better customer relations. Cites vast size of automobile industry and gives grounds for belief it will continue to grow with development of improved products. Holds improvements will not come suddenly, but "by evolution." Concludes outlook for auto industry "appears bright."

Everywhere I go dealers ask "Where do we go from here in the automobile business?" For the next few minutes I would like to visit with you about where the automobile dealer goes from here and then, if I may, make a few observations about the outlook for the industry as we see it today.

H. J. Klingler

If I were operating an automobile dealership in this year of 1952, I would approach the job with two basic facts in mind:

(1) The retail end of the automobile business is, and will continue to be, a vital part of the greatest business in the world.

(2) That profit-making is a management function—not an economic circumstance. Whether the operating results are good or bad depends upon the owner or manager.

To amplify my belief that profit-making is a management function, may I suggest that all automobile dealers should consider seriously three basic phases of their management policy: (1) Sales Management, (2) Financial Management, and (3) Customer Relations. Now let's take a brief look at each of these.

Sales Management

(1) Two of the things I hear from dealers frequently these days are that "cars aren't moving too fast," and "people don't have the money these days." My reaction to these comments is that we are passing out of a period of "pull" into a period of "push" selling. For years, the desirability of our products has pulled customers into the dealership. From now on it looks as though we are going to have to start pushing the product more and more to maintain sales volume. This will require manning your business with the needed number of salesmen, establishing a policy of fair compensation and giving them the day-to-day training and direction that is so important in modern merchandising.

Today, I note in talking to many dealers, when they are asked how is business, their reference all seems to be as to the amount of showroom traffic—that seems to be a current phrase developed since the war. I remember the days when we did not know what traffic was in our showrooms; we had to go out and get it. Now some places, I am afraid, are getting to be like department stores; we wait for the folks to create the traffic themselves in our place of business. It may be that we have changed that much, but I doubt it. We are not department store selling people; we are specialty merchandisers and we must so operate our business, both now and in the future. We sell a specialty product and cannot measure our strength by the number of people that come in and out of our showrooms. The traffic may not wear out the carpets and our competitors may get them before they ever create traffic in any given showroom as represented by you gentlemen here.

I am reminded of a remark attributed to Dizzy Trout, that perennial pitcher for the Detroit Tigers. Dizzy was asked if he could still throw as hard as he used to.

"Sure can," Diz said. "I throw just as hard as I ever did—only thing is, it takes the ball longer to get up to the plate."

I am sure you all know salesmen like that. Front-line selling is a young man's business and it is composed in large measure of enthusiasm and natural hunger to sell cars.

Most of you are familiar with the Crowell-Collier study of the automotive industry. It is about as authoritative as they come. In compiling a recent report, the survey has asked people whether they had been contacted by a new car salesman in the past 18 months. More than 73% said no—not in any way.

And yet, in spite of facts like that, we hear doleful news from some dealers. We see ads beginning to appear with a frantic note about overstocks and big discounts. Why?

It is easy to decide that the market is glutted. It is easy to figure your way into thinking that nobody has any money left to buy a new car.

The fact is that people do have the money. In 1951, the American people saved more money than in any year since World War II. Savings bank deposits are at the highest level in history. People have the money all right, so our job is to sell them on spending it for our products. And we must do it in competition with all other products and services for the customer's dollar.

The United States Census of Retail Trade shows that the American public spends more for motor vehicles, gasoline, oil, accessories, parts and the other things you sell than for anything else except food. And so it seems that the market is there, but the significant fact is that most people are simply not being asked to buy.

Financial Management

(2) During the recent high profit period in the retail end of the business, the dealer did not have to be an efficient manager to be successful. While public demand for our products was pulling customers in the front door, a dealer could operate a cozy, comfortable business with a minimum of managerial effort. But the time has come, with the return of competition, when all dealers should

Continued on page 38

*An address by Mr. Klingler at the 44th Annual Meeting of the Automobile Merchants Association of New York, New York City, May 6, 1952.

John Curran Joins W. C. Langley & Co.

John C. Curran has become associated with W. C. Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange. Mr. Curran was formerly manager of the corporate securities department of Dreyfus & Co.

Smith, Ramsay Adds

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Frederick A. Bronkie has been added to the staff of Smith, Ramsay & Co., Inc., 207 State Street.

With Joe McAlister Co.

(Special to THE FINANCIAL CHRONICLE)

GREENVILLE, S. C. — L. L. Lyda has been added to the staff of Joe McAlister Co., 8 South Church Street.

This is not an offering of these Shares for sale, or an offer to buy, or a solicitation of an offer to buy, any of such Shares. The offering is made only by the Prospectus.

400,000 Shares

Lion Oil Company

Common Stock

Without Par Value

Price $40.125 per Share

Copies of the Prospectus may be obtained from any of the several underwriters only in states in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

Blyth & Co., Inc.

The First Boston Corporation — Glore, Forgan & Co.

Goldman, Sachs & Co. — Kidder, Peabody & Co. — Lehman Brothers

Merrill Lynch, Pierce, Fenner & Beane — Stone & Webster Securities Corporation

Dean Witter & Co. — Carl M. Loeb, Rhoades & Co. — Hornblower & Weeks

Lee Higginson Corporation — Paine, Webber, Jackson & Curtis

Equitable Securities Corporation — Hallgarten & Co. — Shields & Company

Blunt Ellis & Simmons — Hayden, Stone & Co. — Hill & Co.

Newhard, Cook & Co. — Shearson, Hammill & Co. — Tucker, Anthony & Co.

Hirsch & Co. — E. F. Hutton & Company — McDonald & Company

Piper, Jaffray & Hopwood — G. H. Walker & Co. — Whiting, Weeks & Stubbs

Boettcher and Company

May 14, 1952

This is not an offering of these Shares for sale, or an offer to buy, or a solicitation of an offer to buy, any of such Shares. The offering is made only by the Prospectus.

920,573 Common Shares

(Par Value, $1 Per Share)

New England Electric System

(A Voluntary Association)

Rights, evidenced by Subscription Warrants, to subscribe for these Shares at $12⅝ per Share have been issued by the Company to holders of its Common Shares of record May 8, 1952, which rights expire May 26, 1952, as more fully set forth in the Prospectus.

The several Underwriters have agreed, subject to certain conditions, to purchase any Unsubscribed Shares and, during and after the subscription period, may offer Common Shares as set forth in the Prospectus.

Copies of the Prospectus may be obtained from any of the several underwriters only in states in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

Blyth & Co., Inc. — Lehman Brothers — Bear, Stearns & Co.

Union Securities Corporation — Dean Witter & Co. — Hallgarten & Co.

A. C. Allyn and Company Incorporated — Central Republic Company (Incorporated) — Halle & Stieglitz

Ferris & Company — Fulton, Reid & Co. — Mackall & Coe

R. W. Pressprich & Co. — Brush, Slocumb & Co. Inc. — J. M. Dain & Company

Elworthy & Co. — H. Hentz & Co. — J. J. B. Hilliard & Son

Laird, Bissell & Meeds — Lester, Ryons & Co. — Mason-Hagan, Inc.

William R. Staats & Co. — Suplee, Yeatman & Company, Inc. — J. Barth & Co.

Davis, Skaggs & Co. — Dempsey-Tegeler & Co. — Emanuel, Deetjen & Co.

Foster & Marshall — Hawkins & Co. — Revel Miller & Co.

New York Hanseatic Corporation — Sills, Fairman & Harris Incorporated

Wagenseller & Durst, Inc. — Baumgartner, Downing & Co. — Carmen & Co., Inc.

City Securities Corporation — Janney & Co. — Irving Lundborg & Co.

Wm. C. Roney & Co. — Taussig, Day & Co., Inc.

May 9, 1952.

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Revising the Investment Advisers Act

By ROBERT I. MILLONZI*

Member, Securities and Exchange Commission

Asserting Investment Advisers Act is defective, largely because it fails to set up standards for qualifying investment advisers, Commissioner Millonzi expresses hope consideration will soon be given for its amendment. Stresses importance of investment counsel profession to the national economy and suggests examinations and qualifications for investment advisers similar to CPA requirements for accountants. Reveals cases of inadequate or fraudulent qualifications of investment counsellors.

The Investment Advisers Act was enacted almost 12 years ago. Since then we have gotten to know a lot about your problems and we should now be able to determine how the statute is operating and what flaws or deficiencies exist. Insofar as the basic provisions governing registration are concerned I find myself well satisfied with the foresight of the draftsmen. They are simple, they have presented a minimum of problems of interpretation, and they seem to be almost self-operating. There have been only two actions by the Commission to prevent persons from doing business as an investment adviser without registration, and both resulted in consent injunctions.

Robert I. Millonzi

The anti-fraud provisions, too, seem to be reasonably effective. Their enforcement is hampered somewhat by the failure of the Act to grant to the Commission authority to institute administrative proceedings to punish suspected violators, but where a Commission investigation discloses fraud the criminal and injunctive remedies have proved adequate.

The Act is chiefly defective, I believe, in not setting up standards for the qualifications of investment advisers. This is an area it does not attempt to cover. Frankly, I am not yet sure legislation should deal with the problem, for it is concerned more with the enforcement of ethical standards than the enforcement of legal standards, and I have always regarded ethics as a private rather than a public matter. It is only because of the important effect your profession has upon the national economy that the matter demands public attention.

If all investment advisers subscribed to the code of ethics of your association I would have little cause for concern. But, as you know, an investment adviser is often one in name only. Anyone may register as such with the Commission who can place an "X" where his signature belongs on the application. Having registered in this fashion, he can then print some stationery proudly describing himself as "Registered with the United States Securities and Exchange Commission." From that time on, so long as he makes full disclosure of the basis for his predictions, he is free to advise any member of the public about the most complex financial problems. He may base his advice upon a complicated formula derived from either the Einstein theory of relatively or the toss of a coin.

A Case in Point

One of the early applications for registration was received from a person who modestly described his education, background, and experience as including:

"Knowledge of oil investments and financing from a personal survey in the oil fields of Oklahoma, Texas, Montana and Canada; the study of all active and inactive gold mines in Canada; an exhaustive survey, studied very thoroughly, of investment trusts, railroad, public utility and industrial financing; several years' study of stocks, bonds, brokerage business, stock market, price fluctuations, stock exchange practices, long and short sales, margin accounts, arbitrage, corporate organization, financing and interlocking directorates, and special attention given to the study of Municipal State, and United States bonds."

In answer to the item calling for a description of his principal business and professional connections during the last ten years it was stated:

"The registrant has devoted his entire time to a comprehensive economic survey and study of the investment needs of the investing public."

After reading this I expected the application would be signed by that walking encyclopedia, Mr. Belvedere. But it was not. And upon further inquiry from the Commission staff who, I suspect, probably sought the information so that they might purchase the service, it developed that the applicant had been in prison for the past ten years, serving a term for assault with intent to rob and murder. The registration was to assist him in obtaining a parole by showing that he had a gainful occupation. Of course, the application was ultimately withdrawn.

Obviously, persons who have been forced to spend a large part of their time in a penal institution, will, in most instances, have rather dubious qualifications to act as investment advisers. And the public can probably be trusted not to seek their advice on investment management. But there are many instances where the qualifications and ability of the investment adviser are even more obscure.

As of our last count, we had almost 1,200 persons registered with us under the Act. Many of these are not persons who, by either training, education or experience are qualified to handle financial problems. Many of them act as investment advisers as a kind of paid hobby, with some other occupation as their principal business. I estimate that almost 50% of our registrations fall within this category. Unfortunately, they usually indulge in their avocation at the expense of those people least able to afford to gamble with their money—persons with but a few dollars to invest who are looking for bargains in investment advice. Registered with us, at one time or another, as investment advisers, we have had dentists, doctors, booking agents, dress designers, engineers, real estate salesmen, physicists, hotel managers, government clerks, and astrologers. Many of these, in their own field, are expert. But when they attempt to apply their own specialized knowledge to the securities business they often wind up with theories of market forecasting that would be ludicrous if their effect were not so serious.

Astrologers, convinced that the market movements follow the stars, base their predictions upon the planetary orbits. A physicist registered with us has worked out a complicated system of terrestial magnetism to explain market movements. Even sun spots have been seriously credited with exerting the controlling influence upon market movements. And one person attempted to combine all knowledge into an "Astro-Economic Interpretation" which he published.

The Commission can do little to prevent these abuses, although we are exploring the possibility of bringing injunctive actions against the most egregious examples on the ground that it is fraudulent to make such claims. The Investment Adviser's Act, basically, is a disclosure statute. So long as the adviser fully discloses his system of prognostication we find he is usually complying with the Act, and fraud cannot be proved.

You are familiar, I am sure, with the investment adviser who based his market advice upon an analysis of the comic strips. Little Orphan Annie was considered a particularly astute market op-

Continued on page 49

*An address by Commissioner Millonzi before the Investment Counsel Association of America, N. Y. City, May 7, 1952.

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE May 14, 1952

300,000 Shares

New York State Electric & Gas Corporation

Common Stock

(Without Par Value)

Price $31.75 per share

Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which such Prospectus may legally be distributed.

The First Boston Corporation

Lehman Brothers | Merrill Lynch, Pierce, Fenner & Beane | Wertheim & Co.

Blyth & Co., Inc. | Eastman, Dillon & Co. | Glore, Forgan & Co.

Harriman Ripley & Co. Incorporated | Kidder, Peabody & Co. | Smith, Barney & Co. | White, Weld & Co.

Hemphill, Noyes, Graham, Parsons & Co. | Carl M. Loeb, Rhoades & Co.

Paine, Webber, Jackson & Curtis | Shields & Company | Baker, Weeks & Harden

A. G. Becker & Co. Incorporated | Alex. Brown & Sons | Brown, Lisle & Marshall | Clark, Dodge & Co.

Dominick & Dominick | Estabrook & Co. | Hallgarten & Co. | Hayden, Stone & Co.

Hornblower & Weeks | W. E. Hutton & Co. | W. C. Langley & Co. | John C. Legg & Company

Laurence M. Marks & Co. | R. W. Pressprich & Co. | Reynolds & Co. | Riter & Co.

Schoellkopf, Hutton & Pomeroy, Inc. | Shuman, Agnew & Co. | Swiss American Corporation

Spencer Trask & Co. | Tucker, Anthony & Co. | Dean Witter & Co. | Bache & Co.

Bacon, Whipple & Co. | Ball, Burge & Kraus | Boettcher and Company

George D. B. Bonbright & Co. | Bosworth, Sullivan & Company, Inc. | Butcher & Sherrerd

Crowell, Weedon & Co. | Elkins, Morris & Co. | Ferris & Company | Robert Garrett & Sons

Goodbody & Co. | Lester, Ryons & Co. | Merrill, Turben & Co. | Piper, Jaffray & Hopwood

Rotan, Mosle and Moreland | Shearson, Hammill & Co. | Starkweather & Co.

Stern, Frank, Meyer & Fox | Sutro & Co. | Watling, Lerchen & Co. | J. C. Bradford & Co.

Harold C. Brown & Co., Inc. | Chace, Whiteside, West & Winslow Incorporated | Doolittle & Co.

Hamlin & Lunt | Revel Miller & Co. | Moors & Cabot | Talmage & Co.

Thayer, Baker & Co. | Wurts, Dulles & Co.

This announcement is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. These securities are being offered only by means of the Prospectus.

NEW ISSUE

300,000 Shares

Food Machinery and Chemical Corporation

Common Stock

($10 Par Value)

Price $44.75 per Share

Copies of the Prospectus may be obtained only from such of the undersigned as are registered dealers in securities in this State.

Kidder, Peabody & Co. | Mitchum, Tully & Co.

Lehman Brothers | Dean Witter & Co. | Blyth & Co., Inc.

The First Boston Corporation | Eastman, Dillon & Co. | Glore, Forgan & Co.

Goldman, Sachs & Co. | Harriman Ripley & Co. Incorporated

Merrill Lynch, Pierce, Fenner & Beane | Smith, Barney & Co.

Stone & Webster Securities Corporation | Union Securities Corporation

Wertheim & Co. | White, Weld & Co.

May 15, 1952.

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The Economic and Political Importance of Our Import Trade

By H. HAROLD WHITMAN*
Vice-President, The National City Bank of New York

National City Bank executive, addressing export advertising group, reviews growth of U. S. foreign commerce and part played by brand advertising in promoting foreign sales. Discusses possibilities of closing "dollar gap" abroad, so as to maintain and increase our exports. Warns against retaliatory tariff wars or increase in import duties and other import restrictions which would lure Western traders into Soviet markets. We must increase imports if more exports are desired.

A book which I have at home throws a lot of interesting light on our export trade in the early part of the last century. It was published in 1865, and is entitled "The Encyclopedia of Commercial and Business Anecdotes Containing Interesting Reminiscences and Facts." One story concerns a New England trader who became the Ice King of the Globe along about 1825, and who, even in those days, owned warehouses in many foreign countries. However, this Ice King evidently felt that he should diversify his interests and not have all of his eggs in one basket. He accordingly branched out into a number of other lines, but as so often happens, he was not successful in these. I will read you the rest of the story in the picturesque language of that period: "He soon became entangled, however, by his relation to some unfortunate commercial houses, and found himself a debtor to the amount of $210,000. This must have given him more of a chill than his icehouses ever did, but he knew that faint heart never won fair lady, nor any other noble prize. He told his creditors, therefore, that if they would give him time and not hamper him at all, he would pay principal and interest. For 13 years he labored for it, and finally one day made the closing payment on $210,000 principal and $70,000 interest. He did all of this in his old and original business as Ice King of the Globe. He sold his cargoes in the great southern ports of the two hemispheres at low prices, kept rigid faith, bought largely the needed storehouses in the various centers of trade, secured the lands around his ponds, made friends everywhere and came out with an independent fortune and free from debt. [And please listen to this:] Such was his generous policy that the English residents of Calcutta, India (if you please), presented him with a fireproof stone warehouse as a taken of respect and to retain him in that market." What a picture! In his way, that New England ice dealer was certainly doing some good advertising for other American products that were to follow him into those markets.

H. Harold Whitman

*An address by Mr. Whitman at the Luncheon of the Export Advertising Association, New York City, May 8, 1952.

Use of Brands in Foreign Advertising

It is a fairly well accepted fact that American manufacturers were among the first to recognize the advantage of having a brand-name product to sell. In Argentina, one of the pioneers in selling such products was an American who set himself up in business in Buenos Aires shortly after the Civil War. His name was M. S. Bagley, and he sold brand-name biscuits. Later he developed a sort of light liqueur of the cointreau type to which water was added to serve as a "refresco." In order to impress upon the minds of his clients the quality of the product, he ordered his labels—made in the form of banknotes—from the American Bank Note Co. The drink is called Hesperidina. When Mr. Bagley died and left no offspring, the business was taken over by British and Argentine interests who were so impressed by this form of propaganda that until the mid-'40s when lack of import permits forced them to discontinue—they acquired their labels from the American Bank Note Co., although they could no doubt have obtained reasonably satisfactory ones locally at a fraction of the cost. There was another American with an idea who left a profound impact upon merchandising in a foreign country.

There are countless examples where the early bird in advertising in a new foreign field "got the worm," and where the name of the branded product which was first advertised widely came to be synonymous with the product. To mention only a few—Singer for sewing machines, Quaker for oatmeal, Kodak for cameras. I understand that in places like Colombia and the Philippines, where Colgate was apparently the first toothpaste to advertise extensively, it was common for the people to go into the drug stores and ask for Colgate Kolynos, Colgate Squibb, Colgate Pepsodent, etc. (Apparently, there was some advertising inbreeding in there somewhere.) Then, of course, you know that in a great many countries the word "Waldorf" does not connote to most people a large, sumptuous hotel, but rather a small, modest role of paper containing 1,000 sheets.

Being first in the field has not always been advantageous, however. For instance, in Peru in the mid-'20s, the men's room was often referred to as the "Chicago," apparently because of the fact that many of the first toilet appliances came from that fair city. Rumor has it that the Chicago Chamber of Commerce did not relish that sort of publicity and little by little the word was de-publicized. Assuming that the advertising fraternity may have been called upon for that task, this was the one case of advertising-in-reverse that has crossed my path.

Just one more incident to illustrate the power of the well-advertised product. One of my associates lived for many years in the Caribbean and he tells of the night that he returned to his home in Caracas and found that his wife had been listening to the Inter-American baseball championship on the radio. She was so excited and very anxious to know who this man "Wilson" was who dominated the game. The answer was that "Wilson" had become the generic word for baseball in that area and whenever the ball was being pitched, the announcer, instead of shouting that the pitcher was about to deliver, shouted "aqui, viene la Wilson." That certainly made "Wilson" a busy player for the bewildered Mrs. X.

Now let me reminisce for a minute on the appearance of American advertising firms in the foreign field. I well remember that when in the late '20s those firms started to establish branches in the River Plate, there were many raised eyebrows of people who doubted that their methods would work in a Latin setting. I am not so sure that my eyebrow was not one of them, nor even that your own Josiah B. Thomas's—who was residing in Montevideo at that time, in another line of business—was not one of them also. However, on the latter score, I cannot be sure and you can readily understand how difficult it is—in our harassed generation—to remember about such minor things 25 years back, especially when so many people in Washington nowadays seem to be having such a hard time remembering about much more important things that happened just a few years back. Be that as it may, these firms and their advertisers who were concentrating on the foreign field, set about their work in a businesslike way and, I believe, they adjusted themselves to local requirements and consolidated their efforts with fewer conspicuous errors and less grief than the banks and many other types of business did, when they were initiating their foreign operations. There is no question but what American advertising men contributed very definitely to sales technique in the countries where they went and I think it is safe to say that whereas the skeptics were inclined to feel that U. S. advertising principles were local in their usefulness, those firms demonstrated very effectively that they were universal.

Providing New Products for Foreigners

Many of us here have observed a tremendous evolution in the products that American firms can export abroad. At the time I started to live in South America, one of the men who has since become outstandingly successful in the River Plate, was selling branded underwear and hosiery, while another was selling a protective machine for checks. When the development of local industry made these lines unproductive, they acquired new representations and later when local industry in turn made those unprofitable, they repeated the process. American ingenuity and our free enterprise system always seems to provide new products that the world wants. Take the example of ice, for intsance. In 1825, as I mentioned a while ago, a New England trader was selling ice in the far corners of the world. He was followed, no doubt, by the manufacturer of ice boxes, and then, 30-odd years ago, the electric, gas and kerosene refrigerators went forth. Now it is the household freezer and the machine for manufacturing ice cubes, wholesale. What the next refinement will be I have no idea, but I am certain that there will be others and that you fellows will be advertising and selling them.

It is difficult, if not impossible, for a person who has spent a long period of years abroad not to feel rather deeply that an active interchange of products between countries is a very healthy thing. When two countries have vigorous and sound commercial ties, their problems have a tendency to solve themselves. All of us here are definitely interested in seeing our foreign trade maintained and expanded, not only for selfish reasons. but also for the good of the world.

Since its early days, our country has given its foreign trade much importance and has placed great emphasis upon its commercial relations with other nations. Our earliest treaties with European powers were usually commercial treaties, and agreements of this type were entered into with most of the Latin American countries even while they were still engaged in their struggle for independence. The first commercial treaty to be entered into by the United States was signed with France on the same day in 1778 that the two countries concluded their historic alliance. This has been followed by more than 130 others. In 1810, Joel Poinsett of South Carolina was formally named "agent for commerce and seamen of the United States of America" in Buenos Aires. In 1832, President Andrew Jackson sent a special agent to the Orient to negotiate treaties with Siam and Muscat, while a leading object of Caleb Cushing's mission to China in 1844 was to obtain a commercial treaty.

I would like to take just a minute to read some excerpts from the instructions that Secretary of State James Monroe gave to the first American agent (later called consul general) to Buenos Aires in the year 1810, since these show plainly that the leaders of our country at that time placed fully as much importance as our leaders of today upon a liberal intercourse with friendly countries.

"You will make it your object (wrote Monroe) to diffuse the impression that the United States cherish the sincerest good will toward the people of Spanish America as neighbors, as belonging to the same portion of the globe and as having a mutual interest in cultivating friendly intercourse; that this disposition will exist, whatever may be their internal system or European relations, with respect to which no interference of any sort is pretended; and that, in the event of a political separation from the parent country, and of the establishment of an independent system of national government, it will coincide with the sentiments and policy of the United States to promote the most friendly relations, and the most liberal intercourse, between the inhabitants of this hemisphere, as having all a common interest and as lying under a common obligation to maintain that system of peace, justice and good will, which is the only source of happiness for nations."

Our country had been in existence for only around 20 years, but these were most certainly the words of a seasoned statesman. This was an expression of the good neighbor policy some 120 years before its official birth. (I expect to hear some of you say that it was all a matter of advertising.)

Look Ahead

Now let us take a look at the problem ahead, examining, first, the near future.

Increased exports for the first three months of the current year, coupled with the projected stepping-up in defense spending, make it appear that despite soft spots in an increasing number of lines, the total export figures will probably be maintained at satisfactory levels for the balance of this year—although non-military exports may fall somewhat below last year's figure. However, the short supply of dollars and gold in many countries, including the sterling and franc areas, will oblige those countries to spend their dollars very cautiously. Most of you, no doubt, are planning on increasing your sales promotion work, if you have not already done so. Furthermore, since a number of markets are likely to be restricted, if not blocked completely, for certain items, advertisers will have to

Continued on page 51

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F. EBERSTADT & CO. INC.

May 14, 1952

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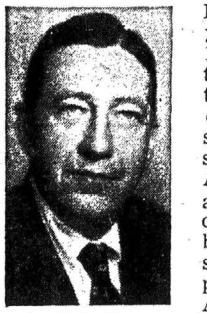
Brews in the News

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Offering some current comment on the brewing industry, the switch from dark to light, and from tap to tin; plus financial vignettes of three large beers.

If you don't mind, I'm going to ask you to be statistic today. Did you consume, in 1951, your share of the beer produced in the United States? If you did, you quaffed 17.1 gallons; that's the national per capita consumption of suds last year. A grand total, a foaming sea of 83.7 million barrels of stein bait, and pretzel escort! As Gabriel Heatter might have put it "Ah yes, there's good brews tonight!"



Ira U. Cobleigh

But beer today is different from the standard draughts back in gaslight days, before Prohibition, when the brewery horse was more familiar than the Derby winner. Dark, full bodied lagers, and dimly opaque ales, were then the order of the day,—brews brought over to this country by European brewmasters, the vat virtuosos of earlier times. Came 1919 with its Volstead aridity, and beer was either stepped down in wallop (like Kovar and Stollo), went underground into speakeasies; or just disappeared until 1933. Then breweries blossomed out anew, and many famous foamy names, dormant for a generation, came back to life. The big ones revived, and a lot of new local brewing companies were organized to serve the restored and greatly expanded beer market. But the history of small enterprise in brewing has not been a too encouraging one. For instance, in 1915 there were about 1,350 breweries in the United States; in 1951 there were 386—this despite a vast population growth. And in the last 5 years a number of local companies have either fallen by the wayside, or been absorbed by larger units. The big have gotten bigger, and the small have gotten fewer—so much so that, today, the top 25 companies sell 60% of the beer. It takes a big advertising budget to sell beer, and a company has usually either to cover a wide geographical section, or distribute nationally, in order to support competitive cash outlays for consumer advertising.

Then, of course, you've noticed another major industry trend—to the light, dry beers. Companies first to latch on to this trend made remarkable progress (Miller, maker of High Life beer, increased its sales four fold in five years). Light beer is here to stay, perhaps because it's smoother, less filling, or fattening: and perhaps, too, because of the preference of millions of lady beer drinkers, for less soggy brews. Fact is, this mania for featherlight foam, stressing dryness, prompts me to suggest a brand new trade name, "Sahara," the dry beer with that locked-in Arab aridity! (Any company interested in this name, please write me!)

There's just one more observation we ought to make before looking at actual producing companies, and that is the steady swing away from tap to package beer. Right now 75% of all beer comes to you in tins or bottles and only 25% from barroom taps. Eighteen years ago, the figures were just about reversed. It seems we're no longer a tap-happy race!

Another thing I forgot to mention about breweries, is that most of them were, and are, family enterprises; and only the death of brewery titans, or the imminence of estate taxation, or other tax angles, have propelled the equities of breweries onto the security markets of America.

Even today, relatively few of the suds-sellers have shares of ownership to which the public can subscribe. Of these I have selected three which, because of eminence in the trade, distinguished history, market significance, or all three, deserve, in my opinion, special notice at this time.

First, let's talk about Anheuser-Busch, second largest of the brewers of America, with assets of $130 million. It has two main products, Budweiser in bottles, cans and on tap, and Michelob on draught only. The famous St. Louis plant has a yearly capacity of 6 million barrels; and a new eastern brewery, located at Newark, N. J., provides a further annual production of 1 million barrels.

In 1951, sales spurted 18% to a new all-time peak of $179.4 million; and part of that was extensive sales of baker's yeast, corn and malt syrups, starches, dextrines, brewery yeast and vitamin concentrates.

The common stock, traded over-the-counter, is outstanding in the amount of 4,500,000 shares, and follows $15 million in long-term debt. The investment minded will be reassured here, both by market stability of the common, and the uninterrupted dividends since 1932; with $1.00 a share or more paid in each year since 1946. The stock was split 5 for 1 in 1947. At present levels of 21, Anheuser Busch, yielding 5.70% (assuming the $1.20 dividends paid in 1951) does not look hopped up, pricewise.

Just two places down, number four in the industry, is Pabst Brewing Co., which sold 3,820 thousand barrels in 1951 contributing to gross income of $162 million. In addition to the famous Blue Ribbon beer, this outfit turns out corn grits, cattle feed, Vita-Pabst, a B-12 ration supplement for nourishing swine and poultry; and fine chemicals produced from yeast. Add to these items, Hoffman Beverages Co., producer and bottler of soft drinks in the East, and Los Angeles Brewing Co., western manufacturer of Eastside Beer, and you gain some idea of Pabst's national operations.

Pabst common sells over the counter today at 22, providing a current yield on 1951 $1.40 per share dividends, of roughly 6%. Stock range of between 18 and 32½ since 1948, suggests moderate stability, and most of the qualities usually found in investment-type equities.

Third on my list is a distinguished name in the shell and stein league — Ruppert. If you wander back to pre-World War I days, you'll find Ruppert's was number one in the whole country. When beer was re-legalized in 1933, Ruppert started out O. K.; but lost ground to others partly because of its allegiance to draught beer, and partly because it was among the last to give up dark and murky brews for the light, dry variety, touched upon earlier in this monograph. Thus, quite respectable earnings, from Repeal to 1947, got lost in the next 3 years, leading to per share deficits of $3.60 in 1949, and $3.50 in 1950. Nineteen fifty-one seemed to mark a sharp turn-about in Ruppert's affairs due to two things: (1) a management shake-up, and (2) resumption of the famous Knickerbocker trade-name, this time applied to a lighter beer. From 1950 to the 1951 year end, Ruppert increased its sales over 21%, and seidel savants now feel Ruppert's is on its way to a new phase of success and profitability. The common, rather deflated to around 11¼, (all time low 8, in 1950) might offer some speculative glamour today, especially if company continues its present forward motion. For those more conservatively minded, perhaps the $4.50 preferred quoted now at 77 might prove more attractive. Five hundred thousand of RUP common are listed on the N. Y. Stock Exchange (paying no dividends since 1948) and 30,539 shares of preferred are extant, over-the-counter. Funded debt is $1,975,000. Before you go away and leave Ruppert's standing at the bar, may I suggest here that, presuming sustained restoration of earning power, some sort of refinancing for Ruppert's is not impossible. Funded debt, quite small, could be paid off without enormous difficulty or consolidated into a big issue. Have you considered the tax angle, and the impact on common stock if existing preferred and debt were replaced with, say, a twenty year 4% debenture? It's guessing about things like that that will always grind out grist for columns like this!

There are a few more publicly held brew stocks, like Goebel on the Exchange, Genesee over-the-counter, or a low priced entry, Harvard, on the Curb that will give you further opportunity for speculative research. But I prefer to string along with the leading 3, I've outlined. Beer today is big business, and brews in the news may be the ones that you'll choose!

Robert Green Now on Pledger Trading Desk

LOS ANGELES, Calif.—Robert M. Green, Vice-President of Pledger & Company, 210 West Seventh Street, members of the Los Angeles Stock Exchange, is now at the firm's trading desk. He is specializing in Canadian securities.

Wright Heads Dept. For Kidder, Peabody

PHILADELPHIA, Pa.—Kidder, Peabody & Co., 123 South Broad Street, members of the New York and Boston Stock Exchanges, announce that Willard M. Wright, Jr., has become associated with them as manager of the municipal department of their Philadelphia office. Mr. Wright was formerly manager of the municipal department for Butcher & Sherrerd.

$9,300,000

Chesapeake and Ohio Railway
Third Equipment Trust of 1952

2⅞% Serial Equipment Trust Certificates
(Philadelphia Plan)

To mature $310,000 semi-annually December 1, 1952 to June 1, 1967, inclusive

To be guaranteed unconditionally as to payment of par value and dividends by endorsement by The Chesapeake and Ohio Railway Company

Priced to yield 1.90% to 3.00%, according to maturity

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First Mortgage Bonds, 3½% Series C due 1971

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May 15, 1952

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The Near and Long-term Outlook for Business

By DR. ROBERT A. LOVE*

Director, Evening and Extension Division, The City College of Business and Civic Administration

Business educator reviews various segments of current economic situation, and points out uncertainties which cast clouds upon the outlook. Says government financing within next few months will stimulate business activity, but finds price outlook uncertain. Sees greater production as remedy for spiraling prices, and urges more attention be given to selling and marketing in an ever increasing competitive economy.

Clearly, the future course of business will be determined by actions taken: actions in the realm of international relations by statesmen and politicians—actions in the area of Federal government, by legislators and administrative leaders — actions by businessmen — actions by the public. Since we are peering into the future, it is clear that any prediction of these actions will be based upon a guess as to what decisions will be made. These decisions will stem from opinions and attitudes which in turn presumably will have some relation to known facts concerning what has happened to date. Now let's take a look at pertinent facts, at probable resulting opinions and attitudes, and finally at the decisions, actions, and results which we have some reason to expect will follow. Nine items may be subjected to this view through our periscope and reviewed in our horoscope. In doing so I shall first emphasize short-term prospects and then turn to long range possibilities.

Robert A. Love

The Factor of War

Our view of prospective business conditions will be clearest, I think if we first consider the more general, the external influences affecting our economy. Overshadowing all others, is the factor of war. For almost two years we have been engaged in World War II½. As for prevailing opinion and attitude, the question is:

(a) will the situation degenerate into an all-out war?

(b) will it continue as is?

(c) will efforts toward complete peace be successful?

Prevailing opinon seems to be one of hopelessness insofar as peace is concerned (barring a complete debacle in Russia). But at the same time there is a diminishing fear that there will be an all-out war. Consequently, the prevailing opinion is that we will continue fighting and preparing for more fighting for some time to come. Decisions and actions may accordingly be expected to be in the direction of increased training for the armed services with the resulting diversion of manpower, and continued increased production for defense.

Defense Spending

This conclusion raises a question of how these opinions and the decisions stemming from them will affect our internal economy. Clearly the most obvious result will be through actual spending. The fact is that we have been gearing for defense production through tooling and plant conversions; a volume of contracts has actually been let and production is underway—a little slower than hoped for to be sure, but the basis is laid for future increases in the actual output of material.

In both military and political circles, the prevailing attitude would seem to be in the direction of increasing this expenditure. In the military the logical conclusion is that we must be prepared in order to be protected against a real enemy. The same reason applies in political circles. In addition, there is the added concern of what might happen to our internal economy if defense production slowed up. We may well expect, therefore, a continuing attempt by the Administration to foster defense production and stock piling, to emphasize crises, in short, to find reasons for maintaining and increasing defense spending. With both the military and the political operating in the direction of increased spending, only public opposition could stop the trend upward. And indeed the public's reaction against high cost, its lethargy and declining interest, its apparent rising assurance that there will be no all-out war—all these may ultimately hold government outlays in check; but there is little reason to think that defense activities will soon be severely curtailed, at least, not during the current year. We may accordingly look forward to defense spending rising to a $60 billion annual level by the end of the year. This is a tangible measure of the direct boost to industrial activity within our economy.

Foreign Trade

From without we find international conditions from which we may expect still another important stimulant to industrial activity. Aid to foreign countries has been the important factor in accounting for a "favorable" balance of trade. Exports have far exceeded imports. Disregarding for the moment the ultimate effect on our economy, it is clear that the immediate effect of such a favorable balance is that of stimulating activity to produce exported goods while leaving to American industry local markets without competition from imported goods. It would seem that both military and political opinion will support a continuation of this policy for defense purposes, with political thinking again taking into account also the danger to our national economy of stopping this overflow of goods into foreign countries. The public's objection to maintaining the rest of the world and footing the resulting tax bill can hardly be expected to change this policy and practice in the near future. We may accordingly expect continuing foreign aid at least for this year and perhaps indefinitely. The resulting favorable balance of trade represents an important spur to industrial activity.

Government Financing, Taxes

Leaving the international field let us have a look at factors originating in or influenced by the Federal government. Among the most general of these forces is that of our monetary and credit system. Pertinent facts include two: one of simple arithmetic and one from financial history. First, politically it is easier to maintain service on a debt structure approaching the $260 billion level and to finance large annual budgets on a price level that is high and still rising, than it would be on prewar price levels. Secondly, from history we learn that no war was ever financed without inflation. A measure of this inflation is found in the rise in the volume of currency and deposits to three times its level in 1939. It was to be expected that this rise would come. It is by no means certain that it has completely leveled off. Deficits continue and there seems to be little chance of much real positive action on the part of the government in the near future.

Although taxes have been increased, the increase is not sufficient to offset increased outlays. Moreover, in years divisible by four, a strange psychology seems usually to predominate political thinking: This psychology dictates no increases in taxes, no decreases in expenditures. As a consequence, taxes will fall short of meeting the year's needs with the result of the inflationary tendencies inherent in governmental deficits.

Moreover, these effects are accumulating for the last portion of the year. Actually, there was a cash surplus for the first quarter. But outlays for the last three quarters will exceed cash receipts, to bring the total deficit for the year to $10 billion. Thus, whereas during the first quarter we have been subject to operations which were deflationary in that the Treasury withdrew more money from circulation than it put out, those of the last three quarters will be inflationary in their effects.

Nor is it probable that this tendency toward inflation will be offset by any material change in government borrowing policies. Taking the pegs from government bonds a year ago was deflationary in direction. Downward prices meant higher yields which tended to attract investors. What was even more important, discount prices on government bonds made institutions unwilling to make normal shifts from their government bonds to mortgages or other investments or to loans because to do so meant that they must show a loss on governments. Funds were in effect, therefore, frozen in governments with the net result of a curtailment of other credits. This deflationary force is now largely dissipated with little likelihood that it will recur; for it seems improbable that the Treasury will upset the entire $260 billion debt structure by offering higher interest rates on its borrowings. Rather, we may look for the varying of terms or conditions to make offerings attractive to various types of investors, with the lingering possibility that a considerable portion—perhaps as much as $4 billion — of financing must still come from commercial banks based on bank credit rather than from ultimate investors out of their savings.

This brief foray into the intricacies of government finance perhaps substantiates the impression that for the next few months the overall influence of the government's own financing actually will be that of a stimulant to activity.

There remains the important question of what the government will do to restrict credit volume in business and banking. For sometime, since October, 1950 in fact, credit extensions by banks and business have been subjected to special controls, including those voluntarily assumed. Despite these controls, the volume of credit has been maintained at a high level,

Continued on page 34

*An address by Dr. Love before the Eastern Seaboard Conference of the Graphic Arts Industries, Atlantic City, N. J., April 25, 1952.

The Retail Trade Outlook

By GEORGE HANSEN*

President, National Retail Dry Goods Association

President, Chandler & Company, Boston

Asserting, despite many soft spots and sales resistance, retail volume remains high, Mr. Hansen says there is a steady consumer durable goods expenditure and a "terrific response to new products," but warns there must be a constant search for new markets. Sees $100 billion of funds in consumers hands as cushion against drop in sales, when defense spending is curtailed. Argues for wage controls where prices are controlled. Stresses need of sound public relations program.

The nation's economy stands delicately balanced between inflation and deflation. Two decades of increasing socialization in every sphere of business activity, of increasing cynicism and corruption, and finally, of confusion and weariness has been our experience.

We retailers are used to elections. We get elected every day. On hot days our customers don't elect to come in to try on corsets and dresses. On rainy days they elect to keep their cars in their garages. Lately they've been electing to keep a staggering amount of their money in savings accounts and bonds instead of letting it come back into the distributive process.

On the whole, business has not been too bad.

Despite many soft spots retail volume remains high, unemployment remains low, farm income continues at record levels—and all this despite the fact that output of autos has been running a third behind last year's totals and household goods 30% behind—due partly to controls and partly to sales resistance.

Our economy has proved its strength precisely in those things that stem from private initiative —the freedom to create, invent, satisfy the consumer demands for newness, for change, for progress to a better living.

A comparison of sales of consumer durables in the years 1950 and 1951 will illustrate the point. Those appliances which are breaking new ground in consumer acceptance advanced to new levels in sales. The standbys of 1950 dropped off in 1951, as follows:

In 1951 sales of refrigerators dropped off from 6,200,000 to 4,075,000; television sets from 7,463,000 to 5,100,000 and home radios from 8,174,000 to 6,600,000.

But, in 1951 consumers bought 251,000 air conditioners as against 195,000 in 1950; 1,050,000 home freezers as against 890,000 in 1950; 275,000 dishwashers as against 230,000 and 2,100,000 steam irons as against 1,645,000.

If this proves anything, it seems to me that it proves there is no such thing as a uniform consumer durable goods expenditure which moves up and down like the tides in automatic response to economic conditions. On the contrary, it shows a terrific response to new products, to new services. Selling the same products in the same way year after year is a sure guarantee of declining volume for the retailer. But let us get our hands on something which makes for better living, and the consumer, in today's market is ready with the cash.

A Constant Search for New Markets

Retailing has for too long a time now regarded itself as the focal point in a purely distributive process. Mere distribution is not enough. In the long run, it cannot be enough. There must be a constant search for new markets. Because, even now with our economy bolstered by defense spending at the rate of $50,000,000,000 annually the absolutely amazing fact is that there is an increasing amount of unused capacity competing for markets.

Signs of the times are the recent relaxation of the freeze on new TV stations, the return to free trading in natural rubber, the easing of many restrictions on the use of lead. All this ultimately reflects a much more cautious attitude on the part of the buying public than a year ago with less pressure on supplies than expected. And, while shifts in the public's appetite for goods may tend to favor soft lines as against hard lines, or one type of product over another, the probability is that consumer caution will be intensified in the months to come.

We retailers have been calling ourselves the purchasing agents for the public. This description had, and still has a great value, in the terms of retailing's public relations. It served to define our real function in the economy and to counteract the effect of miscomprehensions, some of them implanted by enemies of the business system.

But now, it seems to me that the description has a bit too much complacency in it. It seems to me that the term implies that we are willing to sell the products of American industry when the consumer wants to buy, and content to sit with arms folded when the consumer does not want to buy.

If this represents our real attitude then both the consumer and his purchasing agent are due for a rude shock.

Consumer Can Afford to Be Selective

The important fact to remember about today's consumer is that he can afford to be more selective than ever before. His optional or discretionary spending of funds left over after expenditures for food, clothing and shelter represent the difference between a smoothly running economy able to support our vast governmental programs, and disaster.

Some economists put the total of discretionary funds in consumers' hands as high as $100 billion.

This quantity of money is sufficient to cushion the drop when defense spending begins to fall off as one day it must. But unless we are able to tempt this money out of retirement; unless we can show the consumer something he doesn't know about that he will want, something he would want if he knew more about it — unless we actively sell him, systematically and constantly, we not only will fail ourselves as merchants, but fail in our responsibilities to the nation as a whole.

We need to know more about this consumer—his work habits, his leisure habits—what he does and where he goes on week-ends; his interests, hobbies, the recreational opportunities offered by the community in which he lives. When we know these things, we will have laid the basis for

Continued on page 37

*An address by Mr. Hansen before the Pacific Northwest Retailers' Clinic and Conference, Portland, Ore., May 7, 1952.

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After Preparedness—What?

By HENRY H. HEIMANN*

Executive Vice-President, National Association of Credit Men

Asserting if we adopt a proper program, we need not go into a tailspin when defense work is out of way, executive of leading association of credit men urges more cooperation and mutual respect by government and business, as well as abolition of bureaucracy and paternalism. Warns credit will play major role in preventing depression, and lays down rules to guide credit men in preparation for a peacetime economy.

Credit executives are concerned as to how they should evaluate long-term credits in the light of the situation that will be facing them once we become stabilized or the defense work is out of the way. There are dire predictions by some that an inevitable and serious depression, far beyond that experienced 20 years ago, is in store for us. There are those who contend that our country will crack up and our economy will be doomed. There are those who actually see the Republic written out of the picture when these artificial stimulants are removed, and this despite our country's unprecedented performance in the short space of two centuries.

Henry H. Heimann

But these gloomy predictions need not be realized. We need not go into a tailspin. We will not go into a tailspin if we adopt a proper program.

* * *

There are new reasons for fear about the future. Unfortunately, some of them are valid. These reasons are not based on a lack of the ability of business to meet the issue at hand; rather is it a question of whether business will be given the opportunity to meet the issue. That is the important factor.

The recent seizure of the steel plants by the Executive Branch of the Government and the avowal that steel wages can be increased without adding such costs to selling prices poses new problems for management.

If the steel plants may be seized then no business is free from seizure. If a crisis is not at hand to justify such action, a crisis can be developed or assumed, or can be blundered into. The issue here goes far beyond the steel business. It is an issue as to whether or not our representative form of government is to remain constitutional.

The seizure of the steel plants is but a climax to a constant encroachment by the Executive Branch of the Government upon Congress. It is also representative of a disregard for the strict provisions which the forefathers put into our Constitution.

These Socialistic and arbitrary controls and regulations are a natural sequence to the welfare philosophy and the tremendous expenditures of funds we have been making. Without these heavy expenditures we would not drift as rapidly into a Socialistic State as we have been doing.

* * *

Business must enjoy the freedom essential to enable it to cope with increased production. If it is given this freedom, there can be no question but what we can face the future without fear—the future when the defense program has been completed or stabilized or when peace may finally be established. We need such an impartial foundation to enable business to solve its problems, including:

General acceptance by government that American industry has materially aided in the preservation of the life of free people throughout the world.

Acceptance of the fact that the profit-making character of industry has been contributory to its growth and to its ability to develop the high standard of living which our people enjoy and which is now the envy of the world.

Cessation of business baiting by government.

Encouragement of business so that managements may justifiably feel that in the expansion of their production and in the growth of their business they are performing, as indeed they are, a patriotic service.

We need a mutuality of interests and objectives between the government and business. Such mutuality of interests has been sadly lacking.

* * *

We need an untrammeled business, one that is not fettered by controls and regulations and one which is not hauled into court because, through service and efficiency, it has grown—hauled into court because it is politically expedient to do so and may make for a few votes.

We also need:

Respect for business by government, for business helps a nation to grow to greatness.

Cessation of government competition with business, for, under the competitive price system, business has long since demonstrated its ability to meet the nation's needs better than can the government.

Reduction in the crushing burdens of taxation on business and our people, so that individuals will feel encouraged to venture into trade or will have the money to consume the production of industry and so that those who are engaged in business will know that proper planning for production and distribution will bring its own rewards.

Liquidation of the Socialistic philosophies which are steeped in envy and which, not infrequently, are stimulated by those who have been failures in business. These men, who could not or did not make good in business, have sought to lay their failures to the business system and have joined forces with the government in its management-baiting campaign.

Private determination of credit. The same realistic fiscal policy that you would expect of your customer as a citizen, you should demand and expect of your government.

* * *

We need a courageous government—one that will protect American business and the American dollar anywhere and everywhere in the world. When we have such protection, private capital will venture into foreign trade and do a more effective job than all the loans the government might make.

* * *

We need to abolish bureaucracy and paternalism. We must build self respect by basing our welfare programs and our security programs on an earning foundation. Even a kindergarten pupil recognizes that industry should bring its own reward, and we must see to it that this primary philosophy is carried out by our government.

We need a cessation of political anti-trust suits in recognition of the fact that both large and small businesses have a definite place in our national commerce.

* * *

If we have this type of cooperation from the government, then we need not face soup lines, unemployment or idle plants and factories. If we have this sort of mutual respect, then we need not fear the Kremlin, for among the many weaknesses of the Communists is the fact that they do not regard the human being as possessed of a soul.

Personal and property rights must be guaranteed. This is essential to a reliable foundation for credit.

The credit requirements to meet the new opportunity that will unfold are tremendous. They begin at the lower level, move onto the national plane and from there go out to the international level. There can never be such a thing as too much production, provided we have the freedom to effect a proper distribution.

* * *

Credit will play a major role in a solid recovery program, just as it was so essential in the defense effort. So, in the more competitive period that lies ahead we, too, must be prepared. The time for that preparation is now. We must strengthen our profession in every way we can. We must expand our efforts with our own association so that it may grow strong. Thus may we have an even greater voice in our nation's progress.

We must not neglect keeping our credit files up to date. The defense effort and the tax impact will change the responsibility of many companies. Unless we are on the job day by day, keeping fully informed as to the paying habits of customers, our firms will pay dearly for such neglect.

It is our responsibility to see to it that receivables are converted into cash as quickly as possible.

We should fight courageously for good credit laws.

We know that the greatest present impact on the analysis and evaluation of credit is the burdensome tax now confronting individuals and businesses, and, therefore, we have a right in the interest of wholesome credit to demand economy in government.

We should never forget that real professional skill is disclosed in our ability to make sales through the acceptance of marginal risks, which through counsel, advice and direction we can build into safe and profitable accounts. We should cooperate one with another so that the credit of the nation is benefited and true conservation of the resources of business is effected.

These are our obligations for the peacetime, competitive period ahead, just as they are obligations that we likewise must discharge in the present defense era. Let us measure up to our responsibilities.

*From an address by Mr. Heimann at the 56th Annual Credit Congress, Houston, Texas, May 12, 1952.

Boston Inv. Club to Hold Dinner Meeting

BOSTON, Mass.—The next dinner meeting of the Boston Investment Club will be held at the Boston Yacht Club on Monday, May 19, at 5:15 p. m.

There will be a panel discussion by two speakers: Philip W. Stocker, Assistant Vice-President of the New England Trust Company, who will speak on "New Business Through Pension and Profit-Sharing Plans," and Paul I. Wren, Vice-President of the Old Colony Trust Company, who will speak on "Investing for Pension and Profit-Sharing Plans."

Howard A. Frame Opens

PALO ALTO, Calif.—Howard A. Frame is engaging in the securities business from offices in the American Trust Building. He was formerly with Dean Witter & Co., J. R. Lewis Co. and E. F. Hutton & Co.

Inman Celebrating Birthday May 18

DENVER, Colo.—Larry C. Inman of J. A. Hogle & Co. is celebrating his birthday on May 18. Mr. Inman was born at Haines, Oregon, on May 18, 1896. He is a graduate of Denver University, where he was a member of the Sigma Phi Epsilon. He entered the brokerage business in 1924 as telegraph operator and customer's man. He has also engaged in newspaper work and acted as Associated Press telegraph operator, and spent several years with the Colorado Fuel and Iron Company.

Larry C. Inman

His favorite sports are tennis, golf, bowling and fishing—he plans to indulge in the latter later this month if he can get through to Florida.

Shawell-Ellsworth Co. Formed in Houston

HOUSTON, Tex.—Shawell-Ellsworth Co. has been formed with offices in the Southern Standard Building, to deal in Texas municipal and corporate securities. Partners are William J. Shawell and C. Bruce Ellsworth.

Mr. Shawell was formerly proprietor of Shawell & Company. Mr. Ellsworth was Houston Manager for Russ & Company.

German-American Overseas Exch.

Pauline Zipperman is engaging in a securities business from offices at 205 East 85th Street, under the firm name of German-American Overseas Exchange.

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus.

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ound Money Measures Urged by ew York Chamber of Commerce

Maintaining that sound money is essential to peace and liberty, State body urges government spending be limited to estimated income; that Reserve System's independence from political domination be preserved; that Gold Reserve Act of 1934 be amended; and that full specie payments be restored as soon as possible.

The Chamber of Commerce of the State of New York at its membership meeting held May 1, 1952 approved the following report on "Sound Money" submitted by its Committee on Finance and Currency.

The integrity and stability of e American dollar are basic to onomic stability and human ell-being both in this country d throughout the world. The llar is the key currency, the easure of value for world oney.

The dollar is today threatened. is country has been experiencg an inflationary boom, marked rising prices and a decline in e buying power of money. ough there is at the moment a use in this inflation, the great mament program together with ge non-defense spending, an balanced budget, and other blic policies threaten further flation.

Inflation penalizes the industious and the thrifty; it underines the great middle class hich provides the foundations r economic and political stabily; it invites economic disorder hich in turn leads to controls d regimentation. Continued ination would weaken the strength the western democracies in the ce of the Soviet threat.

A sound and stable currency is ential to the preservation of eace and liberty just as are guns d airplanes and armored divions.

There is no trick by which the alue of money can be preserved. he dollar depends for its value sound policies for production, r labor relations, for agriculture, d for every other phase of naonal, state, and private economic fe. Its value is most directly afcted by fiscal policies, for spendg, borrowing, and taxing. Its alue also reflects monetary polies, the actions of the Federal Reserve Banks bearing upon the supplies of money and credit.

Control of Government Spending

The greatest cause of the present inflation has been huge government spending, actual and expected, on top of inflationary wartime spending. While heavy spending for defense is today necessary, the military spending has been accompanied by continued government spending for non-defense purposes far beyond the essential needs. Spending in many directions at once is depleting the supply of certain critical materials, straining the economic fabric, and breeding inflation, especially since the spending is running ahead of tax receipts.

The first step in reestablishing a sound and stable money is to bring government spending under control. This topic has been dealt with repeatedly in reports of this Chamber, other business organizations, and committees of Congress, all of which demonstrate the wastefulness of present policies and the possibility of economy in both military and non-military budgets if there is a will to bring it about on the part of the government and of the people. In this time of record-breaking national income and great prosperity, it should be feasible to keep this country on a pay-as-we-go basis.

Sound, Non-Political Monetary Policies

The second most imp[illegible]t step toward stable money [illegible]he re-establishment of sound and non-political monetary policies. The record of many years shows that banks of issue have been able to exercise an influence for economic stability through control over the volume of money and interest rates. With open market operations and the discount rate and related methods, they have made money more freely available in times of depression, less available in times of expansion. This has influenced the rate of public and private spending.

In the great depression and in World War II there arose new schools of thought which belittled the role of central banks in influencing economic events and magnified that of government spending and tax policy, together with direct controls. In this period in many countries the governments took over their central banks and operated them as adjuncts of the Treasury. World War II was financed under the shadow of the policies and theories of the depression, by cheap money and subordination of the central banks to the exigencies of war finance.

Since World War II there has been a renewed recognition of the role of central banks and flexible credit policies in checking inflation and promoting economic stability. The countries which have instituted sound fiscal policies and sound central banking policies promptly have made the most rapid economic recoveries. The results have been impressive, as in Belgium right after the war, and more recently in Germany and Italy. Great Britain has recently taken vigorous steps in this direction.

Independence of Federal Reserve System

In the United States the Federal Reserve System was, as elsewhere, subordinated during the war to war finance. That subordination continued after the war, though with a gradual effort on the part of the Reserve System toward reclaiming its statutory responsibility of acting for the broad public welfare. This effort resulted in the accord between the Treasury and the Reserve System, announced last spring.

Under the Federal Reserve Act safeguards are set up to insulate decisions on monetary policy from political pressures. This is done by the regional character of the System, which gives local groups, close to the people, a share in policy decisions. The Federal Reserve also earns its own way and is not under the Federal budget, though earnings above a minimum point revert to the government. The Reserve System reports directly to the Congress rather than to the President.

In one other way the policies of the Reserve System under the original Federal Reserve Act were insulated from political pressures and were dedicated to the preservation of sound money. This was the legal requirement that the Reserve System should redeem its currency in gold and maintain reserves of gold equal to 40% of its currency outstanding, and reserves of gold or lawful money equal to 35% of its deposits. During the depression and World War II these requirements were modified for the emergency both by suspending the obligation to redeem currency in gold and by reducing the required percentages of reserves against currency and deposits. These modifications have lessened one of the safeguards for maintaining the value of money.

The Gold Standard

While the gold standard, with its obligation to redeem currency in gold, has at times been embarrassing to countries which have followed unsound policies, its great and overriding advantage is the force it exerts to keep money from being used as a pawn of politics. The lessons of recent years reemphasize this great virtue.

With renewed public understanding of the place of sound money in a sound economy, and in the face of inflation threats, the time has come again to consider tying the country's currency more definitely to gold. Since the fixing of the dollar at its present gold parity in 1934, we have been, in practice *(de facto)*, on a form of international gold bullion standard, in that we have been buying gold from central banks and governments at a fixed price without limit, and we have been selling gold at a fixed price to central banks and governments without limit.

Further, it is the policy of the government to maintain the present fixed relationship of gold and the dollar, as demonstrated by the fact that Congress allowed to lapse the President's power to change the gold content of the dollar.

Amendments to Gold Reserve Act

But though we have been conforming, in practice, to the obligations of an international gold bullion standard, we have not as yet definitely and firmly accepted those obligations. The sale of gold to central banks and governments is still under license and dependent upon the discretion of the Secretary of the Treasury. Moreover certain provisions of the present law regarding gold are ambiguous, and appear to give the Secretary of the Treasury the option of buying and selling gold at any price, though Secretary Snyder has repeatedly denied any intention to use such power. The next step, therefore, which might reasonably be taken now is to amend the Gold Reserve Act in such manner as (a) to strengthen the obligation to maintain gold convertibility in international settlements, (b) to remove present ambiguities in the law which nourish recurrent rumors and uncertainties about the dollar. This could be done by amending the present Act as follows:

Section 2, which transferred all U. S. monetary gold from the Federal Reserve Banks to the Treasury, should be amended to allow the Federal Reserve Banks to hold gold and gold certificates.

Section 3 should be revised to repeal authority of the Secretary of the Treasury to regulate gold exports to central banks and governments, and to place on the Federal Reserve Banks the duty of meeting demands for gold from any recognized foreign central bank or government or buying from them at the present price of $35 an ounce.

Sections 8 and 9, giving the Secretary of the Treasury powers to buy and sell gold "at such rates and upon such terms and conditions" as he thinks advantageous, should be repealed. These two sections are the ones which have proved most disturbing to confidence and are partly the basis for repeated inquiries which banks and others receive from other countries as to the possibility of devaluation of the dollar. Actually, the authority of the Secretary of the Treasury to deal in gold at other than the official price is limited by a number of factors, including (a) the provision in the Bretton Woods Agreements Act requiring Congressional authorization for any change in the gold value of the dollar, and (b) the statutes of the International Monetary Fund under which the United States is obligated not to deal in gold beyond a prescribed margin above and below parity (presently ¼ of 1%). Nevertheless, these sections appear to give the Secretary such authority, and their repeal would remove a source of confusion and uncertainty.

The Gold Reserve Act was passed in the midst of a great depression. The circumstances are now entirely changed. The threat now is inflation, and the revision of this Act would help remove the fear some people have that the dollar might be further devalued. The suggested amendments would make adherence by this country to an international gold bullion standard definitely a matter of law, remove discretionary and ambiguous features, and strengthen

Continued on page 46

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Stanley Pelz & Co., Inc. | Boenning & Co.

Wiley Bros. Incorporated

May 9, 1952.

Crooks Chm. of Board Of N. Y. Stock Exch.

Richard M. Crooks, a partner of Thomson & McKinnon, was re-elected Chairman of the Board of Governors of the New York Stock Exchange at the meeting May 12.

Richard M. Crooks

Mr. Crooks, first elected Chairman on May 14, 1951, served as President and Chairman until Sept. 10, when G. Keith Funston assumed his duties as President. Mr. Crooks has been a member of the Exchange since 1941 and a Governor since 1946.

Three new Governors were also elected to the Board: Ralph Chapman, Farwell, Chapman & Co. (Chicago); Albert O. Foster, Foster & Marshall (Seattle); Buford Scott, Scott & Stringfellow (Richmond).

The complete election results follow:

Chairman of the Board of Governors: Richard M. Crooks, Thomson & McKinnon.

Board of Governors: J. Marshall Booker, Corlies & Booker; Arthur K. Peck, Walters, Peck & Co.; Harold W. Scott, Dean Witter & Co.; Homer A. Vilas, Cyrus J. Lawrence & Sons; Amyas Ames, Kidder, Peabody & Co.; Winthrop H. Smith, Merrill Lynch, Pierce, Fenner & Beane; Ralph Chapman, Farwell, Chapman & Co. (Chicago); Albert O. Foster, Foster & Marshall (Seattle); Buford Scott, Scott & Stringfellow (Richmond).

Gratuity Fund Trustees: Charles B. Harding, Smith, Barney & Co.; William D. Scholle, Scholle Brothers.

Nominating Committee: Joseph H. Brown, Reynolds & Co.; Walter Hirshon, Hirshon & Co.; Nathaniel S. Howe, Hallowell, Sulzberger & Co.; Phillip B. Leavitt, Leavitt & Bry; Allan H. McAlpin, Jr., Wood, Walker & Co.; James J. Watson, Hornblower & Weeks; Edward L. Holsten, Salomon Bros. & Hutzler; Robert J. Lewis, Estabrook & Co.; Percy M. Stewart, Kuhn, Loeb & Co.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering $9,300,000 Chesapeake & Ohio Ry. 2⅞% serial equipment trust certificates, third equipment trust of 1952, maturing semi-annually Dec. 1, 1952 to June 1, 1967, inclusive. Issued under the Philadelphia Plan, the certificates are being offered subject to approval of the Interstate Commerce Commission at prices to yield from 1.90% to 3%, according to maturity.

The certificates will be secured by the following new standard-gauge railroad equipment, estimated to cost $11,765,935: 9-1600 H.P. Diesel electric road switching locomotives; 985-70-ton hopper cars; 275-50-ton box cars; and 398-70-ton covered hopper cars.

Other members of the offering group are: R. W. Pressprich & Co.; Bear, Stearns & Co.; Baxter, Williams & Co.; First of Michigan Corp.; Freeman & Co.; Gregory & Son, Inc.; Ira Haupt & Co.; Hayden, Miller & Co.; Wm. E. Pollock & Co. Inc.; and Swiss American Corp.

Browne & Co. Formed

CORPUS CHRISTI, Texas—Thomas M. Browne is conducting an investment business from offices at 207 North Chaparral Street, under the name of Browne and Company.

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The Gold Standard—No Crown of Thorns

By E. C. HARWOOD*

Director, American Institute for Economic Research

Mr. Harwood, in holding gold standard is not a "crown of thorns," points out its abandonment, on contrary, has led to economic instability and inflation. Cites rise of black markets and private gold hoarding as disturbing factors, along with inflationary aspects of "spend-for-prosperity" theory. Holds return to gold standard would restore investors' confidence and end fluctuating dollar. Concludes gold standard facilitates long-term industrial progress.

Only a little more than a half-century has elapsed since the Great Commoner denounced the gold standard in these words: "You shall not press down upon the brow of labor this crown of thorns. You shall not crucify mankind upon a cross of gold."

E. C. Harwood

Mr. Bryan was defeated by McKinley in 1896, and his fiat money notions were temporarily sidetracked. Nevertheless, time has proved that he was a prophet whose words would be honored even in his own country. All the leading nations of Western civilization were on the gold standard when Mr. Bryan's prediction was made, but in less than two decades the departure from the gold standard had begun. By 1934 even the United States had lifted from those within its borders the "cross of gold."

In the nearly two additional decades that have since elapsed, the men of Western civilization have had an opportunity to take full advantage of their freedom from that "crown of thorns," the gold standard. How have they fared and what do they now think of the gold standard; what great benefits have those who labor derived from setting aside their "cross of gold"?

In order to give a scientifically sound answer to this question, far more than the time available would be needed, even if the facts were known in all detail. At best, we seem to have only a clue to the answer, but that is a most impressive clue.

Black markets in gold and currencies have become commonplace. A distinguished student of monetary developments, Dr. Franz Pick, has prepared a report on world black-market prices and trading in currencies and gold.[1] Of especial interest is the fact that this book is dedicated to "the more than 2,000,000,000 *victims of inflation*, who, for obeying the law, have been punished by the law." (Italics supplied.)

In his foreword, Dr. Pick reports as follows:

"Distrust of every system of planned economy, fictional official values of gold, currency, and government bonds cannot be wiped out. People cannot and will not accept arbitrary confiscation through inflation, as practiced by every government in the world today.

"During the last 13 years, the paper currencies of 11 countries, serving 729,000,000 people, were destroyed by complete depreciation.

"During the past 12 years, 20 other principal currencies, trading, wage, and saving units of 718,000,000 human beings lost 50% and more of their value.

"During the last 27 months, under the increasing pressure of international rearmament, at least 55 currencies have undergone legal devaluation. This is a rather technical expression for the much simpler term of 'partial or complete state bankruptcy.'

"Since the beginning of civilization men and women have defied draconic currency laws, risking jail, confiscation of assets, forced labor, death. . . . The people will always strive to own currencies and precious metals that will give them the faith—or the illusion—of permanent value."

And an estimate of private gold hoards as well as the volume of black-market dealings is presented in this interesting book. As of October, 1951, millions of individuals in Western civilization had chosen gold as their store of value and had accumulated about $7,000,000,000 worth of gold in their private hoards. In France alone, where the peasant had long been suspicious of paper money (for good reason) some $4,000,000,000 worth of gold has been hoarded in the effort, primarily by peasants and other working-men, to preserve the value of their savings.

Thus we see that, whatever benefits may have been derived from putting aside the "cross of gold," they have not been sufficient to convince all or even nearly all who **labor** in Western civilization. On the contrary, the available evidence indicates that the men of our civilization have more faith in gold than in the promises of their more or less representative governments. These facts suggest that the gold standard offers economic benefits that have been inadequately appreciated by its opponents.

Nevertheless, in discussing the economic benefits of the gold standard, we should face frankly the fact that it is not a panacea for all economic ills. Those who offer patent medicines alleged to be cures for all the physical ailments of mankind have long been regarded as quacks. So likewise should we regard individuals who offer any single simple remedy for all economic ills.

Particularly important is it to realize that there are both short-run and long-run economic problems. There are business cycles of booms and depressions as well as secular trends of longer duration. The major economic benefits of a return to the gold standard will **not** be to provide solutions for all present or short-term economic problems but will be related more definitely to the industrial progress and even the survival of the United States in the longer run.

Would Force Reconsideration of Spend-for-Prosperity Notions

Among the important benefits to be expected from resumption of the gold standard would be reconsideration of the short-term spend-for-prosperity notions that have become so popular in government circles during recent years. Politicians who can pay their promises in the rubber dollars of distant future years can hardly be expected to resist the temptation to spend their way out of all difficulties that may arise.

In this connection, the results of French experience are enlightening. The French franc is now about 1% of its 1914 weight in gold. Approximately 99% of the savings deposits, life insurance, and other fixed-value assets held continuously by French citizens since 1914 has been converted to government and other uses by the subtle processes of long-continued monetary depreciation, which is the direct result of repeated recourse to inflation as a means of solving short-term economic problems.

The same processes are well under way here in the United States. The government bureaucracy has become a power to be reckoned with at the polls, and various pressure groups are continually seeking to extend their raids on the Treasury.

Those who think that these trends may be quickly reversed by some happy coincidence of events may be underestimating the temptations involved. In France and most other nations the takings of government-planned embezzlement through depreciation of the currency have been relatively small, because the savings and life insurance of the citizens have been only a fraction of the amount per capita here in the United States and because the citizens generally have been more suspicious of their currencies than most of our citizens appear to be as yet. In the United States the life-insurance policy reserves total $55,000,000,000; the value of the government's Social Security trust funds already exceeds $25,000,000,000; individual holdings of government bonds total nearly $80,000,000,000; and the savings accounts of American citizens total about $70,000,000,000. Therefore, at least $230,000,000,000 is already accumulated and can readily be stolen by the subtle processes of inflation and repeated devaluations.

During the next two or three decades an equal amount will be accumulated as life-insurance premiums and Social Security taxes are paid. If the American people are as easily robbed as the French have been, about 99%, nearly all of $450,000,000,000, more or less, can be taken by American politicians for the purpose of rewarding their friends, indirectly buying votes, increasing their salaries, and otherwise maintaining themselves in the style to which they probably will become accustomed.

Restoration of Investors' Confidence

An obvious benefit of resuming the gold standard would be a restoration of the confidence of those who save in the future value of their savings. Here, in the United States, the small annual savings of individuals, largely accumulated by those who labor, reach an astronomical total each year. For example, during 1951 individuals saved as follows, in round figures:

Added to life insurance reserve funds	$5,000,000,000
Net deposits in savings banks	1,000,000,000
Share purchases, savings and loan banks	1,800,000,000
Total	$7,800,000,000

And, as was previously mentioned, the accumulated total of such savings today is about $230,000,000,000.

Since mid-1950 the confidence of small investors in the future value of U. S. Savings Bonds seems to have decreased. Redemptions exceeded sales of such issues in 1951 by more than $1,000,000,000, and the scare buying that occurred in July, 1950, and January, 1951, provided striking examples on a small scale of what can occur when millions of individuals come to believe, even for a few weeks, that it is wiser to hoard goods rather than save money.

To what extent the scare buying and the cashing of savings bonds reflected distrust of the future value of the dollar, no one knows. Nevertheless, long experience in many countries of the world clearly indicates that such developments, on a much larger and far more devastating scale, are to be expected when public confidence in money diminishes. As our nation figuratively walks a monetary tightrope, juggling on the brink of national disaster, little imagination is required to visualize the Niagara-like torrent of demand that could flood the nation's market places if fear finally impels the multitude of small savers to buy goods, whether needed or not, as an alternative to seeing the value of their savings vanish.

Also to be considered in this connection is the benefit derivable from ending the need of seeking "hedges" against inflation. Small investors are faced with the question, How much of a fund should be so invested as to provide protection against the continuing depreciation of the nation's currency? And the pitiful aspect of it is that those individuals who can least afford to take the risk of loss that all equity investments necessarily involve are precisely those who may not have enough income, even for the necessities of life, unless substantial risks of loss are assumed in the hope that an increasing income will offset any further rise in the cost of living.

End Adjustments for a Fluctuating Dollar

Another obvious benefit that could result from return to the gold standard is the ending of those statisticians' nightmares, adjustments of indexes representing values for fluctuations in the value of the dollar. Of course, the gold standard would not prevent in the future, any more than it did in the past, those serious distortions of economic values that were attributable to credit inflation and deflation, those twin evidences of incompetent and unwise banking. However, such distortions are relatively limited in magnitude and duration as long as a **fixed** gold standard is maintained. Return to the gold standard would make unnecessary such elaborate and long-continuing efforts to adjust statistical value-series as those that have become necessary in recent years.

We realize that the public may not sympathize greatly with the economists and their statisticians, and it is not primarily for our convenience that we suggest the importance of this benefit. Far more of significance to citizens of the United States is involved. Without adequate bases for economic comparisons even the simples representations by labor seeking a higher wage or by capital seeking a greater reward become almost unintelligible. The complications resulting from adjustments for a rubber dollar are to many people incomprehensible.

Thinking for the moment only of labor's aspect of the problem, we may well ask, How is John Doe to judge what a pension payable in 1980 dollars is worth to him today? Will the dollar he knows today shrink in value as rapidly as the dollar has during only the last decade? In that event, the 1980 dollar will be worth 7 cents, and what is the use of social security and company pension benefits anyway? Isn't the whole game of thus providing for a distant future a great swindle that few laboring men can hope to understand?

But labor is not the only economic factor cheated by the fluctuating dollar. When plant depreciation charges are based on values long outdated by the gyrations of a shrinking dollar, capital likewise is cheated. The ordinary books of account reveal profits that are illusory and encourage policies that elsewhere, in Ger-

Continued on page 50

*An address by Mr. Harwood at the Convention of the Gold Standard League, Washington, D. C., May 6, 1952.

[1] Frznz Pick, "1951 Black Market Yearbook," published by Pick's World Currency Report, New York.

This advertisement appears as a matter of record only. The shares were purchased from the estate of a deceased stockholder and have been sold.

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No Credit Squeeze in Britain

By PAUL EINZIG

Commenting on easy credit conditions in Britain, despite increase in Bank of England rate to 4%, Dr. Einzig lays failure to create tight credit conditions to slackening of the demand for credit, together with inadequate action, aside from the bank rate, to reduce availability of credit. Holds fear of producing unemployment holds back British Government from taking more drastic action.

LONDON, England—Those who expected that the increase of the Bank Rate to 4% in March would be followed by development of really tight money conditions find that their hopes or fears—whichever the case may be—were unfounded. Even though the banks have declined in recent months a number of applications for overdraft facilities and in many instances debtors have been pressed to reduce their overdrafts, there is no indication of any noteworthy reduction in the volume of advances to customers or of deposits. All that has been happening is that the additional demand for loans by armament industries has been more or less offset by curtailment of credit in other directions. Money conditions in Lombard Street have been mostly reasonably comfortable, and whenever there appeared to be a tendency toward tightening the broker acting on behalf of the Bank of England supplied the necessary funds, so that there was no need for Discount Houses to avail themselves of the emergency facilities of the Bank of England. Indeed the occasions on which the market had to borrow from the Bank have been very few and far between.

Dr. Paul Einzig

Since the beginning of the new fiscal year on April 1 there has been a natural tendency toward increased liquidity of the banks. During the first quarter of the new fiscal year revenue is at a low ebb so that the purchasing power mopped up by the Inland Revenue Department from the public during the last quarter of the old fiscal year is to a large extent released once more. This factor which recurs every year has coincided this year with an increase in the amount of the liquid assets of the banks, because the Funding Stock they took up last year is now approaching maturity sufficiently to become eligible for inclusion among liquid assets. This goes some way toward facilitating credit expansion. Moreover government departments acquired a large portion of the £150,000,000 of British Electricity Authority issue and to that end they had to sell a corresponding amount of their bills. This again increased the liquid assets of the banks, thereby facilitating credit expansion.

It seems that in the government's monetary policy the shadow is mistaken for the substance. The bank rate was raised to the comparatively high figure of 4% but no adequate steps have been taken to insure the development of tight money conditions. It would have been a much more effective disinflationary policy to leave the bank rate at 2½% and at the same time to create tight money conditions. It is true the increase of the Bank Rate produced a favorable psychological effect, especially abroad. What is perhaps more important it induced a number of people to abstain from borrowing or to repay debts of their own free will in order to avoid having to pay high interest charges. The slackening of the demand for credit has been in part responsible for the easier money conditions. However, in spite of it demand for credit remains excessive and in the interest of checking inflation its discouragement is essential. In some quarters a further increase of the Bank Rate is envisaged. It would be a much more effective device however to leave the Bank Rate at 4% and to create tighter money conditions.

The reason why the authorities have not done so lies in the fact that they are afraid that any further curtailment of credit facilities might create unemployment. Political reaction to the development of unemployment in the textile industry has been most violent, even though it has been due to nonmonetary causes for which the government could not be held responsible. It is easy to imagine the outcry that would result from any government action that would cause unemployment through creating tighter money conditions. Yet there is no other way in which inflation could be checked effectively. In any case it would take some time before unemployment were to develop in the real sense of the term. At present there are pockets of local unemployment in certain districts and in certain industries. On the other hand shortage of labor continues to be very acute in the aircraft industry and in many other industries. Even now the number of actual and potential vacancies is probably far in excess of the number of unemployed. The trouble is that the labor market remains hopelessly inelastic. Unemployed textile workers in Lancashire refuse to move to other districts or to switch over to other industries. They just sit tight in the hope that sooner or later they would be able to find work in their own district and in their own industry. Tighter money conditions, by creating more unemployment, would go a long way toward breaking down this complacent conception which, if allowed to continue to prevail, would effectively prevent the solution of Britain's economic difficulties. Those difficulties could not be solved without a redistribution of labor both geographically and between industries.

The solution favored by Socialists is that whenever local unemployment develops in some industry the government should encourage the increase of domestic demand for the goods produced by that industry. This could not be done without inflating purchasing power and without causing a deterioration in the balance of payments. If the output of the Lancashire textile industry is bought up at home because it cannot be exported it means that the same quantity of raw materials has to be imported in spite of the decline in exports. The process amounts to feeding the dog with its own tail. Moreover, scarcity of labor would continue in a number of other industries and it would continue to exert inflationary influence. It is physically impossible to satisfy the demand for labor by the rearmament industries and export industries unless there is unemployment in industries working mainly for domestic civilian consumption. Such temporary unemployment could be created through tighter money conditions. This is bound to be a most unpopular policy but it seems to be difficult to avoid it in the long run. Deplorable as it is that the solution of Britain's economic problem by such means would impose hardships on many thousands of families the need for such sacrifices will have to be faced sooner or later. If part of Britain's textile industry has become redundant it is futile to try to bolster it up by artificially stimulating domestic demand. The correct solution is to induce the unemployed textile workers to find other jobs outside their own industry and if necessary outside their districts of residence. And if there is no other way for bringing home the need for this than by means of credit restrictions then credit restrictions will have to come.

This is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offer is made only by means of the Prospectus

NEW ISSUE

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The Company is extending to the holders of its Common Stock the right, evidenced by transferable Subscription Warrants expiring May 28, 1952, to subscribe for the shares named above, all as more fully set forth in the Prospectus.

Subscription Price $21.25 per Share

Prior to the expiration of the subscription offer the Underwriters, through their Representative, may offer these shares at prices and subject to the terms and conditions set forth in the Prospectus.

Copies of the Prospectus may be obtained from the undersigned only in those States in which the undersigned may legally offer these securities in compliance with the securities laws of the respective States.

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May 15, 1952

Harriman Ripley Group Offers Firestone Tire & Rubber Co. Debs.

One of the largest industrial issues thus far in 1952 reached the market yesterday (May 14) with the offering by Harriman Ripley & Co., Inc. through a nation-wide syndicate of $75,000,000 25-year 3¼% debentures, due May 1, 1977, of The Firestone Tire & Rubber Co. The debentures are priced at 99½% and accrued interest.

A sinking fund requires retirements in annual amounts ranging from $1,500,000 in 1955 to $4,500,000 in May, 1976, and is calculated to retire 80% of the debentures prior to maturity. The company may, at its option, pay into the sinking fund an additional amount up to the amount required in such year. Sinking fund payments may be satisfied by delivery of debentures.

Redemptions for the sinking fund may be made at 100%. Regular redemptions may be made in whole or in part at 103% through May 1, 1956 and at declining prices thereafter to 100% after May 1, 1976.

Proceeds from the sale will be added to the general funds of the company and will be available for working capital, for plant expansion and improvements, and for other corporate purposes, including repayment of present domestic bank loans in the amount of $37,250,000 occasioned principally by increases in inventories.

In the fiscal year ended Oct. 31, 1951, net sales of $975,766,455 and net income of $48,398,950, after a reserve for unremitted income from certain foreign subsidiaries of $11,277,388, were the highest in the company's history.

The Firestone Tire & Rubber Co., is one of the leading manufacturers of tires and tubes and occupies a strong position both in the replacement and original equipment field. Its diversified line of manufacturing includes molded, extruded and foamed rubber products; truck and tractor rims, of which it is the world's largest manufacturer; stampings and other steel products, including stainless steel barrels, when materials are available; and a variety of plastic products. The company is an important supplier of defense products, including, in addition to tires and tubes, such products as tank tracks and bogie wheels, 3-inch anti-aircraft guns, 90 millimeter tank guns, recoilless rifles, guided missiles, rockets, jet engine parts, air-pack cushioned containers for jet engines, fuel and oil cells, gas masks, rubber life rafts and floats and radomes.

In the United States, products are sold to the consumer through more than 66,000 independent dealers and through approximately 700 company owned stores. Such products include not only those of its own manufacture, but a number of purchased products such as batteries, automobile accessories, radios, television sets, sporting goods, toys and household appliances, including refrigerators, home freezers, and electric and gas ranges.

The company's operations are world-wide as represented by 20 domestic and 13 foreign manufacturing plants, and rubber plantations in Liberia. It employs approximately 50,000 persons in the United States and Canada, and 33,000 persons overseas.

Trust Co. of Ga. Elects Directors

ATLANTA, Ga.—Following a meeting of the Board of Directors of the Trust Company of Georgia, John A. Sibley, Chairman, announced the election to the Board of William S. Woods and James V. Carmichael.

Mr. Woods was also elected President of the Trust Company of Georgia Associates, a wholly owned subsidiary of the Trust Company of Georgia, which holds a substantial majority of the capital stock of five affiliated banks: The National Exchange Bank of Augusta, The Fourth National Bank of Columbus, The First National Bank and Trust Company in Macon, The First National Bank of Rome and The Liberty National Bank and Trust Company in Savannah. Mr. Woods has spent his entire business career with the Trust Company of Georgia.

James V. Carmichael, the other new Director of the Trust Company of Georgia, is one of the outstanding young men of the Southeast. President of Scripto, Inc., the world's largest manufacturer of mechanical writing instruments, Mr. Carmichael acted as Vice-President and General Manager of the Georgia Division of Lockheed Aircraft Corporation during the reactivation of the huge Marietta plant to modify B-29s and build B-47s. He recently gave up this position and was elected to the Board of Directors of Lockheed, where he will continue to serve the Georgia Division in an advisory capacity.

To Form Hiegel Co.

The New York Stock Exchange firm of Hiegel & Co. will be formed on May 22. Offices will be at 63 Wall Street, New York City. Members of the firm will be Edward J. Hiegel, who will hold the firm's Exchange membership, general partner, and Cheston Simmons, limited partner.

Bioren to Admit

PHILADELPHIA, Pa.—Bioren & Co., 1508 Walnut Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, will admit Chester C. Garre to partnership on June 1.

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And today automatic drives that eliminate manual gearshifting are available on GM cars, either as standard or optional equipment—Powerglide on Chevrolet, Dynaflow on Buick, Hydra-Matic on Pontiac, Oldsmobile and Cadillac.

Now comes Power Steering—the latest of all driver aids, optional on all 1952 Cadillacs, Oldsmobiles and Buick Roadmaster models. This automatic "helping hand" allows you to swing the wheel more easily—to get away from a curb—back into a parking space—make a turn. Saves four-fifths of the effort required for ordinary steering, yet you always enjoy the "feel of the wheel"—you always keep command.

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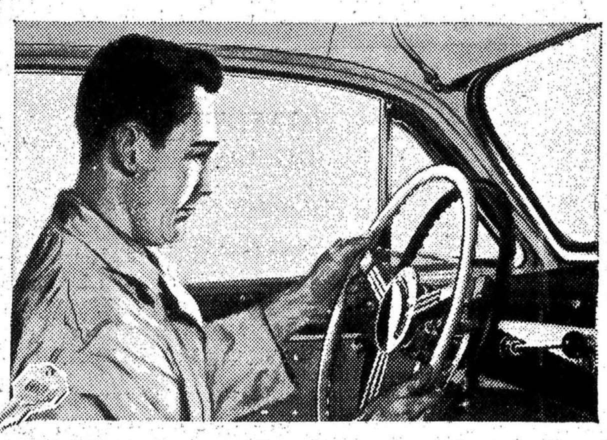
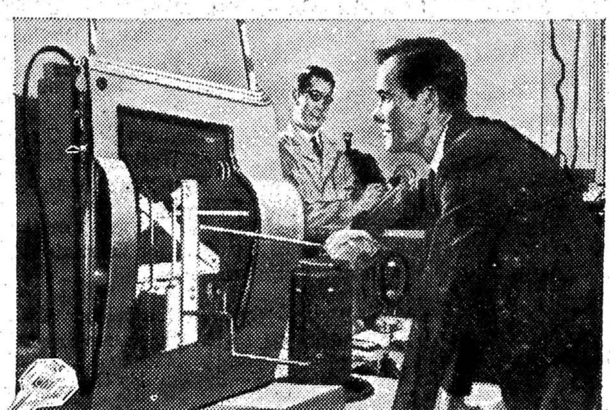


How GM Research Improved Power Steering. *Here you see a test car equipped with a special "steering effort" wheel that measures the force required to steer a car under various road and traffic conditions. From this type of information GM has designed a new hydraulic Power Steering unit that cuts steering effort about 80%.*



How GM Engineers Built Push-Button Windows. *To lower car windows and raise convertible tops automatically, a small electric motor pumps fluid through tubes similar to those in hydraulic brakes—and liquid pressure operates valves that do the job. Here GM engineers check an hydraulic actuator to make sure it's troubleproof.*

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Railroad Securities

Great Northern

After getting off to a rather poor start at the beginning of the current year, Great Northern is now showing considerable improvement both in operations and in earnings. It is normal for the road to report operating deficits throughout the opening quarter of the year as its business is highly seasonal in character and the winter period of low traffic volume often is accompanied by extraordinarily high costs. Running through the northern tier of states from the Great Lakes to the Pacific Coast, Great Northern is obviously periodically subject to heavy expenses in connection with severe temperature and snow conditions. Also, in the last couple of years there have been floods to contend with.

The seasonal character of the freight business, just as much as the expense factor, is to a large extent inherent in the nature of the territory traversed and the type of traffic the road handles. Iron ore is one of Great Northern's most important freight commodities. For the most part this item moves only when the Great Lakes are open to traffic. In mild years the Great Lakes may open to navigation in April but more often it is not until some time in May. Even in periods of stringency when it is necessary to ship ore all-rail from Minnesota mines to eastern consuming centers, as it has been recently, such volume is not heavy in the winter months. Another important freight item to Great Northern is winter wheat and that commodity normally does not move in heavy volume until the new crop comes in in the fall.

Following the normal seasonal pattern, Great Northern sustained a sizable net operating deficit in the opening month of 1952. February witnessed some profit, but not sufficient to offset the January deficit. March showed real improvement over a year ago (nearly $1 million) and operating income was sufficient to more than offset the earlier losses. For the full first quarter of the year there was a modest net operating income of $110,000 which was in sharp contrast to the net operating deficit of $506,000 sustained in the like interim of the preceding year.

Last year the company reported earnings of $7.74 a share on the one class of stock outstanding. In the current year it is variously estimated that share earnings will run between $9.00 and $10.00. Even the more conservative of the estimates would afford more than ample coverage of the present $4.00 annual dividend rate, which has given rise to the hope in many quarters that a more liberal distribution policy will be adopted later in the year if the outlook continues favorable. Disregarding this possibility (and the possibility certainly does not appear too remote) the present dividend affords a return of 8% and at recent prices the stock has been selling at less than six and one-half times 1951 earnings and five to five and one-half times estimated 1952 results. In many quarters this is viewed as much too pessimistic an evaluation of a stock having the basic investment characteristics of Great Northern.

There are two basic elements of strength in the Great Northern picture. For one thing, it is traditionally an efficient property to operate. Consistently its transportation ratio has run below that of the industry as a whole. Last year the spread in favor of Great Northern was three points, and even in the seasonally poor first quarter of the current year this all important ratio was cut a full point below the level of a year ago. Also, and obviously partially reflecting the lower transportation ratio, Great Northern's pre-tax profit margin has consistently been wider than that of the Class I carriers as a group. The second element of particular strength is the outstanding job of debt reduction accomplished by the management in recent years — few railroads can point to so much accomplished along these lines. Including bonds paid off Jan. 1, 1952, non-equipment debt has been reduced by roundly $112 million since the start of 1941 and now stands at less than $204 million. Augmenting the debt retirement progress, extensive refunding operations have reduced interest rates and brought a very well spaced maturity schedule.

H. W. Kerley Joins W. T. Grimm & Co.

CHICAGO, Ill.—H. W. Kerley, formerly Assistant Vice-President of the Bishop National Bank, Honolulu, has joined the staff of W. T. Grimm & Co., 231 South La Salle Street, specialists in private placement loans. Earlier Mr. Kerley was with the Bank of America.

Barr Bros. Admit C. A. Pope as Partner

Barr Brothers & Co., 40 Wall Street, New York City, have announced that Charles A. Pope has been admitted to the firm as a general partner.

E. L. Alexander Opens

JORDAN, Mont.—E. L. Alexander has opened offices here to engage in the securities business.

IMPERIAL OIL LIMITED

NOTICE TO HOLDERS OF BEARER SHARE WARRANTS

Notice is hereby given to the holders of bearer share warrants of Imperial Oil Limited, in accordance with resolution adopted by the shareholders at the Annual General Meeting held in Toronto on April 24th, 1952, that from and after June 2nd, 1952 no further bearer share warrants will be issued by the Company, and no further coupons will be issued for the payment of dividends.

Holders of bearer share warrants are reminded that they have the right to exchange bearer share warrants for registered shares, registered in their names.

Bearer share warrants may be converted into registered shares by delivering to the:

General Secretary,
Imperial Oil Limited,
56 Church Street,
Toronto 1, Ontario;

—or—

the co-transfer agents:

Montreal Trust Company,
511 Place d'Armes,
Montreal 1, Quebec;

—or—

Bankers Trust Company,
46 Wall Street,
New York 15, N.Y.

There is no charge either by the Company or the co-transfer agents for making such conversion, but the holders of bearer warrants should register and/or insure any such shipment of bearer share warrants.

The Company particularly urges the holders of bearer share warrants to exercise their rights of conversion to registered shares immediately.

By Order of the Board,

Colin D. Crichton
General Secretary.

Dated at Toronto, Canada, this 12th day of May, 1952.

Public Utility Securities

By OWEN ELY

General Telephone Corporation

While the Bell Telephone System serves 82% of the nation's telephones, the independent companies, of which there are some 5,400, serve two-thirds of the geographical area of the United States, operating some 11,000 exchanges.

General Telephone, the largest of the independents, operates in 19 states through 15 subsidiary companies, serving some 3,600 communities with nearly 1,500,000 telephones. It also owns a manufacturing company, an equipment sales company, and a directory company. The largest subsidiary, Associated Telephone Company, Ltd., serves almost 500,000 telephones in California, or about one-third of the General System. Included in its area are some of the largest cities in the System, such as West Los Angeles, Long Beach, Santa Monica, Santa Barbara, San Bernardino, etc. Other subsidiaries serve areas in the Pacific Northwest, in Texas and adjacent states, and in the northeastern section of the country (with the exception of most of the New England area).

The number of telephones in service in the System has more than doubled during the postwar period, while consolidated capital increased from $93 million to $289 million and the assets from $138 million to $374 million. Most of this growth came from adding telephones in areas previously served, and a small part from new acquisitions. In the first quarter of 1952 the General System added over 36,000 telephones and still had nearly 62,000 "held" orders. While the System has had a heavy construction program at high cost prices in recent years, much of the plant is practically new, and almost 66% is dial-operated compared to 46% five years ago.

The capital structure at the end of 1951 was approximately as follows:

	Millions		Percent	
Funded debt of subsidiaries	$122		42%	
Bank loans of subsidiaries	13		5	
Debentures of General Telephone	10		3	
Total Debt		$145		50%
Preferred stocks of subsidiaries	$56		19%	
Preferred stocks of General Tel.	22		8	
Total preferred stocks		$ 78		27%
Common stock and surplus		$ 66		23%
Total capital		$289		100%

These ratios represent a substantial improvement over a year ago when the debt ratio, including bank loans, was 57%, the preferred stock 22%, and the common stock equity 21%.

Some 11,000 shares of General Telephone's 4.75% preferred stock have been converted into common stock, and if the balance were also converted, the common stock equity ratio would increase from 23% to around 31%, it is estimated.

The construction budget for this year is $66 million. Of this amount about one-third will be generated within the System, leaving $44 million new money to be raised, plus $13 million to retire bank loans, or a total of $57 million. This will probably be raised through sale of $29 million bonds and $9.5 million preferred stocks by subsidiaries, leaving $18.5 million to be supplied by General Telephone. Some $11.5 million of the latter amount was provided through sale of 240,000 shares of 4.75% preferred stock last December. It is contemplated that the additional $7 million will be raised by sale of common stock in late summer or early fall. This financing program would leave capital ratios about unchanged.

During the period 1946 to date General Telephone System secured rate increases of over $23 million, of which $15 million was obtained in the last two and one-quarter years. They have pending applications for almost $8 million additional revenue, and other applications are being prepared. The System has followed an aggressive campaign with respect to rate increases, but the difficulty has been in the lag that occurs between the time of filing applications and the actual granting of relief. In order to meet this difficulty, the company now forecasts its requirements at least 12 months in advance so that rate applications can be processed for quick filing at the time the rate of return of a subsidiary falls below the line. There has been no decision by any Commission in the last few years which has held that General Telephone subsidiaries should have less than a 6% return on average investment as a fair rate of return, while some Commissions have allowed as high as 6¾% and 7%. If the company had been able to overcome the lag in rate increases and had earned 6% on average investment in 1951, share earnings would have been $4.77 on average shares outstanding, instead of $2.95, it is estimated by President Power.

For the first quarter of 1952 the company earned 80c on shares outstanding at the end of the period, compared with 66c last year. If this improvement can be maintained, earnings for 1952 may approximate $3.20, compared with $2.63 last year, according to a management forecast.

Alvin W. Ernst With J. R. Williston & Co.

J. R. Williston & Co., 115 Broadway, New York City, members New York Stock Exchange, announce that Alvin W. Ernst is now associated with the firm as manager of its mutual funds department. Mr. Ernst was formerly manager of the investment department for Penington, Colket & Co. In the past he conducted his own investment business.

Now Stokes & Co.

PHILADELPHIA, Pa. — The firm name of Edw. Lowber Stokes Co., members of the Philadelphia-Baltimore Stock Exchange, has been changed to Stokes & Co. Offices are now located in the Land Title Building.

With J. W. Malmberg

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Evalin L. Malmberg has joined the staff of J. W. Malmberg & Co. 625 Broadway.

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SEVENTEENTH ANNUAL MEETING

Texas Group

INVESTMENT BANKERS ASSOCIATION OF AMERICA

GALVESTON, TEXAS

MAY 1ST AND 2ND, 1952

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R. A. Underwood & Co., Inc., Dallas

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Austin, Hart & Parvin, San Antonio

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Chas. B. White & Co., Houston

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Pictures Taken at Annual Meeting of Texas Group IBA

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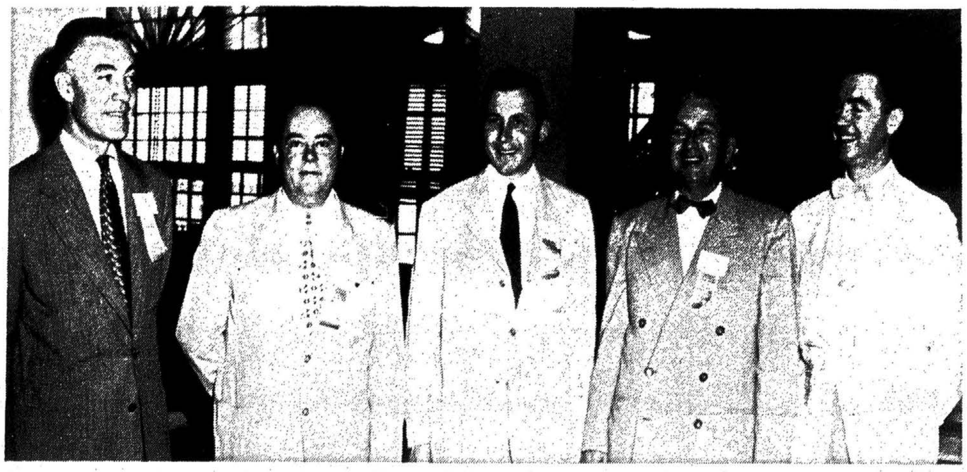

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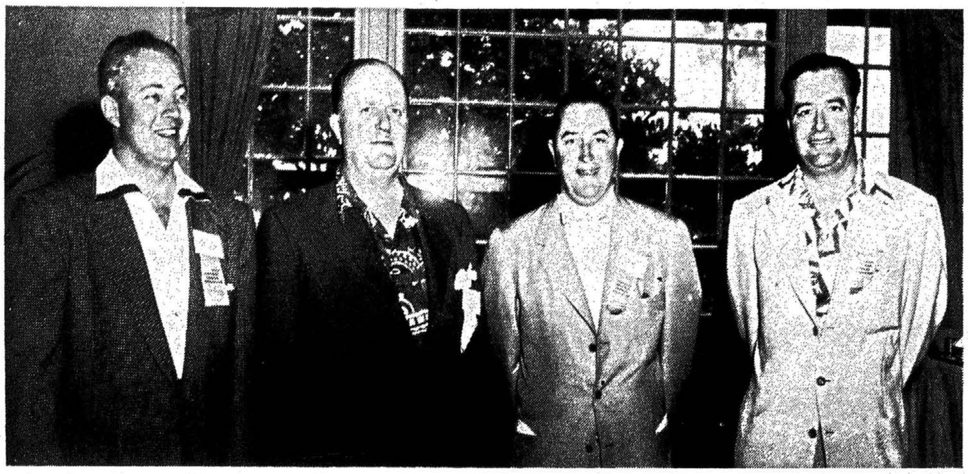

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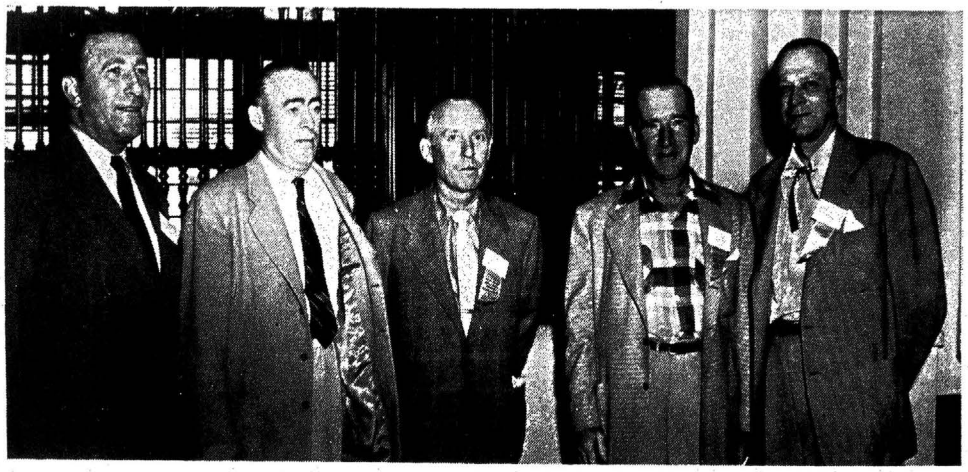

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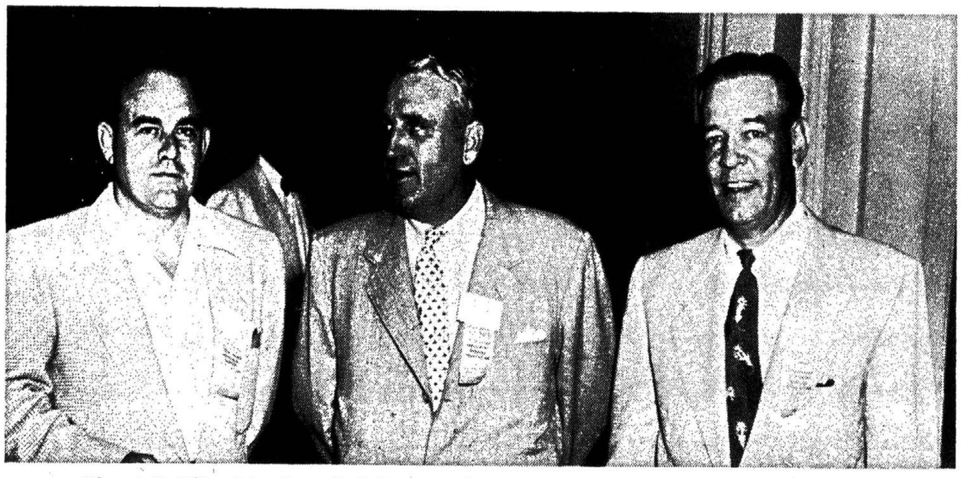

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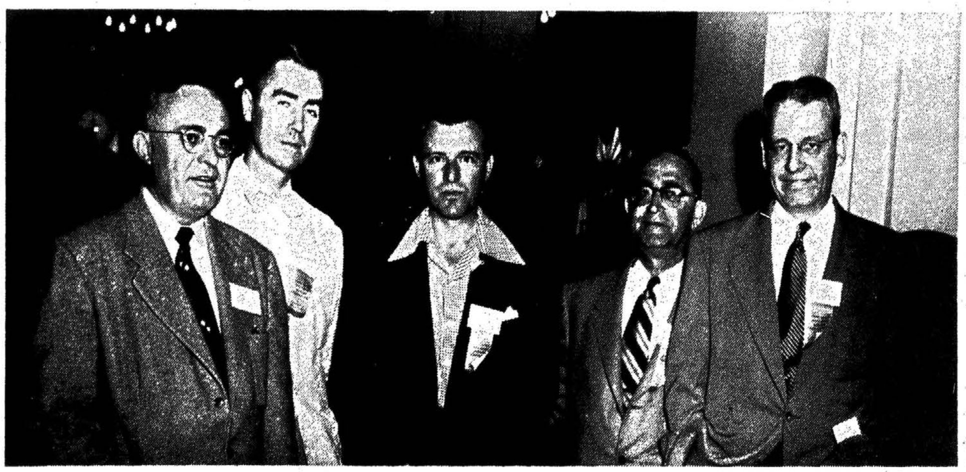

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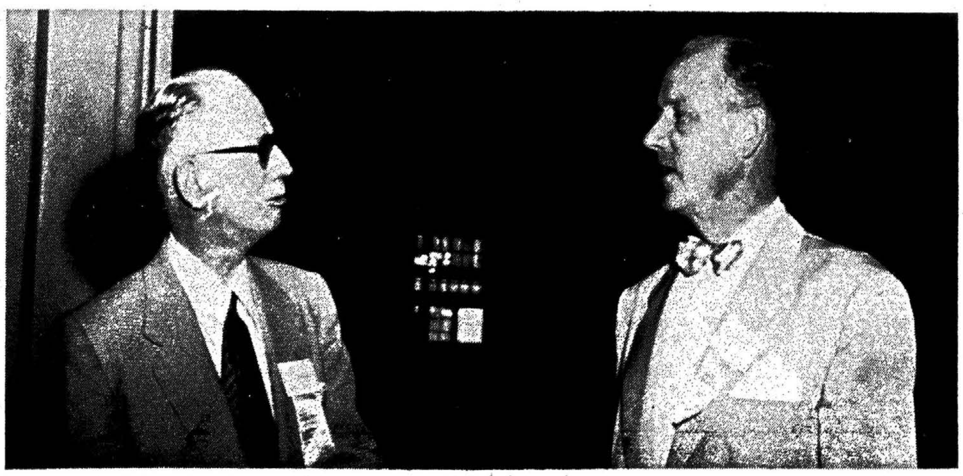

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Southwestern

Corporate & Municipal

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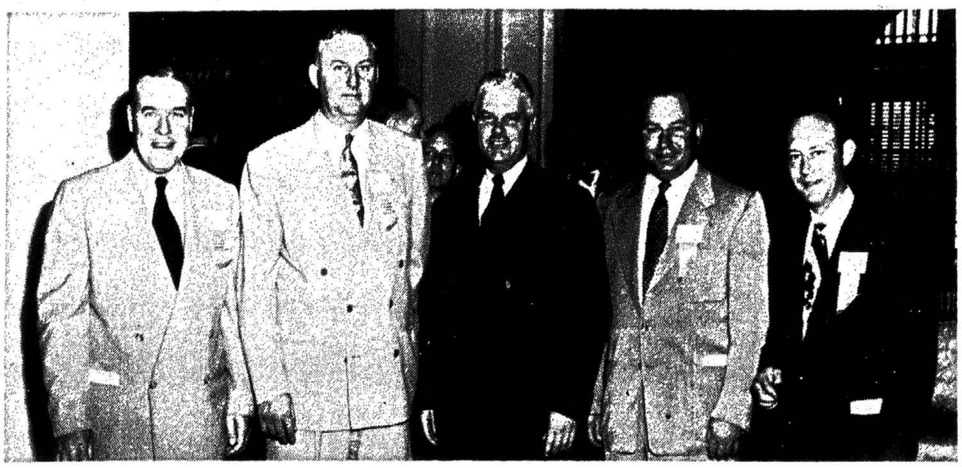

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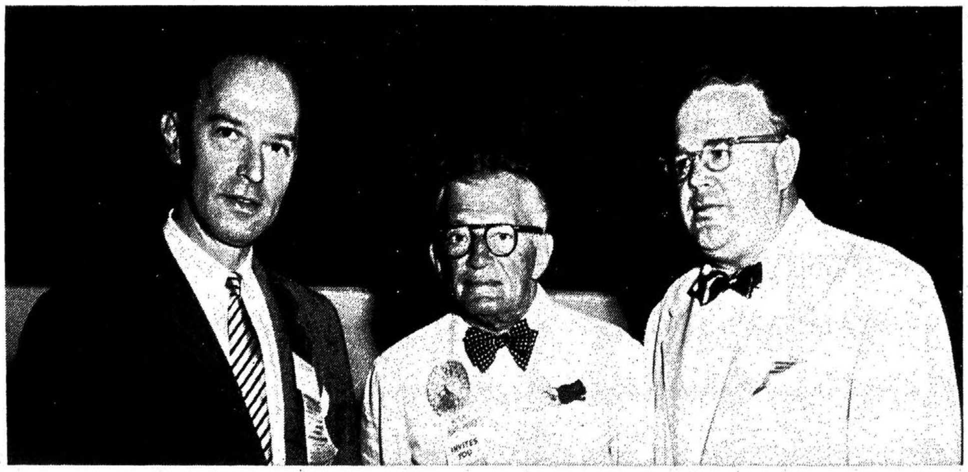

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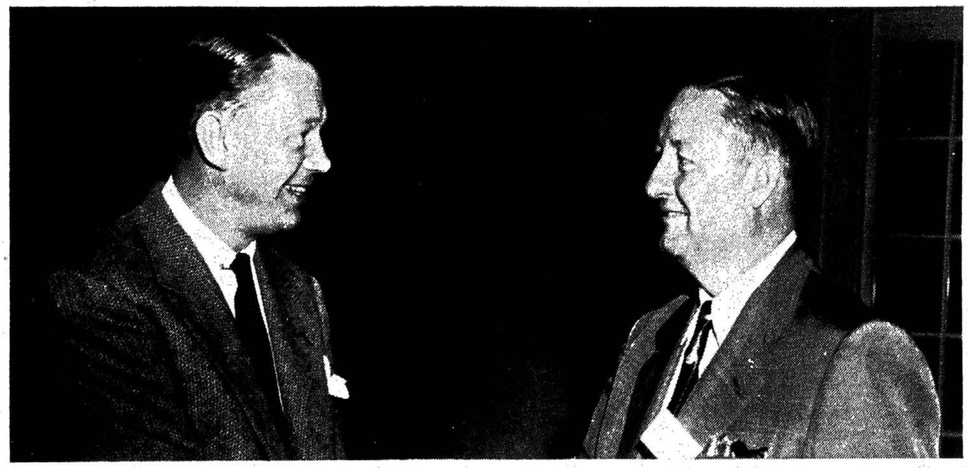

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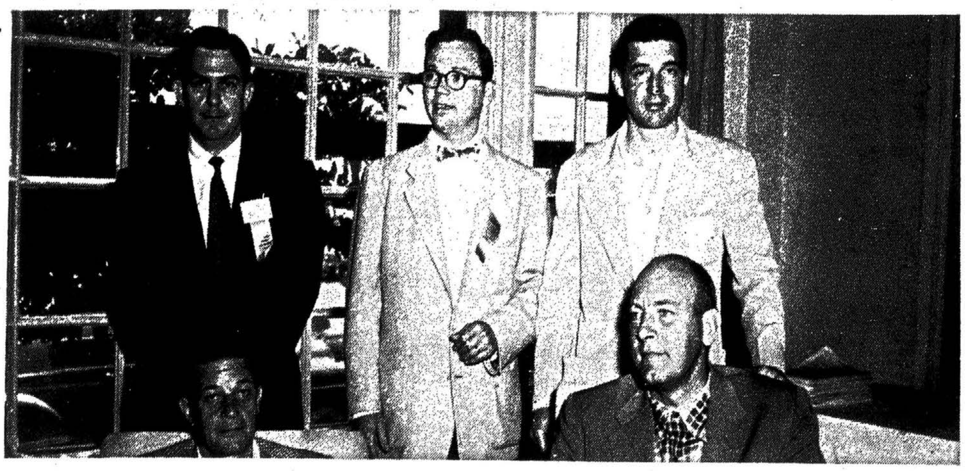

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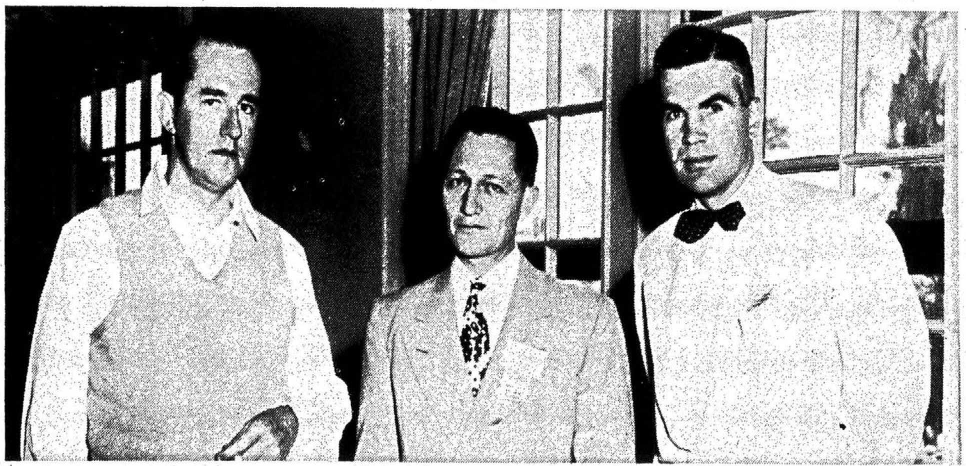

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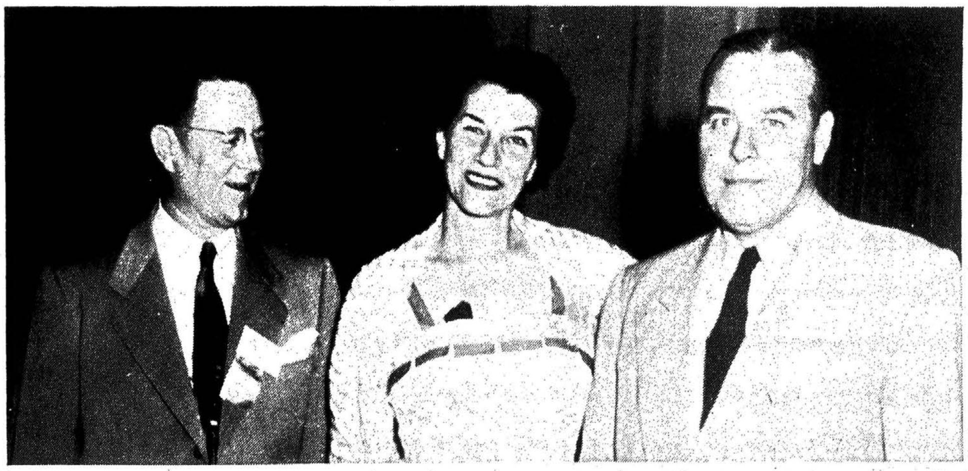

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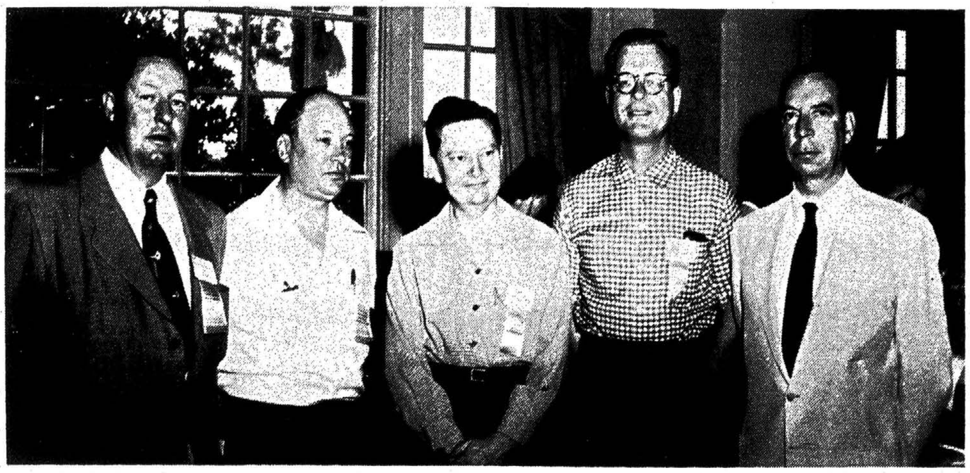

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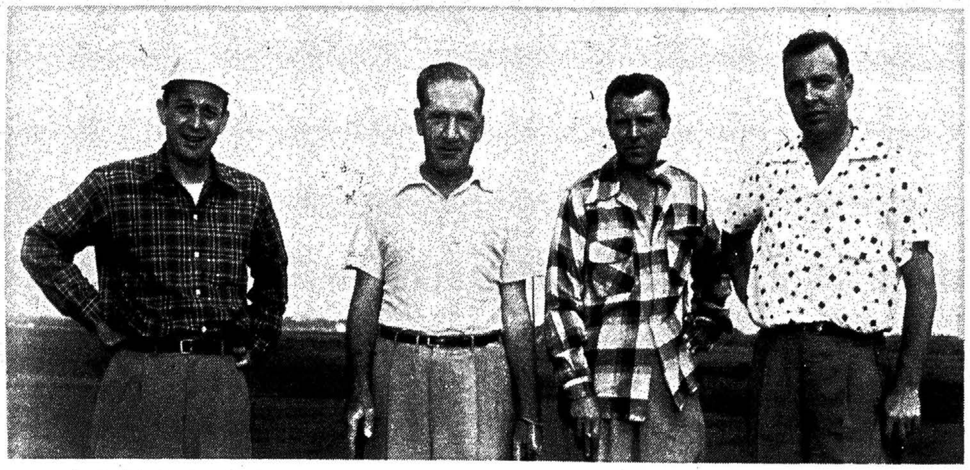

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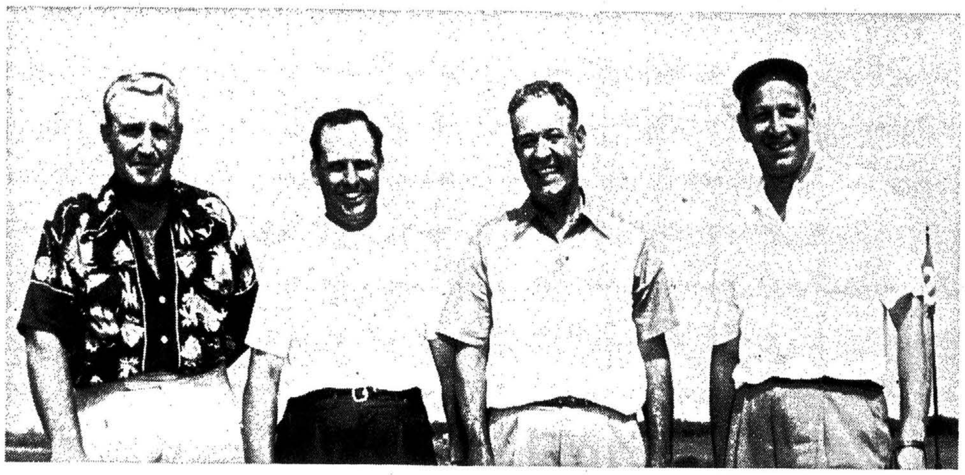

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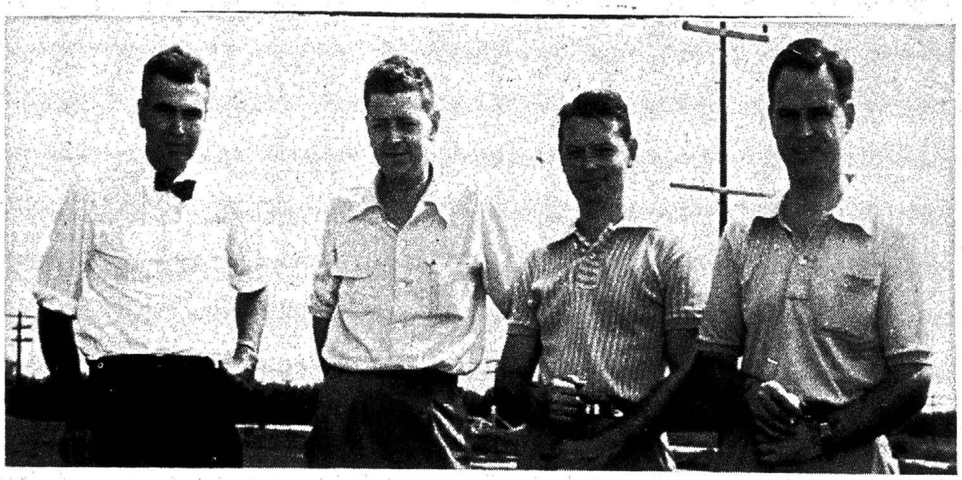

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Continued from page 16

The Near and Long-term Outlook for Business

with outstanding consumer credit hovering around $20 billion and bank loans in the neighborhood of $57 billion. There is little to indicate further deflationary action from credit controls. On the contrary, recent action may be taken as straws in the wind indicating that controls may be loosened up if such action is needed to bolster the economy. Illustrations include taking old cars and articles selling for less than $100 off the controlled list. Also, the exemption of state and local issues from voluntary credit control means that states can proceed with bonus issues formerly held in abeyance because they were considered inflationary.

Price Outlook

Since an adequate treatment of price trends would easily take all of the available time, I shall do no more than refer to the forces at work.

On the one hand governmental monetary and credit policies have supplied the basis for cheaper money, higher prices. Defense spending and foreign aid by pushing up demand for goods, and governmental approval of wage increases by adding to costs, operate in the same direction. And the current evidence is that all three will continue to be effective this year.

Opposing these is the powerful force of our productive capacity. We will recall that cheapening the money in the 1930's did not raise prices because of the surplus of goods. The same possibility is now before us. In one line after another as our productive capacity catches up with demand, a brake is put on price rises. This effect began to appear during the past year and will undoubtedly become increasingly important in the future. Even though confronted with overall inflationary forces, a given industry and even the producer of a particular product or service is confronted with the possibility of stabilized or even reduced prices. Ultimately the relay race should be won by our productive power.

Turning now to matters more directly involving everyday business, we may well focus attention on certain activities whose magnitude is out of all proportion to the immediate effect on consumer goods produced or consumed. They include equipment and plant expansion and new construction. Expenditures for these purposes have the effect of an extraordinary stimulant to our economy. Their curtailment can seriously upset its balance.

Equipment and Plant Outlay

It is clear that the 1951 record of $23 billion outlay for equipment and plant has exerted a marked effect on the level of business activity and has been in full sway for the first quarter of 1952. This program of acquisition and expansion was prompted partly because of postponed purchases during the war period, partly in preparation for the expected increase in output which has been materializing. Operating toward a reduction in the recent high level of acquisition may be —(1) management's fear that it may not need greater productive capacity after defense orders fall off; and (2) a reduction in money available for this purpose (because the tax squeeze may cut corporate profits by 30% or more in 1952).

For the current year, however, there seems little prospect of a reduction in outlays for equipment and plant. We may accordingly expect from this source a business boost of the extraordinary variety during the coming months.

Construction and Mortgage Outlook

The $30 billion 1951 level set a record in construction. Increased public construction accounted for raising the level above 1950 and as late as March public construction, stimulated by defense activities, was still keeping total construction above all previous years in spite of a decrease in private building.

In residential building, improvement in financing may support building in selected areas. The over-extended position of lending institutions, intensified and precipitated by the unpegging of government bonds more than a year ago, is becoming righted. In investing institutions amortizations and payoffs, supplemented by increased savings, are accumulating for investment.

Belief that FHA and VA rates would be increased is being replaced by conviction that they are stabilized at the present level. Eastern savings banks are finally beginning to look to Western states where they are now permitted to buy FHA and VA mortgages and where residences are needed for recent population increases. Instead of a shortage of mortgage money there may even be a scramble for mortgages in the not too distant future.

Thus, despite the continued peak production of residential units since the war and the recent let up in family formation, it will not be surprising if residential construction again far exceeds estimates which have run as low as 600,000 houses. In fact, I would venture the guess that residential construction will approach and even exceed 1,000,000 units for 1952.

Industrial and public utility construction should be fairly strong but commercial construction, which is especially hard hit by materials shortages, will be low.

In summary: Thanks to defense building, especially in the category of public construction, total building may at least equal 1950 which was the peak year before 1951.

Purchasing Power

Personal income continues at a level which clocked the total for 1951 at a peak figure of $251 billion with disposable personal income (i.e. after taxes) of $222.6 billion.

This level reflects a general condition of high employment, high wages and good profits.

Out of a total civilian labor force of 61½ million, only 1.8 million or 2.9% were unemployed in March as compared with 3.4% last March.

During the past year weekly earnings in the "all manufacturing" category were the highest on record, using 1951 dollars for the comparison. Calculated on the same basis farm income was within close reach of previous peak years.

High income means high purchasing power.

Inventories

Next, then, comes the volatile subject of inventories. Around the end of the second quarter in 1951 retail inventories had climbed to 30% above the preceding year. In the meantime, declining sales made it seem more essential for retailers to reduce their inventories; and their actions in doing so meant that any reduction in consumer buying was multiplied in its effect on wholesalers and manufacturers of consumer goods.

Significant to future prospects is the fact that the effect of overstocked shelves is behind us. The situation has apparently righted itself through an orderly reduction of stocks at retail so that consumer purchases should now be reflected in purchases from wholesalers and manufacturers. In this respect we are now in a more healthy position than we were a year ago.

Because consumers owe no more than they did a year ago and because they have saved at a rate unprecedented except under the austerity program of war years, they are in a position to buy if they choose. Looking at farmers as a special class we might note that they have enjoyed a decade of prosperity in which to reduce mortgages.

On the whole consumers are in a position to buy. The only remaining question is — will they buy? What will be their attitude toward buying?

After Korea, we know of course, there was a flurry of scare buying. This dropped off in the early part of 1951 and we heard much of the decline. Not only refrigerators, TV sets, and other hard lines, but also soft goods, especially textiles, suffered. It is interesting to note, however, that total retail sales, seasonally adjusted, have exceeded the monthly average for 1950 in each month since. Perhaps more attention should be given to what people will buy rather than how much. Nevertheless, since the post-Korea scare buying, the period of time which has elapsed since has permitted some using up of hoard-bought goods. Hence, there is a sound basis for orderly buying insofar as consumer attitude is concerned.

The current picture of known consumer ability to buy and probable attitudes may accordingly be considered favorable to continued high level purchases. In any prognostication of consumer reactions we must, of course, realize that we are dealing with a public which is susceptible to fast changing whims. Any flareup of belief in all-out war might precipitate scare buying. Conversely, depression fears and even scattered unemployment might slow down buying.

In the light of what has been happening and of conditions as they exist, however, there seems to be good reason for thinking that consumer purchasing — the base of our economic activity — will be maintained at a high level. Into the stream of economic activity flowing from this demand will be added that coming from the other demands already mentioned—defense spending, exports, buying of equipment and plant, and new construction — all encouraged to drain a little faster because of the tilt given to the bed of our economy by governmental inflationary policies. For the coming months, therefore, I should expect a continued spending of the forces now in operation with the net result of continued high level activity.

Long Range Outlook

Turning from immediate prospects to the long range outlook, we face several questions which may even be disturbing in the possibilities they raise for upsetting factors in our economic balance.

Startling is the realization that as much as one hundred billion dollars of current purchasing may be classified as extraordinary outlays, in that they lie outside the circular flow of production—distribution—consumption—and repurchase of currently used consumer goods (and note that this figure does not include durable consumer goods representing an annual take of twenty-five billion dollars or so).

More specifically: outlays for defense spending are the subject of discretionary decisions by politicians who are caught between uncontrollable international developments on the one side and public pressures on the other. What will happen if expenditures, which now promise to reach the sixty billion dollar annual level, are reduced to isolationist outlays in a peaceful world?

In our foreign trade, we find another activity peculiarly subject to factors outside of our own internal operations. In 1951, this activity accounted for a total of twenty-six billion dollars in exports and imports combined and, as already pointed out, the export balance of four billion dollars was a measure of the extent to which American production was helped —helped, as a matter of fact, over and above what it would have sold even if it could have produced and sold the eleven billion dollars worth of goods imported. What would happen if our total of fifteen billion dollars in exports was materially reduced through reduction in foreign aid?

Also, lurking in the shadow is a spectre of possible foreign competition. Once Europe is on its feet American business may well expect severe competition in foreign markets and, in the case of many products, on the home front as well. Rapid progress in the rehabilitation of Europe and even the actual appearance of foreign goods in the market place supply reminders of this possibility.

Discretionary Spending

Again, purchases of equipment and plant, which may, in the current year, exceed last year's figure of $23 billion, are peculiarly the product of discretionary judgments.

Outlays for construction are similarly determined. Significantly, in current operations the decision on approximately a third of construction activity rests with Federal, state and local governments, whereas, in private construction, through governmental policies on FHA and VA residential construction, and on slum clearing projects, and through special arrangements for construction of defense plants, the government is playing an important part.

In the strictly private "category," we have outlays that are definitely to be considered discretionary. Moreover, actions and decisions of management in these areas are by their nature made through reference to long range prospect.

What would happen if through governmental policy and managerial decisions, outlays for equipment, plant and construction were reduced forty billion dollars to the 1939 level?

Depressing is the fact that the mere realization of this overhanging uncertainty could itself bring about the undesirable consequences inherent in a sudden dropping off in extraordinary expenditures. And then there is the question of how business would adjust to an actual change if it occurred.

A guess as to whether our economy will be uninterrupted in its continued growth, involves an estimate as to how far we will go in meeting no less than a dozen needs and inadequacies which are already in evidence. I should like to refer to these needs with the suggestions that by watching our progress in these general but basic factors, we will get clues as to the future course of business.

May I add that the list stems from a conviction that the overall problem in our economy is one of adjusting ourselves to the industrial-commercial era in which we live — a conviction that we are dependent too much on traditional ways of doing business carried over from the horse and buggy days of a rural economy, that what must be accomplished is more intelligent, aggressive and courageous action in practically all phases of business.

Marketing and Selling

The first need is for a more universal application of the general idea of discovering needs and wants and finding ways to meet them. Marketing is virtually a new profession. It must be more widely applied, if we are to find outlets for our high productive capacity.

We undoubtedly have ahead of us the severest competition ever known to American business, both at home and abroad. Our machinery for selling is rusty and inadequate. In the 30's it disposed of only a fraction of the present outlet. During the war it remained idle. In the post-war boom the ease of selling meant it has been only partly used.

We need inventiveness. We need new products and new services to meet needs uncovered by marketing studies.

We need constant and continued attention to cost reductions, which continue to place products in the hands of additional groups of users. These are far sounder spurs to economic activity than is the pumping of cheap money into the hands of purchasers.

Venture Capital and Taxes

We need venture capital. Here we must look for new machinery to obtain venture capital from new sources. We must adopt tax provisions which will make it worthwhile for capital to venture. Particularly in the international field, we need leadership in financial operations. We are the financial capital of the world without financial statesmen. In our domestic affairs, we need more fluidity of funds. We need to remove barriers of distance so that funds for capital investment and for commercial activities move readily from money centers to enterprises in areas where funds are needed. We need machinery for assembling funds and investing them.

We face a tremendous opportunity for distributing our mass produced products to the world. But on the whole our country is illiterate in foreign trade.

Understanding of Business and Government

We need a government that legislates with understanding of business, that administers with knowledge of effects of its actions on business activities.

We need more understanding in business of the functions of government in this new industrial and commercial era. We need businessmen who take more responsibility for what goes on in government.

We need better public understanding of business. As a nation we suffer from economic illiteracy. Business has a major job in public relations.

We need more gray matter in managerial levels. We need more attention to business' number one problem of developing people.

Finally, we need to incorporate in our philosophical thinking a concept of growth which is consistent with the potentialities of our democracy in the current era, rather than live in fear that we will revert to pre-power levels of production and consumption.

Look at the facts. We have:

Rich natural resources and abundant raw materials along with a fast-developing technology for making better use of what we have.

Elaborate production plants and

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equipment and power to run them.

156 million people, high birth rate, extended life—almost twice the lifespan of 100 years ago — these people are our customers.

These customers have the highest average income ever known. It is broadly distributed with 90% of discretionary spending money in the hands of low income people with less than $7,500 to spend.

These consumers are only now in the process of acquiring purchasing power for a higher standard of living, they have only recently (through short work week and vacation) acquired leisure time in which to enjoy a host of products and services on a scale hitherto unknown—entertainment, participation in artistic and educational activities, travel, physical and mental health and personality development, new comforts and conveniences, unlimited need for better housing and transportation —all of these hold out vistas of progressively growing markets, of continuing expansion toward an horizon which ever recedes before us. Our markets grow as our productive power grows because production of goods means ability to buy goods; and consumers will buy provided the right goods and services are in the right place at the right time.

If this job of having appealing goods and services available to the right people in the right place at the right time is effectively done by small businesses and large, the long range outlook for business is bright, and we may look forward to volumes far above recently established peaks. These are attainable objectives of a free people.

Herein is the challenge to the businessmen in our democracy.

Joins Revel Miller Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Clinton G. Shaw has joined the staff of Revel Miller & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

Walston, Hoffman Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.— James R. Kelly has been added to the staff of Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

With Davies & Co.

(Special to THE FINANCIAL CHRONICLE)

SANTA ROSA, Calif.—William F. Osgood has become associated with Davies & Co., American Trust Building. He was formerly local manager for Francis I. du Pont & Co.

With Smith, Ramsay

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn.—John H. Wheeler has become affiliated with Smith, Ramsay & Co., Inc., 207 State Street.

With Television Shares

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Marjorie D. Tefts has become affiliated with Television Shares Management Company, 135 South La Salle Street. She was previously with Alfred O'Gara & Co.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

PADUCAH, Ky.—Edward J. Sears is now with Waddell & Reed, Inc.

Joins Blair, Rollins

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Frank L. Young, II has joined the staff of Blair, Rollins & Co., Inc., 50 State Street. He was formerly with Robert Hawkins & Co., Inc.

Business Man's Bookshelf

Estate Planning and Education: 1952 Edition, concerning bequests, trusts, and special gifts, issued for attorneys and financial advisers—Pomona College, Claremont, California—Paper.

Fallacy of Controlled Prices — Reprint from an address by Professor Herrell de Graff, Cornell University — Foundation for Economic Education, Inc., Irvington-on-Hudson, New York — Five copies of leaflet free; one cent each for additional copies.

International Monetary Fund Staff Papers (Vol. II No. 2, April 1952): Present Foreign Payments Practices in the United States (Alfred H. Von Klemperer); Recent Developments in the U. S. Balance of Payments (H. K. Zassenhaus and F. C. Dirks); Effects of a Devaluation on a Trade Balance (Sidney S. Alexander); Employment, Production, and the National Security Program in the United States (Ta-Chung Liu); The Modern Colonial Sterling Exchange Standard (H. A. Shannon) — International Monetary Fund, 1818 H Street, N. W., Washington 25, D. C.—Paper—$1.50.

With Francis I. du Pont

LOS ANGELES, Calif.—Henry A. Boulanger has become associated with Francis I. du Pont & Co., 722 South Spring Street. He was formerly with Daniel Reeves & Co. and Shearson, Hammill & Co.

Two with Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Robert F. Quigg and Clarence H. Wittman are now with Waddell & Reed, Inc., Continental National Bank Building.

Samuel Franklin Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joe F. Page is with Samuel B. Franklin & Company, 215 West Seventh Street.

With Waldron & Co.

SAN FRANCISCO, Calif.— Edgar C. Lawrence has become connected with Waldron and Company, Russ Building.

R. J. Cary Opens

DENVER, Colo.—Robert J. Cary is engaging in a securities business from offices at 1350 Sherman Street.

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Continued from page 8

Natural Gas—Nation's Fastest Growing Industry

promise of what's to come. Then the crowd moves up, buys tickets, and enters the tent to see whether the promise is fulfilled.

Now that we have planted ourselves in the thinking and life of the American public . . . can we perform as they have been led to think we can . . . and as the public expects?

Through the years the operating gas companies of the nation gained acceptance as local institutions. They manufactured their product and sold it in rather limited franchised areas. The gas company was strictly a local institution. Customers accepted it on that basis.

Now what have we got? An expanding network of pipe lines stretching across the country. During periods of restrictions on house heating sales, gas companies told their customers that the lack of gas was not entirely a local situation. All our customers had to do was to read the newspapers to see that the "gas shortage" was almost a national situation.

The public now senses that gas service is not entirely a local function. They have learned it is a big industry. The coal barge or the oil tanker that slowly brought supplies up to a manufactured gas plant never caught the public's imagination as being a vital part of an industrial enterprise which was dedicated to delivering a clean and economical fuel to their homes, stores and industries.

It is different today. Consumers, the public in general, investors, legislators and regulatory bodies look upon cross-country pipe lines, producing fields, and storage reservoirs as real, live adjuncts to the low-pressure street mains, service lines, and domestic meters they have known all their lives.

Make no mistake about it . . . the public does not show any resentment to big gas systems. In fact, the public has expressed pride in the enterprise and accomplishment of the natural gas business that has brought gas from far-distant producing fields to their kitchens and furnaces.

We gas men have divided into groups according to our interests and responsibilities. This meeting is a typical example. But we must not forget that the public neither knows nor understands our familiar terms of "production"—"transmission"—"distribution." To them gas service is a single enterprise. We must adjust our sights in the same direction—gas is a single responsibility.

We have, in general, met these and other challenges. We can never afford to let our guard down, or to shirk the great responsibilities imposed by our present size and spectacular performance.

Responsibilities of Gas Industry

If I were asked "What is our greatest responsibility?", my answer would be: We have three responsibilities of about equal importance. They are, service . . . unification and integration . . . and safety.

People want service. Some seek service from the ward alderman: others demand it from the automobile dealer. Hotels brag of their "distinguished" or "unsurpassed" service. The gas industry, through the years, has built good will by the service it has rendered to the American public. After all, while we are concerned with the sales of a fuel—it is "gas service" which we actually supply.

One good example of current thinking on matters of service is the recent Operating Section appointment of a Committee on Customer Service Responsibilities. The goal of this committee is the formulation of a code of service responsibility. Among the subjects of prime interest to this group is a study of service required for safety and for continued customer acceptance of gas; a study of customer service responsibilities with respect to gas companies, manufacturers and dealers, an analysis of service costs, and a correlation of service policies with the industry's safety experience.

A few minutes ago I spoke briefly on the necessity of a unified action and an integrated front in order to properly shoulder our enlarged responsibilities. May I emphasize this once again.

The subject of safety forces me to admit that another public utility is well ahead of us. Today, as a result of hard work and unified action, the railroads have convinced the American public that there's maximum safety in railroad travel. The gas industry has not done as good a job in convincing the public on the safety aspects of gas service. Our industry faces this public opinion today. It is a problem that cannot and must not be ignored. We must restore the confidence of the public in the safety of our product, our pipe lines, our compressor stations, our appliances and our related equipment.

A series of happenings during the past year or two has created an impression in the minds of the public that our operations and our product are hazardous. In line with that type of thinking, which has become all too common these days, suggestions are being made that "the government" must do something about regulating the gas industry in the interest of safety. Do we want **more** regulation of the gas industry, on top of all that exists today?

But the Heselton Bill would have the Federal Power Commission control the safety of natural gas pipe lines. Legislation has been passed in Connecticut directing the Utility Commission to formulate natural gas pipe line safety standards. There's a movement by the Wisconsin Commission to write safety regulations, and the Health Department in New York City has been issuing statements, putting out warnings and threatening more restrictions.

Naturally, the officers and directors of the American Gas Association have become thoroughly concerned about the general subject of safety. An Executive Safety Committee, authorized by the Executive Board, has been appointed. It consists of eight board members. This Committee is charged with the responsibility of studying and recommending procedure covering safety problems in all phases of the gas industry operations.

The creation of this policy-making and reviewing group for the A.G.A. safety plan of action does not excuse any one of us from positive, aggressive safety work in our own communities. I cannot impress upon you too strongly the dire necessity for every man in this room to meet this problem head on. We licked it before in the early 1920's, and with adequate cooperation, we will lick it again.

What was our strong weapon in the early 1920's? We created the A.G.A. Laboratories and developed approval requirements which were adopted by the American Standards Association as American Standards. Today 95% of the gas appliances sold and installed bear the Laboratories' Seal of Approval.

The work of our Laboratories and Approval Requirements Committee has become more significant with each passing year. It is recognized today as a remarkable achievement in self-policing of an industry in the interests of safety and good service.

In these days when "free enterprise" is much in the news, it is good to realize we are a free enterprise industry. As "The New York Times" reported on March 10, "The metamorphosis that has occurred in the natural gas industry is the story of private enterprise and individual effort. It is one of the paradoxes of our time."

Despite raising our own capital, running our own risks, and paying our taxes, we are a regulated industry. Should I say, a closely regulated industry? In addition, we are a competitive industry. Can you think of a fuel service we render that cannot be rendered by some other fuel? Do you suppose we would have experienced this phenomenal growth if there had been no link to the costs of competitive fuels?

Think for a moment, once again wtih me, about these costs. Since 1941, in the Pittsburgh area, bituminous coal has jumped from $5.10 a ton to $10.60. This is a 107.8% rise. Egg coke, in the same period, has risen from $8.25 a ton to $18.50 a ton . . . a 124% jump. Fuel oil has gone up from 7.5 cents a gallon to 13.5 cents per gallon . . . a 75% increase.

I understand the Southern California Gas Company right here in Los Angeles, at a recent rate hearing declared its gas rates had remained fairly stationary over the past 10 years. That declaration is echoed across the country. Gas rates have not risen as fast as the prices of competitive fuels.

It is an uneconomic situation when a homeowner pays more to heat his abode with a crude fuel than he would have to pay with gas, a high-grade, premium fuel. Such is too often the case. There is no shortage of any of the fuels that are competitive with gas in domestic service. But despite the fact that when we buy meters, pipe, compressors and trucks we pay from 50 to 200% more than we did a few years ago, we have no easy road when we seek approval to raise our rates only 10, 12, 15, or 18%.

An Industry Replete With Growing Pains

Here we are, an industry replete with growing pains; an industry doing its utmost to bring better living to more and more people. We deserve to be looked on, and at, more realistically than is the case today. Possibly we have welcomed the adulation of the press without having given them an opportunity to tell the rest of the story. Unless this is done, and unless more people understand the impossibility of doubling labor costs and doubling material costs—yet conducting a free enterprise with only a modest raise in our product selling price . . . then, gentlemen, the nation will never receive the ultimate advantage of natural gas. It will never gain full use of one of the country's greatest resources that only now is marching on to maximum contribution to a still better way of life.

This is a natural gas meeting and you've been very patient during my report on this phase of our business. Of course, when I made initial plans to be with you in Los Angeles, my responsibilities were not to be very arduous. The most untimely death of Mr. Mitchell, plus a debatable action by the board of directors of the American Gas Association, brings me before you today in a new capacity.

You know, this business of being President has another side to it. One of our office boys summed it up rather well . . . he did not want to be President because there was no chance of advancement!

We witness today the introduction of natural gas into former strongholds of the manufactured gas territory. The Pacific Northwest is about the only region in the United States where natural gas is not available. But, as we all know, provision for its introduction from Canadian gas fields is imminent.

A paragraph in a trade paper caught my eye the other day. "The American Gas Journal," in its December, 1886 issue, published the remarks of a Mr. W. H. Denniston. That pioneer gas man warned the manufactured gas industry that it would have to reckon with natural gas in the future, whether it liked it or not.

This prediction was made 66 years ago. Today it has come true. The more general use of natural gas throughout the country has created a change in thinking within the American Gas Association. There is less reason today for any distinction within the A.G.A. between the manufactured gas and natural gas departments. Many of their former individual problems now have become common problems. Their future efforts and activities point in the same direction.

Gas Industry Must Be Integrated

Again I say that ours is a completely unified and integrated industry. In making this statement there must be a specific inclusion of the manufacturers of gas appliances and equipment. They are a most vital and important segment of the American gas industry.

The Gas Appliance Manufacturers Association and the American Gas Association are working in close harmony these days. G.A.M.A. is accomplishing much that would be difficult for A.G.A. to undertake. When it comes to unification of the industry, the relationship of A.G.A. and G.A.M.A. are splendid examples of what can be done when folks work together.

In the rendition of our very vital service in the economic life of our nation, how can our varied interests, efforts and operations be adequately coordinated? The answer, of course, is a well organized and efficiently operated trade association.

Our excellent body, the American Gas Association, is unique among many trade groups. Its members do not compete with each other. We have no trade secrets to hold us back. The entire membership, through the coordination of A.G.A. can and does pull together for a common objective. You have realized this situation, but I would be remiss if I did not call it again to your attention.

When in New York the other day it was my privilege to attend an A.G.A. staff meeting. This was an enlightening experience. Despite my many years in the gas industry, I was amazed at the wide variety of important topics that were introduced by our thoroughly trained staff men.

I am proud, and you should be proud, of the way Carl Wolf has organized the work of A.G.A. He and his staff know their jobs and in the popular vernacular, they sure are "on the ball."

This Staff Meeting stimulated my thinking that there are a host of gas men, members of A.G.A., who do not utilize and take advantage of the many services which our association provides. To report to you accurately the current endeavors of our different Sections and the many working Committees, would hold all of us here until late afternoon. Therefore, may I merely touch briefly on a few more of the A.G.A. tasks which are being done in a magnificent manner to help maintain the enviable position of the gas industry?

The PAR Plan is probably the most spectacular activity of the American Gas Association. It has proven to be one of the country's most effective sales tools. This program, now in its eighth year of operation, has received contributions totalling about eleven million dollars for this keystone activity in promotion, advertising and research. Since all of you are aware of what has been and is being accomplished by PAR, I'll not take time to recite details of important accomplishment.

Another A.G.A. activity, conducted by the Rate Committee and the Committee on Economics, is a joint study of the economics of gas house heating and related load characteristics. The active work on this project has begun. This study should be very valuable to the entire industry.

A.G.A. recently set up a Committee on Public Relations. This Committee has been empowered to decide whether an industry program of public relations should be instituted, and if so, what type of program should be undertaken. Committee members are executives of gas utility companies from every section of the country.

May I hasten you to the luncheon table by a summation of these few minutes together? Natural gas is the fastest growing branch of the nation's gas industry. Natural gas has centered the attention of the public on our industry. Our present size, total investment, sales volume and public acceptance make an impressive showing in the economic life of the United States. Our growth has given us new and greater responsibilities. We must perform as we have led the public to expect.

Manufactured and natural gas men now have common problems and common goals. They must work together for improved service to all customers . . . for even greater unification and integration . . . and for broader public confidence in the safety of our fuel and its utilization equipment.

A.G.A. and G.A.M.A. are doing important jobs, and doing them well. The industry faces an extended period of rate adjustment and even greater competition for the base load.

When in one year the American public consumed over six trillion cubic feet of natural gas, plus a large amount of manufactured gas, we have the duty and the responsibility to think, act and progress as important leaders in American life.

Two with E. E. Mathews

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Edmund J. Graczyk and Morris Rothstein have joined the staff of Edward E. Mathews Co., 53 State Street.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

PONTIAC, Mich.—Ernest Wilcox has become affiliated with King Merritt & Co., Inc., 53½ West Huron Street.

Joins F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—David S. Garraway has become affiliated with Francis I. du Pont & Co., 722 South Spring Street. He was formerly with Shields & Co. and Shearson, Hammill & Co.

Fewel Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William M. Webster has become connected with Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

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Continued from page 16

The Retail Trade Outlook

selling the sports equipment, gardening tools, apparel, musical instruments, books and records, car accessories, jewelry, bric-a-brac and occasional furniture which today make the average man's life so much fuller than his father's.

We have only scratched the surface of this discretionary spending. The day must come soon when retailers will spend a great deal of time securing accurate and up-to-date market information, based on intensive consumer research.

Money spent for reliable data on consumer living habits and needs is as much a form of capital investment as putting in a new store front or adding a suburban branch. Because the knowledge acquired is a concrete asset—it will show up in dollars and cents in increased effectiveness of advertising, promotion and direct-mail solicitation.

This would, of course, mean an added expense—and with the sad experience most of us had with 1951 profits, the job of controlling expenses looms as one of the most important before us.

However, a distinction should be made between those expenses which directly bring in new business and new customers — and those, like wages, transportation and supplies which are actually basic operating costs.

It is in the latter category that we are really hit where it hurts. Because while retail profit margins have been frozen inflexibly at base period levels, wages and other operating costs have been only partially controlled.

In 1951, as the NRDGA Committee on Emergency Controls puts it: "Retailers alone among the important elements in the economy had no tolerance, no hardship provision, no element of flexibility that could be invoked. Hence, many retail stores suffered a more severe curtailment of earnings than practically any other line of business."

Should Have Wage as Well as Price Controls

In the present situation, we must maintain pressure on stabilization officials for realistic wage stabilization to match controls over retail margins. In any case, if we ourselves can cut costs wherever possible, and if the present upturn in volume experienced during recent weeks continues there should be an improvement in our profit picture before taxes.

This will not take place automatically. We are going to have to be really tough about all expenses which are not justified by bringing in new business. Needless frills will have to be slashed steeply.

Store management has some pretty definite ideas on how the cost-cutting program will operate. More productivity will be demanded from both selling and non-selling employees. If necessary, sales people can be assigned to other tasks in other departments during slack periods. Jobs can be consolidated, red-tape cut. Executives and supervisors will be pressed to assume a full load of responsibility. Customers will be offered more self-service and self-selection cost of delivery to and from the store will be carefully scrutinized.

Advertising to Be More Effective

Stores will want to use advertising space more effectively. Some will curtail institutional advertising in favor of harder-hitting types. Management will attempt to build volume by buying better values, increasing direct mail solicitation on credit accounts and offering more complete assortment of goods.

Finally, greater attention is being paid to the help being offered by many manufacturers who have studied methods of moving their own products most effectively across retail counters. These include new packaging suitable for open display and carefully-planned selling fixtures. Where these fixtures have been put to use, and are working, there have been healthy improvements in volume and turnover, lower selling cost and better stock maintenance for customer service.

If, as anticipated, reduction of expense begins to mean reduced customer services, the role of retail public relations should become more important than ever in 1952. It is one thing to cut down on frills during an all out war, when gasoline, paper, twine and manpower are not only expensive but relatively unavailable. It is another thing to explain these necessities when they flow from governmentally - imposed pressures with which the customer is only dimly familiar, and which, in any case, are lacking in dramatic appeal.

And yet today's shopper is an intelligent person who can be appealed to on the basis of sober common sense. After all, is there any reason why a department store should not be operated as a sound business? Does the obligation to serve the public faithfully include provision of wasteful extras which, in the long run, cut into the value received for the consumer dollar?

Public Relations Program

This is only one aspect of a complete public relations program for department stores, large or small, which has been developed by NRDGA's Public Relations Department.

The first phase of this type program is being directed toward employees of the stores themselves, because employees are themselves consumers, and their attitudes, as shown in their work, is inevitably reflected among customers. An employee education package, consisting of ten leaflets, the first of which discusses and answers some of the prevalent criticisms of retailing, has been drawn up. The titles of the other leaflets indicate the misconceptions they are designed to combat:

1. Retail Profits are High.
2. Retail Mark-up is all Profit.
3. Retail Jobs are not Stable.
4. Special Skills are Wasted in Retailing.
5. Retailing Offers Few Executive Jobs.
6. Anybody can Sell.
7. Retail Employees Are All Young Employees.
8. The Retailer is to Blame for High Prices.
9. Retailing is a Routine, a Mechanical Business.

How badly something like this is needed will be gathered from the fact that of 7,000 member stores comprising NRDGA, only 25 have full-time public relations executives, and only 350 stores have executives who handle public relations on a part-time basis.

Increasing attention will have to be paid to improving the caliber of retail personnel before they join store staffs. Perhaps we have been too slow in recruiting junior executives directly from college campuses. In this respect, I think we must admit industry is way ahead of us. Certainly, in terms of the careers open to talented and conscientious people retailing has nothing to be abashed about. Once in the store, there must be a definite program for integrating selected individuals into the organization under the direct guidance of some responsible senior executive.

Perhaps a few words on one of the most sensational developments in retailing in recent years—the migration to the suburbs—may be in order.

There is little doubt that at the moment, the suburban branch store appears to be the wave of the future. The branch adds new customers and serves to widen the influence of the parent organization. But the branch store is no match for the downtown store in drawing power. Customers simply cannot get the same assortments and value there. And we must remember that the suburban branch has yet to be tested for its ability to stand up under adverse conditions. The branch has not met its first recession.

Still, if retailers follow the example of industry, we will apparently not be deterred from going ahead with new building. According to the latest estimates by the Commerce Department and the Securities and Exchange Commission, total capital expenditures in 1952 (plant and equipment) will come to $24.1 billion, or 4% more than last year. Since prices have been stable—this actually means more building.

What About a Depression?

Is all this seeming optimism for the future justified? We know that the strength of our economy has been tested as never before. It would seem on the face of it that as long as arms spending remains high, a depression is distinctly improbable. And even though defense spending is cut in the year beginning July 1 to $46 billion from the $52 billion projected by President Truman, this will still produce enormous payrolls. Actually, as Professor McNair has said, the important cards in the deck of the future are held in Stalin's hands and he's playing them close to his vest. There's no question, however, that when defense spending starts to taper off in 1953, it will make a difference—that is, unless some new Cinderella industry comes along to give business and spending a terrific impetus.

Both as retailers and as citizens we must be prepared to take the most active roles, through our local associations and as individuals, in watching legislation affecting the interest of consumers, affecting taxation, government controls, and our freedom to serve the consumer.

If our substance is dribbled away in taxes to support the inefficient economies of government all over the globe, or drained in the wasteful construction of world wide bases, and I am not questioning the need of such bases, where will the funds come from to finance the world of normalcy we must some day return to in the day of peace. On that day we will have to develop markets to replace the billions spent on arms and at the same time service an astronomical national debt.

We are already so involved in national indebtedness that the pressures will be immense to intensify socialistic planning as the panacea for all our ills—and we still do not know the scope of the ills yet to come.

All this implies an obligation on us not to be found wanting in civic activity. Certainly the world in which our children will grow up will be largely conditioned by what we are able and willing to do now.

The totalitarian philosophy has made enormous strides across the face of the earth in recent years. But at the same time, America has rediscovered itself.

It is not hard to remember 15 years ago when our colleges were filled with alienated American youths, puzzled, doubtful of their American heritage, questioning the ideals of freedom handed down uninterruptedly since the birth of our Republic. All that has changed now—there is a new and firmer confidence in our way of life. We must see that it is never again whittled down, that never again, in one guise or another, will be statist creed win the extent of influence it had on our shores in days gone by.

When an industry is unjustly taxed, when scoundrels in government or business are free to take or give bribes or protect evil-doers, when there is complacency in the face of large-scale corruption, these things open the door to the enemy.

We must call a halt to the vast outpouring of our national treasure as soon as possible. There is the danger of becoming physically bankrupt. Depletions of our national resources has now reached the point where out of 38 important industrial minerals we are self-sufficient in only nine. There are no longer the mineral resources adequate to keep pace with the increase in our industrial capacity.

It may have been gratifying to the egos of some in our national life to have us play the giant in a world of weaklings, but the sad truth is we cannot afford the display for much longer.

The year 1952 will perhaps test us as citizens more than as merchants. It will be only the first of a number of years in which, if we pull together, and adhere to our God-given first principles of personal liberty and the rights of man, we will have a chance to pull through.

Nomura Opens Branch

SAN FRANCISCO, Calif.—Nomura Securities Co., Ltd., investment firm whose main offices are in Tokyo, has opened a branch office at 1332 Geary Street. Ichiji Motoki is the firm's local representative.

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Continued from page 12

What's Ahead in Auto Industry?

have or acquire an intimate knowledge of every single item for which they pay money or incur expense. I would examine every one of these items and decide which ones could be eliminated or modified, and I would become very thoroughly familiar with the volume of my service business and the service potential which is available and promote it in every way I could. Here is one of the financial keys to a successful profit position, for the parts and service end of the business has an important influence on both the dealer's trading position and his net profit position.

Nineteen-fifty-two will be a good service year for several reasons. New car dealers get most of their service volume from vehicles that are four years old or less. In 1950 there were 16,500,000 cars in this classification. In 1952 there will be 23,600,000 such models on the road as a potential for parts and service business—or a 43% increase over 1950. A very conservative estimate is that the owners of cars in the four-year-old bracket spend an average of $125 per year—which multiplies out to a service potential of approximately $3,000,000,000. Either you new car dealers will get this business, or it will go elsewhere.

Customer Relations

(3) Many dealers are developing a new appreciation of the part good customer relations play in the successful operation of the dealership. Today this phase of the business is just as essential to lasting success as good products, good distribution, good service, good policies and good practices. This is especially true in a business such as ours because our products and services are intimately associated with the home, the family and almost every phase of community life.

You have all heard of the somewhat shocking results of the recent NADA survey on dealer-public relations, so it is well for all of us to examine the conduct of our dealerships in this light to determine whether a better job might be done.

The first step is to be sure that our policies, practices and services are soundly conceived. Then we must strive for better public understanding—we must get to know people better and people, in turn, must get to know us better. Beyond this, we should take an active and sincere interest in the affairs of the community and, as neighbors, assume our fair share of social and civic responsibility, in keeping with good business citizenship.

I firmly believe that few businessmen have more economic impact on our nation than we who are engaged in the manufacture and sales and service of automobiles. There are men in this room, I have no doubt, who can remember when the first automobile came to their towns only a few decades ago. Since that time the automobile has completely changed the American way of life, making it richer, more progressive and more productive. Communities have been linked together and we are now a nation of neighbors.

Largest U. S. Industry

Today, the automobile industry is the world's largest single industry. One of every seven persons gainfully employed in the United States is directly or indirectly connected with the automobile industry. Yes, the automobile industry has become so vast that it cannot be easily visualized.

Perhaps one yardstick that could be applied lies in the amount of mechanical horsepower produced by the industry. Because you men are an essential part of merchandising this horsepower, I think you will be interested in these figures:

—During 1950 the central power stations in the United States —electric light and power utilities—were capable of generating 80,000,000 to 90,000,000 horsepower.

—In the same year in the new cars, trucks and buses produced by General Motors alone were power plants capable of generating a total of approximately 350,000,000 horsepower — almost four times as much as the combined capacity of all central power stations in the country.

—And in the 52,000,000 cars, trucks and buses now operating in the United States are engines capable of generating four and one-quarter billion horsepower.

Mechanical horsepower is a powerful influence in our modern world. It is hard to imagine what our present-day economy would be like without the horsepower developed by our cars and trucks.

Today we are at a point in history where the United States is so far ahead in the utilization of automotive horsepower that if the rest of the world ever catches up, it will take many, many years.

More than 25,000 towns in the United States without rail service depend entirely on motor vehicle and highway transportation.

Eighty-five per cent of the people who travel from city to city, travel by motor vehicle.

School buses carry one out of four children to and from school.

Eighty-nine percent of all our food and other farm products reach their first markets by truck.

Industry would be crippled without truck transportation.

In times of national emergency, our reliance on motor vehicle transportation is critically important. Up to 75% of the materials and supplies shipped to and from defense plants is handled by trucks.

Three out of four defense workers use motor vehicles to get to work.

Motor transport is a key factor in the strength and mobility of our armed forces.

And motor vehicles have been primarily responsible for urban and suburban expansion—for our "bedroom towns" that permit us to enjoy small-town living and the opportunities of big cities at the same time.

Yes, we have come a long way since invention of the wheel made possible the first exploitation of horsepower for the benefit of man.

How Far Can Horsepower Parade Be Pushed?

Now, how much farther can we push this horsepower parade? I don't know. But I do know we have only started. For example, the jet engine and the gas turbine have for years presented two of the more stimulating challenges for getting more horsepower, for weight and size, out of engines in non-aircraft fields.

Just as a clue to the possibilities that are unfolding, you might toy mentally with this fact:

The average man generates about one-tenth of one horsepower in normal manual effort. He may boost this to about one-quarter horsepower in short spurts.

Turn this one-tenth of a horsepower man into a jet aircraft pilot, and he has at his fingertips more than 10,000 horsepower to manipulate as he pleases. And today's experimental jet jobs will generate much greater horsepower than that.

We have jet-powered bombers that can cross the Atlantic at nearly 500 miles per hour without refueling. We have a fighter plane jet that turns up 27,000 horsepower and our Allison Division engineers are predicting the development of a 50,000 horsepower turbojet engine within the next five years.

Sooner or later—and it may be sooner than we think if peace can be restored to the world—this jet engine and gas turbine kind of horsepower will be adapted to productive, peacetime work in non-aircraft fields.

When that point of perfection has been reached with jet engines and gas turbines, where their use in the production of useful peacetime products becomes practical, the announcement no doubt will strike many people as a sudden, revolutionary development.

But developments in these fields of jet and gas turbine power have not been revolutionary—they have been evolutionary just as all the notable developments in the automobile business have been.

Other new things are on the drawing boards and in the laboratories and minds of our research and engineering people. Some of them we may put into production next year. Some of them may not be added for several years.

There are two reasons for this:

(1) It would be folly for any manufacturer to incorporate anything into production models until all the "bugs" are out of it. So that is a very important reason for making haste slowly—for getting progress through evolution, if you please. All the testing and proving and testing again is for the protection of both the manufacturer and the customer—and is in the best interests of both.

(2) The other principal reason is that customers don't want their surprises to be too startling. Radical, revolutionary, overnight innovations in automobiles make large numbers of customers a little bit gun-shy or scare them off completely—at least for a year or two while they "wait and see."

The history of the automobile business is sprinkled with many examples to prove the importance of that second reason.

I can remember one manufacturer who said, years ago, that they "never" would put four-wheel brakes on their cars. Of course they did, finally, and have been for years now.

But I'm sure that many of you in this room remember what a time the industry had in getting rid of the old running boards.

Here again, one manufacturer got too far ahead of the customer and introduced a streamlined job without running boards. But the public didn't stampede to buy it, and it was a flop. Today, if any of us tried to build a car WITH running boards, it would be a drug on the market.

Yes, the automobile customer likes his surprises to come gradually and in small doses. And there can be no quarrel with the customer because in the final analysis he runs the whole show. If he thinks your product is all right, everybody's happy. If he doesn't, he won't buy it—and there you are.

And then, of course, there have been many other developments which also had to come by evolution:

—self-starters
—all-steel bodies
—improved heaters and ventilators
—better finishes
—automatic transmissions
—improved springing and ride
—and many others.

What Kind of Future Automobile?

The future? What kind of automobiles can we expect in the years ahead?

Predicting always puts a man out on the end of a limb—and I would hesitate to get too specific about anything beyond tomorrow.

However, I believe with confidence that we certainly are going to have better engines and fuels. The improvements will come little by little as the automobile and petroleum industries find new ways to improve on past performance. As we make this further progress, customers will get steadily better performance out of the cars they buy.

We are going to have changes and improvements in styling—in the appearance of automobiles—and customers will like most of the changes.

But these, too, will come by evolution — and to the greatest degree possible, changes in appearance will be based on the best estimates we can make about what the customer wants and would like to have.

It's a reasonably safe prediction that many of us will be driving air-conditioned cars before too many years. Cooling systems are now on the market that can be installed in your car. They are still expensive and somewhat on the bulky, unwieldy side, but they work, and a limited market has developed for them particularly in the southern states. Both cost and size will come down gradually as demand increases and as engineering improvements can be made.

With equal, or even greater certainty, I am willing to predict that nobody is going to start next year, or the year after, to mass produce a dual- or triple-purpose car that will travel on land, water and in the air.

And I know of no plans that anyone has to mass produce three-wheeled or five-wheeled automobiles. I believe we are going to stick to the old four-wheeled jobs for a long time to come.

Anyway, we are going to make further progress in the future, and that progress, as in the past, will have a constructive impact upon our social and economic development.

What will our conditions be like in even so short a time as 20 or 30 years from now?

What will our cars be like?

What kind of roads will be driving on?

What kind of airplanes will we fly in?

What kind of trains will we have?

What changes in houses, office buildings, heating, ventilating?

None of us really knows—but there will be changes, and for the better, too.

And horsepower, in engines and motors of one kind or another, will continue to be a yardstick of that progress.

At the outset I asked you men the direct question, "Where are dealers going from here?" Perhaps I should rephrase the question and ask, "Where do we go from here?" because I am completely aware that the automobile business is a joint operation—a teamwork job between the dealer organizations and the factories. So the answer to the question about where you, as dealers, are going and where the factories are going boils down to the job of conducting our businesses in the best and broadest interests of ourselves, our employees, our customers and the public.

We can have faith in the automobile business. It has survived many periods of turbulence. It has made, and will continue to make, many contributions to the nation's well being. The retail automobile business has demonstrated its soundness and has earned a respected place in the American economy. In the past, the automobile business has been good to great numbers of people and to the nation as a whole. And I think the opportunity for continued success stretches far down the road ahead.

All in all, the outlook appears bright for those of us who relish the stimulation of competition—between and among manufacturers and between and among dealers.

I have tremendous confidence in the future of our industry. The motorcar business is a wonderful business and I think it is going to remain a wonderful business for a long time to come.

Banking Syndicate Underwrites Issue Of American Can Co.

A nationwide group headed by Morgan Stanley & Co. and Clark, Dodge & Co. and comprising 117 investment firms is underwriting American Can Company's offering of 989,599 new shares of common stock to its common stockholders at $26.25 per share at the rate of one share for each 10 shares held of record on May 8, 1952. The subscription offer will expire at 3 p.m. (EDT) on May 26, 1952.

Proceeds from this financing and from the recent sale of $25,000,000 30-year 3¼% debentures will be applied to the company's program of expansion of plant and equipment which is caused by the increased demand for many of the types of containers which the company manufactures. The company anticipates capital expenditures of $40,000,000 to $50,000,000 a year during the years 1952 through 1954.

In the six-year period 1946 through 1951 the company invested $183,580,000 in replacement, improvement and expansion of plant facilities. Among the new plants constructed during this period were factories for the production of food cans at Fort Smith, (Ark.), Wilmington, (Calif.) and Chatham (Ontario); a plant for the production of food and beer cans at Milwaukee, Wis.; a plant for the production of beer cans at Hillside (N. J.), and a plant for the production of fibre milk containers at Halethorpe (Md.). A food can factory is under construction at Stockton (Calif.) and is expected to commence production later this year.

Over the past 10 years the company's annual sales have increased from $216,319,000 to $570,069,000 and net income from $13,367,000 to $30,137,000. The 1951 net income applicable to common stock was $27,251,000, equal to $2.75 a share on the common stock outstanding immediately prior to the present financing.

Dividends paid on the common stock in 1951 were equivalent to $1.25 per share on the $12.50 par value shares.

With Schwabacher & Co.

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — William F. Dunn has become associated with Schwabacher & Co., 2048 Kern Street.

Arthur C. Gwynne

Arthur C. Gwynne passed away at the age of 81 after a brief illness. Mr. Gwynne had been in the investment business for more than 50 years. He was a partner in Jenks, Gwynne & Co. from 1913 to 1938 and later was with Montgomery, Scott & Co.

Moody's Elects V.-P.

Charles L. Bursik, formerly sales manager of Moody's Investors Service, New York City, has been elected Vice-President in charge of sales, it was announced.

Elected Director

Joseph A. Thomas, partner in the investment banking firm of Lehman Brothers, has been elected a director of Wilshire Oil Company, Los Angeles, Calif.

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NSTA Notes

BOND CLUB OF DENVER

The Bond Club of Denver and Rocky Mountain Group of the Investment Bankers Association will hold their annual summer frolic on Friday, Aug. 22, at the Park Hill Country Club, Denver.

The Bond Club of Denver has announced the final scores for the bowling season. Peters, Writer and Christensen, Inc., came out on top, although they had never been in first place until after the final night when they won by two games. The team is comprised of Jack Ormsbee, Jerry Peters, Jr., and Jerry Ryan (Captain).

As usual Karl Mayer ended the season with the high individual average of 169. Jerry Bachar, of J. A. Hogle & Co., had the high individual series for the season with 635, while Alex Forsyth, of Calvin Bullock, had the season's high individual game of 264.

FINAL SCORES

	Won	Lost	H G	H S
1 Peters, Writer & Christensen	43	26	538	1477
2 Harris, Upham & Co.	41	28	520	1477
3 Mutual Funds	39	30	584	1529
4 Amos C. Sudler & Co.	37	32	571	1607
5 J. A. Hogle & Co.	36	33	543	1562
6 Colorado Grain Corp.	34	35	543	1516
7 Bosworth, Sullivan & Co.	30	39	577	1604
8 Boettcher & Company	30	39	527	1427
9 Sidlo, Simons, Roberts & Co.	30	39	501	1427
10 J. K. Mullen Investment Co.	25	44	495	1381

	G B	T P	Avg.	H G	'50-'51 Avg.	H S
1 Mayer, J. A. Hogle & Co.	66	11209	169	223	169	556
2 Mitton, Amos C. Sudler & Co.	57	9433	165	243	162	602
3 Bachar, J. A. Hogle & Co.	69	11412	165	221	160	635
4 Alff, Amos C. Sudler & Co.	57	9397	164	244	167	595
5 Forsyth, Calvin Bullock	54	8836	163	264	156	582
6 Kennedy, Bosworth, Sullivan & Co.	57	9296	163	222	159	561
7 Richardson	63	10230	162	213	---	535
8 Ryan, Peters, Writer & Christensen	55	8933	162	219	163	555
9 Hasselgren, Colorado Grain Corp.	66	10696	162	213	157	563
10 Stone, Amos C. Sudler & Co.	24	3797	158	202	167	546
11 Hammer, Harris, Upham & Co.	61	9637	157	204	149	527
12 Robinson, Sidlo, Simons, Roberts Co.	69	10616	153	232	160	538
13 Carroll, Boettcher & Company	51	7794	152	216	146	554
14 Davis, Harris, Upham & Co.	69	10403	150	193	151	538
15 Haggerty, Bosworth, Sullivan & Co.	42	6316	150	199	156	513
16 Hunt, Founders Mutual Dep. Corp.	63	9440	149	198	150	516
17 Currie, Colorado Grain Corp.	66	9833	148	224	152	520
18 Siple, Harris, Upham & Co.	66	9824	148	194	142	530
19 Dispense, Boettcher & Company	56	8300	148	183	142	521
20 Ormsbee, Peters, Writer & Christ'sen	63	9269	147	193	155	505
21 Lascor, J. K. Mullen Investmt. Co.	66	9706	147	179	146	508
22 Hershner, Colorado Grain Corp.	60	8730	145	185	146	499
23 Talmadge, R., J. K. Mullen Inv. Co.	48	6877	143	204	130	501
24 Peters, Peters, Writer & Christensen	60	8528	142	184	---	502
25 Fisher, Bosworth, Sullivan & Co.	51	7221	141	212	140	495
26 Weisner, Boettcher & Company	60	8332	138	180	---	473
27 Inman, J. A. Hogle & Co.	66	9014	136	186	137	494
28 Roberts, Sidlo, Simons, Roberts Co.	54	7209	133	190	139	497
29 Brunton, Sidlo, Simons, Roberts Co.	66	8642	130	200	106	496
30 Talmadge, M., J. K. Mullen Inv. Co.	51	6453	126	195	123	462

DENVER BOND CLUB HANDICAP

	Total		Handicap	Total
1 Amos C. Sudler & Co.	1595	+	258	1853
2 Peters, Writer & Christensen	1477	+	339	1816
3 J. K. Mullen Investment Co.	1305	+	414	1719
Low—Bosworth, Sullivan & Co.	1296	+	327	1623

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York (STANY) Bowling League standing as of May, 1952 is as follows:

TEAM	Points
Kumm (Capt.), Ghegan, R. Montanye, Krassowich, Manson	94
Bean (Capt.), Lax, H. Frankel, Werkmeister, Reid	86
Serlen (Capt.), Gold, Krumholz, Young, Gersten	85
Mewing (Capt.), G. Montanye, M. Meyer, Lapato, Klein	85
Goodman (Capt.), Weissman, Farrell, Valentine, Smith	84½
Donadio (Capt.), Rappa, O'Connor, Whiting, Demaye	81
Hunter (Capt.), Craig, Fredericks, Weseman, Lytle	76
Leone (Capt.), Tisch, O'Marra, Nieman, Bradley	76
Grisam (Capt.), Gavin, Gannon, Jacobs, Murphy	71
Burian (Capt.), Seipser, Hunt, Growney, Kaiser	65½
Greenberg (Capt.), Siegel, Cohen, Strauss, Voccoli	63
H. Meyer (Capt.), Swenson, A. Frankel, Wechsler, Murphy	63

200 Club		Five Point Club
Arthur Burian	219	Ricky Goodman
Casper Rodgers	218	Rube Hunter
Ricky Goodman	200	Hy Meyer

Last two weeks of bowling May 15 and 22 are double up nights in order to be able to qualify for the sweepstake prizes. You must be there.

TWIN CITY SECURITY TRADERS ASSOCIATION

The Twin City Security Traders Association has now announced the program for its annual "Operation Fishbite" to be held June 20-22 at the Grand View Lodge.

Those planning to attend will leave Minneapolis via bus at 10 a.m.; lunch will be had at Blue Goose on Lake Mille Lacs at noon, and arrival is scheduled at Grand View for 2 p.m. A buffet supper will be served at the Lodge at 7 p.m.

On Saturday, June 21, there will be a gold tournament and fishing by launch or small boat. Lunch will be served at the lodge at noon for the golfers, and on board for the Izaak Waltons. Also planned are sightseeing trips by boat and car, tennis, pool, swimming, ping-pong and cards. Dinner will be at 7 p.m., preceded by a cocktail party at 5 p.m. Entertainment will start at 9 p.m. following dinner.

On Sunday, after breakfast, transportation will be furnished to churches, for those wishing to attend. More fishing and golf in the morning if desired. Dinner will be at noon, with the return to Minneapolis scheduled for 2 p.m.

Reservations should be made by May 15 with Emil Klemond, Merrill Lynch, Pierce, Fenner & Beane, Minneapolis, or with J. Ries Bambenek, J. M. Dain & Co., Minneapolis. Tariff is $35 (covering transportation, green fees, etc., food, lodging, boats, and beer).

WICHITA BOND TRADERS CLUB

The Wichita Bond Traders Club has joined the National Security Traders Association as the 31st affiliate.

Officers of the Wichita group are:

President—Duane T. Smith, Small-Milburn Company.

Vice-President—Don H. Alldrit, Mid-Continent Securities Company, Inc.

Secretary—Warren Courtner, Ranson-Davidson Company, Inc.

Treasurer—Everett Stephenson, Jr., First Securities Company of Kansas, Inc.

Assistant Treasurer—Ted Kiefer, First Securities Company of Kansas, Inc.

CINCINNATI STOCK AND BOND CLUB

The Cincinnati Stock and Bond Club held their spring outing May 7 at the Hyde Park Golf and Country Club. An afternoon of golf, baseball and horseshoe pitching was enjoyed by the 75 members and guests who attended.

Prizes were awarded to Sam Gertzman, A. & J. Frank Co.; James F. Moriarty, W. E. Hutton & Co.; James F. Grady, Geo. Eustis & Co.; Harry C. Vonderhaar, Westheimer & Co.; Arch Montague, W. E. Hutton & Co.; Robert L. Reed, Hill & Co.; J. E. Bennett, J. E Bennett & Co.; Charles Steffers, Cincinnati Stock Exchange; and Charles Conners, Pohl & Co., Inc.

Among the out-of-town guests were E. Cornell of Columbus; J. Van Hyde, Secretary of NASD District No. 10; C. Boss, Broad Street Investment Co.; John W. Smart and John R. Clowes of Smart, Clowes & Phillips, Inc., Louisville; R. Delafield, First Boston Corporation, Pittsburgh, and C. T. Peterson of the "Chronicle."

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

As this is being written the market is still playing hay-foot-straw-foot and both feet are slogging in and out of the mud pointing to no direction that can be indicated. Among the reasons assigned for the current dullness is that the market is awaiting the Supreme Court decision in the steel seizure case.

* * *

In the meantime, however, there are certain little clouds gathering around the Washington skies that don't promise fair weather. I can point to certain economic harbingers that can scare a bull to death and bring joy to the bears. I can twist it around so it's effect can be opposite. But all it will add up to is more confusion.

* * *

The market facts are these. In the past month or so many stocks have given signs of new up moves. In most cases, however, these stocks have advanced a point or so, or enough to take care of the commissions, and then proceeded to curl up and retreat. The retreat hasn't been much but enough to take stocks out of the break-even class into a small loss category.

* * *

I suspect that a motivating factor for such contrary action is the quality of selling that is coming from what the aficionados like to label as "inside sources." Of course anybody who is aware that there is such a thing as the Securities and Exchange Commission, knows that the hand-along - the - mouth whispers about "inside sources" is a lot of sheep dip. Still, such observations give the talker a certain air of authority which makes up for other shortcomings that most of us are heir to.

* * *

The initiate are aware that for every seller there has to be a buyer. So where's the buying coming from? Much of this buying isn't at all secret. It comes from the mutual funds. A check of their positions (and they're issued regularly) will show that to be the case.

* * *

Last week I said the steels were buys because I didn't believe all those scare stories that were going the rounds. I still think so. Even if the Supreme Court rules against them and their stocks break violently, I would consider such a reaction as an opportunity to get in.

* * *

Whether that reasoning can apply to the rest of the market is another question. A situation that is peculiar to one set of securities need not necessarily apply to all securities. A fundamental change in an economic structure can have varying effects on industries that make up such a structure. This change is most rapidly reflected in the securities of such industries. Right now the steel companies are on the griddle. But other companies have problems involving their prosperity that have no remote connection with the steels. Summing it up: Be wary of the market but don't be too scared of the steels.

[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.]

Jack Spitzer Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Jack J. Spitzer is engaging in a securities business from offices at 5110 Wilshire Boulevard.

Wellington Co. Is New Firm Name

PHILADELPHIA, Pa.—The name of W. L. Morgan & Co., 1420 Walnut Street, has been changed to the Wellington Company. Officers of the new company, which acts both as investment advisor and national distributor for Wellington Fund shares, are Walter L. Morgan, President; Joseph E. Welch, Executive Vice-President and Secretary; Rawson Lloyd, A. Moyer Kulp and Alvin J. Wilkins, Vice-Presidents; E. M. McSorley, Treasurer; and L. H. Wilver, Assistant Secretary.

Walter Morgan

Morgan Stanley-Clark, Dodge Group Offers Crane Co. Debentures

Morgan Stanley & Co. and Clark, Dodge & Co. headed an underwriting group which offered for public sale yesterday (May 14) $20,000,000 Crane Co. new 25-year 3⅛% sinking fund debentures, due May 1, 1977. The debentures are priced at 100¾% plus accrued interest to yield approximately 3.08% to maturity. The company is the world's largest producer of values and fittings.

Proceeds from the sale will be used by the company for additional working capital, to acquire fixed assets and to provide for payment of $4,000,000 of short-term 3% notes payable to banks. The company estimates that in 1952 it will invest an additional $3,000,000 in its wholly-owned Canadian subsidiary, Crane Limited, for additional working capital and will furnish about $2,500,000 to another wholly-owned subsidiary, Hydro-Aire, Inc. for additional plant facilities.

The company will make annual sinking fund payments on Sept. 15, 1957 and on each Sept. 15 thereafter to and including Sept. 15, 1976 of $950,000, with the right reserved to increase the payment up to an additional $950,000. The sinking fund is calculated to retire 95% of the issue prior to maturity. Optional redemption prices range from 103% if redeemed to and including May 1, 1953 and thereafter at prices decreasing to the principal amount if redeemed after May 1, 1974. The bonds are redeemable for the sinking fund at 100¾ through Nov. 1, 1962, and at decreasing premiums thereafter.

In addition to valves and fittings the company produces and sells fabricated piping and piping accessories, plumbing fixtures, plumbing, brass trim, heating equipment and accessory equipment for aircraft. The company distributes steel and wrought iron pipes, fiber pipe, brass and copper tubing and pipe, soil pipe and fittings, kitchen and bathroom equipment and accessories, water heaters and other heating products. The principal plant is in Chicago. There are six other plants in the United States, six in Canada and one in England.

Net sales of the company and subsidiaries in the United States consolidated for 1951 were $270,350,000 and net earnings were $15,324,000.

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Canadian Securities

By WILLIAM J. McKAY

Canada's 1952 budget results, which indicated a cash surplus of $390 million available for debt reduction, combined with a succession of six years of budget surpluses, has brought forth comments in financial circles regarding the economic and political effects of a fiscal policy of collecting through taxation a greater amount than required for government operations. In discussing this phase of the problem, the April issue of the Canadian Bank of Commerce "Commercial Letter" notes both the pros and cons of the situation. According to the "Commercial Letter":

"Taxation resulting in so large a surplus can, and does, have certain results which may be inimical both to long and short-term development. The extent to which it retards initiative at both the corporate and wage earning levels of production is something which cannot be determined with any degree of accuracy, though there are few at either level who would deny its existence as a factor in holding down the rate of increase in productivity. (In his budget address of 1951 the Minister of Finance said: 'Statistics . . . indicate that there has been no measurable increase in per capita productivity during the past five years.') Retained earnings have been the source of a large part of new capital investment by business in recent years, and their reduction as a result of taxation could have an adverse effect, particularly on small businesses that ordinarily have little access to the capital market. Undoubtedly, too, it has restricted participation by individuals in investment in the expanding resource development.

"In assessing the probability of the 1952-53 budget being realized along substantially the lines on which it has been presented, it must be borne in mind that the elements of uncertainty present a year ago are for the most part still with us, though in a somewhat less aggravated form. Present price trends appear to be mildly deflationary, though some strengthening might accompany increasing activity along defense lines in coming months, and the attitude of labor in the negotiation of new contracts will also be a determining factor. (The Minister of Finance assumes a maximum increase of 2%.) The two most conjectural factors are the extent of consumer spending and the degree of international tension. It is not yet possible to judge to what extent demand is responding to the slight decline in retail prices, or in the case of durables, to the decline or removal of the excise surtax. However, the recent estimate of new capital investment in 1952 at $5 billion, an increase of $422 million over last year's high figure, indicates increased emphasis on industries contributing directly to defense and resource development and significant curtailment in the expansion of those catering to consumer needs.

"Defense expenditures are budgeted at $2.1 billion, $659 million more than the actual outlay last year. The circumstances which slowed down defense spending from its planned level in 1951-52, such as the delayed acquisition of imported machine tools and the like, have been overcome to a considerable extent, and the lag then experienced may be taken up this year. The degree of success attending efforts to reach agreement on the international level seems likely, however, to dictate any increase or decrease in activity along defense lines.

"There is authority for the opinion that when total taxation (that is by all levels of government) as a proportion of net national income exceeds 25% it is in danger of becoming an inflationary factor. While such a figure is probably too arbitrary to apply to all types of economic society, it is nevertheless important to bear in mind that this percentage was exceeded in Canada in both 1949 and 1950, and that more recent figures, when available, are expected to show an even higher ratio. We must not, therefore, overlook the extent to which the provincial and municipal governments are responsible for this high tax level. Whether or not in calculating the impact of Federal taxation the effect of taxation by lower levels of government is taken into account, is open to question. Between 1939 and 1951 taxes collected by municipal governments have doubled; those collected by provincial bodies have considerably more than tripled. All provincial and most municipal budgets brought down so far this year indicate further substantial increases, yet none of these bodies is concerned with defense, the department responsible for the largest part of the increase in Federal spending.

As indicating the growing confidence in Canadian securities in the United States, the New Jersey Legislature recently passed a bill, signed by Governor Driscoll, which will permit savings banks in that State to invest in securities of the Canadian government, its provinces and municipalities. The usual restrictions which apply to similar securities in the United States are laid down in the new law, and the aggregate amount of such securities that can legally be held by an individual bank is limited to 10% of the bank's deposits.

"The [Canada] Senate Standing Committee on Finance, reporting in June, 1951, on the greatly expanded budget for 1951-52 drew certain conclusions which are as pertinent now as they were then: "'. . . There is little point in their [governments] urging individual citizens to economize if they do not themselves set a good example. . . . There is no question that the Canadian economy cannot avoid being profoundly affected by what happens in other countries and especially today in the United States. The uncertainty of what lies ahead is the strongest possible reason to guard against building an edifice of fixed expenditures which, if dark days should come upon us, our economy could not possibly carry. . . . Governments, of course, have their special responsibilities. They are the ones to whom people look for leadership. The people also have their responsibilities, and the most important is that they do not press their governments into unwise policies and unwise expenditures. Indeed, they have another responsibility, and that is through the agencies of the press and public opinion to check and admonish governments when they pursue unwise policies or unwise expenditures.'"

Concerning the effect of the surplus on inflation and the need for price controls, the "Commercial Letter" states:

"To the extent that inflation has been at least temporarily curbed, the policy of indirect control of prices through fiscal measures would appear to have met with at least a measure of success. Wholesale prices reached their peak in July last, and the recession since that month, while gradual, has been steady. The rate of increase in retail prices slowed down perceptibly following the decline in the wholesale level but did not actually record a significant decline until January of this year, dropping in the two following months. The price level is, however, the sum of so many factors that the task of determining their relative importance must be approached with considerable caution, and it would be unwise to attribute too large a share of the decline to the effects of taxation on demand. The world price level of imported raw materials (textiles and rubber in particular) had a strong influence on the domestic price level, as did the decline in U. S. prices, though the latter did not prevent the Canadian level going above the U. S. level last mid-summer. Most taxes, moreover, are ultimately reflected in prices, and in view of the extent to which Canadian prosperity depends upon the export trade it is important that export prices remain competitive and that we do not price ourselves out of the market. (The index of Canadian export prices (1948=100) in January of this year at 124.7 was 8% higher than in January, 1951, while the import price index at 119.8 was unchanged from a year ago and had declined 8% from its mid-year peak.)"

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First Boston Group Offer New York State Electric & Gas Shs.

Additional equity financing to increase substantially its own generating capacity was undertaken by New York State Electric & Gas Corp., yesterday (May 14) with the public offering of 300,000 shares of its common stock at $31.75 per share. A nationwide banking group headed by The First Boston Corp., is marketing the issue.

The utility provides electric and gas service in 43 counties in the central, eastern and western parts of New York State, which represents approximately 35% of the total area of the state. The generating capacity of the utility's system currently is 436,653 kilowatts which will be increased by the end of 1953 by 150,000 kilowatts under present construction plans. Proceeds from the current sale will be used for construction expenditures which have been estimated at $52,000,000 for the years 1952 and 1953 and an additional $23,000,000 for 1954.

Capitalization giving effect to the sale of the additional common shares will consist of $91,387,000 of long-term debt, 261,500 shares of preferred stock in four series and 2,696,950 shares of common stock. Operating revenues for the 12 months ended March 31, 1952, aggregated $58,741,612 and net income for the period was $6,820,983. A rate increase granted the company in February of this year is expected to add approximately $2,700,000 to 1952 revenues.

Of operating revenues for the calendar year 1951, approximately 83% was derived from electric sales and the balance from gas sales, principally natural gas.

Dividends on the common stock have been paid at the annual rate of $1.70 per share since February, 1948. A dividend of 42½ cents a share is payable May 15, 1952 on the 2,396,950 shares outstanding on April 18, 1952.

With W. E. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Raymond P. Dunning has become connected with W. E. Hutton & Co., First National Bank Building.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

GREENVILLE, Ohio—Ernest M. Brumbaugh is with Waddell & Reed, Inc.

Two With Westheimer

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Ernest M. Ach and Roland McCabe have become associated with Westheimer and Company, 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Joins Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — John L. Fitzgerald has joined the staff of Hornblower & Weeks, Union Commerce Building.

R. W. Grimm With Brown Bros. Harriman

Richard W. Grimm

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard W. Grimm has become associated with Brown Brothers Harriman & Co., 10 Post Office Square. Mr. Grimm was formerly with du Pont, Homsey & Company in their Trading Department.

$50 Million Bonds of World Bank Offered By Nationwide Group

New issue of 3⅜s offered at price of 98.50 by syndicate headed by Morgan Stanley & Co. and First Boston Corp.

Public offering to investors of $50,000,000 International Bank for Reconstruction and Development 3⅜% bonds due 1975 was made on May 14 by a nationwide group of 119 banks and investment firms headed by Morgan Stanley & Co. and The First Boston Corporation jointly. The bonds are priced at 98½% plus accrued interest to yield 3.47% to maturity.

This is the first issue of World Bank bonds to be marketed in the United States on a negotiated underwriting basis. The Bank's initial issue of $250,000,000 3s and 2¼s in 1947 was sold in this country on a nationwide agency basis. The second American issue of $100,000,000 (a refunding operation) was sold by competitive bidding; the third and fourth issues of $50,000,000 and $100,000,000 respectively were sold on a sponsorship basis. In addition the Bank has sold one issue each in England and Canada and three issues in Switzerland.

Under a sinking fund the Bank will retire $1,000,000 of the new bonds on or before May 15, 1958 and $1,500,000 on or before May 15 in each year thereafter to and including 1974. The sinking fund is calculated to retire 50% of the issue prior to maturity. The bonds are redeemable for the sinking fund at the principal amount. Optional redemption prices range from 102% if redeemed on or before May 15, 1957 to the principal amount if redeemed after May 15, 1972. Proceeds from the sale of the bonds will be used in the general operations of the Bank.

Dean Securities Corp.

Dean Securities Corp. has been formed with offices at 11 Broadway, New York City, to engage in a securities business. Officers are Alfred Dean, President, and Kurt Levy, Secretary-Treasurer. Mr. Dean was previously with Uno Equities, Inc.

Joins Bennett, Smith

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Willar P. Kerr has joined the staff of Bennett, Smith & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges. He was formerly with Clark, Dodge & Co. in New York.

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John Stein With Stanley Pelz & Co.

John R. Stein

Stanley Pelz & Co. Incorporated, 52 Broadway, New York City, announced that John Stein has become associated with the firm's Trading Department. Mr. Stein was formerly partner and Manager of the Trading Department of Frank Ginberg & Co.

Ashland Oil & Refining Offer Underwritten

The common stockholders of Ashland Oil & Refining Co. of record May 6 have been given the right to subscribe at $30 per share to the company's new cumulative second preferred stock, $1.50 series of 1952. Subscriptions are at the rate of one new share for each nine shares of common held. Rights expire May 22. The new preferred is convertible into common at the holder's option at the rate of 1½ shares of common for each share of preferred. The new offering totals 599,560 shares and is underwritten by a group of 85 underwriters headed by A. G. Becker & Co. Inc.

Proceeds from the sale of the stock will be used by Ashland in its physical expansion program and for working capital. Capital additions projected for the current fiscal year are expected to involve outlays in excess of $30 million, and include additional facilities for the refining, transportation and marketing divisions as well as the cost of a large drilling program.

Ashland Oil's operations have been extended in recent years beyond the Ohio Valley region where it was originally active, and now cover most of the area between the Great Lakes and central Tennessee, with crude oil interests in the southwest and elsewhere. In the fiscal year ended Sept. 30, 1951, consolidated sales exceeded $205 million, with net income of $12,138,000. For the five months ended Feb. 29, 1952, net income of $6,795,000 was realized on sales of $99,435,000.

Hooker & Fay Will Admit C. B. Macauley to Firm

SAN FRANCISCO, Cal.—Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchanges, will admit Cedric B. Macauley of Salinas to partnership on June 1. Mr. Macauley was formerly a partner in Davies & Co.

TRANSGULF CORP.

With 35 oil wells in production has just acquired ¼ interest in 5,000 acres in WILLISTON BASIN, S. D.; also has extensive acreage in New Mexico, Texas and Louisiana.

Report sent on request

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News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Horace C. Flanigan, President of **Manufacturers Trust Company,** and Charles J. Stewart, President of **The New York Trust Company,** both of New York City, announced on May 13 that a plan to merge the two institutions had been agreed to in principle. The merger is subject to the approval of the Superintendent of Banks and authorization by stockholders. The title of the merged institutions will be **New York Manufacturers Trust Company,** and Mr. Flanigan will be Chairman of the Board and Chief Executive Officer. Mr. Stewart will be President. The plan provides for the stockholders of Manufacturers Trust Company receiving in the merger one share of stock for each share now held, and the stockholders of The New York Trust Company receiving one and two-thirds shares for each share now held. In fixing this basis, recognition has been given to the net unrealized appreciated value of certain major assets of Manufacturers Trust Company not reflected in its published statements. It is expected that the annual dividend rate on the stock of the merged institution will be $3.00 per share. This dividend rate is equivalent to $5.00 per share on the present stock of The New York Trust Company. The published statement of Manufacturers Trust Company, as of March 31st this year, showed total capital funds in an amount in excess of $165,000,000 and deposits of over $2,400,000,000. The statement of The New York Trust Company at the same date showed total capital funds in an amount in excess of $70,000,000 and deposits of $694,000,000. Manufacturers Trust Company operates 109 offices in New York City, and The New York Trust Company operates five offices. The merged institution will be the fourth largest bank in total resources in the United States. All officers and employees of both trust companies will be retained by the merged institution.

* * *

Warren H. Eierman has been appointed an Assistant Vice-President of **The Hanover Bank of New York** in charge of development of personal trust business. Formerly Trust Officer of Union National Bank of Clarksburg, W. Va., Mr. Eierman also has been with the Baltimore branch of the Federal Reserve Bank of Richmond, Riggs National Bank, Washington, D. C., and the Treasury Department's Fifth Federal Reserve District. He received his Bachelor of Science Degree from the University of Maryland's College of Business and Public Administration in 1943. He also has done graduate work at American University, Washington, D. C. During World War II Mr. Eierman was an Army Air Force officer serving as flight engineer for B-29s.

* * *

Irving Trust Company of New York opened on May 12 a new branch office in the new 260 Madison Avenue Building at 39th Street and Madison Avenue. The new branch, operating on two banking floors of more than 6,000 square feet each, offers complete banking facilities for businesses and individuals in the Murray Hill area. Commenting on the establishment of the new office, R. H. West, President, said that Irving Trust Company expects in the future to see a "most constructive" development of Madison Avenue between 34th and 86th Streets. This, he said, is the second Irving branch to be established on Madison Avenue, "and we hope to transfer another office to this street next year. That will mean that three of our eight branches will be located on Madison Ave. by late 1953." "In the belief that people make neighborhoods, as they make banks," he said, "the new branch is offering its customers and other friends a booklet of tales of Mary Lindley Murray and others who have made history in the Murray Hill area. Frank E. Conant is the Vice-President in Charge of the branch. Other members of the official staff are John W. Konvalinka, Vice-President; and James M. Maltbie, Assistant Secretary.

* * *

Raymond Schmitt, who has completed 25 years of service with the **Lincoln Savings Bank, of New York** was admitted into the Lincoln 25-YEAR CLUB at its recent Spring Dinner-Meeting. The occasion was officially recognized at a luncheon tendered to him in the Officers' Dining Room of the bank, when John W. Hooper, President of the bank, presented him with a gold watch. Employees having 25 years or more of service are eligible for membership in the Club. There are now 46 members, fourteen of whom are retired. The officers of the Club are: Frederick Gretsch, Honorary President; Fred Honold, President; Charles J. Kipp, Vice-President and Alfred Hoercher, Secretary-Treasurer.

* * *

Sterling National Bank & Trust Company of New York announces the election of Carl C. Lang as Vice-President of the bank. Mr. Lang will be located in the main office of Sterling National at Broadway and 39th Street. An active figure in the textile and cutting-up trades, he was for many years in charge of the 38th Street and 7th Avenue office of Continental Bank & Trust Company, and more recently, was a Vice-President of Chemical Bank & Trust Company.

* * *

Through a recent stock dividend of $300,000 the capital of the **First National Bank of South River, N. J.** as of April 24 was increased from $200,000 to $500,000.

* * *

William R. Jones was elected President; James M. Vernon, Vice-President; Faye Atkinson, Secretary, and Andrew J. Humburg, Treasurer, of the Quarter Century Club of **Girard Trust Corn Exchange Bank of Philadelphia** at the annual dinner at the Barclay on May 6, according to the Philadelphia "Inquirer" of May 7 which also stated: "Fourteen new members were inducted into the club, bringing total membership to 266. Geoffrey S. Smith, President of the bank, and James E. Gowen, Chairman of Executive Committee, were elected honorary members.

* * *

The newly enlarged capital, now $16,000,000 of the **Peoples First National Bank & Trust Co. of Pittsburgh, Pa.,** became effective April 25. Details of the plans to increase the capital from $12,000,000 to $16,000,000 through the sale of 200,000 shares at $40 per share, (par $20) were given in these columns April 10, page 1508.

* * *

The **Atlas National Bank of Cincinnati, Ohio,** announced on May 9 completion of its purchase of the assets of the **Columbia Bank & Savings Co. of Cincinnati,** according to the Financial Editor of the Cincinnati "Enquirer" (Jack Dudley), in its issue of May 10, the account also stating in part:

"The transfer involved more than $6,000,000. Fred A. Dowd, President of the Atlas National Bank said that the combined resources now total more than $45,000,000. The business of the Columbia Bank & Savings Co. will rejoin with that of the Atlas National on Monday, and the Atlas will now operate four banks. Mr. Dowd also announced that at a meeting of the Board of Directors of the Atlas National Bank held late yesterday, H. William Brockman was elected Vice-President in charge of the Columbia office, Columbia bank officers elected to official positions with the Atlas National Bank were Louis Schwab, Assistant Vice-President; Conrad Arthur Laehr, Alice Grace Cantel and Robert Bruce Taylor, Assistant Cashiers.

* * *

An increase in the capital of the **First National Bank & Trust Co. in Alton, Ill.,** by the sale of $125,000 of new stock, has served to bring the capital up to $750,000 from $625,000. The enlarged amount was made available April 18 according to a recent Bulletin of Office of the Comptroller of the Currency.

* * *

A consolidation of the **National Bank of Jackson, at Jackson, Mich.** common stock $500,000, and the **Brooklyn State Bank, of Brooklyn, Mich.,** common stock $30,000, became effective on April 19. It was effected under the charter and title of the National Bank of Jackson. At the date of consolidation the consolidated bank had according to advices made available by the Comptroller of the Currency, capital stock of $560,000, divided into 56,000 shares of common stock of the par value of $10 each; surplus of $740,000; and undivided profits of not less than $300,000.

* * *

Union Planters National Bank, of Memphis, Tenn. celebrated the formal opening of its newly enlarged and remodeled main banking offices at Madison and Front on May 2 and 3. More than 40,000 friends and customers of the bank, including 650 leading bankers from across the nation, were present on the occasion. The celebration began officially on May 2, with a dedicatory ceremony at which Mayor Watkins Overton officiated. Vance J. Alexander, Chairman of the Board, and Arthur W. McCain, former Vice-Chairman of **Chase National Bank of New York,** who recently succeeded Mr. Alexander as President, took part in the ceremony also. Union Planters' newly enlarged quarters are the first major alteration on the Memphis skyline in many years. The building now occupies a full quarter of a city block, with a 12-story addition on the east side of the old building, a nine-story addition on the south side, and extensive remodeling inside. The building program began March 1, 1950.

An interesting display in the bank's lobby was an exhibit of currency from each of the United Nations, from all the banks in Tennessee in the days when banks issued their own currency, and of all Federal Reserve notes including a $10,000 bill. Union Planters National Bank, now ranked among the 100 largest banks of the 15,000 in America, has been functioning in the same block since its founding in 1869. An item bearing on the election of Mr. McCain (formerly of the Chase National Bank of New York) as President of the Union Planters National Bank appeared in our April 17 issue, page 1621. The Memphis bank has made available several pieces of literature bearing on the opening of its remodeled quarters. In its March 31 statement the Union Planters National Bank reported capital stock of $5,000,000; surplus of $8,000,000 and undivided profits of $3,758,801; the deposits are shown as $249,459,357, with resources reported as $270,803,559.

* * *

On May 1 the capital of the **American National Bank of Austin, Texas** was increased from $500,000 to $1,000,000 as a result of the sale of $500,000 of new Stock.

* * *

Rudolph Ostengaard, Assistant Vice-President, of the **California Bank of Los Angeles, Cal.** was elected Assistant Secretary of Group 5, of the California Bankers Association at the Group's Spring meeting, April 14, held at the Hotel Ambassador, Los Angeles. Vice-President Forrest W. Denning was elected director of the Group for a two-year term. Mr. Ostengaard was also recently appointed Chairman of the Finance Committee for the 1953 Pacific Coast Conference of the Controllers Institute of America to be held in Los Angeles next Spring.

Calvert Secs. Co. Formed

WILMINGTON, Del.—The Calvert Securities Corp. has been formed with offices at 407 Shipley Street to engage in the securities business. Officers are R. F. Grossell, President; C. Langfitt, Vice-President; and W. Norman Howe, Secretary-Treasurer. Mr. Howe was formerly President of DeWitt Investment Co.

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Continued from page 3

Outlook for Bank Stocks

earnings after taxes for some banks next year derives from the fact that such banks in 1952 will benefit by a carry-over of unused excess profits tax credits but will not have a similar carry-over next year.

The impact of excess profits taxes upon the commercial banking system under the present law is highly prejudicial to the maintenance of a sound, solvent and conservative banking system in that the incidence of EPT discourages the acquisition of additional capital. Exemption from EPT to the extent of 6% on invested capital after normal taxes and surtaxes, such as granted the utilities, seems a small enough return on capital invested in as risky a business as commercial banking. But if permitted to earn merely this limited return, commercial banks might see the wisdom of emulating the public utilities. The utilities have financed their enormous postwar growth conservatively and successfully by **paying liberal dividends** in relation to earnings, the higher dividends tending to raise the price of the stock and enabling the companies to obtain additional equity capital on more favorable terms than otherwise would be possible. Present dividend rates of the 15 largest banks in New York City represent a pay-out of less than 60% of estimated operating earnings in 1952. An appreciably higher dividend pay-out would be warranted if capital funds were bolstered through the sale of additional stock. And the increased capital funds, in turn, would increase the amount such banks could earn before becoming subject to excess profits taxes.

Under such conditions stocks of the big New York City banks **probably would sell at a high price in relation to earnings and dividends**, for the long-term investors of the fiduciary type that have been the principal buyers of bank stocks throughout most recent years have been taking a definitely long-range point of view toward investments, looking beyond the period during which earnings will be impaired by **excess profits taxes.**

The Federal Reserve appears sympathetic toward the need of commercial banks for more lenient treatment with respect to excess profits taxes, but it seems hardly likely such relief can be obtained **in an election year.** The banks appear to have such legitimate basis for requesting more favorable treatment under EPT laws; however, **legislation might be passed next year.** The basis for special treatment rests on the fact that earnings of the banks in the base years 1946-1949 were relatively low, due principally to government control of the money market which restricted earnings. Consequently the New York City banks—and many large banks in other financial centers—must compute excess profits tax liability on the invested capital alternative. This means such banks can earn only 3.84% after normal corporation taxes and surtaxes on all invested capital in excess of $10 million. This is **far below the 6% rate of return after normal taxes and surtaxes allowed other regulated industries.**

In equity, there is good reason why the banks should be allowed to earn as much as other industries in which rates are regulated, since the Treasury control of interest rates limits the rental rate for money the banks can charge just as rigidly as if the application of controls was more direct.

Bank Stock Yields Reasonably Good

Current yields on New York bank stocks are reasonably good in relation to the yields available in recent years. The present yield on the stocks of 15 of the largest banks in New York City average 4.57%, which is just eight basis points below the 4.65% yield provided by the same stocks at the average of the mean market prices in each of the five preceding calendar years. There are clear possibilities of dividend increases by several banks which are paying out dividends equivalent to less than 60% of current operating earnings, and **which enjoy strong capital positions** in relation to both deposits and risk assets. Numerous other banks are paying out equally small proportions of operating earnings, and such profits — when considered alone—would amply warrant dividend increases. Dividends, however, cannot be based solely on earnings; adequacy of capital funds must be carefully considered. But certain banks which have deposits of 14 to 16 times capital funds, and loans equivalent to 5½ to 7 times capital funds may recognize the advisability of increasing dividends as a first step toward strengthening capital accounts most advantageously.

Two other influences upon the outlook for bank stocks should be cited, I think, before turning to the factor which to me seems far more important than any other element I've heretofore discussed. **Prior to a few weeks ago institutional buying** of bank stocks had been continuous and persistent throughout most of the last several years. Large numbers of pension funds, trust departments, savings banks and other fiduciary investors have turned to bank stocks as conservative equities offering much better yields than bands and best quality preferred stocks. Large blocks of bank stocks have been bought for long-term holding by these professional investors in recent years, though the buying interest has diminished appreciably very recently. "Merger talk" likewise has precipitated some bank stock **buying of a more speculative type.** I think it probable that more of the smaller banks in New York City gradually will be taken over by the larger banks—especially when the smaller banks have well-located branches. But I **doubt** that we shall see many of the more spectacular mergers rumored in gossip that certainly has fanned the interest of speculative buyers in bank stocks. One or two large mergers may occur, yes; but a wave of mergers among the very large New York City banks would seem likely to encounter considerable **opposition from the regulatory authorities.** The concentration of banking power in New York City isn't what it used to be, but if even half the mergers rumored actually occur, we'd have some exceedingly large banks in New York and fewer of them. Though there still would be plenty of competition among the surviving banks, I question the ability of such large merger candidates to obtain the required approval from regulatory authorities.

Effect of Sound Fiscal Policy

In my opening remarks I mentioned that I thought "The Outlook for Bank Stocks" would be a tiresome topic—since the outlook is for comparatively little change in earnings and stock prices—were it not for a single factor which may radically improve the prospect for banking equities. Actually, as I previously indicated, I think the elements in the outlook for bank stocks I've discussed thus far are completely overshadowed by one dominating influence. I refer of course to the **high monetary policy of the government—of whatever government** may be in power after next January.

Will we have a government which is willing to actually fight inflation, instead of fostering it? Will we have a government returning to monetary orthodoxy? If these questions are to be answered **affirmatively**, the outlook for bank stocks will be shaped by the changed fiscal policies of the Federal Government, not by the subordinate factors I've been discussing.

Stocks of the big New York City banks have proven far less profitable investments throughout most of the last 20 years than other high quality equities, for reasons which have their roots in the fundamental fiscal policy of the Federal Government throughout that whole period.

Early last October—about seven months ago—New York City bank stocks sold at a historic low in relation to industrial stocks. At that time the Standard & Poor's Index of New York City bank stocks stood at 107.4 when the Dow-Jones industrial average closed at 275.87, the index of bank stock prices being equivalent to only 39% of the Dow-Jones industrial average.

This represented the **lowest level** at which these bank stocks had sold, in relation to representative industrial stocks, for over 30 years. Even in 1933, when banking conditions were so bad as to precipitate the banking **moratorium,** the mean prices of the leading New York City bank stocks averaged 114% of the mean for the Dow-Jones Industrials. Throughout the war years 1941-1945 inclusive, bank stocks sold at an average price equivalent to 67.5% of the Dow-Jones Industrials.

The principal problem of commercial banks is very well known. They have been among the foremost victims of inflation. In the 20-year period between 1932 and 1952 the average interest rate charged on commercial loans by the New York City banks declined from **4.20% to 2.83%,** or **by just about one-third.** There are, as you know, very few services or commodities that sell at a price one-third below the prices charged in depression-ridden 1932. Banks, on the other hand, naturally have had to pay competitive prices for labor, supplies and all the materials and services necessary to the operation of a banking business. In 1932 the salaries, wages and all other expenses of a representative group of New York City banks absorbed 57.8 cents per dollar of operating income, leaving 42.2 cents per dollar of gross to be carried through to net. Last year, though largely relieved of interest payments on deposits, which was an important item of outgo in 1932, expenses nevertheless absorbed 75½ cents per dollar of gross income of the New York City banks, leaving only 24½ cents to be carried down to net. This represents a **reduction of 42% in the profit margin of** commercial banking in New York City during the last 20 years.

Thus the banks have been prime victims of inflation—and bank earnings will stay at a low level in relation to capital funds so long as the banks must buy at 1952 prices and sell at prices which are still 25% below their selling prices of 1932.

Profits Unfavorable in Last Twenty Years

Therein you have the reason for the **relatively unfavorable profits** earned by the nation's biggest banks throughout most of the last 20 years. Costs inevitably have increased, but the selling price for the commodity the banks sell—the use of money—has declined very sharply, resulting in a thinning of the profit margin that has made the New York City bank stocks less successful investments throughout most of the last two decades than most other equities of equally good quality.

This trend toward lower interest rates has run a long time—as trends in the interest rate usually do. But we must recognize that the supply of and demand for money have not been the dominant factors in determining interest rates throughout most of the last 20 years. The supply has been vastly enlarged by a government committed to almost continuous inflation, and **interest rates have been kept at subnormal levels by the deliberate control** of the money market by the Treasury and Federal Reserve, primarily in the interest of financing huge and increasing government debt at the lowest possible cost.

It is in the hope for a change in this political control of money and interest rates that the owners of bank stocks must depend for a more profitable experience in the future.

A government really determined to combat inflation would rapidly change the conditions under which commercial banks operate — and immensely improve their earnings outlook—subject again to the qualification that EPT will become increasingly onerous unless relief is obtained. But a government fighting inflation hardly could fail to use a weapon of such historic effectiveness as the weapon of **higher interest rates.** Higher interest rates arrested the inflation in this country in 1920 and 1929, and higher interest rates have **helped curb inflation in Belgium, Italy** and other countries since the end of World War II. Higher interest rates were among the first weapons used by the Churchill Government when returned to power in England six months ago. The **rediscount rate** of the Bank of England was promptly raised from 2% to 2½%, and very recently, as you know, was raised again to 4%.

Rising interest rates make money harder to borrow. As rates advance the bonds owned by banks, insurance companies and other lending institutions go down in price. These lending institutions become less willing to sell their bonds and incur the capital losses involved, and hence have **less money to loan.**

Putting an end to inflation inevitably entails some deflation because economic and monetary controls cannot be so precisely applied as to merely arrest inflation and freeze the economy at any predetermined level so far as currency in circulation, bank deposits and interest rates are concerned. A definite reversal of the inflationary process will be necessary to stop this inflation, and the consequent **deflation is bound to be painful** to many segments of our economy. That's why inflation is popular, even among many who condemn it and know its long-run evils. In a period of recession in any event, our largest commercial banks would seem likely to derive advantages which would at least partially offset the adverse effects upon earnings which come from the liquidation of loans and investments. This benefit would accrue from a probable reduction in reserve requirements, which now stand at 24% on demand deposits and at 6% on time deposits of central reserve ciy banks. And in New York City about 92% of the deposits of the leading banks are subject to the 24% reserve requirement, with only about 8% subject to the reserve requirement of only 6%. This is a very high proportion of bank deposits to be immobilized to non-productive, non-earning assets. Bank depositors must be protected, obviously, by the maintenance of adequate reserves and sound banking assets — wholly aside from the Federal Deposit Insurance Corporation. But the exclusion of such a large proportion of deposits from the earning assets of the banks **impairs the earning power of** these institutions to a degree unwarranted except in a period of substantial credit inflation.

Outlook Clouded by Politics

The outlook for bank stocks in my opinion, therefore, is so very **largely dependent upon the political outlook,** it is utterly impossible to appraise bank stock prospects without considering the profound political influences affecting bank equities. Just as the election of a conservative government in England promptly precipitated changes in government fiscal and economic policy, so I suggest would the **election of a Republican administration** next November assure at least a partial return to monetary orthodoxy. The very least we might expect, I think, would be a **contraction of the inflationary additions to the money supply,** through a curtailment in governmental expenditures. Some substantial part of the huge short-term floating debt of the government probably would be refunded with longer-term obligations, **further tending to raise the interest rate.** This doesn't mean that the cost of government necessarily will rise, as a consequence of higher interest rates. A low rental rate for money hired by the government doesn't lighten the cost of government nearly as much as low coupon rates suggest, for the inflation thus engendered obviously raises prices for everything else the government must buy.

Even **if the Republican Party is not returned to power,** there seems some change that we nevertheless may be headed toward higher interest rates. The long continuing Federal Reserve pegging of the government bond market, partially abandoned last year, had lent powerful support to inflation by instilling confidence in lenders that bonds bought at very low interest rates were safe. Much of that confidence already has been dissipated, and certainly the viewpoints of the Federal Reserve as expressed by its chairman and various members of the Board during the last year **do not suggest** that in the absence of war **strong-arm support** of the government bond market at inflexible, high prices will be resumed. Even a **downturn in interest rates** such as has reappeared recently in the long-term money market, and which I think may spread to short-term rates, seems hardly likely to restore the confidence of lenders in rigid support of very low interest rates by the Federal Reserve.

Accordingly I suggest that the **stocks of the big New York City banks may be cheaper than they appear at an average price of about 13 times 1952 earnings and on a 4.60% yield basis**—and at about 84% of conservatively expressed book values. The traditional banking factors for the rest of this year admittedly are uninspiring, but the election of a government with a different viewpoint toward our national economy could dramatically improve the outlook for commercial bank earnings, assuming—as I must say again—the **added earnings are not siphoned away by excess profits taxes;** which is, however, another government decree that might be modified or abandoned quickly under a government by men with a determination to revitalize the forces that made this country great.

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Continued from page 4

The Outlook for Aluminum

ion tons. All of these data are predicated on no full scale mobilization and no attempt has been made to estimate the additional capacity that would inevitably be provided privately by the industry before 1960 in the event actual demand develops in excess of the industry's capacity.

Predicting Future Market

Predicting the aluminum market in future years has been unusually popular in 1951. Each of the four present North American producers has prepared its estimates and the government, through the Office of Defense Mobilization and the Bonneville Power Authority, has prepared two estimates. All of these estimates have one thing in common—that is, by 1960, assuming no further expansion, aluminum is more likely to be in short supply than to be in over supply for any extended period. All of these estimates have been prepared independently and, I am sure, in the aggregate have considered most accepted methods of estimating future markets. In common with most manufacturing concerns, Kaiser Aluminum maintains a market research department which continually studies the demand for aluminum and aluminum products. During 1951, the results of five years' market study, consuming more than 150,000 man-hours, have been summarized and the potential 1960 market evaluated. Kaiser Aluminum's forecast is in the lower area of the range between the high and low of the six projections considered. This position in relationship to the others may arise as our forecast has given no weight to revolutionary developments now the subject of intensive research that might well develop markets for aluminum greatly in excess of even the expanded industry capacity. Information is not available to me as to whether any of these major developments have been considered by the other forecasters, but I believe our purposes are best served by using the composite of the six projections. The full detail of these forecasts has not been made public and our market analysis department has interpreted the published data and attempted to adjust the forecasts to comparable bases. The composite figure, modified by these adjustments, indicates a total demand in the United States of two million six hundred thousand tons in 1960, including estimated requirements of the government for defense purposes without provision for full scale mobilization. This composite demand data has been superimposed on the chart, showing the projected available supply of aluminum, and indicates a demand in excess of supply amounting to six hundred thousand tons. The consensus is that there will be sufficient demand for aluminum to effectively utilize all currently proposed reduction facilities.

Aluminum, because of its unique physical properties, is replacing more costly or less satisfactory materials in industry, and the results of the composite forecast indicate that informed opinion evaluates these factors in much the same manner. The principal advantages of aluminum in the metal markets of the future are its light weight and other physical properties, including its ability to conduct heat and electricity, its price in relationship to other metals, its increased availability, and the fact that additional production of the metal encourages a much larger technical staff and stimulates interest in developing new applications and methods of processing.

In some fields, light weight is so necessary that this property of the metal designates aluminum for use irrespective of cost. An example of this application is the aircraft industry, where weight saving is of prime importance. A more important application in the aggregate, and one which today utilizes large quantities of aluminum and which, we believe, will be even greater in the future, is where the reduction of weight achieved by using aluminum also reduces the cost or improves the efficiency of the finished product. This application is well known in the case of trucks, trailers, buses and railroad equipment where increased pay loads and greater fuel economy result. An additional vast field is opened through reduction in transportation cost by designing lighter weight products made of aluminum. Reduced weight of structures through use of aluminum saves cost by requiring lesser quantities of other structural materials. Other physical properties of aluminum add to its value in this application, in that it resists corrosion, is pleasing in appearance and will not rust or tarnish.

Because aluminum is only about one-third as heavy as other metals, a pound of aluminum in roofing sheet will cover two to three times the area covered by a pound of galvanized steel; a pound of aluminum electrical conductor will transmit a comparable electrical current twice as far as a pound of copper conductor, and a pound of aluminum will protect nearly four times as much cable with sheathing as will a pound of lead. In the field of weight saving, aluminum is subject to the challenge of new metals—magnesium and titanium—which at the present time are non-competitive due to the qualities inherent in the metals, resulting in high fabricating costs. No doubt in the years ahead improved methods of fabricating these metals will be developed, and the aluminum industry accepts this challenge to improve its own techniques and to reduce the cost of aluminum still further — thus retaining its leading position as the prime weight saving material.

Aluminum enjoys a favorable price relationship with other nonferrous metals and in many cases is approaching a competitive relationship with steel.

Raw Material Sources

Bauxite, the principal raw material for aluminum, is found in commercial deposits throughout the world. Even today the development of bauxite mines in near-by Jamaica by Aluminium Ltd., Reynolds Metals and Kaiser Aluminum will produce a more economical raw material than any now in use, excepting the relatively limited deposits in Arkansas. Other non-ferrous metal industries have been working consistently lower grade ores for the past 50 years, and today, I understand, many of the copper companies are working ore deposits averaging less than 1% copper content, and there are few, if any, indications that more high-grade low-cost deposits of non-ferrous ores will be developed in the near future. Because of the importance of raw materials in the cost of a metal, it appears that normal economic factors will tend to reduce the cost of aluminum as compared with other metals, and we anticipate the favorable cost relationship will continue.

At today's prices, electrical conductor made of aluminum is considerably less costly than comparable copper conductor. Use of aluminum in electrical transmission lines in the form of aluminum cable, steel reinforced, has continued over many years, and most transmission lines being installed today are aluminum. Related advantages are achieved because of its light weight, further reducing over-all cost of aluminum transmission lines through use of lighter tower design and greater spacing of towers.

The government has secured cooperation from the aluminum industry to assure a larger supply of aluminum in the very near future, and, therefore, through its Controlled Materials Plan is guiding replacement of critically short copper with aluminum. In issuing allocations and directives for aluminum to replace copper, the government has attempted to allocate aluminum to those uses where the metal has either a physical or a cost advantage, or both, over copper. This enforced substitution of aluminum for copper in fields where it is economically sound will result in a permanent acceptance of aluminum.

I cannot over-emphasize the importance of abundant and economical raw material and its relationship to the future use of aluminum. Exhaustion of high-grade natural mineral resources throughout the world has been a cause of serious concern for many years, and in certain materials, notably the non-ferrous metals including tin, the supply of these economic ores is particularly critical. Aluminum, in the form of its oxide, alumina, is one of the most common materials on the earth. Economic deposits of bauxite, the ore from which alumina is extracted, are known to be extensive and many undeveloped sources of bauxite exist. Some of these deposits are remote, but at the present time low cost raw material has been proven to the extent required by the industry for many years. This available economic raw material is assurance that the supply of aluminum will not be restricted for this reason in the foreseeable future, nor will there be strong upward pressure on prices due to utilization of lower grade or less economic ores. These factors support our opinion that a favorable price relationship in comparison with other metals is a permanent long range factor encouraging greater use of aluminum.

Aluminum Research

The aluminum industry, having had a small beginning only 60 years ago, has had relatively limited time and resources to apply to research for broadening the ultimate use of its product. The progress made by the industry in the past 10 years has demanded that great numbers of skilled research and technical personnel apply themselves to finding new uses for aluminum. The prosperity which has been enjoyed by the industry for 10 years has made possible the appropriation of very substantial sums to further this research and technical work. I am sure all the producers have reserved major sums in their financial plans for this purpose during the period ahead. While it is impossible to be specific about the results or benefits to be achieved through technological studies and activities, it can be expected that the spectacular results achieved in the past 10 years will be surpassed in the next 10 years—if for no other reason than the increased tempo of activity in research.

I would like to be able to list a series of industries that will, within the next few months or years, definitely convert their operations to the use of vast quantities of aluminum. Unfortunately I cannot—but I can, however, tell you that the building industry, the transportation industry, the electrical industry and many others would, if permitted by government controls, utilize much greater quantities of aluminum than are available to them now. I can point out to you a factor that I am sure has been taken into account by each of the groups forecasting the future aluminum market; consumption of aluminum per capita in the United States has constantly increased and the growth of aluminum use over a period of years has greatly exceeded the normal industrial growth of the United States.

I can also point out to you a few relatively new applications, some of which have been restricted because of the defense requirements, that will stimulate your imagination to see ultimate applications of aluminum in many other fields.

Recently aluminum foil was introduced for household wrap; while I have no statistics to verify this, I doubt that many new consumer products have been received with such immediate and overwhelming acceptance. I am sure that my experience has been duplicated by many other individuals employed by aluminum producers in that I have personally received numerous appeals for "a package of Kaiser Foil."

Some of you have no doubt purchased electric light bulbs with aluminum bases, replacing the previous brass base, and have seen aluminum sockets in lighting fixtures. Aluminum has proved its economy in this application in that it can be processed and soldered on automatic machines. Aluminum is so firmly entrenched in this application that we are confident that given available supply of light gauge high-specification aluminum sheet all electric lamp bulbs will have aluminum bases.

In recent months, there has been a growing tendency to utilize aluminum triplex conductor for service drops to furnish power for industrial and residential use. This product, consisting of three aluminum wires, two insulated and one bare, replaces a copper product, and in view of its lower cost, is headed for greater application throughout the United States in the future. Aluminum wire is suitable for almost all electrical applications including telephone and telegraph lines and the problem of soldering joints in the field appears near solution.

Several processes have been developed for applying aluminum coating to steel to produce a material of more pleasing appearance, giving better performance than the present galvanized products. Bonding aluminum to steel presents process problems more costly than the galvanizing process which we believe will be more than offset by the lower price of aluminum as compared with zinc. Introduction of aluminized steel has been made by Armco and additional producers of this product will undoubtedly be in the field in the next few months.

These examples present but a few of the everyday applications of aluminum which have already been developed and seem certain to have further growth with increased availability of metal. There are many other uses to which much technical effort is now being applied, but which have not yet reached the stage of introduction in the normal market. Visualize for a moment development of a cast aluminum automobile engine block, more efficient and economical than a cast steel block; chrome plated aluminum die cast trim, replacing at less cost present zinc die castings; aluminum containers made on high-speed automatic equipment and produced at competitive or lower costs than present containers; adaption of present practices of forging wheels to much larger equipment for huge forged aircraft parts, making economical and practical the construction of larger aircraft with a resultant saving in time and transportation cost. All of these suggestions are under intensive study and all appear to have the possibility of conclusion resulting in aluminum filling a need for a more satisfactory and cheaper product. The successful conclusion of one or more of these projects can well require a further expansion in the aluminum industry.

The final development and introduction into the market of these last-mentioned items would, of course, materially alter the usage of aluminum by end products. Our projections of the future market have not contemplated any such revolutionary developments, but have been more conservatively based on those products already using aluminum as the most satisfactory and economical material, and have taken into account the growth of industry and further penetration of aluminum in each field.

No Change in Market Pattern Anticipated

We do not anticipate the market pattern will change appreciably by 1960. We believe the building industry will still be the largest consumer of aluminum, accounting for approximately 30% of the market; automotive and transportation is expected to be second, with approximately 20%; followed by electrical uses and machinery at 10% each; and the balance for appliances, utensils and miscellaneous items.

The major portion of the materials used by these industries will be in semi-fabricated form distributed approximately: 40% in sheet and plate; 25% in the form of castings; 15% in wire, rod and bar; 10% in foil and extruded products; and the balance in miscellaneous minor products. This distribution of the industry's products points out very clearly that before the 1960 market is achieved, further substantial expansion in the fabricating capacity of the aluminum industry will be required. In order to properly serve the commercial market, it is necessary to have fabricating capacity substantially greater than the total supply of metal. In the United States, the ratio of fabricating to metal supply appeared to be in reasonable balance prior to the addition of the ingot facilities now being installed. This ratio at the close of 1950 was about 160%. After completion of the present program the ratio will be about 100%. In order to supply the estimated 1960 market in the required product forms, substantial additions must be made to fabricating facilities in the industry.

No one in the aluminum industry believes that attainment of these markets and introduction of aluminum into these products will be easy. The industry has already accepted the task and responsibility of expanding primary capacity at a fantastically rapid rate and is prepared to solve the problems arising out of such expansion. The industry recognizes the problems created by this additional capacity and approaches them with full confidence that intelligent application of sincere effort will result in uses of aluminum in excess of those now projected.

Let me again say that the preponderance of informed opinion is that the outlook for aluminum is for a rapid and intensive growth based upon its physical properties its increased availability, the probability of a continuing favorable price relationship and the greatly stimulated development efforts arising out of the vigor of a young and growing industry.

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Continued from first page

Suggested Policy for the Troubled Investor

value in knowing that Mr. Joe Smith thought the market was going down, no matter how much of a wizard of Wall Street Mr. Smith might have been. But I would have wanted to know whether or not he was going to do any selling, and if so how much, and then where he would start buying again. If he had already sold out, he could feel as bearish as he wanted, but the influence of his bearish opinion was already history and the only interest I would have in him would be in the timing of his buying.

Now, when someone writes an article, there is at least a presumption that he believes what he has to say will be helpful to his readers. As I said above, I do not believe my opinions can contribute very much to such a saturated field. But a knowledge of what the other fellow is doing about his opinions may be helpful, even if you think he needs his head examined for acting the way he does.

II

"Operative Policy"

So I shall begin with my conclusions. Those who have nothing better to do can stay with me through the succeeding sections which analyze why my policy is what it is, but the "operative" part of the article, as the semanticists say, is in this section. The rest is pretty much academic.

I would act in accordance with the following basic policy decisions:

(1) I do not believe that the stock market is headed toward a sustained rise. I am therefore reluctant to commit any of the buying reserves accumulated over the past twelve months. Any reserves so committed will be on a short term basis unless I can discern a fundamental change for the better in economic conditions.

(2) At the moment, I would not plan much more net selling of common stocks beyond what has already been accomplished. I believe wise investors have weeded out most of the dogs and have adjusted excessive concentrations in particular companies or industries. They are admittedly deterred from some sales by the impact of the capital gains tax, because in such cases they recognize a difference between believing the market will go down and trying to guess how far it will go down.

(3) On the other hand, if the market goes up to the old highs, or through them, moving at a steep pace and "boiling up" into an average daily volume in the neighborhood of three million shares, I would use that opportunity to undertake substantial additional selling, even where big capital gains taxes might be involved.

(4) I believe the stock market will go down, but I refuse to accept the idea that the United States is headed for a major depression in the next few years. I don't know where the market will touch bottom, although I suspect it will be above the level of mid-1949. Accordingly, it may be desirable to nibble on the buying end if and when the Dow Jones industrials gets down to or through the 240 level.

(5) At this writing anyway, it is unlikely that the result of the Presidental election, by itself, should cause me to change any of these plans, no matter who the lucky man is.

Oddly enough, if everyone were following this same policy, we would have to change our position, since there would be so little selling pressure left to be exerted downward on the market. On the basis of what we read and see, however, I believe we are still somewhat unorthodox. The general public is bullish, judging by the growth of the mutual funds and by the excess of odd-lot purchases over sales. The closed-end investment trusts still appear to be quite fully invested. The market has evidenced strong downside support in the 257-260 zone on the Dow Jones industrial average. The general run of market and business comment is optimistic: we hear a lot about inflation, increased government spending, election year, better business in the fall, etc., etc., etc. Finally, although there has occasionally been some pick-up in volume around the lows, the aggregate amount of selling would not appear to be very substantial.

In other words, the balance of investment opinion still seems to be on the bullish side and relatively little preparation seems to have been made for a decline in market prices. The evidence suggests that the policy outlined above has not become the general policy as yet.

III

Odds Against New Highs

As I said above, my suggested policy is based on the premise that the market is not heading for a sustained rise. By that I mean the odds are against a penetration of the 275-277 highs, in my opinion. That is not a sufficient rise from here to justify the commitment of cash reserves for long-term purchases. If those highs should be pierced, I believe that event would be followed by an outburst of speculative activity, which I would use to "pass the depreciating half-crown to the other fellow."

The important point is that I do not anticipate a solid extension of the bull market. Just when the market will go down and how far it will go down I would not care to guess. But as long as I don't think it's going up, I'm going to sit tight on my buying reserves.

Why?

The price level for common stocks is determined by two factors—investor expectations of corporate earnings and the ratio at which those earnings are capitalized, and the latter is essentially an earnings anticipation also, but on a longer term basis. These expectations could turn out to be wrong, and if they are, the subsequent adjustment on either the upside or the downside is likely to be correspondingly intense; the longer it takes for investors to discover that their anticipations are incorrect, the more time there is for the man in the unorthodox position to outwit the crowd.

The latter consideration makes me very happy, because I believe that what investors are saying today in the marketplace is wrong.

The bullish position has been built up on two foundations. First, the 1949 recession was very much less than the drastic postwar adjustment which most people had been expecting ever since 1946; it gave impressive evidence of the stability of the American economy. Second, the basic trend in the wholesale price level has been upward for so long that inflation is a household word; our natural human tendency to believe that the future will look like the past has contributed to the assumption that price inflation is going to last indefinitely.

As a bear, I can have a tenable position only if I can disprove these two premises. And I think I can.

Mildness of the 1949 Depression

I will admit that the mildness of the 1949 recession was very impressive indeed. I will even confess that I shared the opinion of those who thought we were faced with something a good deal worse. The reasons that the economy held up so beautifully in 1949 were: (1) The backlog of consumer demand was still so intense, particularly for durable goods, that consumers spent more on goods and services than in 1948, even though disposable personal incomes were lower. The desire to save was negligible in the face of an almost insatiable demand bolstered by substantial holdings of liquid assets accumulated during the war. (2) Corporations were still willing to spend very large amounts to renew, remodel, and expand factories and machinery which had received inadequate care throughout the depression and the war years.

At the present time, I believe that these two factors, combined with the heavy defense spending which will swell the government budget for the indefinite future, will be sufficient to prevent the United States from going through anything as ghastly as what we experienced in the 1930's. But the passage of time — during which both business and consumer expenditures have been enormous—has eaten into the demands for consumer goods and for plant and equipment. While sufficient to prevent a really serious depression, they are likely to be much less effective as sustaining influences than they were in 1949.

In real, not money, terms, our total manufacturing capacity has been expanded by about one-half since 1945, while the aggregate demand for goods and services (including government demand) in real terms is only slightly higher than it was at the peak of World War II. Shifts in the composition and nature of demand have been such that all this additional capacity has been kept pretty fully employed. On the other hand, I am inclined to doubt that corporate expenditure for new plant and equipment will continue very much longer at these extraordinary rates, and, in fact, government data tend to support this opinion. While they are likely to be a good deal higher than any prewar figure, I could easily visualize their dropping by at least four billion dollars, or 20%, and certainly they are much more readily postponable than they were in the early postwar years.

The position of consumers is also very different from what it was in 1949. This is so apparent that it needs little elaboration here, although I shall have more to say about it in another context below. I want to make only one point here, on which there should be substantial agreement, namely, for the foreseeable future at least, we cannot expect consumer expenditures for goods and services to increase in the face of declining incomes as they did in 1949.

In brief, neither business expenditure for plant and equipment nor consumer spending for goods and services is likely to give the economy as much support as they gave in 1949. This means that public confidence in the stability of the economy may be somewhat overdone. From a stock market standpoint, it suggests that the present price-earnings ratios, which so many people consider too low, may be justified after all. If price-earnings ratios increased through a rise in the market from here, I would be tempted to do a lot more selling. In a down market, on the other hand, price-earnings ratios might increase, since earnings usually fall faster than the market; this is the only improvement in the ratios which would not disturb us.

IV

The Inflation Factor

I do not think earnings are going to be higher, which brings me to the other premise of the bullish position: inflation.

There is a lot of loose talk and a good many popular misconceptions going around on this subject. Nothing very substantive can be argued without sorting out the pieces.

Price inflation results from a condition where the demand for goods and services exceeds the available supply—and where government permits the resulting pressure to be expressed in higher prices. The demand for goods and services in turn comes from four sources: consumers, business, government, and foreign countries. In my opinion, the total of these four components is not likely to exceed the available supply.

Government demand is, of course, still climbing. At annual rates, it is expected to rise by about fifteen billion dollars between now and the end of the year, after which time further increases are likely to be minor. In other words, government demand will then be a sustaining but not a stimulating factor. At the same time, the expected increase in government spending is not going to put any pressure on productive capacity, except in very limited areas. The increase is equal to only 4.5% of the gross national product. New plants built to take care of defense requirements are coming into production and will be increasing their output over the months that government spending is rising. Controls over materials are in the process of being relaxed rather than tightened, as new supplies are becoming available.

Foreign demand will decline, if anything. The precarious foreign exchange position of our largest customers (with the exception of Canada) has necessitated large cutbacks in purchases from the dollar area. The main supporting factor in foreign demand will be aid from the U. S. Government, and that is already included in the fifteen billion dollar increase referred to above.

Business demand comprises requirements for plant, equipment, and inventory. Business spending for plant and equipment in 1952 is likely to exceed 1951 by only a small margin and will be heading into a decline in 1953. No substantial net accumulation of inventory can be expected on balance. Indeed, an increasing number of companies are still trying to work off excessive inventories. Therefore, no significant addition to aggregate demand will come from the business sector.

Consumer demand is admittedly more difficult to forecast, particularly since consumers took many of us by surprise in saving so much during the past twelve months. The fact is, however, that consumer incomes, adjusted for both the increase in the cost of living and the tax burden, are only 3% below the postwar peak reached at the end of 1950, 10% above 1947, and 40% above 1939. Taxes, food, shelter, and clothing are together taking no larger proportion of consumer incomes than they have in any prosperous period in the past. But consumer demand certainly shows no signs of urgency, and the Federal Reserve Survey of Consumer Finances reports that consumers are very reluctant to increase their spending — even though they believe prices may go higher. The high level of incomes, the surprising volume of saving, and the reluctance to increase spending all suggest an unusual degree of sensitivity to prices.

Of course, other things remaining equal, consumer incomes may increase as government spending rises and another round of wage increases goes into effect, and this should be accompanied by some expansion in consumer spending. But the significant point is that the rise in spending will be less, and perhaps substantially less, than the rise in incomes. Furthermore, it is unlikely to put any marked upward pressure on prices, in view of the greatly enlarged productive capacity of the country and more than ample inventories. The best estimates of demand for durable goods (where shortages would be most likely) clearly indicate that production is likely to be adequate, despite government restrictions.

So, to put the matter in a nutshell, another dose of price inflation is unlikely to result from the present and foreseeable structure of demand and supply. Only a major change for the worse in the international situation or a sudden and highly unexpected shift in consumer spending-saving patterns can cause a revival of the inflationary trends — even though there may be another round of wage increases. The entire business climate is basically different from the characteristic periods of wage-price spirals such as 1936-37, 1946-48, and 1950-51.

Now, corporate earnings can be expected to increase only under the following four alternative conditions: (1) prices rising faster than costs; (2) costs falling faster than prices; (3) dollar volume rising faster than profit margins are narrowing; (4) a reduction in taxes.

Everyone would agree, I think, that labor costs are not likely to fall, in view of the present temper of the labor unions. Raw material costs do seem to be easing quite considerably, but probably not enough to offset the higher wage rates—to say nothing of the drain on earnings through accelerated depreciation and increased interest on greatly expanded debts. And, of course, Uncle Sam waits with greedy hands to take away the largest part of any cost savings which might widen profit margins.

Costs, therefore, are likely to rise rather than fall, and I have already argued that the demand for goods and services is not going to be strong enough to warrant offsetting price increases. In fact, demand is not strong enough to result in sales volume sufficiently great to return the same dollar amount of earnings on narrowed profit margins. So even if the general level of business activity remains high, corporate earnings will be no better than steady and probably worse.

Corporate Liquidity and Dividends

I have not even touched on the serious deterioration on corporate liquidity over the past couple of years—a trend which is probably going to have an adverse effect on dividends even if earnings hold up, and which will certainly cause substantial cuts in dividends if earnings go down. I am far from happy about the enormous expansion in long-term debt since 1945, and I fear that the day of reckoning cannot be avoided.

Possibly all of this pessimism would be tossed into a cocked hat if there were a tax-cut next year. This would certainly be very welcome, but I should think it most unlikely in view of the dangerously large government deficit which would result. I imagine that the most we could expect would be a removal of the excess profits tax and a moderate cut in personal income tax rates, and I do not know whether those would be enough wholly to offset the unfavorable trend of profit margins. In any case, I would want to feel very certain that the odds

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greatly favored a new tax bill before changing my basic investment policies.

V

Unpleasant Surprises Ahead

Now, these are my opinions, I suspect that the future as it unfolds will bring a succession of unpleasant surprises for the bulls. As the situation develops, I believe that a growing number of investors will want to hedge against a decline and will therefore accelerate the pace of their net selling, or at least stop buying. Perhaps things will not be quite so black as I have painted them, but the 260-275 zone of the market is really based on a belief in the continuation of the inflationary trend. Therefore, even if things get no worse but only fail to get better, there will be sufficient disappointment to bring the market down to more appropriate levels.

Eberstadt Group Offer Elliott 2nd Pfd. Stk.

Marketing of 120,000 shares of 5% cumulative second preferred stock, $50 par value, of Elliott Co., manufacturer of power generating equipment, was undertaken yesterday (May 14) by a nationwide group of securities dealers headed by F. Eberstadt & Co. Inc. The stock is priced at $50 per share and is convertible into common stock of the company at $27.50 per share through April 1, 1956, at $30 thereafter through April 1, 1959, and at $32.50 thereafter through April 1, 1962. The new securities will be listed on the New York Stock Exchange where the company's outstanding shares are now traded.

From 1953 to 1961, the company is to make deposits in a stock purchase fund which may be used to purchase shares of second preferred stock, if obtainable up to $50 per share. Beginning in 1962, a sinking fund will retire annually 5% of stock then outstanding. General redemption prices range from $55 through April 1, 1956 to $50 on and after April 1, 1962.

Organized 50 years ago, Elliott Co. today is an established manufacturer of steam turbines, electric generators, electric motors and other related equipment, and is the country's leading producer of turbochargers used to increase the power output of four-cycle diesel engines employed principally in locomotive stationary and marine installations.

The expanded demand for the company's products in the past three years — orders booked increased from $18,981,000 in 1949 to $49,933,000 in 1951 — has required capital expenditures of approximately $2,800,000 in the past 15 months with additional expenditures for new manufacturing and foundry facilities at Jeannette, Pa., estimated at $3,000,000. Proceeds from the current financing will be added initially to the company's general funds and will be available for such expenditures. Net income of the company for 1951 amounted to $2,637,652, equal to $5.36 per common share after preferred dividends. The company recently reported net income of $812,511 for the quarter ended March 31, 1952, equivalent to $1.67 per common share.

With Shearson Hammill

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Fairold R. Johnson has become associated with Shearson, Hammill & Co., 9608 Santa Monica Boulevard. He was formerly with Standard Investment Co. of California.

Floyd A. Allen Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Robert W. Wilburn has been added to the staff of Floyd A. Allen & Co., Inc., 650 South Grand Avenue.

Continued from page 5

The State of Trade and Industry

good many more would find themselves in violation of inventory limits if they increased their buying. And, of course, the biggest reason of all is the need for Controlled Materials Plan tickets.

The decontrol recommendations of a steel industry task force may become the blueprint of the return to a free market—if the wage-price dispute can be settled without more serious loss of production. The recommendations consist of a basic plan for lifting all controls and interim steps for putting it into effect.

Under the plan, states this trade journal, the fourth quarter would be a trial period during which non-military consumers would be removed from CMP. But certain controls would be retained as a "safety valve." If no serious disruptions showed up during the quarter, all controls would be removed, effective Jan. 1, 1953. Military and atomic energy orders would retain first call on mill schedules.

Steel Output Scheduled to Rise 14.8 Points to 100.3% Of Capacity

The next time you have trouble getting steel as quickly as you want it, remember the steel strikes, says "Steel," the weekly magazine of metalworking, the current week.

Work stoppages in the last month by the steel-workers have lost us approximately 2,360,000 net tons of raw steel. That's eight days' output at the rate of production prevailing just before the work interruptions. The industry had been operating at 102% of capacity, and with the alltime high capacity the industry has today, the loss of each day's production is greater than it ever was.

Operations in the steel industry had been resumed sufficiently last week to bring the rate of ingot output up to 85.5% of capacity. In the preceding week the strike cut output to 52.1%.

Restoration of operations was not without difficulty, states this trade journal. In the big producing district of Pittsburgh, resumption was impeded by equipment damage caused by the steelworkers in their eagerness to walk out during the latest work stoppage. Many employees left furnaces and other equipment untended in their haste to strike.

Work interruptions in the steel industry will delay steel shipments over the next few months, for the regular price mills are booked full on most products for the second quarter and as far into the third quarter as they want to take orders, this trade weeky observes. Sustainment of demand sufficient to fill third-quarter order books is a surprise to many steel company sales executives. They had thought there would not be enough demand to keep ingot production up to capacity levels after the second quarter. Crowding into the third quarter, too, will be a carryover of orders that could not be filled in the second quarter because of the work stoppages, it adds.

In most stringent supply of all steel products are the larger size hot-rolled and cold-finished carbon bars. Much of the demand for them stems from the needs of the defense program, states "Steel."

Unbalance of inventories continues to be the top problem with most steel warehouses, and the work stoppages in the steel industry delay the day of balance.

Pressure for open-hearth grades of scrap continues to ease as mill inventories rise, concludes "Steel."

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 93% of the steel-making capacity for the entire industry will be at 100.3% of capacity for the week beginning May 12, 1952, equivalent to 2,084,000 tons of ingots and steel for castings, or an increase of 14.8 points above the previous week's actual production of 1,775,000 tons, or 85.5% (actual) of rated capacity.

A month ago output stood at 98.1%, or 2,038,000 tons.

Car Loadings Drop Due to Work Stoppage in Steel Industry

Loadings of revenue freight for the week ended May 3, 1952, totaled 744,592 cars, according to the Association of American Railroads, representing a decrease of 34,810 cars, or 4.5% below the preceding week, largely due to a work stoppage in the steel industry.

The week's total also represented a decrease of 58,745 cars, or 7.3% below the corresponding week a year ago, but an increase of 596 cars, or 0.1% above the comparable period in 1950.

Electric Output Rises in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended May 10, 1952, was estimated at 7,030,000,000 kwh. (preliminary figure due to delayed returns caused by Western Union strike) according to the Edison Electric Institute.

The current total was 81,402,000 kwh. above that of the preceding week when actual output amounted to 6,948,598,000 kwh. It was 463,187,000 kwh., or 7.1% above the total output for the week ended May 12, 1951, and 1,165,674,000 kwh. in excess of the output reported for the corresponding period two years ago.

U. S. Auto Output Advances Slightly in Past Week

Passenger car production in the United States the past week, according to "Ward's Automotive Reports," rose to 94,928 units, compared with the previous week's total of 94,125 (revised) units, and 116,667 units in the like week a year ago.

Total passenger car and truck production in the United States so far this year is lagging about 30% behind the like 1951 period according to "Ward's."

Total output for the past week was made up of 94,928 cars and 25,961 trucks built in the United States, against 94,125 cars and 24,201 trucks (revised) last week and 116,667 cars and 31,992 trucks in the comparable period a year ago.

Canadian producers last week turned out 7,120 cars and 3,425 trucks, against 6,770 cars and 3,289 trucks in the preceding week and 7,054 cars and 2,789 trucks in the similar period of a year ago.

Business Failures Move Slightly Upward

Commercial and industrial failures increased to 161 in the week ended May 8 from 150 in the preceding week, reported Dun & Bradstreet, Inc. Despite this rise, casualties were less numerous than in 1951 and 1950 when 181 and 217 occurred, respectively. Only one-half as many concerns failed as in the comparable week in prewar 1939 when they totaled 321.

Wholesale Food Price Index Extends Rise

Continuing last week's upward movement, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose 3 cents to $6.36 on May 6, from $6.33 the week before. The current index is still 6.7% above the pre-Korean level of $5.96, but represents a drop of 11.4% from the year-ago figure of $7.18.

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

Wholesale Commodity Price Level Rises Moderately From 18-Month Low Earlier in Week

After touching a new 18-month low early in the week, the Dun & Bradstreet daily wholesale commodity price index turned upward to close at 296.88 on May 5, as compared with 294.96 a week ago. The latest figure, however, remained well below the year-ago level of 321.36.

Trading in grains was less active last week. Prices moved irregularly in a fairly narrow range with wheat and corn scoring moderate advances for the week while rye and oats were about unchanged. Export clearances of wheat on earlier orders was in good volume, but a lack of any substantial new export business tended to check buying of that grain.

Crop prospects continued generally favorable but late reports of poor weather conditions in growing areas was a firming influence in both wheat and corn.

Although some steadiness appeared at the close, cotton prices were down sharply from a week ago. The decline was attributed to the prolonged period of inactivity in textiles, poor demand for spot cotton, and the belief that the carryover at the end of the season will be larger than had been expected. The mid-April parity price for cotton was announced at 34.35 cents a pound. This was a drop of 12 points from the mid-March figure, and the first month-to-month decline since last July. Sales of cotton in the ten spot markets last week were reported at 55,600 bales, comparing with 59,400 the previous week, and 72,900 in the same week last year. Cotton planting was reported making good progress in most sections of the belt.

Sales of all grain futures on the Chicago Board of Trade last week totaled about 40,000,000 bushels, as against 43,000,000 the week before, and 33,000,000 in the corresponding week last year.

Raw sugar prices trended easier at the close as Cuban selling pressure increased.

Demand for refined sugar was limited with buying mostly for immediate needs. A steady advance in hog prices during the week brought quotations to the highest levels of the year.

Trade Volume in Past Week Unchanged to 4% Below 1951 Level

Rising temperatures and many attractive promotions helped to stir shoppers' interest in many parts of the nation in the period ended on Wednesday of last week. However, as during recent months most retailers were not able to match the high sales figures of a year earlier. Shoppers generally remained quite bargain-conscious. Although apparel and other soft goods were favored over household items, many merchants looked for a change in this pattern as a result of the loosening of the reins on consumer credit.

Total retail sales volume in the nation in the week was estimated by Dun & Bradstreet to be from unchanged to 4% below the corresponding 1951 level. Regional estimates varied from the comparable levels of a year ago by the following percentages:

New England and East —1 to —5; Midwest —3 to —7; South 0 to —4; Northwest —4 to —8; Southwest 0 to +4 and Pacific Coast +1 to +5.

The interest in apparel rose seasonally last week with the approach of Mother's Day and the coming of warm weather. About as much apparel was sold as during the similar 1951 week. Lingerie, accessories, sportswear and Summer dresses were especially popular.

Although there was a mild spurt in trading activity in some wholesale markets in the week, the total dollar volume of wholesale orders continued to be slightly below the high level of a year ago.

With retail and wholesale inventories slightly below a year ago, many merchants were less reluctant to extend their commitments than in recent months. However, price uncertainties and consumer hesitancy continued to deter any large-scale broadening of purchases.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended May 3, 1952, declined 2% from the like period of last year. In the preceding week an increase of 3% (revised) was registered above the like period a year ago. For the four weeks ended May 3, 1952, sales rose 3%. For the period Jan. 1 to May 3, 1952, department store sales registered a decline of 6% below the like period of the preceding year.

Retail trade in New York the past week closely approximated the dollar volume of 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 May 3, 1952, decreased 9% below the like period of last year. In the preceding week a decline of 3% was recorded from that of the similar week of 1951, while for the four weeks ended May 3, 1952, a decrease of 4% was registered below the level of a year ago. For the period Jan. 1 to May 3, 1952, volume declined 11% under the like period of the preceding year.

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Mutual Funds

By ROBERT R. RICH

Rhode Island Savings Banks Can Invest in Funds

Savings banks in Rhode Island, under recently enacted legislation, are specifically permitted to invest in open and closed-end investment companies which are registered under the Investment Company Act of 1940. Funds must be able to meet the following requirements to be eligible for savings banks investment: The fund must have net assets of at least $10 million, have been in existence for five years or more, have paid dividends from ordinary investment income in each of the previous five years and have outstanding no indebtedness (debentures, bonds and the like) and no stock senior to the shares being purchased.

Investment in open- and closed-end funds by the banks cannot exceed 1% of deposits or 5% of the outstanding shares of the investment company.

Putnam Begins "Invest-As-You-Save" Plan

George Putnam Fund of Boston announced this week the formation of "The Putnam Plan—For Investing As You Save."

"The periodic investment plan is designed to enable people to invest their spare money without restrictions as to amounts invested or time of payment," the fund said. "It is designed for people who want to invest as much as they can whenever they can."

Features of the Plan: No minimums on initial investment, subsequent investment or number of investments within a specified period; reinvestment of all dividends at net asset value; no fee charged for partial or full withdrawal of shares or when the account is closed. Dealers, under this plan which will be operated by a bank, will receive the full commission on all shares purchased by members' investments.

Putnam Fund commented that, "Our plan is frankly designed as an 'open account' for the business executive and professional man who is making $7,500 or more and wants an easy, practical way to invest as much as he can whenever he can—instead of some minimum he 'signed up for.'"

Retailer Forms Profit Sharing Trust Department

The formation of a highly-specialized department, which will assist in the creation of profit-sharing trusts using mutual funds, was announced yesterday by Baron G. Helbig & Co., 60 Broad Street, New York.

Gerrard J. Jackman will be head of the new department. A graduate of McGill University, of Montreal, Mr. Jackman taught economics from 1932-36. In most of the years since then, he has been active in the investment field.

The firm believes that profit-sharing trusts, when properly presented to management and labor alike, will prove a boon to good industrial relation.

Officers of the firm also commented that, in their opinion, not enough spade work has been done in selling mutual funds to labor unions whose treasuries in most instances are filled with government bonds.

Baron G. Helbig & Co. is an associate member of the Council of Profit Sharing Industries which has its chief office in Akron, O., and a branch at 11 West 42nd Street, New York City. The Council has been active in recent years in presenting profit sharing trusts as a philosophy for obtaining good employee relations.

Mutual Fund Notes

BRIEFLY: Key to higher business activity is consumer buying trend, Pacific Finance reports. If rising consumer goods output can be superimposed on capital goods and defense production, business activity could climb to new peacetime levels. Consumers are not now buying proportionate to income. Monthly retail sales now are nearly one billion dollars below last year. Meanwhile inventories are down 20% since April, 1951, and retailers are consequently in position to benefit rapidly from any increase in demand . . . **Personal savings** are running at 10% of personal disposable income (after taxes) compared with 3½% in early 1951, with excess funds going into savings banks, government bonds . . . **Better days for bonds** are forecast by Bond Investment Trust of America. BITA points to signposts of slower military spending, decreasing possibility of all-out war, a recession in inflationary psychology, higher yields on bonds, and the popularity of bonds with the "professional investors" such as insurance companies, pension funds, trustees and individuals who have been increasingly heavy bond buyers. . . . **Mutual fund retailers** are discovering that radio sales leads are more productive than those from publication advertisements. . . . **Although Northern Pacific** was eliminated from the Dow-Jones Rail Index on April 1, its substantial rise of 40% this year and 678% since June, 1949, has been "frozen" into the Average, Distributors Group reports. Northern Pacific was eliminated because of its "oil flavor" and Kansas City Southern takes its place. KCS only had a 5% rise this year, and 96% since June, 1949. The Rail Averages would be quite different if KCS had taken the place of Northern Pacific three years ago. Which reminds us of the statistical saw: "The first thing to know about Averages is how to use them." . . . One visitor to Keystone in Boston, after seeing the extensive research done before investments are made, said: "It's easy to see that it would cost me much more not to use this service than to use it." . . . **Vance, Sanders,** analyzing the total tax situation, reports that Federal taxes now are 73.6% of total taxes, compared with 22% in 1932 and 38.6% in 1940. Balance are local and state taxes. . . . **"Exchange"** magazine reports that 50 of the 1,100 corporations listed on the New York Stock Exchange paid $3.2 billion in 1951 taxes . . . more than the entire Federal budget in 1928.

CANADIAN FUND officially began operation late Wednesday afternoon as an open-end investment company after qualification under the SEC Act of 1933 and the Investment Company Act of 1940. The open-end fund, "midwifed" first as a closed-end fund by Kidder, Peabody and Dominick & Dominick and others in an underwriting group, now has total assets of $10.6 million and a net asset value per share of $11.79. The fund, managed by Calvin Bullock, registered 1,700,000 shares.

SECURITIES AND EXCHANGE Commission Staff and the Investment Companies Committee of the National Association of Securities Dealers met last week to consider the third revision of a general advertising rule to replace the Cashion opinion. SEC staff and the NASD Committee are reported to be in closer agreement than before, but an effective advertising policy for mutual fund retailers is still in the distant future. After a final draft is made, it will be submitted to NASD membership and to SEC Commissioners for approval. If both accept, thirty days must elapse before effective date.

THE FORTY MILLION dollar National Stock Series has substantially increased its portfolio holdings of automobile, railroad and finance company stocks.

Percentage of total assets represented by these three classes rose from 6.5% in December, 1951, to 16% on April 30 of this year.

Henry J. Simonson, Jr., President of National Securities & Research Corporation, commented that, "The favorable performance of the automobile, rail and finance company groups in relation to the general market became pronounced around the end of the first quarter of 1952 and this trend is expected to continue for some time to come.

"BRIEFCASE," a semi-monthly bulletin, published by Distributors Group, was introduced to investment dealers last week. The new publication will make comments on current problems and opportunities that face the dealer and his client. Items of special interest about securities and the planning of investment programs for both individuals and institutions will be featured. Also included from time to time will be data on Group Securities' five funds and seventeen industry classes.

W. L. MORGAN & CO., 1420 Walnut Street, Philadelphia, has changed its name to the Wellington Company. Wellington Company will be investment adviser and national distributor for Wellington Fund.

TRUSTEES of educational and charitable institutions were advised Sunday to operate under the "Prudent Man Rule" and invest in mutual funds, in a talk given by George Putnam of Boston, on the "Your Money At Work" radio series, sponsored by Kidder, Peabody & Company.

PERSONAL PROGRESS

WILLIAM G. GALLAGHER is directing the new mutual funds department of Lee Higginson Corporation.

ALVIN W. ERNST has become manager of the mutual funds department of J. R. Williston & Co., members of the New York Stock Exchange.

NEW PROSPECTUSES

BROAD STREET Investing has released a new prospectus dated April 22, 1952. Available from 65 Broadway, New York City, N. Y.

GEORGE PUTNAM Fund has prepared for dealers a new prospectus dated April 25, 1952. Can be obtained from 50 State Street, Boston, Mass.

NATIONAL INVESTORS' latest prospectus was issued on April 29, 1952, and will be available from 65 Broadway, New York City 6, N. Y.

EQUITY FUND has released a prospectus dated May 1, 1952, which can be obtained from Exchange Building, Seattle 14, Wash.

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Continued from page 18

Sound Money Measures Urged by New York Chamber of Commerce

at home and abroad confidence in the value of the dollar.

The Question of Specie Payments

Beyond thus making more definite our obligation to redeem the dollar in gold in international transactions, we come to the question of allowing our own people to have gold in exchange for their currency—in other words, resuming unrestricted specie payments.

In considering this question, it would be well to bear in mind two points:

One is the increasing evidence of the desire of people in different parts of the world to hold gold and get the security it gives in contrast to depreciating paper money. This is shown by the amount of private hoarding now estimated at many billions, and by the premiums people are willing to pay in various foreign markets. Governments increasingly have been supplying this demand, as witnessed by the action of South Africa, Canada, Australia and other producing countries in selling newly-mined metal in the open market, and the action of Switzerland in freeing the gold market. Regardless of theory, it is questionable how long citizens in a democracy will be willing to forego the privilege of holding gold.

The second point is that the function of gold as a method of insulating monetary policy from political pressures is not fully realized until specie payments are restored. The historical record is clear that the right of people to redeem paper money in gold has restrained the sovereign from excessive issues of money.

With the world in its present state of political and economic tension it would be unwise to resume specie payments. If we did so, some substantial amount of our gold reserves would be diverted into private hoards, rather than serving as support for the American dollar in its key international position. We should, however, look forward to a time when specie payments may safely be resumed, and the question should be a subject of frequent public review.

* * *

In summary, sound money with stable value is essential for human welfare in the civilized world. To restore and defend sound money must be a major objective.

Sound money is influenced by every major policy of government, as well as the traditions and action of the people. But it is peculiarly influenced by fiscal and monetary policy.

The first essential for sound money is that government spending be held under restraint.

A second requirement is that the independence of the Federal Reserve System from political pressures be maintained; that monetary policy shall be insulated from those who would use money as a tool for political purposes. A greater assurance of sound policy would be found in the restoration now of an international gold bullion standard by removing ambiguities in our gold laws. At a later and more appropriate time, a full gold standard with specie payments should be restored.

Your Committee therefore offers the following resolutions and moves their adoption:

Resolved, That spending by the U. S. Government should by action of the Congress by limited for the fiscal year 1952-1953 to come within the estimated amount of income; that this country should be on a pay-as-we-go basis.

Resolved, That the independence of the Federal Reserve System from political domination be preserved.

Resolved, That the Gold Reserve Act of 1934 be amended to permit the Federal Reserve Board to hold gold and to remove sections of the law which appear to give the Secretary of the Treasury power to modify the price of gold or which authorize him to regulate gold movements by licenses, substituting therefor instructions to the Reserve System to buy and sell gold from and to foreign central banks and governments at the fixed price of $35 per ounce.

Resolved, That the Chamber favors the restoration of full specie payments when the world political and economic situation shall be sufficiently stabilized to provide the conditions propitious to such action.*

Respectfully submitted,

Alexander C. Nagle, Chairman
George W. Bovenizer
W. Randolph Burgess
J. Luther Cleveland
E. Chester Gersten
Charles B. McCabe
Walter E. Sachs
Committee on Finance and Currency

New York, April 25, 1952

*Mr. McCabe wishes to record his belief that a specific future date for the resumption of specie payments should be established at this time.

$40,000,000 Central Bank of Cooperatives Debentures Offered

With the assistance of a nationwide selling group of recognized dealers in securities, the Central Bank for Cooperatives, Washington, D. C., offered publicly on May 13 $40,000,000 of collateral trust debentures dated June 2, 1952, due June 1, 1953. The offering was made through Macdonald G. Newcomb, its fiscal agent, 31 Nassau Street, New York City. The debentures bear interest at 2⅛% per annum, payable on Dec. 1, 1952, and June 1, 1953. The debentures are not redeemable before maturity. They were offered at 100% and accrued interest.

The Central Bank for Cooperatives is incorporated under Federal law and operates under the supervision of the Farm Credit Administration, which is under the general supervision of the Secretary of Agriculture. Central Bank debentures are instrumentalities of the Government of the United States, but the government assumes no liability for them, either direct or indirect.

Net proceeds from the sale will be used by the Central Bank for Cooperatives in financing its lending operations. The bank makes loans to the larger farmers' cooperative associations and assists in financing the 12 regional banks for cooperatives.

Colo. Securities Co. Opens

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—The Colorado Securities Company has been formed with offices at 2638 South Adams to engage in the securities business. Officers are Edward I. Shelley, President; Peter R. Carney, Vice-President; and Stanley C. Miller, Secretary. Mr. Shelley was formerly with Shelley-Hicks & Co., and Robert D. Bowers & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government bond market continues to display confidence, which is being reflected in improved quotations for many Treasury obligations especially the longer-term securities. New highs have been registered in the restricted bonds, with investors getting competition now from dealers and traders. The added impetus in the market appears to be the exchange offer for the last four maturities of the ineligibles, which can be turned in for the nonmarketable 2¾s due 1975/1980. The ending of regulation W also had a favorable psychological influence upon the money markets.

The constructive action of the whole restricted list is due in no small measure to the switches that are being made among the various bonds in the group. The 2½s due 1962/67 and the other 1952 eligible tap bonds are being sold by institutions that are using a large part of the proceeds to acquire the issues that can be turned in for the nonmarketable 2¾s. Commercial banks appear to have concentrated their buying in the newly eligible 2½s of 1962/67, and the 2½s due 9/15/67-72.

Higher Income Issues in Demand

The buying interest appears to be expanding in the higher income Treasury obligations, with dealers and traders giving investors competition when it comes to the acquisition of these securities. It is indicated that positions are being enlarged in the tap bonds with practically every issue in the list coming in for consideration. The near-eligibles have been as well taken as the last four bonds, which can be turned in for the nonmarketable 2¾s. It is reported there is considerable switching being done among the various tap bonds, with some institutions going from the coming eligibles into the last four maturities that are exchangeable for the nonmarketable bond. On the other hand, there has been very good sized orders around for the 1952 eligible taps, especially the June 2¼s, and despite the fairly heavy liquidation which has come into these securities from time to time, they have been taken well enough by investors, traders and dealers, so as to follow the general trend of the market.

Better "Exchange" Results Indicated

The last four maturities of the restricted bonds, according to advices, are being bought by investors in rather sizable amounts, with indications these issues will be turned in along with cash for the nonmarketable 2¾% due 1975/1980. It had not been expected, according to some money market followers, that purchases of the last four maturities would be as large as has been experienced. Whether this forecasts a better exchange and the raising of a larger amount of new cash than had been estimated is still open to debate. However, if the current trend continues, and it means anything, it may be that the cash subscriptions for the nonmarketable 2¾s will exceed a number of the estimates that have been heard.

The newly eligible 2½s due 1962/67 continue to attract attention, with the commercial banks that have large savings deposits, reportedly the leading buyers of this bond. The big money center deposit institutions have also been takers of these 2½s, but not in as much volume as the out-of-town banks. The sellers of the 2½s due 1962/67, according to advices, have been mainly private trust accounts, with pension funds also moving out of this obligation. Fire insurance and casualty companies and savings banks have likewise been supplying this issue, but not in too large amounts, according to reports.

Although the 2½s due 1962/67 have the center of attraction, there has been quiet but fairly important buying going on in the 2½s due 9/15/67-72. In this instance, also, it is the smaller out-of-town banks that have been the principal buyers, with indications that the Middle West and Eastern Coast institutions have been in the forefront as far as these purchases are concerned.

The partially-exempts continue to be the securities that the larger commercial banks appear to have the greatest interest in. The 2¾s, due 1960/65, and the 2¾s, due 1958/63, seem to be the issues that are in favor among these institutions at the present time.

Long-term Rate Seen Downward

Elimination of Regulation W was taken in a favorable light as far as the money markets were concerned. The opinion is held that with inflation on the wane, this should not be unfavorable as far as the government market is concerned. Although during the shorter-term period money rates might be subjected to somewhat wider fluctuations, the feeling is that with the passing of the inflation fear, the longer-term trend of interest rates will be downward.

The downtrend in loans, it is reported, is having a very favorable effect upon a good many Treasury obligations, with a non-unimportant amount of these funds now going into the short-term obligations. Evidently, this money is being kept in the liquid issues, pending further clarification of the loan curve. The intermediate-term Treasury obligations appear to be awaiting news on the July certificate refunding, or possible new money raising, as far as buyers of these securities are concerned.

The World Bank issue on a 3.48% basis was very well received, with the demand widespread. This seems to indicate that institutions are taking more kindly to this high-grade obligation.

Municipal Bond Club Gets New Slate

E. Norman Peterson D. H. Callaway, Jr.

The Nominating Committee of The Municipal Bond Club of New York has presented its slate of nominees for officers for the ensuing year. The annual meeting of the Club will be held on Friday, June 13, 1952 at 5 p.m. at The Beach Club of the Westchester Country Club, in Rye, N. Y.

The nominees follow: For President, E. Norman Peterson, Equitable Securities Corporation; Vice-President, David H. Callaway, Jr., First of Michigan Corp.; Secretary, Joseph G. Cross, Jr., C. J. Devine & Co.; Treasurer, William T. Burke, Jr., Bacon, Stevenson & Co. Nominated to serve as members of the Board of Governors for three years were: Warren A. Ruxton, First Boston Corp., and F. Bradford Simpson, Jr., Audrey G. Lanston & Co. Cushman McGee, R. W. Pressprich & Co., was nominated to serve as a Governor for two years.

J. S. Bradley Co. Formed

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, Ohio—The J. S. Bradley Company is engaging in a securities business from offices at 910 Adams Street. Officers are John S. Bradley, President and Treasurer; John S. Bradley, Jr., Vice-President; and G. W. Banks, Secretary.

Joins Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Van Grant has become affiliated with Dempsey-Tegeler & Co., 210 West Seventh Street.

With Walston, Hoffman

LOS ANGELES, Calif.—Walter Kutner has become connected with Walston, Hoffman & Goodwin, 550 South Spring Street.

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Continued from first page

Investment Portfolio for The Pension Trust

other similar trusts. I am willing, therefore, to make a few guesses at some of the other questions for which I do not have an absolute answer.

A Unique Investment Pattern Required

It should be remembered that the nature of pension funds permits, or requires, a unique investment pattern. This nature is best explained by an illustration. To determine the rate of accumulation necessary to provide a given amount of pension for an individual at age 65, it is necessary to know his age in order to know the number of years of contributions; his life expectancy at age 65, in order to know how long the pension must be paid; the assumed earnings rate of the fund; and the percentage of similar individuals presently employed who will still be employed at age 65. Let us assume that our individual employee is 25 years of age, which gives us 40 years of accumulation, that his life expectancy at 65 is 14.4 years, that an earnings rate of 2½% can be used with conservatism and that there will be a 30% shrinkage in number of like employees at age 65. At his retirement date, it will be necessary to have a principal amount of $11,555 to pay him a pension of $1,000 a year for the remainder of his life. This would require annual contributions to the fund of $171.43 on an even basis except for the shrinkage factor which would permit 30% reduction in this amount, bringing the annual cost down to $120.00.

This illustration points up the uniqueness in pension trust investing, in that (1) Considerable liquidity is provided by the constant flow of new money which must be invested. It is easy to vary the relative importance of types of investments by merely directing the investment of this new money in a different way. In this respect there is some similarity with open-end investment companies; but (2) The market value of the portfolio in relation to cost is not of prime importance in pension trusts since, with a continuing parent company, there should not be any necessity for liquidation of securities to obtain funds, and this is quite dissimilar to the position of open-end investment companies. In theory, both principal and income of a pension trust are available for the payment of benefits. Actually, however, the fund is built up over a period of many years during which the accumulations greatly exceed the amounts being currently disbursed, until a point is finally reached where the income on investments plus the company's annual contributions should be just about equal to the outgo for pensions. The growth of the country and of industry, however, keeps putting that eventual date backward and I do not know of any large pension trust which has fully funded the company's pension plan. For all practical purposes, therefore, sales are confined to switches to better investments.

Annual Rate of Contributions

There have been a number of studies of the meager data available on pension trust investments, the consensus of which is that employee and employer contributions may be running currently at an annual rate of from $2 to $2¼ billion. Almost half of this amount is paid out in the form of pensions or as premiums to life insurance companies, leaving an annual increment available for trust investment of from $1 to $1¼ billion. I have heard of one estimate as high as $1½ billion, but this seems to me to be too high. Surely, however, any figure in this range, while large, is not too astronomical an amount for which to find suitable investment opportunities! Furthermore, the amount is not likely to increase at a very rapid rate. The greatest growth in industrial pension funds has come during the past four years, in a defense economy, with labor in the saddle, because of its scarcity and alliance with the government, and with high taxes minimizing the cost and large government contracts helping to provide the funds. A growth of perhaps $500 million a year in the annual rate of contributions to pension funds has come since mid-1949. The conditions which made this substantial increase possible are not likely to obtain forever. Furthermore, pension plans are now firmly established in those parts of the industrial field where they are most applicable and the spread of new pension plans can be expected to be much slower henceforth. There will be a continuing normal growth in existing plans, however, and the cumulative effect of their continued new money investment will be important.

Investments in Common Stocks

How much of the new investment money of pension trusts is going into common stocks? Once again, no one really knows. Ten years ago, few, if any, pension trusts bought common stock. There are still many which do not, a notable example being the A T & T trust, and I do not know of any large pension trust operating a general investment portfolio which admits intending to have more than 35% of its assets in common stock. Perhaps 20% would be a good guess as to the percentage of the $1 billion of new money which is going into common stocks, and this would be on the high side. How much of an impact will $200 million of common stock purchases have in a year? Not much, I should say. A two million share day on the stock exchange with the average price of stocks $40 would amount to $80 million of purchases, and the requirements of pension trusts would be represented by 2½ days' activity. This is a rough measure, of course, since volume varies and many stocks on the list are not suitable for trust portfolios, but it is apparent that there has been a great deal of exaggeration in much that has been said about pension trust investments. There is no question, however, but that their purchases will have some sustaining effect on the market since most of the shares purchased will be retired from trading, and it is likely that pension trust buying will tend to be concentrated in high-quality stocks.

Operations of G. E. Pension Trust

Perhaps before going further with this discussion, it might be well to examine the operations of a typical pension trust, if there is such a thing. I have attended several meetings recently at which managers of various pension trusts described their operations, and at one of which there were about 50 corporation treasurers or trust managers present. From these meetings, it was evident that if there is one thing certain about pension trust operations, it is that there is no uniformity among them. Portfolios range from 100% in the common stock of the parent company to 100% in bonds, with a liberal sprinkling of real estate investments, sometimes of a speculative nature, intermingled. General Electric Company has a middle-of-the-road sort of trust, however, which I can tell you about and we can then examine why it does some of the things it does, which may give you the answers to some of the questions I have raised.

The General Electric Pension Trust was formed in 1912. The company originally had a non-contributory pension plan which was later changed to a contributory plan. The nature of the investments of the Trust has changed over the years with changes in the nature of the pension plan and with changed conditions in the investment markets. Today the Trust has assets of $365 million. It is growing at the rate of over $60 million a year, but with maturities and switches, our annual security purchases currently come to over $100 million. Federal Social Security legislation required a substantial change in our pension plan, which was effected in October, 1946. Trust operations on the present basis originated then and the Trust in its present form commenced operations with an all-Government bond portfolio—the only security available in sufficient quantities for its purposes. The Trust at that time limited its investments to securities eligible for investment by New York State insurance companies but a series of studies of the advisability of investing in common stocks culminated early in 1950 in the adoption of a stock purchase program. We were one of the early participants in this trend which is now so prevalent. Because of the large base of bond-type investments in its portfolio, the Trust is dollar-averaging its way into common stock investments rather than making a wholesale switch from bonds to common stocks and is at present putting about one-third of its new money into common stocks. Purchases would be accelerated in the event of a substantial drop in the market. The eventual common stock component of the portfolio has not yet been determined but will not be less than 20% and might be as high as 30%. The distribution of the common stock investments is roughly in accordance with the following pattern:

Oils	18%
Chemicals	16
Utilities	13
Autos and accessories	8
Retail trade	8
Food	7
Building	5
Banks and insurance	5
Tobaccos	4
Agriculture	3
Containers	3
Non-ferrous metals	3
Steels	3
Drugs	2
Office equipment	2

There are about 70 stocks on the list approved for purchase and purchases are made selectively of whichever issues seem to be the lowest priced each week. You will note that 34% of these assets are in chemicals and oils. The aggregate yield on common stock investments is 5.84%.

Corporate bonds in the portfolio have an average life of 17½ years to call date. All have the equivalent of A ratings or better. They yield 2.91% on cost, a low yield resulting from switches from U. S. Governments in 1948. Distribution of corporate bonds by major classes is as follows:

Public utilities	59%
Industrials	21
Finance companies	11
Equipment trusts	9

Government securities amount to only 19% of the total portfolio and have an average life to call date of 12 years and yield 2.24%. It is of interest that the recent market action of these and corporate bonds affords an illustration that even a high-grade all-bond portfolio is subject to some market risk.

Why Common Stocks Are Bought

I am sure that the foregoing description of our portfolio must raise many questions. The first which you might ask is "Why does a pension trust buy common stocks when its obligation is to pay only a predictable amount of dollars at a predictable date, whatever the dollars may be worth in purchasing power? Surely the earnings obtainable on bond investments over a period of years should meet the usual actuarial pension rate of 2½%." The answer is that (1) It is sometimes difficult to achieve a 2½% rate with safety in an all-bond portfolio and there can be few, if any, capital gains to offset inevitable principal losses if bond quality is sacrificed to yield; (2) To the extent common stocks increase the yield on the portfolio, they reduce the cost to the parent company in funding its pensions or provide additional income for use in liberalizing pensions; (3) It may not be advisable to fully fund a pension plan due to the possibility of reductions in the number of employees in the parent company in periods of business recession so that some degree of underfunding may be permitted while still meeting a 2½% actuarial rate if common stocks are included; and, finally, (4) These advantages can be achieved with reasonable safety since market fluctuations are not of prime importance in pension trusts.

The second question might well be "How do you determine what percentage of common stocks to include in a pension trust portfolio?" At present, 35% seems to be a popular ratio: the State of New York now permits this large an investment in common stocks in legal trust portfolios and several of the larger new pension trusts are aiming at this distribution. We have been unable to find any sound basis for the 35% formula. It was apparently selected as a compromise figure. We have made many studies of the reduction in yield on various common stock components that we could experience before failing to earn the necessary 2½% and these seemed to support about a 25% ratio. Also, anything much higher than this might make it advisable to pay more into the Trust in periods of low stock market levels and poor business than during periods of high stock prices and good business, and this would not be desirable. At our current rate of purchasing common stocks, it will be some time before we must make the decision as to their percentage of the total portfolio and what we do will probably depend on the then level of the stock market. We do not feel, however, that the present high level of the stock market is sufficient justification for discontinuance of stock purchases on a dollar-averaging basis from the new funds which are constantly coming into the Trust.

A third question might well be "Why have such high-grade bonds with such relatively short maturities?" Our reasoning here is that our common stock component provides the additional yield which would otherwise have to be obtained from second-grade bonds and we might well, therefore, stick to top-grade bonds, as we have. The maturities of the bonds purchased are not of great importance to us except that we like the portfolio to be staggered sufficiently so that we do not have to make unduly large reinvestments in any one period. A year or so ago when bonds were very high in price, we favored the shortest maturities which would give us the desired yield and today we are quite willing to take considerably longer maturities, but our present average maturity is a happenstance.

You probably also might question the absence of preferred stocks. We have not felt that they were a good investment at the market prices obtaining since we departed from an all-bond portfolio. They are a hybrid security, they do not yield enough more than bonds and they have no fixed maturity as insurance against possible decline in market value. We feel they should only be purchased in periods of relatively low markets, if at all.

The Mortgage Field

And finally, we might discuss the mortgage field. It is possible today for a pension trust even as large as ours to find sufficient investment opportunities which can be handled with a relatively small staff to make it unnecessary to go into mortgages, unless there is a substantial yield advantage. In today's market, we do not believe we could obtain much more than a net of 3½% on government-guaranteed mortgages and would then have to incur considerable home office expense in their administration. We haven't purchased mortgages, therefore, although the time may come when it will be advisable to do so or to go into the sale and lease-back of real estate, particularly if the tax situation still makes this type of investment advantageous.

So much for the composition of our fund. I would like to add a few comments on operating methods. There is a danger in self-trusteed funds that the management will be more isolated than would the managers of bank-trusteed or insured funds and thus miss important trends in the trust investment field. Our Trust tries to avoid this by employing the advisory services of a chief investment officer of each of three of the largest trust companies in the country. We also try to keep fairly close track of what is going on in the other large self-trusteed pension trusts by personal contacts with their managers. At present, private offerings of new bond issues have been on a better yield basis than outstanding bonds of similar quality. We have made it a point, therefore, to keep in close contact with many investment firms and with banks so that we could participate in such offerings. Practically all of our bond investments have been of new issues and last year 46% of these were privately placed issues. In order to take advantage of this situation, it is necessary for any trust to be flexible in its operations. We, therefore, have a very small investment committee which has complete freedom of action between meetings of the Trustees provided such action is in conformity with the investment pattern approved by the Trustees. This pattern receives constant attention at the monthly Trustees' meetings and is forecast well into the future. We thus have sufficient flexibility to take immediate action on any new issue. In order to minimize the task of following our investments, we have limited the number of individual investments by taking fairly substantial pieces of each offering. This acts to make us an attractive customer for new offerings, and together with the speed with which we can act, helps to insure that the underwriter or private banker will give us an opportunity to review most worthwhile new issues.

The foregoing discussion, I think, answers most of the questions which I raised at the beginning of this talk. I have told you how a typical pension trust operates and expressed the belief that while the securities business of these trusts is great, it is not sufficiently large to materially affect the stock market and that its bond requirements can be supplied as the country grows and finances its expansion. As to your

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own personal contacts with the self-trusteed pension trust, I can assure you that the industry, if we can call it that, is most receptive to investment advice and good new investment opportunities. Its managers are not men apart—they come from your own ranks and think and act just as you do. They are even more anxious not to be isolated than you are to find some means of advantageous contact with them. I am sure that our interests are mutual and will continue to be so.

Blyth Group Offer Lion Oil Co. Stock

An underwriting group headed by Blyth & Co., Inc. yesterday (May 14) made a public offering of 400,000 shares of Lion Oil Co. common stock (without par value) at $40.12½ per share.

Lion Oil Co. is engaged in the production and refining of crude oil and in the manufacture and sale of anhydrous ammonia and certain of its derivatives. The company intends to build a new petro-chemical plant estimated to cost $31,000,000 with a rated capacity of 300 tons of anhydrous ammonia daily, the greater part of which will be processed into prilled ammonium nitrate which is used as a fertilizer. The company now operates a plant at El Dorado, Arkansas with a rated capacity of 570 tons of anhydrous ammonia daily.

The company is also making improvements to its refinery estimated to cost $5,000,000 which, it is anticipated, will permit an increase in gasoline production of 50% and a reduction in the amount of heavy fuel oil produced.

The company expects to sell $15,000,000 of 3⅝% debentures due April 1, 1972 to the Equitable Life Assurance Society of the United States simultaneously with the sale of the stock.

Sales and operating revenues of Lion Oil Company for the year 1951 totalled $86,466,609 and net income for that year after Federal and State taxes on income and other charges was $11,751,026. Net income for the first quarter of 1952 was $3,329,695 which was an increase of approximately 8% over the corresponding period of 1951. The company has paid consecutive quarterly dividends on its common stock since Oct. 15, 1936.

Victoreen Investment Offer Oversubscribed

Barrett Herrick & Co., Inc., and A. H. Vogel & Co., headed a group of underwriters who on May 8 offered a secondary distribution of 90,000 shares of common stock of the Victoreen Instrument Co. for the account of three stockholders and, as such, none of the proceeds will accrue to the company. The stock, priced at $4 per share, was quickly oversubscribed and the books closed.

The company, etsablished in 1931, is a leading manufacturer of X-Ray dosage measuring instruments for the medical profession, and originators of radio-active measuring instruments related to the Atomic Energy Program. Victoreen also manufactures high precision electronic components used in instruments sold to other manufacturers in related fields.

In 1951, the company showed net sales of $1,256,049 and net income of $123,771, compared with net sales of $780,565 and net income of $57,451 in 1950.

C. W. Haines Opens

WILLISTON, N. Dak.—Charles W. Haines is conducting a securities business from offices at 316 East Fourth Street.

Continued from page 13

Revising the Investment Advisers Act

erator. But she was much too shrewd to permit the uninitiated to profit from her advice. Instead, she used a secret code. It worked something like this: If she found a penny, Anaconda Copper was considered a good buy. If she fell over a chair, all holdings of American Seating should be liquidated. If she took a trip in an airplane, it was a signal that aircraft shares were going to lead a market rise. The writer of the market letters giving this advice did not, however, do any personal trading. He had been advised by an astrologer against speculation. But he earned as much as $39,000 a year from the market letter he distributed.

I admit that these are somewhat extreme illustration of the abuses that exist. And, in the case of the comic strip investment adviser, cooperation between the New York authorities and the Commission did result in putting him out of business. But the problem is nonetheless real.

A Growing Profession

Your profession is a constantly growing one. In 1940, there were 695 registered investment advisers. In 1945 there were 780. By 1948 the number had increased to over 1,000. And as of now we have about 1,200. The increase, I believe, reflects an increased need. More and more people are becoming interested in securities as a method of saving. War bonds served as a method of familiarizing the public with securities, and fear of inflationary trends has made them stock conscious. In addition, the growing complexity of industry, sudden expansions and contractions due to war scares, the mushrooming of new industries, and the high rates of obsolescence due to new scientific developments have emphasized the need for reliable investment advice. This has given your profession new and larger responsibilities.

Responsibilities, however, are always attended by obligations. One of your primary obligations, it seems to me, is to enforce a high level of ethical conduct upon the profession. As a lawyer, I am required to abide by canons of ethics established and enforced by national, state and local bar associations. Too great a deviation is grounds for disbarment. Doctors and dentists are similarly regulated. I regard it as anomalous that in a profession such as yours, affected as it is with the highest degree of public interest and impressed with great fiduciary responsibilities, no effective sanction against violation of ethical standards exists.

I recognize a code of professional practice which would keep out the unscrupulous and incompetent would be difficult to draft. It would probably be even more difficult to enforce. I think your association has made a start in the right direction in the code you have adopted and I compliment you for it. But I believe a code for the whole industry with sanctions against violation is necessary. How this is to be done, frankly, I am not sure. However, some attempt should be made to explore feasible solutions to this problem.

Qualification Requirements Similar to C.P.A.

Possibly your association and the Investment Counsellors' Association of Southern California might, with suitable legislative assistance, be the medium for the imposition of appropriate ethical standards upon the whole profession, Or, as an alternative, a system of examination, roughly analogous to C.P.A. examinations for accountants, might be the solution.

I feel strongly that something should be done to correct the situation. And while we at the Commission stand ready to lend whatever assistance may be required I believe the profession itself should undertake the corrective action.

Obvious Omissions in the Act

I should like also to mention several other rather obvious omissions in the Act. As you know, the fraud provisions are applicable only to registered investment advisers. Others, who are not registered, are outside its scope. This just does not make sense, for certainly fraud should be punished whether it is by a registered or an unregistered investment adviser.

Also, I feel that advisory contracts are sufficiently important so that they should all be in writing and available to inspection by the Commission. Only in this way can any degree of supervision over such contracts be exercised.

As you know, we have had these proposals for legislation under consideration since the war. No action has been taken upon them due to the pressure of other business. Bills introduced in Congress amending the Act in these respects have died in Committee. But I hope that, in the not too distant future, we may again take up the consideration of how the admniistration of the Act may be improved. We hope that we will be able to count on your experience and advice to help us formulate our policies. For by our mutual assistance we can best serve the public investor and achieve the objectives we both seek.

V. E. King Is V.-P. Of First California

LOS ANGELES, Calif. — H. T. Birr, Jr., President of First California Company, announced the election of Vern E. King, Vice-President in charge of the Southern Division of the company, with headquarters in Los Angeles, 647 South Spring Street.

Mr. King, a graduate of Stanford University and post-graduate courses at Harvard, has been in the securities business for over 20 years, which was interrupted by five years in the Army, where he was a Major in the Air Corps.

J. H. Musson Joins Remer, Mitchell Co.

CHICAGO, Ill.—Remer, Mitchell & Reitzel, Inc., 208 South La Salle Street, announced that J. H. Musson has become associated with their firm as Vice-President. Mr. Musson formerly conducted his own investment business in Chicago.

William Dondero With First California Company

SAN FRANCISCO, Calif.—William Dondero has become associated with First California Company, 300 Montgomery Street, in the Trading Department. Mr. Dondero, a graduate of the University of San Francisco, was formerly with Conrad, Bruce & Co.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

The announcement of the proposed merger of the Manufacturers Trust Company and the New York Trust Company has dominated the interest of bank stock investors and the banking community for the last few days.

Strength in the two bank stocks prior to the announcement on Tuesday had indicated that some major development was about to take place, although the merger announcement itself took many people in the banking field by surprise.

The merger, if completed, would make the surviving institution the fourth largest bank in the country, surpassing Guaranty Trust of New York which now holds that position. At the end of March, 1952, Manufacturers Trust had deposits of $2,476,000,000 and New York Trust $695,000,000. Thus the combined total of the two banks would amount to $3,171,000,000.

This figure compares with $6,816,000,000 reported by Bank of America N. T. & S. A. of California at the end of 1951, the largest bank in the country. National City Bank of New York with deposits of $5,407,000,000 at March 31, 1952 ranks second in size and Chase National Bank with deposits at the same date of $4,989,000,000 is third. The deposits of Guaranty Trust at the end of March amounted to $2,652,000,000.

The terms of the merger are one of the unusual features which differentiate it from previous combinations. One of the primary objectives and incentives toward mergers among the New York City banks has been to obtain for stockholders of the merged institution something above the market price or book value in the form of cash.

In other words, most mergers have been carried out on the basis that stockholders of one of the banks received in cash the book value of their shares. This, in effect, represented a withdrawal of banking capital, with the surviving institution carrying on the business of the two banks.

The benefit of this type of merger to stockholders is obvious. The one group received a cash settlement which in most cases was substantially above the market price while the other group participated in the advantages of larger operations with the same amount of capital.

The proposed merger terms between Manufacturers Trust and New York Trust are somewhat different. The plan provides that stockholders of Manufacturers Trust would receive one share of new stock in the bank to be known as the New York Manufacturers Trust Company, for each share now held. New York Trust Company stockholders would receive 1⅔ shares of stock for each share now held.

Under these terms there would be no cash settlement and stockholders of both institutions would continue to be stockholders in the surviving institution. As a result there would be no withdrawal of capital as in most of the previous bank mergers.

Because of these facts the factors motivating the merger are a little different. Some of the reasons undoubtedly arise from the advantages of large bank operations. Certain economies can be effected in bank operations once the merger is completed. Also overhead expenses can generally be spread over a greater area. Depending upon the tax position of the banks, some savings may be made on this account.

Another consideration may be that the larger bank by having a greater loaning power will be in a position to provide better service to existing and potential customers.

There is also the fact that the prestige which is accorded to larger banks has been a primary consideration in a number of mergers and may have been present in the current instance.

One of the results of the Manufacturers Trust and New York Trust proposed merger is likely to be a heightening of interest and speculation in the possibility of other mergers and combinations.

It is a known fact that a number of the other large New York City banks would like to merge or expand their business by outside acquisitions. Chase National and Bank of Manhattan have been mentioned in this connection several times in the past six months. In fact the management of one recently announced that they were still interested in the proposition, although legal obstacles are known to exist.

Also it is recognized that there are a number of New York banks which are in a position, because of large amounts of capital, to expand their business in order to protect their stockholders. The easiest and most economical way to accomplish this is by merging or combining with another bank.

While some bank supervisory officials have indicated they do not approve of the trend towards merging banks and especially the withdrawal of capital from the banking community, the economies and the logic of the current trends would seem to indicate that additional mergers and combinations will take place.

Timothy Wood Joins Merrill, Lynch Co.

(Special to The Financial Chronicle)

PORTLAND, Ore. — Timothy Wood, Jr., has become associated with Merrill Lynch, Pierce, Fenner & Beane, Wilcox Building. Mr. Wood was formerly local Manager for Walston, Hoffman & Goodwin. Prior thereto he was with Dean Witter & Co. for many years.

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Continued from first page

As We See It

mental changes which have for decades been creeping into the thinking of the people of this country—and for that matter into the thinking and concepts of many other peoples. Henry Wallace managed to gain something of a following by preaching the doctrine of the "common man." We suspect that he would have made more progress had it not been for his inconsistencies, certain personal characteristics which led many to a feeling of almost instinctive doubt, and, most of all perhaps, the fact that in all but precise terminology, many of the better established politicians of his day had long been preaching (and practising) much the same general notions.

All Men Equal?

Of course, the framers of the Declaration of Independence held it self-evident that all men are created equal, although it is doubtful that they ever did stop to think precisely what these high-sounding words really meant. If, however, they intended them to mean more than that all men must be regarded as having been born equal before the law, their intent and design certainly were ignored pretty fully for a century and a half. During the past two or three decades, there has, however, been a growing inclination on the part not only of the political spellbinders but of many others to a view, still somewhat vaguely held, but becoming more precise and specific, that somehow the body politic should see to it that all men are born equal in an economic sense and that no very great differences should be permitted to develop among them during their lifetimes.

Of course, as yet no one openly avows doctrines quite so extreme. Possibly few have consciously come to this extreme position. Men are prone not to analyze their own concepts and notions about such things too closely or realistically, and it may well be many would not be able, even if they tried, to define their notions with precision. Nonetheless, this seems to us to be the trend of thought in recent decades, and we as a people have come dangerously near some such position as this, or so it seems to us. Ideas of this sort underlie much of the strength of the New Deal and Fair Deal demagogues of the day, and notions such as this could wreck our business and industrial structure very effectively if left to run riot.

Production vs. Income

If it be true—as we suppose no one would deny—that men are not all born equal as respects their ability, their energy, their practical commonsense, or their potential effectiveness in the realm of business, then any supposition that no great differences must be permitted to develop in their economic status as they pass through life is the equivalent of the notion that what a man has and what he is able to produce and does produce must be unrelated, or largely so. Indeed, it is very much this type of philosophy which is employed in defending the modern versions of the personal income tax. Of course, this type of tax is usually supported by a more or less perverted concept of "ability to pay"—a phrase few have the hardihood in this day and time to question.

The fact is, nonetheless, if this ancient maxim is to be interpreted in such a way that all an individual gains by developing his ability to pay taxes is the privilege of paying taxes, then the incentive for constructive economic effort is largely gone. This, of course, is particularly true of the vast multitude of individuals who, as yet, have not reached a point in the economic scale where they must go on to protect as best they may an economic status already achieved, but who are, or would be under normal circumstances, engaged in building an economic status. The effect of current income tax procedures and rates is far more killing to the man in the process of getting rich than it is upon the fellow who has already attained that position.

Other Taxes, Too

So much is said about income taxes, and so obvious is their economic consequences, that the rank and file are prone to overlook the economic consequences of the now existing systems of estate and inheritance taxes. It is all very well to speak in vague, general terms about the "injustice" of permitting one man to have vast wealth merely because he happens to have the right parents while another with equal or greater ability, energy and willingness to work must suffer under the handicaps of relative poverty. The trouble is that it is the economic consequences to us all of the system which must concern us—not sympathy with or prejudice against any individual or group of individuals.

Every one knows that existing laws placing taxes upon the accumulations of the deceased, have drastic consequences upon the activities of individuals who have accumulated wealth, and consequently upon the employment of capital. Any man in this country who has reached middle age or passed it must, if he has accumulated or owns more than a modicum of wealth, manage his affairs with an eye upon what is likely to happen to his estate rather than upon what he himself might turn this wealth to for the benefit of himself and the country.

This notion of striking down the able and the successful to help the less fortunate or of taking from the former and giving to the latter—this "gallant" impulse to come to the aid of the economic underdog—is having far-flung effects in many fields. We should do well to consider our future course with great care.

Continued from page 19

The Gold Standard—No Crown of Thorns

many and France for example, have brought innumerable corporations to bankruptcy and disaster.

In recent years even the economic messages of the President of the United States have been forced to include adjustments for the fluctuations of the dollar in the hope of thereby presenting more nearly a discussion of economic reality. But all too few who read and use such figures realize how greatly the statisticians themselves distrust the adjustments that they have been forced to make and how serious the distortions still may be even after honest and painstaking attempts to present the truth have been made.

In the long run, the inevitable distortions of economic value judgments is reflected in the attitudes of individuals and business organizations. Expedient adaptation to the exigencies of the near future becomes the dominating policy; long-range considerations are forgotten or disregarded. When such viewpoints predominate, will the nation be able to survive?

Removal of the Veil That Conceals Basic Economic Problems

Another economic benefit that would result from returning to the gold standard would be removal of a veil, so to speak, that conceals from most men the nation's basic economic problems. Removing the veil called the money illusion would not guarantee that the basic economic ills would be observed, much less remedied, by those in a position to correct them, but there is no reason to hope for wise corrective action until the nature of those ills can be more readily seen.

For example, the nature and potential harmful effects of monopoly privilege for organized labor in basic industries may not be understood by the general public as long as the subtle embezzlement facilitated by a depreciating dollar makes possible concessions to labor's demands. While the process goes on, however, the monopoly becomes more firmly entrenched and more determined to get an increasing share of the wealth produced. The longer the basic issue is postponed, the more difficult and disruptive the final settlement probably will be.

Of even greater importance is the existence of another type of widespread economic privilege in our society, privilege that inevitably results in a partial loss of economic freedom by large numbers of American citizens. Men are free to the extent that the culture or society in which they live permits them to plan and choose their goals, provides equality of opportunity to act effectively in pursuit of those goals, and permits them to retain the fruits of their labors. There is much evidence to indicate that increasing departure from economic freedom is destroying Western civilization, including our own country, but the economic relationships involved are so obscured by the veil of manipulated money that all too few have any understanding of what is perhaps the nation's greatest economic problem.

Another major economist problem is concerned with the wise operation of the money-credit system. Serious abuse of this important segment of our economic mechanism often has occurred during the nation's history with most unfortunate consequences. The absence of the gold standard encourages and facilitates much more extensive abuse of the money-credit mechanism and may conceal the fact that serious harm is being done until too late to correct the situation. Resumption of the gold standard would at least shorten the credit rope with which we have tried periodically to hang ourselves. (The advantage of being hung by a short rather than a long rope, from an economic as well as from a physiological point of view, is that the victim may be cut down and resuscitated if the fall has not been too great.)

Facilitating Long-Term Industrial Progress

But of all the benefits to be expected from a return to the gold standard, perhaps the most important in times like the present and foreseeable future would be the restoration of the most rapid rate of long-term industrial growth that our economy can sustain. I do not mean to imply that resumption of the gold standard alone would insure such a highly desirable outcome (desirable because future military strength will, even more than in the recent past, depend on the nation's industrial progress); but failure to resume the gold standard almost certainly will prevent the optimum rate of economic growth.

Resumption of the gold standard would, in all probability, substitute for the continuing rise in prices that reflects a depreciating currency a long-term downward trend of prices that probably would continue for many years as the inflationary purchasing media now in circulation were slowly eliminated. That a long-term downward trend of prices could be a greater aid to industrial progress than continually rising prices may surprise many who have accepted the widely publicized notion that the reverse is true. In recent years, economists in academic and government circles who apparently have influenced the nation's policies have repeatedly assured the public that an upward trend of prices is most conducive to rapid economic progress.

However, as has been true of many widely accepted notions, the idea that perpetually rising prices are better than falling prices in the interests of an expanding economy seems to have no basis in recorded economic experience and lacks even theoretical justification. As far as I can discover, the only seemingly valid argument in support of it is based on the fact that prices usually rise during the recovery phases of business-cycle changes. But business cycles are short-term changes; and even if rising prices are in some important way a **cause** of revivals from cyclical depressions, the more extreme the cyclical changes, the greater the interference with industrial progress in the long run. Many people forget that in the severe depressions that follow the extreme booms a substantial portion of the economic factors of production are idle and an absolute and irretrievable loss of possible progress occurs. We must turn to other considerations if we would know the truth about the relation between rising or falling prices in the **long run** and economic progress.

First, what light can be obtained from a brief review of the relationships that appear to be involved? Industrial progress results from taking advantage of the scientific and technological advances that make possible more effective use of the three basic factors of production, land, labor, and capital. Now the scientific and technological advances are not distributed uniformly over all industries or even all types of industries, nor are they uniformly distributed over all the companies in any one industry. Therefore, in order to derive the utmost industrial advantage from new developments, land, labor, and capital **must** be shifted from those companies, industries, and types of industries where the scientific and technological advance is slowest or nonexistent and must be moved into the companies and industries where the technological advance happens to be most rapid and most fruitful at particular times.

As it happens, only one effective way to judge the relative economic worth of various technological changes has been discovered, and that is the test of relatively free competitive markets. Continually rising prices induced by progressive inflation as a long-run policy have the effect of permanently distorting the markets as long as the policy is continued. Under such circumstances, Company A, if it is **leading** the technological advance, will enjoy not only the profits attributable to that leadership but also the "windfall" profits attributable to inflation. Company B, if it is **lagging** in the technological advance, might be experiencing **losses** in the absence of inflation, but under the conditions assumed might be able to report profits in spite of its inability to keep up with the technological progression.

Under the circumstances just described, what will happen? The management of Company A will of course try to expand rapidly and will have large profits available that can be used for that purpose. But A can expand its plant and labor force only by bidding a higher price for the three economic factors than B can. If B is encouraged by inflationary profits to continue its existing rate of operations or perhaps even to expand somewhat, from what source can A get natural resources or material, labor, and physical capital? Of course, **idle** resources, labor, and capital may be available, but after they are drawn into production, what then? As long as Company B (or industry B) is **not**

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releasing material, labor, and capital, that is, as long as Company B (or industry B) **retains** all of its original **real** economic factors of production, how can any portion of them be shifted to Company A (or industry A)?

We should expect industrial growth to be hampered by the conditions just described. Some of the progressive companies presumably would succeed in acquiring new plant and equipment by bidding high for materials and labor, but the effect will be to burden those companies with large fixed charges (both depreciation and interest on large borrowings) with the result that the bankruptcies among such companies will be more extensive than they otherwise would be during periods of depression. Surely, it is obvious that from any stagnant companies and industries continued in operation resources cannot be shifted to more effective uses.

On the other hand, when technological progress is reflected in a price level **not** artificially supported by inflationary monetary manipulation and accompanying currency depreciation, we should expect the long-term trend of prices to be downward, gradually perhaps, but nevertheless downward. And the absence of inflation accompanied by a downward trend of prices will prevent windfall profits to the lagging companies and industries, which will experience losses. Such concerns will thus be **forced** to release land, labor, and capital to other uses. And the progressive companies, instead of being required to bid extravagantly for nonexistent or extremely limited supplies of raw materials, labor, and capital will find these essential factors available at reasonable prices. The shifts that **must** be made if industrial progress is to be at the optimum rate will then be readily effected. Surely there are few facts more obvious than that the price of progress is change.

So much for the theoretical aspects of the problem. Is there any proof that the reasoning offered is sound? For what it may be worth, we have the following:

In 1879, 14 years after the end of the Civil War, the United States returned to the gold standard. For the decade of the 1870s, the average level of commodity prices measured by one comprehensive index was 117.5. For the three successive five-year periods beginning with 1880-84, the average levels of commodity prices measured by the same index were 101, 84 and 78. The price decline was almost continuous, and by the end of the 15-year period following 1879, prices were down 40% from the average level for the 1870s.

During the same period industrial production increased at the most rapid rate for the most prolonged period in the nation's history. Specifically, if the average physical volume of manufacturing production for the 1870s be considered the base or 100% level, the index numbers for the average years for the next three successive five-year periods were 158, 196 and 245. In 15 years the gain was 145%. Moreover, for 11 of the 15 years industrial production remained well above the estimated long-term trend. And these developments occurred in spite of widespread fears that resumption of the gold standard would be calamitous and that a prolonged fall of prices must inevitably be accompanied by industrial stagnation. When redemption of the currency in gold on demand was resumed in 1879, the government had not even one-hundredth of the gold reserve that it has today.

Lest the foregoing be misunderstood, I should make clear that the figures just presented are **not** offered as conclusive proof that the preceding theory is sound. But I think that the facts of history do justify the assertion that the burden of proof rests on those who sponsor and defend the nation's recent monetary policies, who urge that prolonged inflation and a permanently rising trend of prices will insure the most rapid long-term industrial progress.

Finally, with all of the foregoing considerations in mind, we have a right, even a duty, to ask the proponents of the rubber dollar. Are you not denying to your own country the known and demonstrable benefits of a sound monetary system; are you not jeopardizing the very industrial progress on which the survival of this nation in a possibly hostile world will have to depend; are you not betraying the last best hope of men for a better world?

Continued from page 14

The Economic and Political Importance of Our Import Trade

decide in what markets they wish to keep their products before the public, awaiting the return of better times.

The More Remote Future

In order to estimate better what the more distant future holds in store for our export trade, it seemed advisable to take a look at the past, so I have had export and import figures taken off periodically between 1801 and 1951, and adjusted to the 1951 price level, in order to get a rough picture of the rate of increase over the years. In 1801, the year when Jefferson began negotiations for the purchase of what we know today as the Middle West and the Middle South, the value of our exports was just under 1% of last year's. By 1850, they had increased about 3½ times, to $500 million. Between 1850 and the Spanish American War, they increased nine-fold, to about $4½ billion (1951 prices)—a rather amazing accomplishment, especially considering that the Civil War caused a tremendous setback for a number of years. This was, however, the period of the Free Homestead Act, of the opening up of the West, of the transcontinental railways, and of industrialization.

During the first part of the present century, the rate of increase became slower and by 1928, exports stood at about $9½ billion (1951 prices), a little more than double the 1898 figure.

The '30s, as we see them now from the perspective of more than a decade, was a period of anarchy in international trade, to which we contributed our share through the Hawley-Smoot Tariff, farm price support, and our further progress towards self-sufficiency. Abroad, similar policies were being followed. Most countries were afraid to change their pattern of trade and production for fear of adding to unemployment. This period showed quite clearly how seriously a recession affects foreign trade, and even by 1938, our exports were running around $2½ billion less than those of 1928. By 1948, however, they had jumped sharply to around $14 billion, and by 1951, to $15 billion. However, if we make the comparison with the 1928 figure, it becomes apparent that the net increase in our exports for the 20-year period following 1928 was just about equal to the amount of our foreign aid. Furthermore, we see that our large favorable trade balances in recent years have just about been offset by grants. Does this mean then that our export trade is going to level off? Not necessarily, because we all know where there would be plenty of markets for plenty of American products, if the dollars and the import permits were available—not to mention the natural upward trend in exports caused by increases in population and improvements in standards of living. It does mean, however, that unless we are willing to continue to give away billions each year indefinitely, our export trade will probably not only not increase but will doubtless shrink, except as we are willing and able to increase substantially the supply of dollars which friendly nations must have in order to pay for their purchases from us. Three of the most important ways in which we can increase the supply are, of course, increased foreign travel, foreign investments and imports of merchandise.

Possibilities of Creating More Dollars in Foreign Lands

Let us examine then, the possibility of creating enough dollar purchasing power in these three ways to offset foreign economic aid. (The export of military end products valued at about $1.7 billion last year, and estimated at $4 billion this year, can be left out of consideration for our purposes.)

First, how much could increased foreign travel produce? All of us are doubtless in favor of seeing our tourists going abroad in increasing numbers. It is the best possible proof of the success of our free enterprise system, and it tends towards a better understanding among friendly peoples. The advertising fraternity is, of course, definitely interested in increasing foreign travel. Government calculations show that last year our tourists spent around $733 million abroad, while foreigners spent about $444 million here, so that the net increase in the supply of dollars to foreign nations from this source was nearly $300 million. The number of people who can afford to travel is increasing rapidly, and barring an all-out war, a war scare, or a serious recession, the amount spent by our tourists should tend to increase. However, it is hard to believe that this increase could amount to more than a very few hundred million at the outside, within the foreseeable future—an appreciable amount to be sure, but only a fraction of say, $3 or $4 billion.

Foreign Investments

All of us would also doubtless like to see a sharp increase in this field. However, the possibility of war, outbreaks of nationalism in various forms in various countries, acute inflation and a fear of further currency devaluation in others—to mention only some of the deterrents—tend to make the immediate outlook none-too-promising — worldwide — for the time being. Government calculations show our new foreign investments last year at around $700 million. While present conditions in many countries are not propitious for many new American investments, these are continuing in other areas, and even increasing sharply in some where the climate is especially favorable. Under the circumstances, it is hard to visualize an increase of more than a very few hundred million dollars a year, at the outside, in new foreign investments within the foreseeable future.

Therefore, since it does not look as though foreign travel, plus long-term investment abroad, is likely to exceed last year's figure by more than, say $1½ billion, or perhaps $¾ billion annually, it becomes quite clear that if we are to increase, or even maintain, our export level over the next few years, we must find a way to increase our imports substantially. It goes without saying, that to achieve this, will require the combined effort and ingenuity of all export, as well as import, organizations, plus that of government representatives interested in this problem, plus the same effort and ingenuity of friendly countries, many of whom must not only develop new products for the U. S. market, but must also control inflationary pressures in order to produce in sufficient volume to provide for increased exports. Covering the dollar gap is no doubt one of the world's most challenging economic problems today. For us, it is not only a matter of business, it is a prime security problem in helping friendly countries maintain their economic stability through providing them with means of payment for products which they require.

Why Are We Limiting Imports?

Our increased self-sufficiency during World War II, together with the recent development of substitutes for products like rubber, wool, jute, etc., makes it difficult enough for us to increase our imports, but other forces now at work make it even more difficult. In the last year or so, despite our announced policy of liberalization of trade, and despite our insistence that other countries do likewise and that they also develop new products for the American market, we have taken a number of steps that have limited or prohibited a number of imports even from some of our best friends. In certain of these cases such limitation or prohibition has been hidden away in a bill of an entirely different complexion. Such action is hardly in accordance with our best traditions and will certainly not inspire confidence in our leadership.

The National Council of American Importers was among the first to be concerned about this trend. They have argued against such measures in Washington, and have made arrangements for a coordinated protest, when similar measures threaten in the future, from organizations throughout the country interested in foreign trade. The position that they have taken appears to be a sound one, and has been expressed by Mr. Harry S. Radcliffe, their Executive Vice-President, in the following terms: "The National Council of American Importers has always taken the position that every American industry—agricultural, industrial or mining—which is efficiently and economically operated and which is serving the consumer needs of all income classes in the United States, is entitled to protection against destructive competition in the form of cheap or sub-standard imports. Our organization strongly objects, however, to ill-considered 'sneak legislation' and hidden protective devices. If any domestic industry sincerely believes that the imports of competitive products are likely to cause it real injury, there are ample provisions in our present laws enabling that industry to present its case to the proper authorities. Our chief interest in this situation is that the case be presented on its merits rather than in a smoke-filled room and that an adequate public hearing be held where both the domestic industry and the importers, as well as representatives of the American consumer, shall have a full opportunity to present factual information and put their cards on the table."

Several friendly nations are complaining bitterly that we are setting up bars against their goods at a time when they are making strenuous efforts to pay their way and to be effective allies, strong both militarily and economically. It would be most unfortunate if our actions should start a retaliatory tariff war at this particular time when the Kremlin is doing its best to lure Western traders into Soviet markets.

The Italian memorandum received by our State Department stresses that despite the hopes that a new trend in U. S. foreign trade policies was here to stay, there have been "indications in recent months that, while the American Government continues to be fully committed to the principle of trade liberalization, renewed recourse is being made to restrictive practices, and that the inconsistencies between principle and practice, far from disappearing, are once more increasing." This trend is viewed by the Italian Government with "considerable alarm" and as "a matter of major concern." Attention is called to the fact that in 1951 Italian imports from the United States exceeded exports by over 6-to-1.

A New York "Times" editorial of April 20 discussed this problem in rather striking terms, and I take the liberty of quoting from it: "One need not be alarmist to understand that a continuation of these trends bodes ill for the unity and strength of the Free World. Every United States policy that puts the interest of a small domestic group above those of foreign countries provides welcome ammunition for Moscow and for anti-American forces in non-Communist lands. It provides helpful evidence for those groups' claims that this country preaches freer trade for others, not for ourselves, that we are economic imbeciles who think we can export without importing, that we are interested only in flooding foreign markets with our goods and are callous toward our friends' needs for markets here.

"No wonder that the State Department is worried about this resurgence of protectionism in this greatest of creditor nations. Secretary Acheson has sounded off several times against these restrictive trade practices; his words bear repetition:

"'If the joint defense effort is to be strong enough to stem Soviet aggression, independent nations must act together, each utilizing its resources, plants and manpower in the most economic manner. This will not occur by itself. It requires cooperative action and bold leadership. . . It is up to Congress to provide the American portion of the cooperative action and bold leadership Secretary Acheson called for.'"

Now, to conclude:

In the foregoing, I have endeavored to establish the premise that over a period we cannot sell more than we buy, that we cannot prosper by giving goods away indefinitely, and that we must increase our imports if we want to maintain or increase our exports. If this premise appears sound to your association, the question arises, what can you do about it? (1) It would be helpful if your association would see fit to cooperate with other trade organizations who believe in this premise, and who are working to implement it. (2) One of your members has suggested to me that during this readjustment period, some of your firms might do promotion work for new products from foreign countries on more of a missionary basis than you normally would. That would also help. But if such a program is ever to become really effective in this country, the American public will have to be convinced of its soundness. Who better than the advertising fraternity to sell public opinion on the need to import, not merely to maintain export business with the resultant work for our factories and our farms, but also to help keep the Iron Curtain from moving closer?

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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)	May 18	100.3	85.5	98.1	103.9
Equivalent to—					
Steel ingots and castings (net tons)	May 18	2,084,000	1,775,000	2,038,000	2,077,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 3	6,295,800	6,370,800	6,376,750	6,174,200
Crude runs to stills—daily average (bbls.)	May 3		¶6,600,000	6,557,000	
Gasoline output (bbls.)	May 3		20,903,000	21,410,000	
Kerosene output (bbls.)	May 3	not available	2,517,000	2,598,000	not available
Distillate fuel oil output (bbls.)	May 3		9,236,000	9,434,000	
Residual fuel oil output (bbls.)	May 3		9,034,000	8,865,000	
‡ Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	May 3		155,367,000	158,431,000	
Kerosene (bbls.) at	May 3	not available	18,546,000	16,533,000	not available
Distillate fuel oil (bbls.) at	May 3		51,274,000	48,827,000	
Residual fuel oil (bbls.) at	May 3		38,526,000	36,565,000	
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 3	744,592	779,402	707,142	803,337
Revenue freight received from connections (no. of cars)	May 3	659,925	652,363	658,406	701,382
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	May 8	$315,093,000	$288,192,000	$228,502,000	$294,770,000
Private construction	May 8	145,158,000	152,267,000	87,549,000	174,824,000
Public construction	May 8	169,935,000	135,925,000	140,953,000	119,946,000
State and municipal	May 8	119,605,000	70,209,000	81,360,000	90,851,000
Federal	May 8	50,330,000	65,716,000	59,593,000	29,095,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 3	8,550,000	*9,750,000	8,145,000	9,690,000
Pennsylvania anthracite (tons)	May 3	811,000	983,000	546,000	749,000
Beehive coke (tons)	May 3	79,900	*113,100	109,000	137,400
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 3	111	105	109	113
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	May 10	7,030,000	*6,948,598	7,154,289	6,566,813
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	May 8	161	150	184	181
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	May 6	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	May 6	$52.77	$52.72	$52.72	$52.69
Scrap steel (per gross ton)	May 6	$42.00	$42.00	$42.00	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	May 7	24.200c	24.200c	24.200c	24.200c
Export refinery at	May 7	27.425c	27.425c	27.425c	27.425c
Straits tin (New York) at	May 7	121.500c	121.500c	121.500c	142.000c
Lead (New York) at	May 7	17.000c	18.000c	19.000c	17.000c
Lead (St. Louis) at	May 7	16.800c	17.800c	18.800c	16.800c
Zinc (East St. Louis) at	May 7	19.500c	19.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	May 13	99.20	98.98	97.44	97.34
Average corporate	May 13	110.34	110.34	110.15	111.62
Aaa	May 13	114.66	114.66	114.27	115.43
Aa	May 13	113.12	113.12	112.93	114.46
A	May 13	109.42	109.60	109.24	110.70
Baa	May 13	104.48	104.14	104.31	106.04
Railroad Group	May 13	107.62	107.62	107.09	108.16
Public Utilities Group	May 13	109.79	109.60	109.60	111.44
Industrials Group	May 13	113.70	113.70	113.70	115.24
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	May 13	2.55	2.57	2.67	2.68
Average corporate	May 13	3.15	3.15	3.16	3.08
Aaa	May 13	2.92	2.92	2.94	2.88
Aa	May 13	3.00	3.00	3.01	2.93
A	May 13	3.20	3.19	3.21	3.13
Baa	May 13	3.48	3.50	3.49	3.39
Railroad Group	May 13	3.30	3.30	3.33	3.27
Public Utilities Group	May 13	3.18	3.19	3.19	3.09
Industrials Group	May 13	2.97	2.97	2.97	2.89
MOODY'S COMMODITY INDEX	May 13	431.1	433.2	435.0	502.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 3	256,873	183,440	271,607	379,141
Production (tons)	May 3	199,614	206,373	201,244	252,896
Percentage of activity	May 3	82	83	83	107
Unfilled orders (tons) at end of period	May 3	417,564	363,178	447,663	771,457
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE = 100	May 9	140.7	140.6	140.7	153.9
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. 26	28,355	26,180	29,184	31,997
Number of shares	Apr. 26	808,378	750,793	834,611	960,080
Dollar value	Apr. 26	$36,359,544	$45,718,392	$39,338,464	$43,603,485
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Apr. 26	22,895	25,988	24,766	29,541
Customers' short sales	Apr. 26	177	192	152	222
Customers' other sales	Apr. 26	22,718	26,180	24,614	29,319
Number of shares—Total sales	Apr. 26	657,482	741,786	697,299	820,862
Customers' short sales	Apr. 26	8,064	9,007	4,593	7,839
Customers' other sales	Apr. 26	649,418	750,793	692,706	813,023
Dollar value	Apr. 26	$28,108,492	$32,480,652	$31,192,645	$34,634,428
Round-lot sales by dealers—					
Number of shares—Total sales	Apr. 26	168,040	193,180	181,280	242,450
Short sales	Apr. 26	------	------	------	------
Other sales	Apr. 26	168,040	193,180	181,280	242,450
Round-lot purchases by dealers—					
Number of shares	Apr. 26	348,230	443,100	342,130	392,270
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	Apr. 19	299,230	174,870	217,440	308,600
Other sales	Apr. 19	8,376,390	5,137,460	6,807,840	8,294,640
Total sales	Apr. 19	8,675,720	5,312,330	7,025,280	8,603,240
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Apr. 19	944,200	528,160	702,320	849,510
Short sales	Apr. 19	157,040	95,540	117,680	159,790
Other sales	Apr. 19	837,200	453,520	582,350	683,790
Total sales	Apr. 19	994,240	549,060	700,030	843,580
Other transactions initiated on the floor—					
Total purchases	Apr. 19	230,800	109,700	165,410	209,980
Short sales	Apr. 19	24,400	6,700	8,100	18,100
Other sales	Apr. 19	283,300	117,900	220,280	220,010
Total sales	Apr. 19	307,700	124,600	228,380	238,110
Other transactions initiated off the floor—					
Total purchases	Apr. 19	327,365	263,396	249,198	318,334
Short sales	Apr. 19	41,200	31,060	44,400	59,030
Other sales	Apr. 19	419,125	242,417	294,255	456,250
Total sales	Apr. 19	460,325	273,477	338,655	515,280
Total round-lot transactions for account of members—					
Total purchases	Apr. 19	1,502,365	901,256	1,116,928	1,377,824
Short sales	Apr. 19	222,640	133,300	170,180	236,920
Other sales	Apr. 19	1,539,625	813,837	1,096,885	1,360,050
Total sales	Apr. 19	1,762,265	947,137	1,267,065	1,596,970
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	May 5	111.3	111.2	111.6	------
Farm products	May 5	107.1	106.7	107.4	------
Processed foods	May 5	108.4	107.4	107.9	------
Meats	May 5	113.1	110.7	110.9	------
All commodities other than farm and foods	May 5	112.9	113.0	113.2	------

*Revised. †Not available. ‡On new basis. §Preliminary figure. ¶Includes 546,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of March	77,069	*72,374	70,022
Stocks of aluminum (short tons) end of Mar.	11,171	*9,547	12,043
AMERICAN GAS ASSOCIATION — For month of March:			
Total gas (M therms)	5,344,248	5,310,329	4,741,471
Natural gas sales (M therms)	4,967,096	4,931,182	4,377,583
Manufactured gas sales (M therms)	151,261	154,693	224,333
Mixed gas sales (M therms)	225,891	224,454	139,550
AMERICAN PETROLEUM INSTITUTE—Month of February:			
Total domestic production (bbls. of 42 gallons each)	202,724,000	211,770,000	181,672,000
Domestic crude oil output (bbls.)	184,654,000	192,712,000	166,041,000
Natural gasoline output (bbls.)	18,049,000	19,035,000	15,622,000
Benzol output (bbls.)	21,000	23,000	9,000
Crude oil imports (bbls.)	14,228,000	15,123,000	13,096,000
Refined products imports (bbls.)	13,032,000	14,343,000	13,143,000
Indicated consumption domestic and export (bbls.)	236,998,000	261,965,000	218,750,000
Decrease all stocks (bbls.)	7,014,000	20,729,000	10,839,000
AMERICAN ZINC INSTITUTE, INC.—Month of April:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	83,011	85,028	77,862
Shipments (tons of 2,000 lbs.)	85,592	85,575	74,419
Stocks at end of period (tons)	23,423	26,004	14,548
Unfilled orders at end of period (tons)	56,838	66,620	77,293
COKE (BUREAU OF MINES)—Month of Mar.:			
Production (net tons)	6,763,216	*6,358,715	6,683,119
Oven coke (net tons)	6,204,011	5,769,909	6,041,790
Beehive coke (net tons)	559,205	*588,806	641,329
Oven coke stocks at end of month (net tons)	1,831,975	1,765,363	1,265,889
COTTON GINNING (DEPT. OF COMMERCE)			
Running bales final report	15,057,926	------	9,907,918
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—(1947-49 Average = 100 Month of April:			
Adjusted for seasonal variations	104	105	104
Without seasonal adjustment	104	92	99
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of March:			
Death benefits	$155,851,000	$148,934,000	$153,724,000
Matured endowments	41,738,000	38,984,000	47,349,000
Disability payments	8,351,000	8,273,000	8,682,000
Annuity payments	30,826,000	28,819,000	29,773,000
Surrender values	57,169,000	50,648,000	55,392,000
Policy dividends	72,489,000	53,980,000	71,371,000
Total	$366,424,000	$329,638,000	$366,291,000
METAL PRICES (E. & M. J. QUOTATIONS)—			
Average for month of April:			
Copper (per pound)—			
Electrolytic domestic refinery	24.200c	24.200c	24.200c
Electrolytic export refinery	27.425c	27.425c	24.425c
Lead (per pound)—			
Common, New York	18.923c	19.000c	17.000c
Common, St. Louis	18.723c	18.800c	16.800c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	88.000c	88.000c	90.160c
Silver, London (pence per ounce)	77.000d	77.000d	78.500d
Sterling Exchange (Check)	$2.80722	$2.79738	$2.80000
Zinc (per pound)—East St. Louis	19.500c	19.500c	17.500c
Tin (per pound)—			
New York Straits	121.500c	121.500c	145.735c
§§New York, 99% min.	120.500c	120.500c	144.735c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$203.769	$207.000	$215.600
¶Antimony (per pound) (E. & M. J.)	52.196c	53.350c	45.298c
Antimony (per pound) bulk, Laredo	48.846c	50.000c	42.000c
Antimony (per pound) in cases, Laredo	49.346c	50.500c	42.000c
Platinum, refined (per ounce)	$90.000	$90.000	$90.000
†Cadmium (per pound)	$2.55000	$2.55000	$2.55000
‡Cadmium (per pound)	$2.67500	$2.67500	$2.67500
§Cadmium (per pound)	$2.80000	$2.80000	$2.80000
Cobalt, 97%	$2.40000	$2.40000	$2.10000
Aluminum, 99% plus, ingot (per pound)	19.000c	19.000c	19.000c
Magnesium, ingot (per pound)	24.500c	24.500c	24.500c
**Nickel	56.500c	56.500c	50.500c
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of April	£157,743,000	£2,337,000	£1,639,000
PORTLAND CEMENT (BUREAU OF MINES)— Month of March:			
Production (barrels)	18,095,000	16,545,000	18,708,000
Shipments from mills (barrels)	15,993,000	14,362,000	17,678,000
Stocks (at end of month—barrels)	26,621,000	24,519,000	23,250,000
Capacity used	78%	76%	82%
RAILROAD EARNINGS — CLASS I ROADS (ASSOCIATION OF AMERICAN RRS.)— Month of March:			
Total operating revenues	$875,471,342	$844,966,485	$875,600,318
Total operating expenses	675,135,230	649,686,754	677,758,046
Operating ratio	77.12%	76.89%	77.40%
Taxes	$109,556,719	$105,892,108	$101,436,762
Net railway operating income before charges	76,638,824	75,894,510	80,312,076
Net income after charges (est.)	51,000,000	50,000,000	54,000,000
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS—Month of March: (000's omitted):			
Exports	$1,417,000	$1,328,000	$1,285,000
Imports	963,000	892,100	1,099,903
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of April 30	$258,336,729	$258,124,087	$254,747,776
General fund balance	5,393,398	6,840,071	6,955,474
Net debt	$252,943,331	$251,284,016	$247,792,302
Computed annual rate	2.309%	2.314%	2.243%
U. S. GOVT. STATUTORY DEBT LIMITATION As of April 30 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	258,292,339	258,083,504	254,727,111
Guaranteed obligations not owned by the Treasury	44,389	40,582	20,665
Total gross public debt and guaranteed obligations	$258,336,729	$258,124,087	$254,747,776
Deduct—other outstanding public debt obligations not subject to debt limitation	647,852	651,347	690,427
Grand total outstanding	$257,688,877	$257,472,739	$254,057,349
Balance face amount of obligations, issuable under above authority	17,311,122	17,527,260	20,942,650
WINTER WHEAT AND RYE—U. S. DEPT. OF AGRICULTURE—As of May 1, 1950:			
Winter wheat—Production	986,468,000	946,845,000	645,469,000
Rye—Production	17,795,000	------	21,410,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five tons or more but less than carload lot packed in cases, f.o.b. New York. **F.O.B. Port Colburne, N. S., U. S. duty included. §§Tin contained. ‡‡Decrease all stocks.

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Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Aluminum Co. of Canda, Ltd. (5/21)
April 29 filed $90,000,000 of sinking fund debentures due 1970 (to be guaranteed by Aluminium, Ltd., parent, and payable in U. S. dollars). **Proceeds**—For expansion. **Underwriter**—The First Boston Corp., New York.

• American Can Co.
April 17 filed 989,599 shares of common stock (par $12.50) being offered for subscription by common stockholders at rate of one such share for each 10 shares held as of May 8; rights to expire May 26. **Price**—$26.25 per share. **Proceeds**—For expansion and working capital. **Underwriters**—Morgan Stanley & Co. and Clark, Dodge & Co., New York.

American Hard Rubber Co.
March 28 filed 96,655 shares of common stock (par $12.50) to be offered for subscription by stockholders at rate of one new share for each four shares of preferred stock or two shares of common stock held (with oversubscription privileges). **Price**—To be supplied by amendment. **Proceeds**—For plant additions and construction. **Underwriter**—Blair, Rollins & Co. Inc., New York. **Offering**—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. Statement effective April 21.

★ Andowan Mines, Ltd., Port Arthur, Ont., Canada
May 8 filed 500,000 shares of common stock (par $1). **Price**—38 cents per share. **Proceeds**—For exploratory drilling and improvement on present holdings. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

★ Apex Smelting Co., Chicago, Ill.
May 7 (letter of notification) 3,500 shares of common stock (par $10). **Price**—At not less than 95% of fair market value at time of offering (estimated at between $30 to $35 per share). **Proceeds**—For working capital. **Office**—2537 W. Taylor Street, Chicago, Ill. **Underwriter**—None.

Arkansas Oil Ventures, Inc., Oklahoma City, Okla.
April 22 (letter of notification) 1,999,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For drilling expenses and working capital. **Underwriter**—Tellier & Co., New York.

★ Army Times Publishing Co., Washington, D. C.
May 2 (letter of notification) $150,000 of 6% convertible debentures. **Price**—At par (in denominations of $100 each). **Proceeds**—For expansion and improvements. **Office**—3132 M Street, N. W., Washington, D. C. **Underwriter**—None.

• Ashland Oil & Refining Co.
April 16 filed 599,560 shares of no par value $1.50 cumulative second preferred stock, series of 1952, convertible prior to June 15, 1962. They are initially offered for subscription by common stockholders of record May 6 on a 1-for-9 basis, with rights to expire on May 22. **Price**—$30 per share. **Proceeds**—For capital additions and improvements and working capital. **Underwriter**—A. G. Becker & Co., Inc., Chicago, Ill. Statement effective May 6.

★ Babbitt (B. T.), Inc.
May 9 (letter of notification) 9,670 shares of common stock (par $1). **Price**—At market (about $7.12½ per share). **Proceeds**—To Elizabeth M. Blatner, the selling stockholder. **Underwriter**—None, but Bache & Co., New York, will act as broker.

• Bingham-Herbrand Corp.
March 19 filed $2,000,000 convertible debentures due April 1, 1964. **Price**—To be supplied by amendment. **Proceeds**—To repay short-term loans, and for other corporate programs. **Underwriters**—Straus, Blosser & McDowell, Chicago, Ill. Request to withdraw statement filed May 5. Arrangement being made with insurance company for private placement.

★ Black (Albert) Television Productions, Inc., N. Y.
May 6 (letter of notification) 1,998,000 shares of common stock (par 1 cent). **Price**—15 cents per share. **Proceeds**—For production expenses and working capital. **Underwriter**—Royal Securities Corp., New York. **Offering**—Now being made.

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NEW ISSUE CALENDAR

May 19, 1952

Central Vermont Public Service Corp.____Bonds & Common
(Bids 11 a.m. EDT on bonds; 11:30 a.m. EDT on stock)

Davison Chemical Corp.____Preferred
(Alex. Brown & Sons)

May 20, 1952

Hammermill Paper Co.____Common
(A. G. Becker & Co. Inc.)

Husky Oil Co., Cody, Wyo.____Common
(Blyth & Co., Inc.)

Island Air Ferries, Inc.____Common
(Hunter Securities Corp.)

National Fuel Gas Co.____Debentures
(Bids noon EDT)

May 21, 1952

Aluminum Co. of Canada, Ltd.____Debentures
(The First Boston Corp.)

Daitch Crystal Dairies, Inc.____Common
(Hirsch & Co.)

Iowa Power & Light Co.____Bonds
(Bids 11 a.m. CDT)

May 22, 1952

Kwikset Locks, Inc.____Common
(Paul H. Davis & Co. and Lester, Ryons & Co.)

Seaboard Air Line RR.____Equip. Trust Ctfs.
(Bids noon EDT)

May 26, 1952

Dallas Power & Light Co.____Preferred
(Bids noon EDT)

Virginia Electric & Power Co.____Common
(Stone & Webster Securities Corp.)

May 27, 1952

National Steel Corp.____Bonds
(Kuhn, Loeb & Co., Harriman Ripley & Co., Inc. and The First Boston Corp.)

New British Dominion Oil Co., Ltd.____Common
(Allen & Co.)

Tennessee Gas Transmission Co.__Preferred & Com.
(Stone & Webster Securities Corp. and White, Weld & Co.)

May 28, 1952

Buffalo-Eclipse Corp.____Common
(Van Alstyne Noel Corp.)

Long Island Lighting Co.____Preferred
(W. C. Langley & Co.)

May 29, 1952

Burroughs Adding Machine Co.____Debentures
(Lehman Brothers)

June 2, 1952

Metals & Chemicals Corp., Dallas, Tex.____Common
(Beer & Co.)

June 3, 1952

Baltimore & Ohio RR.____Equip. Trust Ctfs.
(Bids noon EDT)

Consolidated Natural Gas Co.____Common
(Offering to stockholders)

Tampa Electric Co.____Preferred & Com.
(Bids 11 a.m. EDT)

June 4, 1952

Northern States Power Co.____Common
(Bids 10:30 a.m. CDT)

June 10, 1952

Kansas Gas & Electric Co.____Bonds & Stock
(Bids noon EDT on bonds; 10:30 a.m. EDT on stocks)

Northern States Power Co.____Bonds
(Bids 10:30 a.m. CDT)

June 17, 1952

American Gas & Electric Co.____Debs. & Common
(Bids to be invited)

Boston Edison Co.____Bonds
(Bids to be invited)

Kentucky Utilities Co.____Bonds
(Bids to be invited)

Public Service Co. of Indiana, Inc.____Preferred
(Blyth & Co., Inc.)

Public Service Electric & Gas Co.____Debentures
(Bids to be invited)

June 24, 1952

Gulf Power Co.____Bonds
(Bids to be invited)

Public Service Co. of Indiana, Inc.____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)

July 18, 1952

Southern Co.____Common
(Bids 11:30 a.m. EDT)

★ Blackwood & Nichols Co., Oklahoma City, Okla., and Davidson, Hartz, Hyde & Dewey, Inc., Madison, N. J.
May 8 filed $500,635.08 aggregate amount of 359 working interests in oil and gas leases to be offered "as a speculation." **Proceeds**—For drilling expenses. **Underwriter**—None.

★ Bremer (Sidney N.) Industries, Inc., Marietta, Ga.
May 6 (letter of notification) 500 shares of common stock and 500 shares of preferred stock. **Price**—$100 per share. **Proceeds**—To improve real estate and expand facilities. **Office**—716 Roswell Street, Marietta, Ga. **Underwriter**—None.

Bridgeport Brass Co., Bridgeport, Conn.
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 at rate of one preferred share for each seven and one-half shares of common held. **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. **Offering**—Indefinitely postponed. **Meeting**—Stockholders to vote May 26.

★ Bucyrus-Erie Co., So. Miwaukee, Wis.
May 5 (letter of notification) 1,003 shares of common stock (par $5). **Price**—At market (estimated at approximately $24 per share). **Proceeds**—To Nelson Rulison Knox, the selling stockholder. **Underwriter**—Thomson & McKinnon, New York.

★ Buffalo-Eclipse Corp., Buffalo, N. Y. (5/28)
May 8 filed 60,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Business**—Manufacturer of steel fasteners and sucker rods for oil industry, power lawn mowers, etc. **Underwriter**—Van Alstyne Noel Corp., New York.

★ Burroughs Adding Machine Co. (5/29)
May 9 filed $25,000,000 sinking fund debentures due June 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—To retire $6,000,000 bank loans, $8,000,000 for construction and balance for working capital. **Underwriters**—Lehman Brothers, New York.

Cardiff Fluorite Mines, Ltd., Toronto, Canada
Feb. 21 filed 675,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For development expenses and general corporate purposes. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

• Central Vermont Public Service Corp. (5/19)
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 of record May 19 at the rate of one share for each six shares held; rights will expire on June 3. 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); W. C. Langley & Co. and Hemphill, Noyes, Graham, Parsons & Co. (jointly); Union Securities Corp. (2) For stock, Coffin & Burr, Inc. and First Boston (jointly); Blyth & Co., Inc.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); A. C. Allyn & Co., Inc. **Bids**—To be received on May 19 up to 11 a.m. (EDT) on bonds and up to 11:30 a.m. (EDT) on stock at Bankers Trust Co., 46 Wall St., New York, N. Y.

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.

• Century Natural Gas & Oil Corp.
April 30 (letter of notification) 80,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Proceeds**—To Robert M. Allender and Judson M. Bell, two

Continued on page 54

THE FIRST BOSTON CORPORATION

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Continued from page 53

selling stockholders. **Underwriters**—Blair F. Claybaugh & Co., Harrisburg, Pa.

★ Channel Films, Inc., Oakland, Calif.
May 5 (letter of notification) 2,000 shares of preferred stock. **Price**—At par ($25 per share). **Proceeds**—For working capital. **Address**—c/o Breed, Robinson & Steward, 1215 Financial Center Building, Oakland 12, Calif. **Underwriter**—None. In addition, 1,200 shares of common stock (par $25) are to be issued to three officers and directors.

★ Cinecolor Corp., Burbank, Calif.
May 9 filed $452,350 of five-year 5% subordinated sinking fund debentures due May 1, 1957 (with common stock purchase warrants attached) to be offered for subscription by common stockholders at rate of $1 of debentures for each two common shares held. **Price**—At par. **Proceeds**—To purchase voting control of Cinecolor (Great Britain), Ltd. and for working capital. **Business**—Two-color film process. Underwriter—None.

C. I. T. Financial Corp., New York
April 25 filed 150,000 shares of common stock (no par) to be offered pursuant to a restricted stock option plan for key employees to certain employees of the company and its subsidiaries. **Underwriter**—None.

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. **Proceeds**—To acquire loan offices and subsidiaries. **Office**—1028 Connecticut Avenue, Washington 6, D. C. **Underwriter**—Emory S. Warren & Co., Washington, D. C.

★ Colonial Continental Corp.
May 13 (letter of notification) 50,000 shares of common stock. **Price**—$2 per share. **Proceeds**—To make loans and for working capital. **Office**—44 Court St., Brooklyn 2, N. Y. **Underwriter**—None.

Consolidated Industries, Inc.
March 17 (letter of notification) 200,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For construction of sulphuric acid, fertilizer and wood sugar plants. **Office**—174 North Main Street, Salt Lake City, Utah. **Underwriter**—None.

Consolidated Natural Gas Co., New York (6/3)
April 30 filed 409,254 shares of capital stock (par $15) to be offered for subscription by stockholders of record June 3 at rate of one share for each eight shares held (with an oversubscription privilege); rights to expire on June 20. **Price**—To be supplied by amendment. **Proceeds**—To purchase securities of company's operating subsidiaries, which in turn will use the funds for property additions and improvements. **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 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.

★ Convertawings, Inc.
May 8 (letter of notification) 10,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—For construction of helicopter improvements and working capital. **Office**—Zahn's Airport, Amityville, L. I., N. Y. **Underwriter**—None. **Withdrawal**—Letter was withdrawn on May 12.

Daitch Crystal Dairies, Inc. (5/21)
Jan. 31 filed 125,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To acquire additional supermarkets and for working capital. **Underwriter**—Hirsch & Co., New York.

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: Harriman Ripley & Co. and Kidder, Peabody & Co. (jointly); The First Boston Corp.; Lehman Brothers; Union Securities Corp.; White, Weld & Co. and Equitable Securities Corp. (jointly). **Bids**—To be received at noon (EDT) on May 26.

● Davison Chemical Corp.
April 29 filed 128,533 shares of cumulative convertible preferred stock, series A (par $50) being offered for subscription by common stockholders at rate of one preferred share for each five common shares held on May 14; rights to expire on May 29. **Price** — $50 per share. **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. **Underwriter** — Alex. Brown & Sons, Baltimore, Md.

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.

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.

★ Dole (James) Engineering Co.
May 9 (letter of notification) $3,500 par value of convertible income notes. **Price**—At market (estimated at $4.50 for each $1 face value). **Proceeds**—To James J. Dole, the selling stockholder. **Underwriter**—J. Barth & Co., San Francisco, Calif.

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.

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.

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

★ Grants Ice & Development Co.
May 6 (letter of notification) $105,000 of 6% first mortgage serial bonds (denominations of $1,000 each); $71,500 of 6% second mortgage 10-year debenture bonds (in denominations of $500 and $1,000 each); and 1,430 shares of common stock to be sold at par (50 cents per share) to purchasers of second mortgage bonds on basis of 10 shares for each $500 of bonds; in addition, 5,000 shares have been issued as a bonus to the underwriters for $60,000 of the first mortgage bonds to be purchased by them and will be issued by them pro rata to purchasers of bonds from them. **Proceeds** — For equipment and machinery. **Office**—325 No. 15th Street, Albuquerque, N. M. **Underwriter**—Stanley & Card.

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**—Nevada Securities Corp.

Hammermill Paper Co. (5/20)
April 30 filed 200,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For plant improvements and working capital. **Underwriter** — A. G. Becker & Co. Inc., Chicago, Ill.

★ Har's Store, Inc., Long Prairie, Minn.
May 9 (letter of notification) $75,000 of 6% debentures due March 1, 1964, and 225 shares of common stock (par $10). **Price** — $1,030 per unit. **Proceeds** — For working capital. **Underwriter**—None.

Hecla Mining Co., Wallace, Ida.
Jan. 17 (letter of notification) 3,000 shares of capital stock (par 25 cents). **Price**—At market (approximately $18 per share). **Proceeds**—To Mrs. M. K. Pollard, the selling stockholder. **Underwriter**—Thomson & McKinnon, New York.

● Husky Oil Co., Cody, Wyo. (5/20)
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.

Imperial Brands, Inc., Inglewood, Calif.
April 24 (letter of notification) 112,600 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—To pay outstanding obligations. **Underwriter** — None, but sales will be made through V. L. Oberman, J. A. Hunter and R. J. Prower.

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.

★ Instant Beverage, Inc., Omaha, Neb.
May 6 (letter of notification) 30,000 shares of common stock (no par). **Price** — $5 per share. **Proceeds** — For working capital. **Office**—2716 Country Club Avenue, Omaha, Neb. **Underwriter**—None.

International Technical Aero Services, Inc.
Feb. 15 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—International Terminal, Washington National Airport, Washington, D. C. **Underwriter**—James T. DeWitt & Co., Washington, D. C.

● Iowa Power & Light Co.
April 25 filed a maximum of 226.835 shares of common stock (par $10), being offered for subscription by common stockholders of record May 14 at rate of one share for each seven shares held; rights to expire May 28. **Price**—$21.25 per share. **Proceeds**—For new construction. **Underwriter**—Smith, Barney & Co., New York.

Iowa Power & Light Co. (5/21)
April 25 filed $10,000,000 of first mortgage bonds due 1982. **Proceeds**—For new construction. **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.; White, Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co. **Bids**—Tentatively expected to be opened on May 21 at 11 a.m. (CDT).

Island Air Ferries, Inc. (5/20)
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.

★ Jet-Heet, Inc., Englewood, N. J.
May 9 (letter of notification) $54.250 of 10-year 5% notes and 2,524 shares of common stock (par 10 cents). **Price**—At par (in denominations of $25 each) for the notes and at 16⅔ cents per share for the stock. **Proceeds**—Primarily for the development and exploitation of Jet-Heet Thermo Pump. **Office**—152 South Van Brunt St., Englewood, N. J. **Underwriter**—None.

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.

Kansas Gas & Electric Co. (6/10)
April 30 filed $12,000,000 first mortgage bonds due 1982. **Proceeds**—For construction program and to repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: 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. **Bids**—Expected to be received up to noon (EDT) on June 10.

Kansas Gas & Electric Co. (6/10)
April 30 filed 200,000 shares of common stock (no par). **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Union Securities Corp.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); The First Boston Corp.; Blyth & Co., Inc. **Bids**—Expected to be received up to 10:30 a.m. (EDT) on June 10.

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.

Kwikset Locks, Inc., Anaheim, Calif. (5/22)
May 2 filed 125,000 shares of common stock (par $5), of which 25,000 shares are being offered by the company and 100,000 shares by a selling stockholder. **Price**—To be supplied by amendment. **Proceeds** — For working capital. **Business**—Design, manufacture, assembly and

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sale of residential locksets. **Underwriters**—Paul H. Davis & Co., Chicago, Ill., and Lester, Ryons & Co., Los Angeles, Calif.

Lapaco Chemicals, Inc., Lansing, Mich.
March 18 (letter of notification) 200,787 convertible notes (each note convertible into $1 par class B stock). **Price**—90 cents each. **Proceeds** — For working capital and investment. **Office**—1800 Glenrose Ave., Lansing 2, Mich. **Underwriter**—None.

★ **Leeds & Northrup Co., Philadelphia, Pa.**
May 13 filed 4,300 employees' shares and 1,500 participating shares to be offered to employees. **Underwriter**—None.

★ **Leidy Prospecting Co.**
May 8 (letter of notification) four shares of capital stock. **Price**—$2,675 per share. **Proceeds**—To Dr. Raymond A. Werts, the selling stockholder. **Office**—704 Erie Ave., Renovo, Pa. **Underwriter**—Penington, Colket & Co., 123 So. Broad St., Philadelphia 9, Pa.

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.

Link-Belt Co., Chicago, Ill.
May 5 filed 21,636 shares of common stock (par $5), to be offered to a select group of officers and employees of the company and its subsidiaries. **Price**—$35 per share. **Proceeds**—For working capital. **Underwriter**—None.

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.**
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 Adamcx Securities Corp., New York. Statement to be withdrawn; request filed May 6.

Long Island Lighting Co. (5/28)
April 30 filed 100,000 shares of preferred stock, series B (par $100). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter** — W. C. Langley & Co., New York.

★ **Lumber Dealers, Inc., Denver, Colo.**
May 8 (letter of notification) 1,874 shares of common stock (par $100). **Price**—$110 per share. **Proceeds**—To increase capital. **Office**—3800 Race St., Denver, Colo. **Underwriter**—None.

★ **McCormick & Co., Inc., Baltimore, Md.**
May 8 (letter of notification) 500 shares of 5% cumulative preferred stock (par $100) and 8,188 shares of common stock (no par). **Price**—At par for preferred and at market (approximately $25 per share) for common. **Proceeds**—For working capital. **Office** 414 Light St. Baltimore 2, Md. **Underwriter**—None.

★ **McLean Country Theatre, Inc., McLean, Va.**
May 8 (letter of notification) 9,000 shares of common stock. **Price** — At par ($10 per share). **Proceeds** — For theatrical equipment. **Underwriter**—None.

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.

Morrow (R. D.) Co., Inc., Pittsburgh, Pa.
May 5 (letter of notification) 10,000 shares of 5% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds**—For financing of Master TV antenna systems in apartment houses on a lease basis and for additional working capital. **Underwriter**—Graham & Co., Pittsburgh, Pa.

Multnomah Plywood Corp., Portland, Ore.
Feb. 27 filed 200 shares of common stock (par $2,500), of which 191 shares are to be offered to stockholders at par and nine shares are to be offered to three individuals in units of three shares each at $12,500 per unit. **Proceeds**—To acquire timber, timberlands and peeler plant and for working capital. **Underwriter**—None.

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 at noon (EDT) on May 20.

National Steel Corp. (5/27)
May 7 filed $55,000,000 of first mortgage bonds due 1982. **Price**—To be supplied by amendment. **Proceeds**—To redeem $40,000,000 outstanding 3% first collateral mortgage bonds due 1965, and for general corporate purposes, including expansion program. **Underwriters** — Kuhn, Loeb & Co., Harriman Ripley & Co., Inc. and The First Boston Corp., New York.

★ **Nevada Rawhide Mining Co., Cheney, Wash.**
May 8 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For machinery and equipment. **Office**—505 Second St., Cheney, Wash. **Underwriter**—None.

● **New British Dominion Oil Co., Ltd. (5/27)**
April 28 filed 1,000,000 shares of capital stock (par 40 cents—Canadian) and an additional 150,000 under option to the underwriter. **Price**—To be supplied by amendment. **Proceeds**—For exploration and development of prospective and proved oil and gas lands. **Office**—Calgary, Alta., Canada. **Underwriter** — Allen & Co., New York, for part of issue; balance by Canadian underwriters.

● **New England Electric System**
April 9 filed 920,573 shares of common stock (par $1) being offered for subscription by common stockholders of record May 8 at rate of one share for each eight shares held; rights to expire May 26. **Price**—$12.62½ per share. **Proceeds** — For construction program. **Underwriters**—Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly) were highest bidders on May 7.

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 through lapse of time. Amendment necessary.

● **Northern States Power Co. (Minn.) (6/10)**
May 1 filed $21,500,000 first mortgage bonds due June 1, 1982. **Proceeds** — For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co.; Equitable Securities Corp.; Union Securities Corp.; The First Boston Corp.; Glore, Forgan & Co.; Lehman Brothers and Riter & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be opened at 10:30 a.m. (CDT) on June 10.

● **Northern States Power Co. (Minn.) (6/4)**
May 1 filed 1,108,966 shares of common stock (par $5) to be offered for subscription by common stockholders of record June 5 at rate of one share for each 10 shares held; rights to expire June 23. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Smith Barney & Co.; Lehman Brothers and Riter & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be opened at 10:30 a.m. (CDT) on June 4.

● **Northwest Bancorporation, Minneapolis**
April 16 filed 103,185 shares of convertible preferred stock (par $50) being offered to common stockholders at rate of one preferred share for each 15 common shares held as of May 5; rights expire May 20. **Price**—$50 per share. **Proceeds**—For general corporate purposes. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc., New York. Statement effective May 6.

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.

Peoples Finance Corp., Montgomery, Ala.
Dec. 19 (letter of notification) 15,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—Carlson & Co., Birmingham, Ala. **Proceeds**—To expand business. **Office**—5 South Court St., Montgomery, Ala.

Petroleum Finance Corp.
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. Statement effective April 18.

Power Condenser & Electronics Corp.
May 2 (letter of notification) $285,000 of 10-year 5% income notes due May 1, 1962, and 11,400 shares of common stock (par $1), to be sold in units of one $1,000 note and 30 shares of common stock. **Price**—$1,000 per unit. **Proceeds**—For working capital. **Office** — 60 State St., Boston, Mass. **Underwriter**—None.

★ **Public Finance Service, Inc., Philadelphia, Pa.**
May 9 (letter of notification) $250,000 of 6% cumulative debentures, 1950 series. **Price**—At par (in denominations of $100 each). **Proceeds**—For general corporate purposes. **Office**—18 West Chelten Ave., Philadelphia 44, Pa. **Underwriter**—None.

★ **Remington-Rand, Inc.**
May 6 (letter of notification) 17,000 shares of common stock to be offered for subscription by employees of company. **Price**—$16.75 per share. **Proceeds**—None, as securities will be purchased in open market for resale. **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. Statement effective April 3.

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.

Securities Acceptance Corp., Omaha, Neb.
May 2 (letter of notification) 10,000 shares of 5% cumulative preferred stock (par $25). **Price**—$26 per share. **Proceeds**—For working capital to finance loan business. **Underwriters** — The First Trust Co. of Lincoln, Neb.; Cruttenden & Co., Chicago, Ill.; and Wachob-Bender Corp., Omaha, Neb.

Shawmut Association, Boston, Mass.
April 30 (letter of notification) 200 shares of common stock (no par). **Price**—At market (approximately $19 per share). **Proceeds**—To Walter S. Bucklin, the selling stockholder. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass.

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.

Skiatron Electronics & Television Corp.
May 5 (letter of notification) 10,000 shares of common stock (par 10 cents). **Price**—At market ($2.75 to $2.87½ per share). **Proceeds** — For working capital. **Underwriter**—Coffin, Betz & Co., Philadelphia, Pa., who is purchasing this stock for its own account at $2.37½ per share.

★ **Smith Engineering Works, Milwaukee, Wis.**
May 8 (letter of notification) 725 shares of capital stock (par $10). **Price**—$21.50 per share. **Proceeds**—To Estate of Charles F. Smith, deceased. **Underwriter**—The Milwaukee Co., Milwaukee, Wis.

★ **Socony-Vacuum Oil Co., Inc.**
May 9 filed $15,000,000 of interests in Employees Savings Plan and 300,000 shares of capital stock purchasable under the plan. **Underwriter**—None.

● **Sonoco Products Co., Hartsville, S. C.**
April 15 filed 150,000 shares of common stock (par $5) being offered for subscription by stockholders of record March 21 at rate of "slightly in excess of one share for each two shares held"; rights to expire on May 17. **Price**—To stockholders $16.50 per share and to public $17.50 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. Statement effective May 6.

★ **Southern Attractions, Inc., Daytona Beach, Fla.**
May 5 (letter of notification) 10,000 shares of common stock. **Price**—$10 per share. **Proceeds**—For construction of new buildings. **Underwriter**—None.

● **Southern Union Gas Co., Dallas, Tex.**
April 8 filed 168,748 shares of common stock (par $1) being 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); rights to expire May 28. **Price**—$17.50 per share. **Proceeds**—For new construction. **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 15. **Dealer-Managers**—F. Eberstadt & Co., Inc., and Hirsch & Co., both of New York. Statement effective April 15.

Standard Oil Co. of California
May 5 filed $55,000,000 of interest in the Stock Plan for Employees of company and participating companies, together with 1,000,000 shares of capital stock of the company in which Plan funds may be invested. **Underwriter**—None.

Standard Oil Co. (Ohio)
April 24 filed $2,025,000 interests in the Sohio Employees Investment Plan together with 30,000 common and 6,750 preferred shares of the company which may be purchased pursuant to the terms of the plan.

Continued on page 56

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Continued from page 55

Stanley Works, New Britain, Conn.
April 22 (letter of notification) 6,000 shares of common stock (par $25). **Price** — Approximately $50 per share. **Proceeds** — For working capital. **Office**—Lake Street, New Britain, Conn. **Underwriter**—None.

★ **Staroil Co., Inc., Newcastle, Wyo.**
May 5 (letter of notification) 100,000 shares of common stock. **Price**—$1 per share. **Proceeds**—To drill well for oil. Underwriter—None.

Sun Oil Co.
April 29 filed 13,000 memberships in the stock purchase plan for employees of company and its subsidiaries, together with 96,000 shares of common stock. In addition, 169,262 shares of outstanding stock to be offered "for possible public sale" by 11 selling stockholders. **Underwriter**—None.

• **Tampa Electric Co. (6/3)**
May 2 filed 50,000 shares of series A cumulative preferred stock (par $100) and 60,000 shares of common stock (no par). **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Kidder, Peabody & Co.; Stone & Webster Securities Corp., Goldman, Sachs & Co.; White, Weld & Co. **Bids**—To be received up to 11 a.m. (EDT) on June 3 at 49 Federal St., Boston, Mass.

• **Tennessee Gas Transmission Co. (5/27)**
May 6 filed 100,000 shares of cumulative preferred stock (par $100) and 250,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To repay short-term notes and for expansion program. **Underwriters** — Stone & Webster Securities Corp. and White, Weld & Co., New York.

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.

Tobin Packing Co., Inc., Rochester, N. Y.
May 2 (letter of notification) 11,400 shares of common stock. **Price**—$8.75 per share. **Proceeds**—To John J. Krez, trustee under trust agreement. **Underwriter**—George R. Cooley & Co., Inc., Albany, N. Y.

Torrington (Conn.) Water Co.
April 30 (letter of notification) 800 shares of capital stock (par $25). **Price**—At market (approximately $25 per share). **Proceeds** — To Union & New Haven Trust Co., trustee for benefit of Buell Alvord. **Underwriter**—Wood, Struthers & Co., New York.

Trans-Canada Petroleums, Ltd., Montreal, Canada
May 1 filed 1,000,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For exploration and drilling. **Underwriter**—Mallinson Weir, 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.

★ **Tri-Tor Oils, Ltd., Montreal, Canada**
May 9 filed 1,000,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For construction and drilling expenses. **Business**—Production of oil and natural gas. **Underwriter**—Peter Morgan & Co., New York.

★ **Uarco Inc., Chicago, Ill.**
May 5 (letter of notification) 2,800 shares of common stock (par $10). **Price**—At market (estimated at $20.50 per share). **Proceeds**—To George Buffington, the selling stockholder. **Underwriter**—Kidder, Peabody & Co., New York.

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.

Virginia Electric & Power Co. (5/26)
May 1 filed 494,642 shares of common stock (par $10) to be offered for subscription by common stockholders of record May 23 at rate of one share for each 10 shares held (with an oversubscription privilege); rights to expire on June 9. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter** — Stone & Webster Securities Corp., New York.

Warren (Ohio) Telephone Co.
April 30 (letter of notification) 3,000 shares of $5 dividend preferred stock (no par) to be offered to stockholders in ratio of 0.21676 shares for each share already owned. **Price**—At $100 per share and accrued dividends. **Proceeds** — To reimburse treasury for capital expenditures already made. **Underwriter**—None.

Weisfield's, Inc., Seattle, Wash.
April 17 (letter of notification) 5,184 shares of common stock. **Price**—$54.25 per share. **Proceeds**—For working capital. **Office** — 1511 Fifth Avenue, Seattle 1, Wash. **Underwriter**—None.

★ **West Virginia Water Service Co.**
May 6 (letter of notification) 1,750 shares of $5 preferred stock (no par). **Price**—$100 per share. **Proceeds**—For new construction and general corporate purposes. **Underwriter**—Shea & Co., Boston, Mass.

Western Pacific Insurance Co., Seattle, Wash.
April 21 (letter of notification) 13,018 shares of common stock. **Price**—$20 per share. **Proceeds**—To qualify company as a multiple line insurance carrier and to increase surplus. **Office**—Artic Bldg., 3rd and Cherry Sts., Seattle, Wash. **Underwriter** — Daugherty, Buchart & Cole, Seattle, Wash.

• **Wisconsin Electric Power Co.**
April 9 filed 702,486 shares of common stock (par $10) being offered for subscription by common stockholders of record May 6 at rate of one share for each five shares held (with an over subscription privilege); rights to expire on May 29. **Price**—$20 per share. **Proceeds**—For construction program. **Underwriter**—None.

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 on April 17; rights to expire on May 16. **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. **Underwriter**—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 Barge Line Co.
April 28 it was announced stockholders on May 27 will vote on increasing authorized common stock (par $5) from 330,000 to 430,000 shares and on approving a waiver of preemptive rights to subscribe for any of the additional shares. **Proceeds**—To finance purchase of equipment and terminal and warehouse facilities. **Traditional Underwriter**—F. Eberstadt & Co., Inc., New York.

American Gas & Electric Co. (6/17)
April 30 company announced company plans to register with SEC on or about May 21 an issue of $20,000,000 sinking fund debentures due 1977 and 170,000 additional shares of common stock. **Proceeds**—To be invested in equity securities on the operating subsidiaries of the company and used by them in connection with their construction program which will amount to about $319,000,000 in the three-year period ending Dec. 31, 1954. **Underwriters** — To be determined by competitive bidding. Probable bidders: (1) On bonds — Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; First Boston Corp.; Union Securities Corp.; Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler. (2) On stock—Blyth & Co., Inc. and Goldman, Sachs & Co. (jointly); First Boston Corp.; Union Securities Corp. **Bids**—Tentatively scheduled to be received on June 17.

• **American Investment Co. of Illinois**
May 5 it was announced directors plan on May 15 to file a registration with SEC covering 100,000 shares of cumulative preferred stock (par $50). **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriters**—Kidder, Peabody & Co., New York, and Alex. Brown & Sons, Baltimore, Md.

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 City Electric Co.**
April 28 it was announced company may sell about $4,000,000 of preferred stock some time this Fall. **Proceeds**—For construction program. **Underwriters**—Probably Union Securities Corp. and Smith, Barney & Co., New York. Debt financing for approximately $3,000,000 planned in 1953.

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.

• **Baltimore & Ohio RR. (6/3)**
Bids are expected to be received by the company up to noon (EDT) on June 3 for the purchase from it of $3,870,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Bear, Stearns & Co.; Salomon Bros. & Hutzler.

★ **Banff Oil Co., Ltd. (Canada)**
May 6 it was reported company plans to issue and sell an issue of about 1,000,000 shares of common stock. **Proceeds**—For drilling and exploration costs. **Registration**—Expected early in June with offering later in month. **Underwriter**—Lehman Brothers, 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. (6/17)
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, which will include about $16,000,000 first mortgage bonds due 1982, part of the proceeds of which will be used 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 Electric Power Co.**
May 8 it was reported company plans to issue and sell between $4,000,000 and $4,500,000 first mortgage bonds by competitive bidding and about $2,500,000 of preferred stock and $2,500,000 common stock probably through negotiated sale. Probable bidders for bonds: Halsey, Stuart & Co. Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Salomon Bros. & Hutzler. Underwriters for stock: Probably William R. Staats & Co.; Lester, Ryons & Co.; and Walston, Hoffman & Goodwin.

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.

★ **California Water Service Co.**
May 6 California P. U. Commission approved sale of 50,000 shares of common stock (par $25). **Underwriter**—Dean Witter & Co., San Francisco, Calif. **Offering**—Expected in mid-June.

Canadian Palmer Stendel Oil Corp.
April 18 it was reported that 1,820,857 shares of common stock are to be offered for subscription by stockholders of Palmer Stendel Oil Corp. on a 1-for-2 basis. **Price**—At par (25 cents per share). **Underwriter**—Burnham & Co., New York.

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.

★ **Central Louisiana Electric Co., Inc.**
May 9 it was announced company plans an offering in June of an issue of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; White, Weld & Co., Shields & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers; The First Boston Corp.; Glore, Forgan & Co. **Registration**—Tentatively scheduled to become effective on June 11.

• **Citizens Utilities Co.**
May 13 the stockholders approved a proposal to increase the 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.

Cleveland Electric Illuminating Co.
April 22, Elmer L. Lindseth, President, announced that it will be necessary for the company to sell additional securities either later this year or early in 1953. Present plans are to sell either preferred or common stock, the choice depending upon relative market conditions at the time.

• **Columbus & Southern Ohio Electric Co.**
April 26 it was announced company expects to enter the permanent financing market about the middle of 1952 with not less than 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.

• **Cooper-Bessemer Corp.**
April 28 stockholders approved a proposal to increase 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.

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● Copperweld Steel Co.
April 30 stockholders approved a proposal to increase 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.

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.

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.
April 24 the FPC authorized the company to issue up to $2,500,000 in short-term promissory notes to mature not later than Dec. 31, 1953. Proceeds will be used to reimburse the company's treasury in part for construction expenditures heretofore made, and to provide a portion of the funds required in the interim to finance its construction program for 1952, pending permanent financing prior to the maturity date of the notes.

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.

First National Bank of Portland
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.

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.
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.

Kentucky Utilities Co. (6/17)
April 30 it was reported company plans to issue and sell $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); The First Boston Corp. and Lehman Brothers (jointly); Blyth & Co., Inc.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp. **Bids**—Tentatively expected to be received on June 17.

★ La Pointe Plascomold Corp.
April 21 stockholders authorized directors to offer, via rights, 230,485 additional shares of common stock (par $1) for subscription on a share-for-share basis. **Underwriter**—May be selected by company.

● Maracaibo Oil Exploration Corp.
May 5 stockholders voted to increase the authorized $1 par value 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. (6/2)
May 1 it was announced company plans registration of 200,000 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. **Offering**—Expected around June 2.

Midwest Pipe & Supply Co.
April 30 it was reported early registration was expected of 155,000 shares of common stock, of which about two-thirds would be offered to public and the balance to company's employees. **Proceeds**—To selling stockholders. **Underwriters**—G. H. Walker & Co., New York.

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.

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 Cylinder Gas Co., Chicago, Ill.
April 24 stockholders authorized an increase in the common stock (par $1) from 1,500,000 to 2,000,000 shares. Charles J. Haines, President, said "the company has no present plans for the issuance of any additional shares of common stock, but it is desirable to have them for further expansion, if and when deemed wise by the board of directors." **Traditional Underwriters** — Paine, Webber, Jackson & Curtis and F. S. Moseley & Co.

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.

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.

★ New York Central RR.
May 5, it was reported company may issue and sell $12,000,000 of equipment trust certificates to mature annually 1953-1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Bear, Stearns & Co.; Salomon Bros. & Hutzler.

● Niagara Mohawk Power Corp.
May 6 stockholders voted to increase authorized common stock by 1,500,000 shares (11,094,663 shares presently outstanding). This places company in a flexible position with respect to formulation of future financial programs. Earle J. Machold, President, said bank loans, totaling $40,000,000 to be outstanding at Dec. 31, 1952, will be permanently financed early in 1953. **Underwriters** — To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

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 Indiana, Inc. (6/17)
April 7 stockholders approved proposal to issue and sell up to 800,000 shares of new preferred stock (par $25). **Underwriter**—Blyth & Co., Inc. handled common stock financing in 1951.

Continued on page 58

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Continued from page 57

● **Public Service Co. of Indiana, Inc. (6/24)**
May 2 it was reported company may issue and sell about $25,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc.

● **Public Service Co. of New Hampshire**
May 6 it was announced company intends in June, 1952, to issue and sell 58,000 shares of $100 par value preferred stock. **Proceeds**—To retire bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co., Inc.

Public Service Electric & Gas Co. (6/17)
April 28 it was reported company plans to issue and sell $40,000,000 of debentures due 1972. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co., Drexel & Co. and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co. **Bids**—Expected about June 17.

Scott Paper Co.
April 24 stockholders approved a proposal to increase 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.

Seaboard Air Line RR. (5/22)
Bids will be received up to noon (EDT) on May 22 for the purchase from the company of $15,000,000 equipment trust certificates, series L, to be dated June 1, 1952 and to mature in 30 equal semi-annual instalments. Probable biddes: Halsey, Stuart & Co. Inc., Salomon Bros. & Hutzler; Bear, Stearns & Co.

★ **Southern California Edison Co.**
April 18 it was reported company plans to obtain between $25,000,000 and $28,000,000 of new capital through the sale of additional securities. **Proceeds**—For new construction. **Underwriters** — Probably The First Boston Corp.; Harris, Hall & Co. (Inc.) **Offering**—Expected in Fall.

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. (6/18)**
May 5 company requested SEC authority to issue and sell 1,004,510 shares of common stock (par $5) and to offer such stock for subscription by common stockholders at rate of one new share for each 16 shares held. **Price**—To be later fixed by company. **Proceeds**—To increase investments in subsidiaries in furtherance of their construction programs. **Underwriters**—To 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); The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids** — To be received up to 11:30 a.m. (EDT) on June 18.

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.

★ **Standard Forgings Corp.**
April 25 stockholders approved an increase in authorized common stock from 266,000 shares to 350,000 shares. **Traditional Underwriter**—Shields & Co., New York.

★ **Texas Eastern Transmission Corp.**
April 29 R. H. Hargrove, President, announced company seeks FPC permission to build 315 miles of new pipeline at a cost of approximately $26,000,000. **Traditional Underwriter**—Dillon, Read & Co. Inc., 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.

● **Waltham Watch Co.**
May 5 stockholders of record April 24 were mailed rights to subscribe for 400,000 additional shares of common stock (represented by voting trust certificates), at the rate of one new share for each three shares held (with an oversubscription privilege). Rights will expire on June 11. State Street Trust Co., Boston, Mass., is subscription agent. **Price**—At par ($1 per share). **Underwriter**—None.

● **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. **Offering**—Of about 150,000 common shares expected in June.

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 Linclon, Neb.

Gairdner & Co., Inc. Formed in N. Y.

Formation of the investment firm of Gairdner & Co. Inc., which will specialize in providing to United States dealers and institutions information on Canadian securities, was announced. New York City offices, at 40 Wall St., are in charge of Hermann G. Stockwell and Douglas A. Perigoe. The firm also will act as underwriting counsel to encourage distributions in Canada of securities of United States companies or their subsidiaries which now collectively do a large share of all Canadian business.

The new firm is headed by Jas. A. Gairdner, prominent Canadian financier and industrialist. Gairdner & Co. Ltd., Toronto, Canada, are underwriters and dealers in Government, municipal and corporate securities, and Gairdner, Son & Co., brokers, members of The Toronto Stock Exchange, Montreal Stock Exchange and Montreal Curb Market. Branch offices are located in leading Canadian cities.

Cincinnati Municipal Men to Hold Party

CINCINNATI, O. — The annual spring party of the Municipal Bond Dealers Group of Cincinnati will be held May 22 and 23. Cocktails will be served May 22 at the Crystal Room of the Sheraton-Sinton Hotel at 5:30 p.m. to be followed by dinner in the Louis XVI Ball Room.

On May 23 the day will be spent at the Kenwood Country Club, with golf, baseball and cards featured. Luncheon will be served from 11:30 a.m. to 2:00 p.m.; dinner at 7:00 p.m. Many special events have been planned for the day.

Members of the Entertainment Committee are: Charles F. Conners, Pohl & Co.; John M. Heimerdinger, Walter, Woody & Heimerdinger; Oscar W. Hirschfeld, Stranahan, Harris & Co.; H. J. Hoermann, Provident Savings Bank & Trust Company; Robert B. Isphording, Doll & Isphording; Jerome L. Kahn, Breed & Harrison; Herbert F. Kreimer, H. F. Kreimer & Co.; Harry Lamaier; Herman M. Magnus, Magnus & Co.; Harry R. Niehoff, Weith, Roth & Irving Co.; Neil Ransick, Chas. A. Hinsch & Co., Inc.; Gordon Reis, Jr., Seasongood & Mayer; Robert L. Wagner, W. C. Thornburgh Co; Louis C. Wanner; and Albert C. Widmann, Widmann & Co.

Bankers Underwrite New England Electric Common Stk. Offering

An investment banking group headed jointly by Blyth & Co., Inc.; Lehman Brothers and Bear, Stearns & Co. is underwriting an offering by New England Electric System of 920,573 additional shares of common stock (par $1) to holders of such stock of record May 8, 1952. The winning group on May 7 submitted a bid of $12.62½ per share, less an underwriting commission of 39½ cents per share. In addition, the company will reimburse the underwriters for dealer commissions at the rate of 25 cents per share for the exchange of warrants by original holders where the dealer name appears on the subscription. The stock is being offered initially to stockholders at $12.62½ per share on a 1-for-8 basis. Shares remaining unsubscribed after 3:00 p.m. on May 26, 1952, will be purchased by the underwriters.

Proceeds from the financing will be used by the utility holding company to further the construction programs of its operating subsidiaries, who, in turn, will use the designated funds to reduce short-term bank debt incurred for construction purposes. Expenditures during the past five years have aggregated $151,700,000, principally for electric plant. Contemplated expenditures for 1952 and 1953 total $90,000,000, which are calculated to increase the generating capacity of the System from 918,165 kilowatts to 1,070,165 kilowatts.

The operating subsidiaries of New England Electric System constitute a single inter-connected and coordinated public utility system providing electric service in parts of Massachusetts, Rhode Island, New Hampshire and Connecticut and gas service in Massachusetts, Rhode Island and Connecticut. The area served is approximately 4,300 square miles with a total population of 2,135,000. Total operating revenues for the calendar year 1951 were $104,998,565 and net income amounted to $7,364,583.

Smith, Barney Group Underwrites Offering

Iowa Power & Light Co. is offering its common stockholders rights to subscribe to 226,835 additional shares of common stock at $21.25 per share on the basis of one additional share for each seven shares held on May 14, 1952.

An underwriting group headed by Smith, Barney & Co. will purchase any of the unsubscribed shares when the rights expire at 3 p.m. (EDT) on May 28, 1952.

Proceeds from the sale of these shares, together with the proceeds of $10,000,000 in the new first mortgage bonds to be sold next week and other funds will be applied towards the cost of the company's 1952-1953 construction program which is estimated at $36,200,000. Pending issuance and sale of the additional common stock and new bonds, the company has temporarily financed part of this program with bank loans, all of which will be retired from the proceeds of the sale of the additional common stock and the new bonds.

Iowa Power & Light Co. furnishes both electric and natural gas service in and around Des Moines and in nine other municipalities; electric service only in Council Bluffs, 91 other municipalities, more than 100 unincorporated communities and in rural territory; and natural gas service only in three municipalities. The company also produces and sells steam or hot-water heat in the business districts of five municipalities, manufactures and sells ice in one municipality, and sells electric and gas appliances in areas in which it distributes electricity and gas, respectively. Population of the territory in which the company furnishes both electric and natural gas service is estimated at 223,900.

Two With King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — R. O. Atkinson and Roy B. Nelson have become connected with King Merritt & Co., Inc., Chamber of Commerce Building.

Shelby Cullom Davis Co. Silver Anniversary

Shelby Cullom Davis & Co., 110 William Street, New York, oldest insurance stock specialists in this country, underwriters of corporate and municipal bonds, and members of the New York Stock Exchange, marks its 25th anniversary this week.

Successor to F. L. Brokaw & Co., the firm assumed its present name five years ago following the retirement of Mr. Davis as Deputy Superintendent of Insurance of the State of New York.

The company was the first to publish consolidated figures of insurance companies. Prior to that time, basic differences in accounting methods effected major difficulties in ascertaining the per share worth of individual concerns.

Associated in the firm with Mr. Davis, a former President of the New York Society of Security Analysts, are Norman T. Robertson, former President of Continental Insurance Company; Kenneth C. Ebbitt, a partner and head of the municipal bond department; and Horace W. Wells, manager of the company's trading department.

W. H. Dick Co. Formed

ALEXANDRIA, La. — W. Hudson Dick and H. B. McSween have formed W. H. Dick & Co. with offices in the Hotel Bentley to engage in the securities business. Mr. Dick was formerly local Manager for Wallace Bouden & Co. and prior thereto was with Hartman Moritz.

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Continued from page 8

Dealer-Broker Investment Recommendations & Literature

Mohawk Business Machines Corp.—Report—Mencher Co., 32 Broadway, New York 4, N. Y.

New Britain Machine Co.—Discussion—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y. Also available is data on **Cincinnati Milling Machine Co.**

New England Lime Company—Analysis—Dayton Haigney & Co., Inc., 75 Federal Street, Boston 10, Mass.

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

North American Co.—Review—Ira Haupt & Co., 11 Broadway, New York 6, N. Y.

Ohio Match—Highlights—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also in the same bulletin is data on **Time, Inc.**

Pacific Power & Light Company—Analysis—Dempsey & Company, 135 South La Salle Street, Chicago 3, Ill.

Rhinelander Paper Co.—Memorandum—A. G. Becker & Co., 54 Pine Street, New York 5, N. Y.

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

Texas Pacific Coal and Oil Company—Analysis—Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

Transgulf Corp.—Report—Arthur I. Korn & Co., 30 East 60th Street, New York, N. Y.

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

Washington Water Power Co.—Brochure—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Morgan Stanley Group Offers Railroad Bonds

Morgan Stanley & Co. and associates are offering for public sale today (May 15) a new issue of $17,000,000 Fort Worth and Denver Railway Co. first mortgage 4⅜% bonds, series of 1982, at 101% plus accrued interest to yield approximately 4.31% to maturity. The bonds are guaranteed as to principal and interest by The Colorado & Southern Ry. Co. and further secured by pledge of $14,028,500 general mortgage bonds of The Colorado & Southern Ry. Co. The issue was awarded at competitive sale on Wednesday, and is being reoffered subject to approval of the Interstate Commerce Commission, the Texas Railroad Commission and the Special Court having jurisdiction. The bonds are initially redeemable at the company's option at 105%, and for the sinking fund at 102%.

The capital stock of Fort Worth and Denver is owned by the Colorado and Southern Ry. Co. Proceeds from the sale of the bonds will be used to retire all funded debt (other than equipment obligations) of Fort Worth and Denver and Colorado and Southern presently outstanding pursuant to a plan for simplification of the corporate structures of the two companies.

Fort Worth and Denver, upon completion of the corporate simplification, will operate a total of 1,364 miles of railroad in Texas, embracing a line from Texline to Fort Worth and several branch lines. Colorado and Southern operates between Wendover, Wyoming and Texline. More than 70% of the total outstanding capital stock of Colorado & Southern is owned by the Chicago, Burlington & Quincy RR. Co.

The joint through operation of Fort Worth and Denver and Colorado and Southern provides the shortest direct route connecting Galveston, Houston, Dallas and Fort Worth with the Denver Gateway, and at Cheyenne and Wendover with through routes to the Northwest.

Bankers Offer Food Mch'y & Chem. Shares

Additional equity financing is being undertaken by Food Machinery & Chemical Corp. with the public offering today (May 15) of 300,000 shares of the company's $10 par value common stock. Priced at $44.75 per share, the stock is being marketed by a banking group jointly headed by Kidder, Peabody & Co. and Mitchum, Tully & Co. Following the sale, the company will have outstanding 2,935,486 common shares. Dividends on the common stock have been paid at the quarterly rate of 50 cents per share since September, 1951.

The company has been actively engaged in an expansion program involving property additions in the amount of $39,881,000 for the three year period ended Dec. 31, 1951 and it is presently estimated that more than $20,000,000 will be spent for new capital assets in the year 1952. Among the principal property additions are phosphorus furnaces and processing facilities costing $25,000,000, giving the company a place as one of the major producers of elemental phosphorus and phosphate chemicals in the United States. The expansion program also includes the construction of soda ash mining and refining facilities costing $16,000,000 to be owned and operated by a subsidiary, Intermountain Chemical Corporation, in which National Distillers Products Corporation owns a 20% interest.

The company is actively engaged in the production of a new type armored infantry carrier for the Army and amphibian cargo and personnel carriers for the Navy and as of March 31, 1952 had $170,000,000 in unfilled orders for defense products. It is anticipated that the major portion of these orders will be produced by the company by June 30, 1953. Sales of defense products in 1951 accounted for only 2% of the company's business.

Arnold, Case Co.

LOS ANGELES, Calif.—Arnold, Case & Company has been formed with offices at 448 South Hill Street. Lloyd R. Arnold and William J. Case, Jr., are general partners in the firm. Norman H. Jesch and Roy C. Thomas are limited partners. Mr. Arnold was a partner in Arnold Cassidy & Company, with which Mr. Case was also associated.

Halsey, Stuart Group Offers Ala. Gas Bonds

Halsey, Stuart & Co. Inc. and associates are offering today $4,000,000 Alabama Gas Corp. first mortgage bonds, 3½% series C due 1971 at 101.391% and accrued interest, to yield 3.40%. The group won award of the issue at competitive sale on Tuesday on a bid of 100.65991%.

Proceeds from the sale will be in connection with the company's construction program.

Holders of the bonds have the benefit of an annual sinking fund under which $2,079,000 of the issue will be retired before maturity. For sinking fund purposes the bonds are redeemable at prices ranging from 101.40% to 100% while for optional redemption purposes the redemption prices range from 104.40% to 100%, plus accrued interest.

A subsidiary of Southern Natural Gas Company, the company is engaged primarily in the business of purchasing, distributing and selling gas for domestic, commercial and industrial uses. It operates gas distribution systems in and adjacent to 35 municipalities of communities in central Alabama. The company's largest distribution system serves the Birmingham District which comprises the City of Birmingham and 10 suburban municipalities.

Operating revenues in 1951 totaled $16,789,791; gross income, $1,619,187; and net income, $1,087,641.

J. P. Keller & Co. Opens

BOSTON, Mass. — Joseph P. Keller has formed J. P. Keller & Co. with offices at 31 Milk Street to engage in the investment business. Mr. Keller was formerly with H. C. Wainwright & Co., du Pont, Homsey & Company, and Jackson & Co.

Douglass Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—William M. Douglass has joined the staff of Douglass & Co., 464 North Bedford Drive.

MALE HELP WANTED

FINANCIAL ASSISTANT

Business man with various business and personal financial responsibilities requires services of assistant for bookkeeping, tax and general accounting. Ability to interpret corporate balance sheets and operating statements desirable. Write Box F 515 stating qualifications. Commercial & Financial Chronicle, 25 Park Place, New York 7, N. Y.

MEETING NOTICE

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 NOTICES

J. I. Case Company

(Incorporated)

Racine, Wis., May 12, 1952

A dividend of $1.75 per share upon the outstanding Preferred Stock of this Company has been declared payable July 1, 1952, and a dividend of 37½c per share upon the outstanding $12.50 par value Common Stock of this Company has been declared payable July 1, 1952, to holders of record at the close of business June 12, 1952.

WM. B. PETERS, Secretary.

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND NO. 112

A regular quarterly dividend of one dollar ($1.00) per share on the issued and outstanding common stock, without par value, of this Company has been declared, payable June 30, 1952, to stockholders of record at the close of business June 6, 1952.

PREFERRED DIVIDEND NO. 23

A regular quarterly dividend of eighty-one and one-quarter cents (81¼¢) per share on the 3¼% Cumulative Convertible Preferred Stock, $100 par value, of this Company has been declared, payable June 5, 1952, to stockholders of record at the close of business May 20, 1952.

Transfer books will not be closed.

Checks will be mailed.

W. E. HAWKINSON, *Secretary.*

May 8, 1952.

Manufacturers of AE WALL & FLOOR TILE

AMERICAN ENCAUSTIC TILING COMPANY, INC.

Common Stock Dividend

The Board of Directors has today declared a quarterly dividend of 12½ cents a share on the Common Stock, payable May 29, 1952, to stockholders of record on May 22, 1952.

G. W. THORP, JR. *Treasurer*

May 9, 1952.

DIVIDEND NOTICES

REEVES BROTHERS, INC.

DIVIDEND NOTICE

A quarterly dividend of 30c per share has been declared, payable June 12, 1952, to stockholders of record at the close of business June 2, 1952. The transfer books of the Company will not be closed.

J. E. REEVES, *Treasurer*

May 12, 1952.

PHELPS DODGE CORPORATION

The Board of Directors has declared a quarterly dividend of Sixty-five cents ($.65) per share on the capital stock of this Corporation, payable June 10, 1952 to stockholders of record May 23, 1952.

M. W. URQUHART, *Treasurer.*

May 7, 1952

ELECTRIC BOND AND SHARE COMPANY

TWO RECTOR ST., NEW YORK 6, N. Y.

Common Stock Dividend

The Board of Directors has declared a dividend, subject to the approval of the Securities and Exchange Commission, on the Common Stock, payable June 25, 1952, to stockholders of record at the close of business May 22, 1952. The dividend will be payable in shares of The Southern Company Common Stock at the rate of 4 shares for each 100 shares of Electric Bond and Share Company Common Stock. No scrip representing fractional shares of The Southern Company Common Stock will be issued to stockholders. The Company proposes to arrange for the Company's dividend agent to handle fractional share equivalents for the stockholders.

B. M. BETSCH, *Secretary and Treasurer*

May 14, 1952.

DIVIDEND NOTICES

The UNITED Corporation

The Board of Directors has declared a semi-annual dividend of 10 cents per share on the COMMON STOCK, payable June 30, 1952 to stockholders of record at the close of business June 2, 1952.

WM. M. HICKEY, *President*

May 8, 1952

TENNESSEE CORPORATION

61 Broadway, New York 6, N. Y.

May 12, 1952

A dividend of fifty (50¢) cents per share has been declared, payable June 27, 1952, to stockholders of record at the close of business June 12, 1952.

JOHN G. GREENBURGH *Treasurer.*

Faithfully yours for Fifty Years 1902 1952

THE TEXAS COMPANY

199th *Consecutive Dividend*

A dividend of sixty-five cents (65¢) per share on the Capital Stock of the Company has been declared this day, payable on June 10, 1952, to stockholders of record at the close of business on May 9, 1952. The stock transfer books will remain open.

ROBERT FISHER *Treasurer*

April 22, 1952

ROME CABLE *Corporation* ROME · NEW YORK

53rd Consecutive Dividend

The Board of Directors of Rome Cable Corporation has declared consecutive Dividend No. 53 for 25 cents per share on the Common Capital Stock of the Corporation, payable July 1, 1952, to holders of record at the close of business on June 10, 1952.

The Directors also declared Dividend No. 24 for 30 cents per share on the 4% Cumulative Convertible Preferred Stock of the Corporation, payable July 1, 1952, to holders of record at the close of business on June 10, 1952.

JOHN H. DYETT, *Secretary*

Rome, N. Y., May 9, 1952

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—One of the more trustworthy features of the Washington scene, almost as solid a part of it as the White House and Capitol buildings, is that just as sure as he can get a chance, somebody is going to try to "slip through" some piece of legislation when no one seems to be looking.

There has just come to light one of the latest demonstrations of this feature of the Washington scene, an obscure part of the new Maybank housing finance bill, a trick discoverable only by somebody who has the legal and technical background to dig it out, as had one trade association lawyer.

Maybank sponsored a bid of a part of the bureaucracy to open the flood gates of credit to defense, disaster, and military housing. This is the bill which, among other things, would provide $1.3 billion of funds for the Federal National Mortgage Association to make advance commitments to buy government-insured or guaranteed loans for defense, military, and "disaster" housing.

On the principal that if you get a terrific sock on the jaw, you may not observe that you had your shoe-laces cut at the same time, the bill incorporates a cute little trick. It makes permanent a dubious undertaking, allegedly temporary, which was tacked on to the public housing and slum clearance act of 1949.

For fiscal 1950, 1951, and 1952, the Secretary of Agriculture was authorized by the 1949 act to make direct government loans to finance construction of farm houses and farm buildings. These were to be 30-year loans.

The amazing part of this 1949 deal, however, was that although gents like Rexford Guy Tugwell who started the old Resettlement Administration and former Agriculture Secretary Henry A. Wallace have since been retired to other pastures, their spirit marches on.

This part of the act put the borrowing farmers into the ward classification, just like the old RA. Mr. Brannan, whenever he felt like it, could forgive the poor individuals any instalments of interest and principal on these loans when he thought the darlings were too poor to pay, drawing from a permanent grant fund out of the Treasury.

* * *

It was reported that the Maybank bill was sponsored by a part of the bureacracy. When it became apparent, as has been reported in this column heretofore, that considerable elements in the Administration and Congress were cooling toward a big easy money housing bill, then Senator Maybank introduced his far-reaching proposal, and allowed a grand total of two days of public hearings before hushing it up and shutting out the opposition.

It's pretty well established that the Housing and Home Finance Agency, the likely parent of this bill, is going to run into some tough opposition. The Treasury is scared it will have to borrow some $10 billion of new money before the next New Year celebration, and is reported not to cozen to the idea of seeing the government compete with itself for a big chunk of this money. If this supposition is borne out, Ray Foley of HHFA has got a formidable opponent. Treasury Secretary Snyder doesn't yelp much in public but he has a knack often of getting his way. And within the inner councils, Mr. Snyder will get some durable help from the Federal Reserve Board.

* * *

Here is how the Federal Reserve came to suspend its credit curbs:

Members of the Voluntary Credit Restraint committees began to report to the Federal Reserve Board an abatement of inflationary conditions throughout the country. The Board requested a careful check be made of the chairmen or alternates of all the regional VCR committees as to their opinion about the situation.

This was done. Almost unanimously the leaders of the VCR movement, of the national and regional committees, reported that inflationary pressures had abated. The Board promptly called a meeting of the national VCR committee a week ago.

The national committee formally recommended the suspension of VCR. The Board unanimously, as it announced, concurred.

This was done when the Board reached a collective judgment that "on balance" the inflationary outlook had abated, and it looked as though an equilibrium had been reached, as Gov. Oliver S. Powell said a couple of days ago, in his talk before the Tennessee Bankers Association.

When the Board had reached a judgment that inflationary pressures has subsided, the logical step was to apply the same judgment to its other regulation, W, prescribing mimimum down payments and maximum terms of consumer instalment terms. The Board did this promptly, without any of the horsing around which used to be noted in actions of previous boards.

Observers see the following portents in this course of action:

(1) The Board acted with the complete independence it is supposed to have of the Executive Establishment as a whole, but which in previous years it often seemed too timorous to assert.

The Board ignored the Administration theme that inflation, like the prosperity of the early '30s, was just around the corner. Likewise the Board took the action without regard to the effect its action would have upon its position that Congress should continue in standby status the authority to re-institute VCR and Reg. W. Actually, Congress is more likely to be impressed that the Board doesn't love controls for controls sake and to extend the standby authorities.

On the other hand, it may be reported that the Board's judgment was not taken in any opposition to, or to counter any of the Administration's "party-line" about the dangers of inflation. It was said to be simply an independent judgment and action.

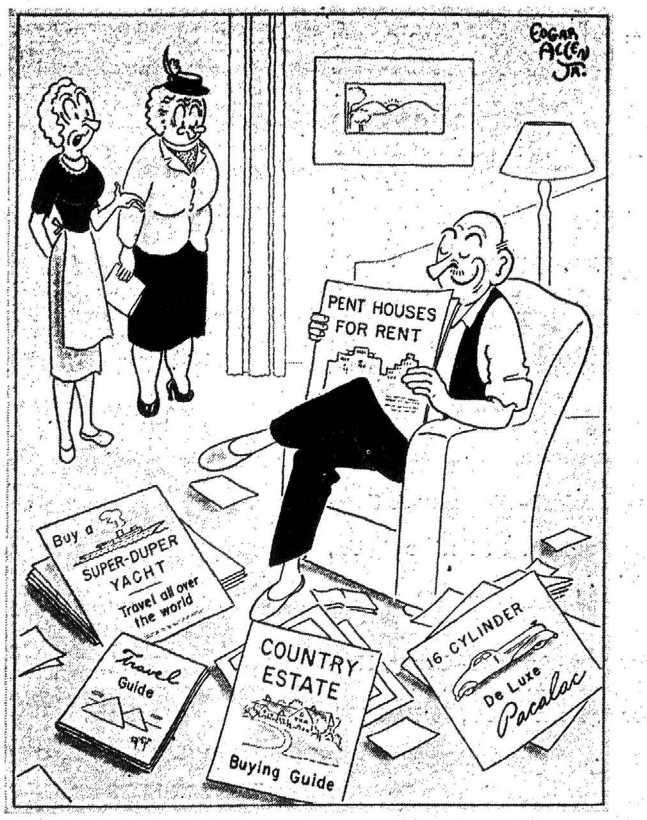
(2) As is inferred from above, the Federal Reserve Board has become the first responsible governmental agency to call the turn.

(3) With respect to Regulation W, the Board has yielded to no temptation to keep the thing lingering on when its usefulness has become unnecessary, just for the cause of social engineering. Although many people at the Federal Reserve Board feel like many others outside, that it is foolish to sell many things with a dollar down and a dollar when you catch him, the Board hews closely to its credit line function: When there is no oversupply of money chasing scarce goods the regulation must be suspended.

(4) Finally, in suspending Regulation W and VCR, the Board acted not to **stimulate** lagging retail sales. These devices are regarded, unlike the conventional powers of the Federal Reserve System, as essentially negative devices to curb inflation.

(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 George is expecting a bit too much from Social Security!"

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