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**EDITORIAL**

## As We See It

For a long while past many economists have been inclined to say that large outlays to help "under-developed areas" would be essential when rearmament outlays began to taper off or even reach some sort of a plateau—essential, that is, if we in this country were to escape depression and unemployment on a large scale. In recent months there has been a growing disposition on the part of some of the Fair Deal elements to worry about recession and unemployment, not postdefense but even while huge rearmament outlays were being poured into the economy, and hence to preach a doctrine of supposed economic necessity of large foreign aid now. Some of the labor economists have of late joined in support for some sort of ambitious scheme of abolishing poverty the world over if we are to escape it within our own borders.

This widely prevalent attitude of mind lends added significance to certain indisputable facts about the experience of the past year or two in many parts of the world. Geneva, Switzerland, is still in some respects a world center of information and sometimes of clear-headed analysis of world economic affairs. Writing from that city recently, Michael L. Hoffman has this to say in the New York "Times":

"The latest report of the United Nations on the world economy during 1950-51, which was written in the economic climate of the first quarter of 1952, shows about as well as anything can the utter futility of the economic gyrations that followed the outbreak of war in Korea. The steep rise in raw material prices which made raw material-producing countries feel temporarily rich

*Continued on page 35*

## I'm Bullish

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

Market analyst maintains external bearish factors have already been discounted in recent market action, and numerous constructive elements are being overlooked. Asserts business trend is turning upward, stocks are strongly held, and we have frozen-in inflation. Recommends purchases specifying industries and issues.

I'm bullish. This doesn't mean that the time is at hand to "bet the bankroll"; violent moves are the exception—not the rule. And I don't visualize an advance of front page proportions. Rather, it seems to me that the evidence favors a constructive—but selective—intermediate view of the outlook. The speculative environment is changing for the better—which spells "opportunity" for those who realize there's no rule that says the market must go straight up, or straight down. Let me tell you why I believe it's advisable to have a more aggressive buying interest from here out.



S. B. Lurie

### The Background

No question about it, the outward evidence—at first glance—is more enervating than exhilarating. The downward trend of commodity prices and weakness in finished goods prices encourages inventory liquidation—not inventory accumulation. And the decline in corporate profits tends to make the businessman reexamine his expansion plans—pull in his horns, so to speak. Furthermore, inventories of consumer hard goods are excessive—and the public isn't "spending minded."

But, and it's a big "but," all this isn't news to the stock market! Today's headlines are the result of trends which were set in motion months ago. They are the reasons why there has been a ceiling to the market as a whole for the past six months. And once an uncertainty becomes an established fact, it loses market significance. From here out, therefore, the chief point to remember

*Continued on page 28*

## The Economic Situation—Today and Tomorrow

By EDWIN G. NOURSE\*  
Former Chairman,  
President's Council of Economic Advisers

Describing today's economic situation as "equilibrated," i. e. balanced by offsetting factors, Dr. Nourse finds "stretch out" of military peak goal from '53 to '55 has turned tide by bringing the national economy in much closer balance with its domestic productive capacity. Forecasts, however, increasing tensions for 1953 and beyond, which betokens end of our "artificial prosperity." Warns unless business and labor make mutual concessions so that goods can be sold and jobs maintained there is prospect of snowballing into a general recession.

If I were to attempt the shortest description of today's economic situation, I would describe it as "equilibrated." That is to say, there is a pretty good balance between conditions and forces that would make for reckless business plunging, runaway inflation, or the final "blow-off" of a boom; or, on the other hand, the collapse of ability to buy, general impairment of business confidence, snowballing unemployment, and contagious recession. The government is committed to a scale of expenditures which will be large even after the present salutary, but cautious, pruning has been completed. Business is still in an uncompleted building program, and workers' pay envelopes are marked for further fattening both from overtime work and from higher pay rates. Thus the pipe lines that carry the national spending stream are full, and the pusher pumps still working. It seems to me that the extent to which the public's propensity to save has been at a high level furnishes sellers a challenge to pare prices and

*Continued on page 36*

\* An address by Dr. Nourse before the 37th Annual International Convention of the National Association of Purchasing Agents, Atlantic City, N. J., May 26, 1952.

**PUBLIC UTILITY ISSUE SOON**—The "Chronicle" of June 12 will feature the proceedings of the 20th Annual Convention of the Edison Electric Institute which will be held in Cleveland, Ohio, from June 2 to June 4.

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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.)

**JOHN J. D'ARCY**

Assistant Treasurer,  
F. L. Putnam & Co., Boston, Mass.  
Suburban Propane Gas Corp. (common)

Due to the current unsettled conditions confronting the stock market, investment dealers throughout the country are looking for securities that are attractive because of their satisfactory dividend income coupled with unusual growth possibilities. Suburban Propane Gas Corporation common, meeting these requirements is my choice at this time.



John J. D'Arcy

The company was formed in 1945 to acquire the liquefied petroleum gas business of Suburban Gas Co. and the eastern distribution districts of Phillips Petroleum Co. Under able and aggressive management the company has increased its customers from 70,000 in 1945 to over 250,000 by 1952, both through growth and acquisition of smaller bottled gas companies within their distribution districts. Territory served includes Atlantic Seaboard States from Massachusetts to South Carolina, Tennessee and Ohio.

The principal business of the company and subsidiaries is the sale and distribution of liquefied petroleum gases for household, farm, commercial and industrial purposes.

L-P Gas is used domestically for cooking, space heating, refrigeration and water heating. Industrially, it is used for chicken brooders, curing tobacco, deicing switches, metal cutting and various other uses employing heat.

A new product added to their services this past year, in a limited scope, was a liquefied gas known as Anhydrous Ammonia which is used as a fertilizer to replace nitrogen in the soil. This broadens the market for Suburban's products without much additional overhead, as the same farm customers served L-P Gas can now also be served Anhydrous Ammonia simultaneously. The company sells appliances and equipment for use in connection with the various gases.

The districts served are generally suburban and rural areas adjacent to industrial or business centers where it is uneconomical to lay expensive pipe. Decentralization of industry has been a big factor in the company's growth. Distribution is effected by delivery from bulk storage tanks by truck to permanent storage tanks on consumers' premises or by replacing portable cylinders.

Capitalization at Dec. 31, 1951, consisted of \$15,107,000 long-term debt, 100,000 shares 5.2% cumulative convertible preferred, \$50 par value, 843,853 shares common, \$1 par value, warrants to purchase 45,658 shares common stock at \$9.50 per share prior to Nov. 27, 1955.

Net earnings before income tax and contingency has increased from \$924,308 in 1946 to \$2,814,110 in 1951. The latter figure is exclusive of Rulane Gas Co., which was acquired December, 1951. Earnings per average num-

ber of common shares outstanding from 1946 to 1951 have been \$1.02, \$1.30, \$1.61, \$2.21, \$2.16 and \$1.60. Pro forma earnings of Suburban for 1951 would have been increased by about 30 cents per share net if Rulane Gas Co. had been owned the entire year.

The 1951 earnings were adversely affected by increased product costs and wages which were not offset by customers' rates established by Office of Price Stabilization. This condition has changed the past week as the OPS has authorized a price increase of L-P Gas at both wholesale and retail levels.

This increase plus increased sales and more efficient operating methods should allow the company to record their greatest net earnings per share in 1952.

The fact that management has always recognized the rights of the stockholders to receive a liberal distribution of earnings should be interpreted as meaning that a modest increase in dividends is a real possibility in 1952 in view of the about favorable trend in earnings. The present annual dividend of \$1 per share yields about 5.9% on the current retail price of approximately \$17 per share.

If you want a security of a firm in an essential industry, with aggressive management, new products, increases in gross revenue, dividends and book value each year since 1946 and with the same outlook for vigorous growth for the foreseeable future then Suburban Propane Gas Corp. common stock is a candidate for your customer's portfolio. The stock is traded actually in the over-the-counter market and, in my opinion, is a suitable investment for conservative investors, trustees, fire and casualty insurance companies and investment trusts.

**EDMOND P. KOCHAT**

President, Grady, Berwald & Co., Inc.,  
New York City

**National Fireproofing Co.**

Now that our economic "planners" in Washington seem to be somewhat frightened by growing inventories, they are removing credit restrictions and repealing practically all controls on new buildings. In other words, the "green light" is on for the construction industry.



Edmond P. Kochat

According to most experts, potential demand for building materials is at a very high level. Low-priced homes, public and commercial buildings, municipal, water and sewage structures and highway are in short supply. It is estimated for instance that school needs are approximately 600,000 classrooms over the next seven years. Religious and medical facilities are also urgently needed. As the supply situation in regard to materials has eased considerably of late, numerous deferred projects are being revived. Most of the building issues are selling well below their 1946 highs and are considered rather attractive "buys" around present prices.

Being associated with an "over-the-counter" house, I shall not at-

**This Week's  
Forum Participants and  
Their Selections**

Suburban Propane Gas Corporation—John J. D'Arcy, Assistant Treasurer, F. L. Putnam & Co., Boston, Mass. (Page 2)

National Fireproofing Company—Edmond P. Kochat, President, Grady, Berwald & Co., Inc., New York City. (Page 2)

tempt to analyze any of the "Blue Chips" of the building industry listed on the New York Stock Exchange, but will instead, confine my remarks to a special situation being currently neglected and offering, in my opinion, unusual possibilities for capital appreciation. As this stock is not on a dividend basis, this is written for the benefit of those willing to forego current income for enhancement potentials.

The common stock of National Fireproofing Co. is, in my opinion, an attractive speculation. This company is the largest manufacturer of structural clay tile in the United States. Its line of products which is diversified, includes hollow tile fireproofing, plain and ornamental building tile, floor tile, roofing tile, bin and silo tile, underground clay conduit, face bricks, stove liners, drain tile and sewer pipes. It owns 18 plants, located in 15 different locations in seven states east of the Mississippi River. These plants have a total estimated capacity of 1,170,000 tons of clay products per year. The company also owns over 6,000 acres of plant and clay deposit sites. Recoverable clay is sufficient for about 50 years of operation, together with an estimated supply of approximately 2,500,000 tons of coal.

The National Fireproofing Co. came out of reorganization in 1936 with a funded debt of \$800,000 first mortgage due in 1946, \$2,624,000 income debentures due May 1, 1952 and 490,000 shares of common stock. Net current assets amounted to only about \$800,000. Ensuing years were difficult due to the depression years of 1937-1939 and also the war years of 1940-1945 when new construction was sharply restricted.

The first mortgage was retired in 1946 and the 5% debentures, due May 1, 1952 were paid on maturity partly with company's funds and partly with the help of a bank loan of \$1,325,000. Net current assets increased from \$880,000 on Dec. 31, 1936 to over \$1,770,000 on Dec. 31, 1951.

As indicated by the following figures, the volume of sales has increased substantially since the end of the war:

1946	\$8,620,643
1947	10,137,101
1948	9,879,449
1949	10,958,450
1950	12,003,177
1951	15,148,963

Net earnings for this period, after depreciation, depletion and taxes, were as follows:

Year	Total	Per Share
1946	\$704,415	\$1.44
1947	634,106	1.29
1948	452,886	.92
1949	498,987	1.02
1950	583,079	1.19
1951	846,739	1.73

Total . . . . . \$3,720,212 \$7.59

As no dividend was paid during this period, these amounts were either expended on plants and equipment or used for the retirement of debts.

Now that the company's financial outlook has been clarified, the time is approaching when the management will have to give consideration to the possibility of some dividend on the common stock.

Selling now at about \$5 a share or less than three times 1951 earnings, the common stock appears to be a good speculation in a booming industry.

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LETTERS TO THE EDITOR:

# "Our Dwindling Sovereignty"

Comments elicited by J. Reuben Clark's article in which the former Undersecretary of State and Ambassador to Mexico criticized our policy of alliances with European powers, including membership in the United Nations, as main cause of diminishing sovereignty of the United States. Tracing American foreign policy from days of Washington and Jefferson, Mr. Clark argued that departure from our original policy of isolationism was responsible for our involvement in European conflicts.

In an article on the cover page of the "Chronicle" of May 8, captioned, "Our Dwindling Sovereignty," J. Reuben Clark, Jr., former Undersecretary of State and Ambassador to Mexico, and presently Director of the Equitable Life Assurance Society and of Western Pacific Railroad Co., contended that the policy of non-entanglement in European affairs, initiated by Washington and abided by during the first century and a quarter of our history, made possible the great development of America—politically, industrially and economically. Conversely, he asserted, we would never have achieved our pre-eminent status "under the policies—domestic and foreign—which now dominate us."

Actually, said Mr. Clark, the departure from our former policy of isolationism and abstention from entangling alliances caused our involvement in European conflicts and is responsible for our constantly diminishing sovereignty. As a result of our membership in the United Nations, Mr. Clark averred, we have lost the power to determine our own course in world affairs and have impaired our sovereignty in three great fundamental matters: "the right to make treaties; to manage our foreign affairs; and to declare war (subject to our temporary right of self-defense), to choose our enemy, to direct and command our armies, and to make such terms of peace as we may desire, or be forced to accept."

Since the appearance of Mr. Clark's article, the "Chronicle" has received a number of comments thereon and on the subject matter in question. Some of the communications are given herewith; others will appear in subsequent issues.—Ed.

**HERBERT BRUCKER**  
Editor, The Hartford Courant

I have no hesitation in expressing my hearty disagreement with what Mr. Clark said.

This is of course a long story. It all goes back to what premises one accepts. It might be nice to go back to the foreign policy of the days of the founding fathers, when we could go it alone. To me the evidence seems compelling that we have to accept the premise that, whether we like it or not, we have to deal with and work with other nations far more closely than in a simpler day. Our scientists, followed by our engineers and businessmen, have made this a world in which what happens elsewhere does vitally and directly affect us, and vice versa.

And I rather suspect that a majority of the American people accept this as their premise, and so incline also to disagree with Mr. Clark.

It is good, though, to have all this talked about.

**HON. WALLACE F. BENNETT**  
U. S. Senator from Utah

I am inclined to agree with President Clark's conclusions though I believe they are unpopular at the present time. It is my impression that in the months and years ahead, particularly if there is a change in Administration, we will be inclined to move toward President Clark's point of view rather than away from it.

**HON. EVERETT MCKINLEY DIRKSEN**  
U. S. Senator from Illinois

The article by Mr. J. Reuben Clark, Jr. "Our Dwindling Sovereignty," deserves re-reading.

**WILLIAM S. GRAY**

Chairman of the Board, The Hanover Bank, New York City

While much can be said in favor of Mr. Clark's point of view, I feel that the entire program is perhaps too reactionary to make it politically feasible at this time.

**HON. LAWRENCE H. SMITH**  
U. S. Congressman from Wisconsin

I was greatly impressed with J. Reuben Clark's article and I shall use it in the coming campaign.

**R. H. SMITH**  
President, Norfolk and Western Railway Company

Mr. Clark's long, distinguished career, his connection with the State Department, and his service as an Ambassador make his opportunities for informing himself about world politics so excellent that it would seem presumptuous for an uninformed person like me to make any comment other than an agreement with what he says. But I do sometimes wonder about these things.

Mr. Clark describes himself as a confirmed isolationist and takes as his gospel the words of President Washington in which he



R. H. Smith

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\*Mr. May's seventh article in the series on the International Economic Conference in Moscow, which he attended as a correspondent, appears this week.

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Author of "Expanding Your Income"

Presenting a brief review of the forward motion of the "flying eggbeaters" together with speculative comment on shares in this wing of the aviation industry.

Back in the 16th century Leonardo da Vinci, multiple genius, sketched the first plans for a helicopter, but it was not till 1907 that a French scientist, Louis Brequet, built and flew a rotary wing aircraft. For years after that, helicopters seemed to be sort of an aviation freak waiting, as it were, in the wings of the industry, while other speedier propeller driven planes, first fighters and bombers, then commercial transports, and finally jets streaked across the horizon. Meanwhile, too, the Zeppelins and their nephews, the blimps, moved into, and, in due course, out of the limelight.

In the 1930's, helicopters appeared here and there, stunting at country fairs, proving to gaping crowds that they could hover motionless in space like weightless humming birds; and land on, or take off from, a flat rooftop, or 50 square feet of open terrain. Spectacular pictures of helicopter rescues from wave-lashed seas also fascinated motion picture newsreel audiences, and hinted at a larger field of usefulness for the roto-craft of the future.

Although inventors and innovators evolved many new variations of 'copters, with a great assortment of wing and power mechanisms, their clumsy appearance (the helicopters—not the inventors), low flying speeds, small load capacity, and high cost of production, kept the industry in a rather prolonged infancy.

World War II, however, developed new uses for helicopters. Submarine spotting was right down their alley, and a new dimension was added to sea rescue. In early days of aircraft carriers, destroyers were assigned to pick up pilots of planes which fell in the sea. Helicopters, tried out on these rescue missions, proved far swifter, were better able to spot personnel from a position aloft, were more efficient, and were not handicapped by rolling in heavy seas. And they cost a lot less to operate. So the Navy moved up its priority on the roto-birds.

Then came Korea, and from extensive military use there, the helicopter has now emerged as a vital adjunct to ground forces, for observation, communication and fire control. Even more important, however, is the new rotary wing transport function. For swift delivery of troops or supplies to any sector, even rugged, swampy or roadless terrain, these air-trucks seem destined to importantly re-

place paratroop planes, since they can fly just above tree tops and thus remain undetected by enemy fire posts. Further, they land their forces in a unit, all ready for action. Thousands of critically wounded men in the Korean engagement have been swiftly evacuated from remote sections, and even from mountain peaks by these flying ambulances, thus saving precious hours and hundreds of lives.

Because of the vastly widened utility of helicopters in warfare, the Armed Forces have stepped up their orders manifold. Before Korea the backlog of the helicopter industry was roughly \$50 million; today it's over \$500 million. 1951 production of some 350 units may be increased this year to 1,400 units at a total sales price of over \$300 million. The helicopter is a baby no longer.

Probably the first completely controlled and practical flying helicopter was the Sikorsky, introduced in early 1942. From this model, Sikorsky became probably the largest producer of helicopters in World War II. Now included as a division of United Aircraft Corp., with a big new plant in Bridgeport, Conn., Sikorsky seems likely to remain among the so-called big three in rotary-wing jobs. The 10 man S-55, Sikorsky built, was widely acclaimed by Marine officers in late 1951, for battalion transportation in Korea; and with slight modification, is being heavily ordered for Navy, Army and Marine services.

For the stock minded, United Aircraft common, with a backlog (all types of aircraft, including helicopters) of roughly \$1,300 million, is past the development stage. Issue consists of 3,186,193 shares (after 20% stock dividend in May 1951) with a 1951 year-end book value of \$33; and per share earnings of roughly \$2.90. For income purposes, the \$2 dividend last year is of interest, and its continuance seems a reasonably certain 1952 projection, based on current results. At around 30, UR yielding well over 6% offers a not unworthy entry into helicopters, as a subdivision of integrated aircraft production.

Bell Aircraft's new helicopter plant at Fort Worth, Texas, confirms the importance of this aviation type. Bell offers the HTL 4, a three place trainer for Navy and Army; its YH 12 ten place rescue and liaison unit for the Air Force; and its H-61, a sixteen place Navy requisition for anti-sub work.

Although Bell lost money in 1946, 1947 and 1948, it was able to pay \$1 per year dividends (on old stock) out of wartime net revenues. Now extant in the amount of 876,178 shares, Bell common (split 2-for-1 this year and adjusted for same) has ranged from 4 to 18 since 1942. At 15, and with a total backlog of \$370 million, Bell offers diversification, dividends and important representation in the future of helicopters.

Third of the big three, is Piasecki Helicopter Corp. Here any investment, present or prospective, is not splashed about among a diversity of aircraft types — Piasecki is all helicopter. Offering first its PV-2, a single tail rotor, back in 1943, it developed (in March 1945) its PV-3, the first tandem rotor unit, with cargo

weight slung between main rotors, forward and aft. This was an important departure from the single dangle, or cargo hook type of suspension, and has set the stage for great increase in cargo capacity.

At the moment Piasecki is demonstrating a new roto-job, believed to be the biggest yet, the YH-21. This can haul 20 troops and has been ordered in quantity by the military. While production of this class, as well as in smaller units is under way, Piasecki hopes for important orders, at least by 1953, for its quite hush-hush H-16 reportedly capable of 40 passenger transport.

Piasecki, in point of growth, has really traveled, zooming from 1950 production of \$6,500,000 worth of 'copters to 1952 booked orders of around \$60 million. Piasecki is essentially an assembly unit, picking up fuselages from Twin Coach and Goodyear Tire, transmissions from Ford Instrument (Sperry) and Foote Brothers, blades from Parsons Co. (Traverse, Mich.), hubs and rotor controls from American Machine and Foundry. Its own headquarters plant is at Merton, Pa.

Unlike Bell and United, Piasecki is not a dividend payer and buyers here have to gaze on long range hopes and dreams and the fact that their speculation in this company is geared 100% to helicopters. Stock is outstanding in amount of 332,438 shares, and for leverage purposes follows an indebtedness of \$18,400,000. Orders backlog of \$150 million assures volume production for well over two years to come and suggests that this is a live one if the industry lives up to its billing. Stock today at 14 does not put a prohibitive price on your rotary romance.

Down the line from these three are quite a few others, offering a new technical approach or a different power application. Kellert pioneered, in 1944, twin intermeshing rotors; Hiller in 1944 offered a coaxial rigid motor; and today produces a lightweight 3 place job. Also has an order backlog of \$16 million. Stock sells around \$6.

Kaman, a little larger, has been working with the Navy on a gas turbine version, after successful production of ambulance-type craft. Stock an obvious speculation at the 4 1/4 level.

Others going in rotary production circles would include, McDonnell Aircraft, Doman Helicopter (now working with Curtiss-Wright), Hughes Aircraft, McCulloch Motors, and Cessna Aircraft. There were some 40 companies in this field in 1947 and these are among the survivors.

You'll note most of the stress here has been on military output. That has been merely to coincide with the facts. Visions of impressive civilian uses for the future, however, are not without substance. There is now helicopter mail air service in Los Angeles and Chicago; and a contract has been let for 'copter passenger and mail service in New York. Last week, strike bound scientists at Lederle Laboratories, Pearl River, N. Y., were nourished on food brought in by helicopter. Consider, also, what would happen if helicopter speed were increased from 100 to 200 MPH, and passenger capacity from 20 to 60 (jet rotary power is already being tested). Think too, about possible removal of airports away from congested urban areas, such as LaGuardia, and Elizabeth, N. J.; and the use of "flying taxis" from landing fields to mid-city roof tops.

Well, hasn't it been nice to talk about some other kind of spiral besides an inflationary one?

## Property Insurance Companies' Prospects

By FRED H. MERRILL\*

Vice-President, Fireman's Fund Insurance Company

After describing economic importance and the ever widening field of property insurance, Mr. Merrill presents among factors for continued expansion: (1) rising prices; (2) heavy new capital and other property construction; and (3) growth in amount of "insurable values." Points out development of new and improved forms of insurance coverage, but concludes industry must do tremendous job to teach and convince public of full merits of insurance.

In approaching my subject "The Outlook for 'Fire,'" I think it is desirable to orient ourselves as to the magnitude of the industry we

are talking about. From a leading statistical source which reports on property insurance affairs, I have taken a few figures which summarize this point. My reference is to all classes of property insurance underwriters, whether they be capital stock companies, mutuals, reciprocals, inter-insurance exchanges, etc. In other words we are talking about the aggregates for all companies engaged in this very essential industry.

At the end of 1950 the total admitted assets of the property insurance companies exceeded \$13 billion, of which about 82% or \$10,700 million represented the admitted assets of the capital stock segment of the industry. In terms of sales, or annual volume of premiums written, the figure for 1950 was in excess of \$6,800 million, of which about 77% or \$5,200 million were premiums written by the capital stock companies.

While property insurance is by no means as important to the investment fraternity as the life insurance business, it nevertheless occupies an important position in relation to the securities business. For example, at the end of 1950 these companies owned some \$5,200 million of U. S. Government obligations, more than \$2 billion of other types of bonds, including states, municipals and corporations, and their stock holdings had a market value in excess of \$3,400 million. These securities produce for these companies more than \$300 million of annual net investment income, something over half of which is paid out to the shareholders of the capital stock companies and the balance is reinvested to provide a growing equity for shareholders.

Not only are these companies important to the investment fraternity but their contribution to our overall economy is indicated by a few figures taken from the composite expense exhibit. Of the

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

\$6,800 million of premiums written in 1950, over \$3 billion was paid out for losses or for the indemnity that is provided by the insurance contract. This indemnity is, as you all know, an essential ingredient in the pattern of economic progress. Without it corporations and individuals could not borrow money, goods could not be transported and the risks of investors would be immeasurably increased.

The next largest element of expenditure by the property insurance industry is the payment of some \$1,300 million of commissions to agents and brokers, of whom there are thousands scattered in every community throughout the country. The local insurance agent is always an important man in his community. He typifies the American system of free enterprise and initiative.

More than \$480 million is paid by this industry in salaries and wages. More than \$21 million is paid in pensions to retired employees. Insurance people travel a great deal and their expense accounts for traveling in 1950 recorded \$58 million of expenditures, from which transportation companies, hotels and others benefit. They spent \$47 million for rent, office equipment purchases totaled more than \$22 million, printing and stationery amounted to \$37 million and postage and express charges were more than \$24 million, and finally they paid over \$180 million in Federal and State taxes.

### Widening Field of Property Insurance

Forty or fifty years ago the property insurance field was limited largely to fire insurance and some marine classifications. Indicative of the effect that technological progress has upon the industry is the fact that the largest single category of property insurance now written is directly traceable to the automobile. Premiums written in connection with motor vehicles now total more than \$2,600 million annually, of which about \$1,200 million are for the physical damage coverages which have always been referred to as the fire lines and which were written in the fire insurance companies. The public liability and property damage classes or the so-called third-party coverages now total about \$1,400 million of premiums. These are the so-called indemnity company coverages and were written as a companion policy in order to provide full coverage.

The next most important classes

Continued on page 14



Ira U. Cobleigh



Fred H. Merrill

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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

Total industrial output the past week continued to show recovery from the strike-bound level of a few weeks ago. However, it failed to equal the level of the comparable 1951 period. Claims for unemployment insurance benefits in the latest week dropped 4% to the lowest point this year, but were close to 14% higher than a year ago. The oil industry continued to be hampered by the wage dispute and output suffered as a consequence.

Steel ingot production rose to 102.7% of capacity (revised), closely approximating the level prior to the recent shutdown. The current week output is scheduled at 102.3%, or 2,124,000 tons of ingots and steel for castings.

In these days of "shortage" and threat of strike, steel consumers are acting strangely—almost as if they weren't worried at all, states "The Iron Age," national metalworking weekly, the current week. By and large, they aren't pressing for quick delivery. They aren't frantically trying to place big orders. They aren't buying premium-priced material. They aren't making big conversion deals. They aren't even listening to gray market offers, this trade journal observes.

On the other hand, they are becoming particular over quality. They are carefully specifying and insisting on particular sizes and grades they want. They are buying closer to home—to save freight. And most will admit that their inventories are fair-to-good. In time of real shortage they wouldn't admit this—even if true, the magazine reports.

Despite the influence of government controls, all this has to mean steel producers are gaining on their market. They know it, too, and most are looking for a definitely competitive market in the fourth quarter—perhaps in the third. However, they expect a few products such as larger sizes of bars and plates to remain in strong demand.

They admit that they are stepping up their selling effort and watching their competitors' prices. It all points to an easier market, but a strike could change it quickly, declares this trade authority.

There's no doubt that mills are fearful of another strike and some have cautioned their scrap suppliers not to make long-term commitments.

This week finds the steel industry at the crossroads—waiting for a Supreme Court decision that is expected to point the direction it will take. All market factors are awaiting this crucial decision, states "The Iron Age."

There is still no hint as to when the decision will come. The Supreme Court met on Monday with no mention of the steel seizure case. It is scheduled to meet again next Monday (June 2) and then recess for the summer. Customarily, the Court announces its decisions on Mondays, but it can (and has done so) anytime, concludes this trade journal.

In the automotive industry last week, a "flare-up of labor troubles," according to "Ward's Automotive Reports," caused auto output to slip about 2%.

While the independent car producers showed gains, two of the big three auto makers—Chrysler Corp. and Ford Motor Co.'s Lincoln-Mercury Division—suffered setbacks. "Ward's" said a strike at Chrysler's DeSoto engine plant, labor troubles at Briggs Manufacturing Co. (Plymouth body supplier) and an adjustment to NPA quotas at Dodge resulted in a 2,600-unit loss.

Labor disputes at the Metuchen, N. J., factory "hit Mercury for the second straight week."

Overall auto production would have fallen more the past week had the independents not shown improvements. Nash continued overtime production and Kaiser-Frazer returned to "normal operations" following a wildcat walkout two weeks ago. Willys, which had lower production in the preceding week as it worked new Jeep models into programs, showed an upturn last week in truck assembly.

Labor disturbances, said "Ward's," have caused the industry to lose more than 4,000 cars and trucks during May.

This agency also reported that many producers noted that their new car sales in the first 10 days of May were higher than both the first and third 10-day periods of April, "reflecting increased buyer interest following the demise of credit restrictions on May 7." It added that several volume producers failed to show new car sales gains, but this was due more to their inability to build up field stocks under output restrictions than to lessened demand.

### Steel Output Scheduled to Show Mild Increase This Week

There are new signs that the day of enough steel for all is not far away.

Balance between supply and demand has been improving for several months, but some products, notably large-size carbon bars and heavy plates, are still hard to get, says "Steel," the weekly magazine of metalworking. Now there's a clue that the pressure for bars may ease up.

For some time the increasing stringency in hot-rolled carbon and quality bars has been attributed to a great extent to mounting requirements of the military shell and fuse programs. There is growing indication that shell makers are receiving directed shipments of bars much in excess of use and that inventories are expanding to total six months or more. Some steel distributors

Continued on page 33

## Incentive and Soviet Progress

By A. WILFRED MAY

This is the seventh in a series of articles by Mr. May following his attendance at International Economic Conference in Moscow, which he covered as a correspondent.

The industrial progress achieved by Soviet Russia already and the distance which she still has to cover, highlighted here at last



A. Wilfred May

week-end's Conference on Soviet Economic Growth held at Columbia University's Arden House, raise the question of the Police State's compromising with the free market.

Any visitor to the Soviet Union must be struck by its embracing of attributes of the capitalist economy. This is seen in the fundamental element of incentive. For individual worker output, it is evident that some motive other than mere duty to his State or regard for the need of others is necessary. In many work places, including factories and building projects, this observer noted tablets commemorating selected workers performing exceptionally well. In answer to my inquiry whether that sufficed, I was invariably informed that whereas previously such honorable mention acclaim had sufficed, now it is necessary to include "the old do-re-mi" of dollar-and-cents along with the approbation.

The fact that the Russian problem is one of production, in contrast to ours which is one of distribution, makes this problem of worker output-incentive particularly important there.

There are many wage incentives throughout industry, bonuses being directly tied to output. Most of industry is on piece-work, helping the so-called unions to function as speed-up mechanisms. Thus, the Soviet productive process is effective rather than efficient. There are great differences permitted in earnings between and within occupations. Engineers of various kinds, whose numbers it is evidently deemed strongly desirable to increase, I found were relatively well-paid; some women in this profession getting a monthly return of 8,000 rubles (\$2,000 at the officially-established fictitious rate of exchange, and about \$320 in local purchasing power). The freelance economic writer, also relatively highly regarded, I found receives 200 rubles per page.

### Non-Socializing Taxation

In the sphere of taxation also are the Soviet authorities evidencing their realization of the importance of incentive. The individual income tax is imposed at a far lower income-level than in the United States, and progresses much more slowly than here, the top surtax being 13%. Compared with the U. S., the Russian tax is re-gressive, since there is a complete cut-off on progression with the 13% impost on income of 1,000 rubles or more per month.

(The tax imposts on industry are too complex for analysis, being flexible and "played by ear" by the administrative authorities, and are not made available for public consumption. Likewise there is a transactions tax and a consumer's sales tax which is levied on the seller and completely disguised to the buyer.)

Although the business enterprises are not called "companies" (yet), there is constantly increas-

ing conformation to free enterprise's corporate system. Despite the pervasive police state control over business as well as everything else, accountability for solvency and success is present and growing. There is bank borrowing at "the going" interest rate, which entails the strict obligation of repayment. Government subsidies to business, as such, have been nonexistent. Trade operates under the law of contract, with full legal protection.

### Savings Bonds Distribution via Lottery

Also in the distribution of the government's savings bonds to the public are capitalist incentive devices being employed. In lieu of compulsory savings, the lottery is used on all such bonds. Only the interest and priority of redemption are subject to lottery. The interest, 4% in the case of one issue and 3% in the case of another, accrues to the lottery pool for the benefit of the winners. The principal remains "inviolable"; and thus the bonds are held by the banks and state insurance companies.

The degree of social compulsion on bond buyers is not easily discernible; but there is no doubt that it is quite strong, particularly on those workers who are on the equivalent of the U. S. Treasury's payroll savings plan. In any event, it is agreed that there is no legal compulsion.

### Some Slight Freedom in Agriculture

In collective farming, the authorities have found it expedient to give the individual members of the Kolhoz the incentive of an extra one-half or full hectare of property each for its development for their private gain, the disposition of the produce being done on the extensive free market. The government assesses rent on the collective in the form of a levy on its produce, which thereupon gets to the consumer

through the government-controlled shops at government-fixed prices. But, to fulfill the incentive instinct, the balance along with the aforementioned private increment, can be sold on the Free Market, where prices change during the day, and wide bargaining can and is engaged in. In the free marketplace, both government-controlled shops and the free stalls co-exist side by side.

The visitor to the Soviet Union is constantly struck with instances of class distinction and privilege. This extends from the difference in waiting rooms at the Moscow airport, in the railroad waiting rooms, in the first- and third-class accommodations on the trains, in living quarters, in restaurants, etc., etc.

In the Soviet Union today, indeed—all men are equal; but some are far more equal than others.

## Mooney Counsel for N. Y. Curb Exchange

Edward T. McCormick, New York Curb Exchange President, announced today that Michael E. Mooney, member of the Massa-



Michael E. Mooney

chusetts and New York bar, has been appointed general counsel for the Trinity Place Exchange by the Curb's Board of Governors. Mr. Mooney has acted as assistant to the President since coming to the institution in August, 1951.

Prior to joining the Exchange he had been Director of the Division of Opinion Writing at the Securities and Exchange Commission in Washington, D. C.

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# Industry's Stake in Atomic Energy

By DR. C. J. MACKENZIE\*

President, Atomic Energy of Canada, Ltd.  
President, The Atomic Energy Control Board, Ottawa

Canadian head of atomic energy research reviews progress of civilian applications of atomic energy and what Canadians are doing in this field in Canada. Says prospects for industrial uses of atomic energy are bright, though hampered by greater stress laid on military applications. Holds use of atomic energy is field pre-eminently suited to the ingenious, competitive strength of private industry, but acknowledges future trend is "highly speculative."

I have been asked to tell you how some of us in Canada who have experience in the field of atomic energy are speculating in 1952 about the overall prospects for industrial applications of this new source of energy. Of necessity I offer only my own speculations as the future still seems far too obscure for any firm prophecy about final industrial applications. We feel we are still in the prospecting and exploration stage.



C. J. Mackenzie

Though Canadian atomic energy experiences and contributions are not of the same order or magnitude as those of the United States, we are not unacquainted with the general aspects of the subject. Canada, as you know, is one of the few countries having important deposits of uranium, the essential primary atomic energy material. Canadian association with atomic research, moreover, began 50 years ago at McGill University with the fundamental investigations of Rutherford and Soddy which led to the development of the theory of radioactive decay. Canada shared with the United States and the United Kingdom in the wartime development of atomic energy for military purposes and in 1945 brought into operation the first nuclear reactor or atomic pile to be constructed outside of the United States. This was only a very low power reactor but shortly afterwards we brought into operation a second and much larger reactor of unique and outstanding design to which many of your experts have referred in most compli-

mentary terms. Certainly this reactor has enabled us to carry out research and to produce radioisotopes of a kind not possible in previously designed piles. At the present time we are engaged in constructing a third and still larger reactor which we hope will provide unique facilities for further large scale research and development programs. I think I can say, therefore, in all modesty that we have considerable experience in atomic energy operations and while we lack the extensive knowledge that your country must have accumulated in its vast bomb programs, that disadvantage as far as industrial thinking is concerned may be at least partially offset by the circumstances which since 1945 have confined and focused our activities and thoughts on research and non-military applications.

## Industrial Uses Bright

To the question, what are the prospects for the industrial uses of atomic energy, my answer is: I believe them to be very bright indeed but I don't think anyone can read the future in any detailed way. I think we are already in the early stages of a new and great technological development. I believe we can see certain broad trends but what the final exact forms will be, and where the major applications will take us, no one can yet predict, but there is nothing new about that—Watt thought his steam engine would be useful for pumping water out of coal mines—the French claim that the first steam locomotive was built by an engineer of Lorraine for dragging cannon to the battlefield without horses—when Seldon in 1895 patented the principle of using "an explosive engine in a road vehicle," even although the gas engine had been a reality for 25 years, few envisaged the amazing growth of the internal combustion engine, the motor vehicle, the aeroplane, and all those fundamental applications which have so profoundly influenced the social and economic life of the world, and brought employ-

ment and comfort to millions of people. When X-rays were invented no one thought of their use in curing cancer, nor could anyone have predicted they would reveal the electron and give us eventually radio and a host of electronic devices. It has always been that way with all fundamental discoveries, and certainly most scientists will agree with President Arthur Compton that "the most important consequences of the release of atomic energy will be in directions not as yet predicted." Because we cannot see the end results clearly is no cause for doubting the future. The only pertinent question is whether or not discovery of fission in Germany, which was announced in January, 1939, was an important and fundamental discovery. I agree most wholeheartedly with those who think it was, and I believe most knowledgeable people so consider it, but it is only natural that different people even of the same background and experience will differ widely in their opinion as to the scope and range of future developments.

To prepare ourselves for a look into the future I suggest we glance for a few moments at what has really happened since 1938. Most people, I feel sure, knew little about atomic energy before the first bomb exploded over Hiroshima. Many still believe that this great scientific achievement was conceived almost overnight and was the result of only a few hectic years of work in the middle of a great war. It is true that nothing like the technical endeavor with its amazing scientific applications, engineering developments, design, and mass industrial production of most intricate equipment ever took place in such a short period of time, but it is also true that like the marvelous electrical development our generation has seen in such things as power, lighting, communications and radio, there were decades of continuous research steps behind the final products.

## Progress of Atomic Science

It was well over 50 years ago that Becquerel in France first discovered the radioactive properties of uranium, radium and thorium, and ever since that time a succession of great scientists in most of the countries in the world have been busy trying to unravel the secret of the atom. The discovery of fission in 1939 by two German scientists—which made a bomb possible—was the keystone of a scientific arch that had been building for half a century. To informed scientists the discovery of fission was a tremendously exciting discovery. For years theorists had talked about the enormous amount of energy that was locked up in the nucleus of the atom—this all seemed quite unreal to laymen, and even to experts the release of this limitless and new source of energy in anything like practical quantities seemed most unlikely. Einstein's theory had proposed that mass and energy were interchangeable, that energy was created by the destruction of mass according to the formula  $E=Mc^2$  and therefore if one pound of any material could be completely converted to energy there would be created the heat or energy equivalent to that obtained by burning a million tons of coal. This also seemed most unreal to laymen in 1938 as no one before that date had been able to turn matter in any measurable quantities into energy—and then—Hahn and Strassman discovered what they called fission. They found that a particular type of uranium atom—Uranium 235—if hit by a neutron would break into two major parts, that the two parts weighed less than the original whole and a relatively large quantity of energy was released, which, according to Einstein's equation, equalled the

mass which had been destroyed multiplied by the square of the velocity of light. This I suggest was and still is a fundamental discovery of the first order of importance.

Some of you may recall the many articles that appeared at that time in the public press during 1939 and 1940. I remember that one scientific journalist writing in one of your well-known national magazines with great enthusiasm, pictured the world "entering a period of unparalleled richness and opportunity for all." He suggested that "the availability of such cheap and abundant power will remove the economic stresses that have immemorably caused war" and make "war itself obsolete." Things don't seem to have worked out exactly that way. The power is there all right but at the moment it is not cheap and I am afraid that even in 1952 the fear of war is not obsolete. However, perhaps it is only the time scale that needs modification.

It is interesting to note that in 1939 in the first outburst of enthusiasm there was little if any thought or mention of bombs, and if war had not broken out almost immediately thereafter the story of the development of atomic energy might have been quite different. But war did break out, the curtain of secrecy dropped, the publication of scientific and popular papers which had occurred in considerable volume all over the world stopped, and little more was heard publicly about atomic energy until the first bomb was dropped in Japan.

It is well known now that in the first flush of excitement in 1939 hopes ran too high and that difficulties unforeseen at that time have taken some of the glitter off such flights of rhetoric as immediate "unparalleled riches and opportunities for all."

We know that in natural uranium there is only one atom in every 140 that is naturally fissionable (the so-called U-235 isotope) and that in fission not all but only a small fraction of the mass of the original atom is turned into energy but the fact does remain that today in several ways we can and are obtaining in quantity fissionable materials from which we can get astonishingly large quantities of energy.

I suggest to you we should never lose sight of the truth that the fact of fundamental importance about atomic energy in 1952 is that we can produce in practical quantities fissionable materials every pound of which will give off the energy or heat equivalent of over 1,000 tons of coal. And I say when you can hold in the palm of your hand 1,000 tons of coal that is something fundamentally new and potentially of great significance.

What we do with the fissionable material after we produce it is another story. For military purposes there is one direct objective—to make as much of this remarkable material as fast as possible and put it into bombs at the same rate. But, if and when permanent peace comes, the ultimate use of fissionable material will be in the field of peacetime industry.

It is well known today that there are two principal fissionable materials obtained in different ways. There is the original fissionable uranium isotope U-235 which can be separated directly from the much more abundant U-238 atoms in natural uranium by diffusion plants—speaking very unscientifically the 0.7% of U-235 is separated from the non-fissile 99.3% of U-238 by physical methods—as sand is screened from gravel.

In reactors on the other hand natural uranium is processed in a kind of industrial furnace. Still speaking in general terms, the fissile U-235 isotope breaks up and in the process for every atom of U-235 destroyed one of the

non-fissile and abundant U-238 atoms is converted into an entirely different atom called plutonium. This plutonium is itself fissionable and can be separated from the rest of the material by ordinary chemical methods. Both of these processes for obtaining fissile material have advantages and disadvantages and, of course, their enthusiastic advocates. I think it is too early to say what the picture will look like in 25 years. My guess is that as was the case with direct and alternating current in the field of electricity both processes will find areas where their particular advantages give them a preferred position.

Then there is the possibility of obtaining fissile material from other minerals such as thorium and of course there is always the additional possibility of future fundamental discoveries that may be as revolutionary as was fission itself, but the essence of progress is that we exploit the present to its full and be prepared for the future when it arrives.

## Canada's Research and Development Activities

In Canada since 1945 our research and development activities have been limited by the fact that we are not engaged in military applications of atomic energy. We accepted the proposition that it would be impractical and unprofitable for us to devote any of our limited facilities to developing bombs, as, alone, we could not hope to produce in any effective quantity and as cooperation in this field was not possible we have been forced by the realities of the picture to focus our attention in a more leisurely, or shall I say, less targetless way on research and thinking about the industrial and non-military uses of atomic energy. With this position in which we find ourselves we have no complaint, as it has many obvious attractions.

I am well aware, as I know most of you are, that from the great programs of this country, although they are primarily focused on defense considerations, there have come many valuable developments that are of non-military use. I am also equally sure there must be even more valuable advances in the still classified areas, that are presently hidden from all of us, but which will some day be of great industrial significance.

There can, of course, be little doubt that if atomic energy had not been circumscribed by war and the threat of war certain aspects might have developed more rapidly, but the fact does remain that we are living under the ominous threat of war and national security must take a high priority. Also one must always remember that without war the vast expenditures made to prove the primary practicality of atomic energy might not have been made for decades. Atomic energy has

Continued on page 26

## Atomic Energy Companies

Our Special Study of the atomic energy program, discussing its potentially far-reaching effects on our economy, and listing 55 companies identified with this field, is available upon request.

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# Uncle Sam—Deficit Addict

By ORVAL W. ADAMS\*

Executive Vice-President, Utah First National Bank, Salt Lake City, Utah

Attacking self-styled reformers, whose rule of conduct is "tax, spend and elect," Mr. Adams asserts these men do not qualify as trustees to administer an estate of 85 million of life insurance owners and 50 million of bank depositors. Warns weakening effect of New Deal-Fair Deal philosophy will bring tragic disaster, unless prompt action is taken to liquidate it. Sees dollar depreciation most vital issue and asserts government spending policy is destroying great middle class, while loss of dollar's purchasing power is destroying human rights. Advocates aggressive action by bankers to protect depositors' dollar. Favors restoration of gold standard.

The subject of my address, "Uncle Sam, Deficit Addict, is an indicting one, but how well justified is known to you all.



Orval W. Adams

Of all classes of our citizenry the banker has most forcefully and constantly been confronted with the pathetic spectacle of a once proudly independent people being jellified—their backbone removed—and betrayed into putting their confidence in the destroyer of their most valuable inherited institutions.

The spending record of the past 20 years is proof again that no man can serve two masters, and that Uncle Sam, while in the clutches of spendthrift, self-styled reformers, whose rule of conduct for public office is just "tax, spend and elect," can no longer qualify as Trustee administering the great estate of America.

That once great estate, consisting in part of the savings of 50 million bank depositors, of the 85 million owners of life insurance policies, and of millions in savings and loan associations, has been brutally mismanaged in the interests of the managers and against the interests of the owners, but it has not yet been destroyed—its amazing vitality, the product of free enterprise working on abundant natural resources, is without a parallel in history. Nothing less vigorous could have withstood such an onslaught of taxing and spending. But its weakened condition is evidence that even it cannot endure forever. Tragic disaster will follow in the wake of the New Deal-Fair Deal Philosophy. Only a prompt awakening to the facts can prevent the liquidation of the great, thrifty, self-reliant, self-denying American Middle Class, in which rests the last hope of a once free world.

We bankers occupy a trust relation to our depositors nonetheless real and binding because unofficial—and we must not default in our duty to do all in our power to bring about an early awakening to the facts, for despite all that has been done to destroy free suffrage, to buy office with the loot of our depositors, the voting control of America still rests in their hands, did they but know it. To bring about such an awakening requires a constant reminder of what has been happening—and a reminder in words calculated to register with the listener. I have attempted many times to tell the facts in my own words. Now let me quote from the recent remarks by that great American and eminent economist, Virgil Jordan, who heads the National Industrial Conference Board:

"Practically every public policy, \*An address by Mr. Adams before the Independent Bankers Association, Minneapolis, Minn., May 19, 1952.

project or program, domestic or foreign, proposed or adopted by our government in the last 17 years of crises and emergencies has been designed to promote a process of continuous inflation as a means of keeping and expanding political power. The welfare and protection promised for the future in return for votes can only be called the cruelest and most colossal fraud that has ever been practiced on a credulous people.

"The hoax was started by the New Deal and is being perpetuated by Mr. Harry S-for-Spendthrift Truman. Its list of victims includes savings bank depositors, life insurance policy holders, everybody who has bonds, service men paying premiums on Federal life insurance, and all present and prospective pensioners. All hold contracts with the government as a borrower, a banker, or an insurance company.

"These contracts have been and are being steadily repudiated. They are being repudiated as the government deliberately rots, adulterates, and cheapens its money by trading public funds for votes and forcing continuous rises in prices and costs by its spending and control policies. No one can number the millions this callous and indecent process threatens with future suffering and loss."

### Dollar Depreciation—Most Vital Issue

Therefore, with Federal spending now out of control and the government committed to arm a great deal of the world and provide assistance for rehabilitation on a world-wide scale, the dollar question surges to the front as the most vital issue.

The forgotten people, the great middle class citizenry, the people in whom I have a vital interest, needs alerting; and with dollars divorced from redeemability in gold and a printing press anchored in the U. S. Treasury—and those in charge of the printing press, devotees of the welfare state (or farewell state)—the U. S. A. is on the way out, unless Congress recaptures control of Federal spending, which is, as I said, now lost.

Who are these credulous, forgotten people to whom I refer? I know. Sometimes we are moved to tears by the lamentations of politicians concerning the sad fate of some unidentified forgotten people. Scarcely have the politicians ever pointed out exactly who these forgotten people are, and for whose welfare they possess such grave concern. We bankers know and have identified them. They are not a myth. They exist. They are among us in flesh and bones in our banks, owners of insurance policies, in building and loan associations. They compose the great middle class of America. They are not generally pointed out as being the victims of inflation. They are not noisy or complaining. On the contrary, the real forgotten men and women have daily remained inarticulate. They have no organization, no pressure group. They issue no propaganda. They conduct no parades and make no fiery

speeches or denunciations. They have no banners or implements. They have no controls, no press. They issue no publicity. They have no spokesman, no defenders—not even us, their unofficial custodians, the bankers of America. They have no lobby in Washington. They are the unknown, defenseless savings depositors. Their number is legion. They represent the very backbone of our citizenship; truly they are the victims and bear the brunt of a blundering economy. They represent the class of thrifty investors, the men and women who, by rigid economies, by self-denial, from the sweat of their brows, have built up savings accounts, accumulated funds in insurance policies. It is their money, large and small, that is invested in innumerable business concerns throughout the land. They have practiced self-denial, scrimped and saved in the hope of providing themselves with adequate old-age security. It is the savings of these people that represents the seed corn of a government of free men. Something must be saved for these people. If they are not saved, all of us are lost.

Not so long ago I was at my desk in a savings bank. It was interest-payday. A woman presented her passbook at the savings window. She was a woman dressed in gingham, with three little bashful girls at her side. After having presented her book for the purpose of having six months' interest credited to her account, she with her little girls, made her way to the front door. As she passed my desk, I stopped her and said: "Lady, may I please look at your savings passbook?" She knew I was an officer of the bank and she acceded to my request. In that book was a deposit of \$5,000. Some little of the principal had been withdrawn. By request she told me whence the \$5,000 had come. This was her story: Her husband, while in the line of duty as a switchman, was killed. He had purchased a life

insurance policy in the amount of \$5,000, payable to his wife, the mother of his three little girls. This fatherless family lived in a rented home. One of the girls was six; she was in school. The others were younger. The woman had drawn some of the principal, as well as the interest, and was doing some domestic work to conserve as much of her savings deposit as possible. Her earning ability, plus the \$5,000, was all in the world she had to provide for herself and her three little girls. Imagine her predicament if through inflation this body-and-soul money should lose its purchasing power. The standard of living of this little family was dependent on the preservation of the purchasing power of this money. Education, hospitalization, culture, self-reliance, were interwoven in these dollars.

### Lost Purchasing Power Means Loss of Human Rights

All of us have heard the spellbinders say that there is no relationship between money and human rights. Would anyone dare take issue with me or you that human rights and purchasing power in this particular case are not one and the same? Is it not logical to assume that when purchasing power is destroyed, so also are human rights?

Here is another example: A man came into the bank. He was 68 years old, a bachelor. He had \$10,000 saved. His accumulations were the result of many years of saving a little of his earnings. He owned a little home. For a living he sharpened saws, repaired locks, and made keys. I talked with him. He told me his life story. At 65 his arm became afflicted with some kind of paralysis. I remember very well his having difficulty getting his savings passbook out of his inside pocket. It was fastened in that pocket with a safety pin. He was a thrifty man. He prized his self-reliance. Having self-reliance, he had accumulated this money so that in the

days when his earning power would be lost to him he would not become a public charge. He was an unassuming fellow. Nobody knew that he had any money.

Would anyone argue with me that there were no human rights bound up in this body-and-soul money accumulated over the years by these independent, self-reliant Americans? Human rights and dollars are humanitarian blood brothers.

This world at this time is not a normal world. In this abnormal world we, as bankers, have an additional duty and an obligation to initiate and follow through, an educational program carrying down to the depositors of our banks, teaching that there is no such thing as government money, warning them against the depreciations of the deficit addicts—wolves in sheeps clothing—who, if not brought under control and turned out of office, will ultimately destroy the purchasing power of their hard-earned savings.

Until that wisdom has become part of the subconsciousness of depositors, it will continue to be possible for those in control of government to perpetuate themselves in office by returning some of the money they take from the depositors in the form of taxes, labeling it "government money."

A large percentage of the depositors in the banks of the United States have been cheated out of their understanding, and the next step logically follows—the taking from them of their hard-earned substance by phony politicians, whose chief concern is to purchase the vote of these unsuspecting depositors, with their own money, and then to keep them bought.

The necessary functions of government benefit all of us and we rightly and willingly contribute to their cost, but strange as it may seem, bureaucracies have a tendency to grow and to per-

Continued on page 30

This advertisement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus. This is published on behalf of only such of the undersigned as are registered dealers in securities in the respective States.

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May 27, 1952

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## Dealer - Broker Investment Recommendations & Literature

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

- Atomic Energy Companies**—Brochure—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.
- Canada's Gold Producers**—Bulletin—Ross, Knowles & Co., 330 Bay Street, Toronto 1, Ont., Canada.
- Financial Survey**—Bulletin—Stern, Frank, Meyer & Fox, Union Bank Building, Los Angeles 14, Calif.
- Investment Guide**—List of issues appearing interesting—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.
- Natural Gas**—Report on the industry—Dempsey-Tegeler & Co., 210 West Seventh Street, Los Angeles 14, Calif. Also available is a memorandum on Tejon Ranch.
- Natural Gas**—Analysis—F. P. Ristine & Company, 15 Broad Street, New York 5, N. Y.
- New York City Bank Stocks**—Ten-year survey of 17 New York City Bank Stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.
- Over-the-Counter Index**—Booklet showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.
- Tokyo Market**—Quotations of major stocks—Nomura Securities Co., Ltd., 1-1 Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.
- Treasury Financing Prospects, 1952**—Brochure—J. G. White & Company, Inc., 37 Wall Street, New York 5, N. Y.
- Abbott Laboratories**—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on Parke, Davis & Co.
- American Chain & Cable**—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available are memoranda on National Gypsum and Technicolor, Inc.
- American Hardware Corporation**—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of Buda Company.
- American Research & Development Corp.**—Bulletin—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.
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- Chesapeake Industries, Inc.**—Discussion—Gottron, Russell & Co., Union Commerce Building, Cleveland 14, Ohio. Also available is a suggested portfolio for liberal dividend income.
- Christiana Securities Co.**—New bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.
- Denver & Rio Grande Western Railroad**—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y. Also available is a memorandum on Bingham Herbrand Corp.
- Electric Bond & Share**—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.
- First National Bank of Chicago**—Bulletin—F. S. Moseley & Co., 135 South La Salle Street, Chicago 3, Ill. Also available is a bulletin on Given Manufacturing Company.
- General Precision Equipment Corporation**—Analysis—Herbert E. Stern & Co., 30 Pine Street, New York 5, N. Y.
- Gladden Products Corp.**—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.
- Goldfield Consolidated Mines Co.**—Memorandum—Dunscombe & Co., 111 Broadway, New York 6, N. Y.
- Gulf Oil Corporation**—Analysis—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.
- Harman Oils & Minerals Ltd.**—Memorandum—Leason & Co., 39 South La Salle Street, Chicago 3, Ill. Also available are memoranda on Husky Oil & Refining Ltd., Muntz TV, Inc., Peace River Natural Gas Co., Southern Production Co., Temco Aircraft Corp. and Toreador Royalty Corp.
- Harshaw Chemical Company**—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y. Also available are bulletins on Robertshaw-Fulton Controls Co. and Chicago and Southern Air Lines, Inc.

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- Mountain States Power Co.**—Memorandum—Pacific Northwest Co., Exchange Building, Seattle 4, Wash.
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- New England Lime Company**—Analysis—Dayton Haigney & Co., Inc., 75 Federal Street, Boston 10, Mass.
- Paragon Electric Company**—Analysis—Loewi & Co., 225 East Mason Street, Milwaukee, Wis.
- Penn-Dixie Cement Corporation**—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.
- Petroleum Heat & Power Company**—Bulletin—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.
- Philadelphia Electric Company**—Bulletin—Hirsch & Co., 25 Broad Street, New York 4, N. Y.
- Puget Sound Power & Light Co.**—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.
- Riverside Cement Co.**—Analysis and review of the Cement Industry—Lerner & Co., 10 Post Office Square, Boston 9, Mass.
- Robbins Mills, Inc.**—Analysis—Brunns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.
- Standard Oil Co. of California**—Memorandum—Schwabacher & Co., 600 Montgomery Street, San Francisco 4, Calif.
- Texas Illinois Natural Gas Pipe Line Company**—Analysis—Hill, Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.
- Union Twist Drill**—Data—Raymond & Co., 148 State Street, Boston 9, Mass.
- U. S. Vitamin Corporation**—Brochure—D. M. S. Hegarty & Associates, Inc., 52 Broadway, New York 4, N. Y.
- Wilrich Petroleum Ltd.**—Memorandum—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

## Business Orders Continue Lower

Composite opinion of Business Survey Committee of National Association of Purchasing Agents reports belated orders and production pickup in some lines, has been overbalanced by declines. Inventory liquidation continuing.

According to a composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Company, Division of Olin Industries, Inc., New Haven, Conn., during May there has been a continuance of the declining business trend of the past several months. There has been a belated seasonal pickup in orders and production in some lines, but it has been far outbalanced by the declines. Again this month, as in March, production has declined in an attempt to meet the lowering order position, but there is still a sizable gap between the two. Cutting the production pattern to fit the demand cloth is the current problem of many manufacturers.



Robert C. Swanton

Additional prices are down in May as a buyers' market spreads to other commodities, the report indicates. Inventory reductions are more prevalent, 50% reporting that trend. The number of employees is off again and shorter working time is noted. Buying policy, in line with these conditions, is very conservative; much to the low side of a "hand-to-mouth" to 90-day range.

Purchasing men, taking a short view of the future, are of the opinion that there will be a continuing gradual decline through the third quarter; they believe that availability, capacity, and competition will act as an effective brake on any inflationary wage and price pattern that may result from the steel situation.

### Commodity Prices

The NAPA May Survey indicates that we are in a price adjustment period. 35% report lower quotations on some of the materials they buy. The predominant purchasing opinion is that the general trend of industrial mate-

rial prices will be down as we move farther into a buyers' market. Commenting on the possible increase in steel labor costs, which could set a pattern for other commodities, most purchasing executives express the opinion that additional capacity and supply, with decreasing demand, will increase the competition already showing up in many markets.

### Inventories

Another sharp decline of industrial inventories is shown in the May Survey. 50% report this condition, and it is necessary to go back to the third quarter of 1949 to get a comparable picture. Availability, shortening lead time, declining production schedules, lower order books, and the indication that the price trend will continue down, all influence the policy of inventory liquidation followed for the past six months.

### Employment

Only 9% report additions to payrolls, while 24% report separations or layoffs. The tendency to reduce overtime and work shorter weeks continues in May. Lack of orders, production declines, and the reluctance of industrial managements to increase stocks of finished goods are the reported causes. Highly skilled workers are still in demand. Agriculture and outdoor work are absorbing some nonskilled labor.

### Buying Policy

The conservative policy of short-range purchasing commitments still prevails. 96% are at 90 days or under, with the accent on "hand-to-mouth" to 60 days. The usual spring industrial pickup did not develop. The purchasing agents who forecast a sluggish third quarter take an extremely cautious view of future coverage.

### Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)  
GREENSBORO, N. C.—Richard C. McElroy, Jr. is with Bache & Co., 108 West Market Street.

### With Kirchofer Arnold

(Special to THE FINANCIAL CHRONICLE)  
RALEIGH, N. C.—S. H. Gregg, Jr. has been added to the staff of Kirchofer & Arnold Associates, Insurance Building.

## Donald B. Fisher With Baker, Simonds & Co.



Don B. Fisher

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Donald B. Fisher has become associated with Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange. Mr. Fisher was formerly manager of the trading department for Carr & Company.

## Name Now Barret, Fitch & North

KANSAS CITY, Mo. — Announcement is being made of the change in firm name from Barret, Fitch & Co., Inc., to Barret, Fitch, North & Co., investment bankers and brokers, and the removal of their offices to new ground floor space at 1006 Baltimore Avenue. The firm was previously located on the 9th floor of 1004 Baltimore Avenue. The new quarters will provide greatly increased space and air conditioning.

Barret, Fitch & Co., Inc. was formed in January, 1946, by John H. Barret, Howard H. Fitch, and Frank W. North, all of whom are widely known in the investment banking circles. Mr. Barret, who had been in the securities business in Kansas City for many years, died on May 15, 1951. Mr. Fitch has been in the securities business in Kansas City since 1924. Following Mr. Barret's death, Mr. Fitch became President of Barret, Fitch & Co. Mr. North has been in the securities business since 1936 and holds the offices of Vice-President and Treasurer. The other officers of the firm are Joseph M. Luby, Vice-President and Manager, Municipal Department, George Hedrick (Lawrence, Kansas), Vice-President and Eastern Kansas representative, and Rosemary C. Purse, Secretary and Assistant Treasurer. The company has representatives in Lawrence, Manhattan, and Clay Center, Kansas.

The company does a complete investment banking and brokerage business including the underwriting and distribution of municipal and corporate securities, and the brokerage of listed and unlisted stocks. The firm is a member of the Midwest Stock Exchange.

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# Driving Force of Postwar Business Boom Declining

By ROY L. REIERSON\*

Vice-President, Bankers Trust Co., New York City

New York banker, contending our economy has lost much of its driving force since end of World War II, holds serious recession was prevented by such sustaining factors as government defense spending and production in heavy goods sector. Says some strength may be imparted to economy by commercial construction and public works projects which had to be curtailed earlier because of material shortages. Sees mixed outlook for prices and predicts 1952 is likely to be a satisfactory year in terms of income and production.

A review of the business situation today clearly indicates that our economy has lost much of the driving force that characterized the trend of prices and production throughout most of the period since the end of World War II. This condition first became noticeable somewhat more than a year ago, when the military situation in Korea became stabilized and the threat of a general world war appeared to diminish. The improvement in the international outlook was rapidly reflected in some rather substantial declines in commodity prices, especially in basic raw materials, a general slackening of business orders and consumer buying, some corrections in inventory positions, and the spread of a generally more cautious attitude throughout the business community. These tendencies have continued to prevail to the present time.



Roy L. Reiersen

Coming as they did in reaction to a strong inflationary outburst, these developments might well have precipitated a troublesome situation in our economy had it not been for the fact that production and business activity have been supported by a number of important sustaining factors, particularly in the heavy goods sector of the economy. The most important of these supports, by all odds, was government spending for defense, which increased at an annual rate of \$20 billion and more. Furthermore, until recently, the general expectation was for a continual rise in defense outlays and for growing shortages. This outlook, in turn, exercised an important influence upon business inventory policies and helped to prevent the correction of individual inventory positions from spiraling into a general wave of liquidation. At the same time, business spending on plant and equipment moved to new peak levels; such outlays increased by about \$5½ billion in 1951 and provided another important support to business activity. As a result, for the past 12 months, industrial production has been well maintained, and despite some cutbacks in individual lines, the aggregate index has fluctuated.

Looking ahead to the second half of 1952, it appears reasonably certain that defense spending, together with private investment and public works projects, will continue to support industrial activity, especially the heavy industries. However, present signs indicate that the supporting factors are of somewhat more modest proportions than they were a year ago.

\*Summary of an address by Mr. Reiersen at the 32nd Annual Convention of the Controllers' Congress of the National Retail Dry Goods Association, New York City, May 26, 1952.

## Defense Spending

Defense spending, which remains one of the major factors in the economic outlook, is one of the most difficult to appraise and forecast. The easing of international tension has been reflected in a "stretching out" of the defense program; in addition, outlays have lagged behind scheduled rates. While such expenditures will continue to increase through the remainder of 1952 and probably through most of 1953, the rate of increase is expected to be substantially lower than in the past 12 months, and the support to the economy from this source is likely to be confined to certain specific industries, such as electronics, aircraft, and the like. Furthermore, the economy generally feels the impact of an increase in defense spending several months in advance of the actual outlays, by way of higher new orders and increased forward buying. Consequently, the defense program is probably already close to the point of exercising its greatest influence upon demands for materials and output.

At the same time, plant and equipment outlays appear to be at their cyclical peaks, and it is difficult to visualize a further growth in the rate of spending in view of the currently reduced level of corporate profits and in view, also, of the fact that our industrial capacity has about doubled since 1939 and has increased by about 50% since 1945. Residential building is expected to have another good year in 1952, but the signs indicate that the general level of activity will, at best, not differ very much from 1951.

Consumer spending, which was a dynamic element in the business situation after the outbreak of the Korean War, is not likely to spark another business upturn in the months ahead. In view of the current round of wage increases, it is reasonable to expect some rise in consumer buying; but unless the international situation should once more take a turn for the worse, the rise is likely to be modest. If this assumption proves valid, business inventories will prove ample in the aggregate, and except for individual lines, no large business buying is anticipated.

## Commercial Construction and Public Works

Some additional strength may be imparted to the economy by commercial construction and public works projects, where shortages of materials led to some curtailments in the latter part of 1950 and in 1951. With the easing of supplies, some increase in commercial building activity is not unlikely. Also, there are obvious large deficiencies in our public plant and equipment, such as roads, schools, hospitals and the like. The making up of these deficiencies will undoubtedly be an important factor in the economy for some time ahead. The opinion has been advanced that this area may provide a stimulus and support to the economy for a great many years to come; however, there are very real limitations in the form of higher tax burdens,

securing public approval of new borrowings, and many others, which suggest that the increase in state and local spending may not be as large as some observers believe.

The outlook for prices, under these conditions and assumptions, appears mixed. The current round of wage increases will probably impart some further upward impetus to the industrial price level, while agricultural prices will obviously be affected by the crop prospects; if the present prospects for good crops materialize, some further decline in agricultural commodities may be anticipated. International raw materials have been under downward pressure for over a year, and this trend is still in progress.

This appraisal of the business outlook is based upon the assumption that world affairs will bring neither a "peace drive" nor a spread of military action. Another wave of war scares would in all probability bring a resurgence of consumer spending, business buying, and price boosts, while a turn in the direction of a more peaceful world is likely to strengthen significantly the downward forces in the economy.

## Summary

In summary, therefore, and always bearing in mind the possibility of surprise developments in the crucial but unpredictable international arena, 1952 is likely to be a satisfactory year in terms of aggregate income, production, and economic activity. Gross national product may be modestly higher than in 1951—perhaps by 5% or so, while industrial production for the year as a whole is not likely to average above recent levels. However, as we move further into the future, we may experience increasing difficulties in maintaining peak levels of output and of economic activity. And this raises some disturbing implications.

Business, under such condi-

tions, faces the need to readjust to a more competitive environment. For more than ten years, the economic environment has been favorable to corporate profits, which despite the squeeze on profit margins, have been maintained and raised by capacity operations in predominantly sellers' markets. In the absence of boom conditions, such as we experienced in the postwar and post-Korean periods, this favorable combination of circumstances is not likely to persist. More competitive conditions will make further inroads upon profit margins, especially in view of the high cost of doing business, much of which seems to be frozen into our economy. Except for the possible lapse in the excess profits tax, substantial tax relief to corporations is not a strong likelihood in view of the large Treasury outlays, the huge budget deficits in prospect, and the many political pressures to give foremost tax relief to individuals. To an extent not generally realized, our tax structure has operated to socialize American business enterprise.

## James A. Hague Joins Hannaford & Talbot

(Special to The Financial Chronicle)  
LOS ANGELES, Calif.—James A. Hague has become associated with Hannaford & Talbot of San Francisco. Mr. Hague was formerly for many years with Adams-Fastnow Company and prior thereto conducted his own investment business in Los Angeles.

## King Merritt Adds

(Special to The Financial Chronicle)  
LOS ANGELES, Calif.—Raymond W. Treimer has joined the staff of King Merritt & Co., Inc., Chamber of Commerce Building.

## Redfield Adds to Staff

(Special to The Financial Chronicle)  
PASADENA, Calif.—George M. Minot has joined the staff of Redfield & Co., 87 South Euclid Ave.

## John G. Wright Joins Kenower, MacArthur



John C. Wright

(Special to The Financial Chronicle)

DETROIT, Mich.—John C. Wright has become associated with Kenower, MacArthur & Co., Ford Building, members of the Detroit and Midwest Stock Exchanges. Mr. Wright was formerly with Stotzer, Faulkner & Co. and prior thereto was manager of the bond department for Keane & Company. In the past he was a partner in Wright, Martin & Co.

## Scherck, Richter Wire To Nashville Firm

ST. LOUIS, Mo.—Scherck, Richter Co., 320 North Fourth Street, members of the Midwest Stock Exchange, have announced the installation of a direct wire to Clark, Landstreet & Kirkpatrick, Inc. in Nashville.

The firm has other direct wires to Dallas, Houston, San Antonio, Los Angeles, New York, Chicago and Kansas City.

## A. M. Kidder Admits

A. M. Kidder & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Josephine P. Bay to limited partnership on June 1.

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

## NEW ISSUE

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May 29, 1952

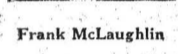
# Squeeze of Big Government On Northwest Electric Power

By FRANK McLAUGHLIN\*

President, Puget Sound Power & Light Company

West Coast utility executive calls attention to creation of a huge Federal electric power empire in Pacific Northwest. Says private utilities in region have been stopped in their tracks and, without getting an adequate power supply, the economy of the region is now largely at the mercy of Big Government. Holds people of Pacific Northwest will pay a high price for loss of control of their own resources.

The Pacific Northwest is presently a huge Federal Government electric power empire and seems destined to be more so in the future. This is evidenced by the fact that during the 1951-52 peak-load periods, the Federal hydro system supplied 71.4% (by 1958-59, 80% is indicated) of the total hydro generation of all the private utilities and public agencies comprising the western group of the Northwest Power Pool.



Frank McLaughlin

Many will find it difficult to reconcile that this great frontier, hewn from a wilderness by resolute pioneers, should now be dependent on "Big" government for its very existence. This is a sobering and ominous state of affairs and it poses these pertinent questions:

(1) Why is it that the Federal Government dominates the power field in the Pacific Northwest?  
(2) What are the implications and the consequences of a virtual Federal monopoly of this region's basic resource — hydroelectric power?

Because it provides the substance for the monstrous public power buildup, it should be realized at the outset that the Pacific Northwest possesses the greatest hydroelectric resources in the United States—the potential being in excess of 30,000,000 kilowatts, of which around 25% has been or is now being developed. The region has presently no other comparable energy base, such as natural gas, oil, or coal, which is available on a competitive cost basis. An adequate, dependable, low-cost hydroelectric power base is therefore vital to the region's economy and way of life.

As would naturally be expected, the development of hydroelectric projects in this state was initially pioneered by private capital, but around the turn of the 20th century, the cities of Seattle and Tacoma ventured into the utilization of water power to produce electricity. So, public power came into being. Ever since, its expansion has been nurtured by "Big" government with every conceivable kind of public agency now in the act.

In that many residents of the region—because of their antecedents—have an affinity for co-ops, and the like—the tirades against private power found attentive ears and responsive audiences. Thus the stage was set for a bitter struggle between private and public power and the state of Washington became the scene of the "hottest" ideological power war imaginable, with Puget's service area the main battleground. It also should be noted here that public power would not have grown as it has if so many people—who are beneficiaries of the private enterprise system—had not forsaken their heritage for a seat on the public power band wagon. Puget, long confined to the "torture chamber," is under death sentence today because, over the years, it has been sold down the river by those who gave their patronage and support to public agencies, or refused to vigorously fight to preserve free enterprise. After all, it's the people who make the decisions and write the ticket as to the kind of utility which furnishes their electric service.

Up to the time that the huge Federal projects on the Columbia river at Grand Coulee and Bonneville were brought into being in the late '30s, power production was at the local level.

With the entrance of the Federal Government into the power supply field in a big way, and its building of a vast transmission network, the whole power picture changed radically. The Federal projects were glamorized in the best New Deal manner and the people were deluged with propaganda as to the amazing benefits that would result from the production of huge quantities of cheap public power. Uncle Sam was represented, as ever the Santa Claus for the more abundant life.

Because it clearly evidences basic intent, it should be understood that the Federal Government has long sought to obtain possession of Puget's "power pool." In March, 1944, the government proposed purchase of the company's entire electric properties—the plan being that it would retain Puget's generation and transmission facilities and eventually sell the distribution properties to various public agencies. This proposal was unacceptable to the company, which strongly feels that the public interest is best served by keeping its "power pool" in local hands. But the Federal Government is persistent in its objectives. Again in December, 1950, "Big" government threatened seizure of Puget's Rock Island hydro project on the Columbia river for the purpose of expanding it so as to provide power for an aluminum plant to be located near by. The government's plans were thwarted by the company entering into an agreement for the enlargement of generating facilities with the Chelan PUD, which has Rock Island under condemnation.

Grand Coulee (present capacity 2,160,000 kilowatts) was initially undertaken in the depression '30s as a "make work" project, and it and the Bonneville development (present capacity 564,000 kilowatts) were also said to be designed as yardsticks for measuring

the performance of the private utilities. Then along came World War II, creating not only a market for Bonneville-Grand Coulee power, but also providing a springboard from which the Federal planners pushed the government "head over heels" into the power business.

While the original approach with regard to multipurpose projects in this region was one of power being more or less incidental or related to irrigation, flood control, and navigation, under the impetus of requirements for national defense, power became the dominant feature. The Federal government forthwith declared, its intention to develop the best available power sites on the Columbia and tributary rivers. Large power-consuming industries, such as aluminum, magnesium, and heavy chemicals, were located in the region. The demands for electric power skyrocketed—and this brought forth more and more Federal power projects.

The influx of heavy power-consuming industries substantially changed the economy of the region, giving it an industrial base which it did not have prior to the early '40s. Because of this, and other factors, the demand for kilowatts kept on climbing subsequent to World War II. The Korean war and the present national defense program further accelerated the expansion of the Federal Government's generation and transmission facilities in order to supply the greatly increased power needs. The government at present has under way projects which are anticipated to provide a total of some 4,000,000 additional kilowatts by the late '50s. Congress has also authorized 12 more projects, totaling around another 4,000,000 kilowatts, for which appropriations have not been made.

In the face of the tremendously large, "low-cost" Federal power developments, and the government's propublic power-marketing policies, it became unfeasible for the private utilities to build new generating facilities.

As a practical matter, the day the Federal Government entered the picture in the Pacific Northwest, the private utilities were, for the most part, stopped in their tracks and the Federal Government took over the primary responsibility for the future power supply of the region. Because of the temporary advantage of accelerated amortization permitting rapid tax write-offs, and other factors, some of the private utilities in the region are now building several hundred thousand kilowatts of additional hydro capacity. Certain local public agencies are also increasing their hydro generating facilities, but in toto this is just a drop in the bucket compared with what the Federal Government is now doing, and what it has projected and authorized, as to power supply.

Of course, a primary cause for public power's existence and growth in the Pacific Northwest and elsewhere, is its tax subsidies, cheap money, and other advantages, which, under present laws and conditions in the state of Washington, amount to around 30 cents per dollar of gross revenue. Take in the matter of Federal income taxes alone, public agencies exempt from such taxes presently have 100-cent dollars of net income, as compared with only 48-cent dollars, or less, for the tax-burdened private utilities. No business can give its competitors substantial cost advantages and hope to live. As things stand today, private and public power cannot competitively co-exist, any more than Capitalism and Communism can live in the same house.

The priority (preference clause) accorded public agencies in the availability of electric power from

Federal projects has also been used as an effective tool for the expansion of public power in this region.

The Federal Government is today in the driver's seat as a result of assumption of control of the region's basic resource—hydroelectric power. This situation came about because of (a) the Columbia basin's huge hydroelectric power potential; (b) power development being tied in with and related to irrigation, flood control, navigation, and other Federal functions, embracing a wide geographical area and with the Federal Government as the only entity with the authority and resources adequate to develop huge multipurpose projects; (c) wars, and the threat of war, which prompted the location in the region of large power-consuming industries, thus establishing a substantial industrial base and consequent greatly increased power demands; and (d) the low power rates of the Federal Government's Columbia river system.

It is no secret that the Federal Government's ambition is not only a monopoly of power production, but control of end use as well. That this is not simply a pipe dream of a beleaguered private utility official, whose company is being victimized, is evident from the following quotations from statements made by C. A. Erdahl, commissioner of public utilities of the city of Tacoma (municipal plant) and chairman of the Pacific Northwest Power Conference (includes representation from all private and public utilities comprising the western group of the Northwest Power Pool):

Tacoma "News Tribune"—Dec. 9, 1951.

We want to have the BPA (Bonneville Power Administration) as a partner, not a boss. The main battle lies in the fact that the Federal Government is determined to control all the electrical power in the Northwest.

Tacoma "News Tribune"—Feb. 4, 1952.

I feel that the question of whether I am to be reelected as commissioner of public utilities [was reelected] is definitely related to the question of whether the city of Tacoma is to maintain an independent position in the service of electric energy to its homes and industries, or is to become merely a cat's-paw in a gigantic Federal system of power supply under rules, regulations, and politics dictated from Washington, D. C. . . .

At first, neither the state nor the Federal Government was interested in electric power supply. But since the late 1930s, the United States Government has become a dominating factor in the generation and distribution of power.

Experience shows that when the people of a region turn a major function, such as power supply, over to the Federal Government, they are in for a rough ride on the Washington merry-go-round. Under such circumstances, instead of having power expansion geared to the demands of the region, it is tied to the attitudes of the President and of Congress and subject to the byplay and interplay of all sorts of extraneous factors and political pressures. Among other things involved are party, sectional, and ideological differences—changing policies as to pump-priming, defense spending, and budget-slashing—inflationary or deflationary trends—and, of course, logrolling and red tape.

## Elkins, Morris to Admit

PHILADELPHIA, Pa.—On June 1, Elkins, Morris & Co., Land Title Building, members of the New York and Philadelphia-Baltimore Stock Exchanges, will admit Edmund G. S. Flannigan to partnership.

This advertisement is not, and is under no circumstances to be construed as, an offer of these securities for sale or a solicitation of any offer to buy any of such securities. This offering is made only by the Prospectus.

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May 28, 1952

# Role of Equities in Savings Banks' Investments

By AUGUST IHLEFELD\*

President, Savings Banks Trust Company, New York City

Pointing out sole purpose of equity investment for mutual savings banks is to secure higher average rate of return so as to reinforce surplus accounts and reserves, Mr. Ihlefeld stresses greater risks attached to equities than to other securities. Calls attention to recent advances in savings banks' dividends as preventing additions to surplus and reserves, required by larger deposits. Advocates savings banks form "equities pool," thus diversifying risks and securing better investment management.

Officers and trustees of mutual savings banks face a greater challenge today than perhaps at any time in the long and eventful history of savings banking.



August Ihlefeld

The rise in the general level of interest rates over the past year has added to pressure for higher returns on savings.

At the same time, operating expenses, especially wages, have been rising for savings banks as for business generally.

Regulatory authorities want to see the ratio of surplus accounts to deposits maintained at what they regard an adequate level. This ratio is going to decline for many savings banks because of an accelerated growth of deposits. There has been a gratifying restoration of faith in the dollar during the past year. The American people have gotten over their Korean war spending sprees and are rebuilding and expanding their reserves of savings. Mutual savings banks are gaining deposits at a faster rate in 1952 than in any year since 1946. While the annual deposit gain for the whole mutual savings banking system is running around 6%, many institutions are adding to deposits at a faster pace. Unless surplus accounts are going to be expanded at an equal or greater rate, the ratio of surplus accounts to deposits is bound to decline.

The problem of maintaining the ratio of surplus accounts to deposits is being made infinitely more difficult for many savings banks because they become subject to the Federal income tax for the first time this year. Hitherto, the balance of earnings after deduction of operating expenses and dividends to depositors could be added in its entirety to valuation reserves and surplus accounts. Beginning this year, except where surplus of undivided profits and reserves is less than 12% of deposits, such earnings become taxable at a 5% rate, so that only the smaller part remains to be added to surplus accounts to margin deposit growth.

Thus, more demands are being made upon mutual savings banks by depositors, employees, regulatory authorities and the United States Treasury. To meet these demands, standards for investment policy of mutual savings banks will have to be more exacting than ever before. They call for obtaining a maximum yield consistent with protection of principal and meeting the fixed obliga-

\*An address by Mr. Ihlefeld at the 32nd Annual Conference of the National Association of Mutual Savings Banks, Boston, Mass., May 15, 1952.

tion to honor promptly depositors' withdrawal orders. Managements of these thrift institutions have no choice but to face up to this challenge squarely.

### How Will the Challenge Be Met?

There are two choices open to mutual savings banks faced with rising dividend rates and operating expenses, faster deposit growth and Federal taxation of earnings.

One choice is to permit surplus account ratios to decline to a substantially lower level than has hitherto been considered desirable. As is contended for commercial banks, it may be argued that mutual savings banks need surplus primarily to provide a cushion to absorb possible losses on risk assets. The savings banks of the country together have surplus accounts today equal to approximately 20% of their risk assets, consisting of mortgage loans and bonds other than government securities. For commercial banks, the corresponding ratio of capital accounts to so-called risk assets averages around 17%.

Could not savings banks, it may be asked, permit their ratio of surplus accounts to risk assets to decline as deposits expand to, say 15%, without adverse consequences?

There are at least three fundamental objections to a deliberate policy of allowing the surplus ratio to decline in this way.

First, it would limit the future ability of mutual savings banks to satisfy legitimate requests for credit from worthy borrowers. Once the ratio of surplus accounts to risk assets reaches the minimum, a savings bank would feel constrained to limit its further investments in real estate loans or corporate bond holdings. It would virtually have to limit its lending on mortgages to funds received as amortization payments on its outstanding loans or the proceeds of sale of bonds other than Governments.

Secondly, a savings bank which chose to prevent the ratio of surplus accounts to risk assets from falling further could then invest only in government obligations. But the yield from such obligations is too low to cover expenses and maintain existing dividend rates, let alone to add to surplus accounts. It would then be only a matter of time before dividend rates paid depositors would have to be reduced because of inadequate earnings from the growing proportion of non-risk assets held.

In the third place, it would jeopardize the current dividend rate because regulatory authorities may not acquiesce in a decline in the surplus accounts ratio, and would insist that additions be made to surplus accounts and reserves from earnings to keep pace with deposit growth. In fact, in New York, the law now requires that 10% of net earnings be added to surplus fund or reserves, where the surplus fund is now less than 10% of deposits. This law would in time put pressure on New York mutual savings banks (whose surplus ratios are declining) to cut dividend rates, should net earnings prove insufficient to cover expenses, the current dividend,

and the required credit to surplus fund or reserves.

Because of these basic objections, the better choice of managements of mutual savings banks, in meeting the challenge which now confronts them, is to seek to realize a higher over-all rate of return from investments to safeguard the current dividend rate and to margin growth by adequate additions to surplus accounts after provision for reserves. In doing so, needless to say, mutual savings banks, as the quality thrift institutions of our financial system, do not want to compromise with the high standards of safety and liquidity that have won for them the confidence and goodwill of the public.

It is practicable, however, through sound management to step up the average rate of return realized on earning assets of mutual savings banks while safeguarding the quality and liquidity of investment portfolios.

### Higher Return Through Mortgage Lending

Hitherto, the favored method of increasing the rate of return realized by mutual savings banks on their portfolios has been an expansion of mortgage loans.

First mortgages on real estate, as a class, have provided the highest yield available on any type of investment hitherto eligible for savings banks' investment even after making allowance for expenses incurred in mortgage lending. The savings banks have justifiably felt secure in expanding their mortgage loan holdings in recent years because of a general improvement in the quality of mortgage loans available, insurance and guarantees provided by FHA and VA which sharply limit loss from default and foreclosure, and because they have eminently well qualified organizations to manage mortgage loan portfolios successfully. For these same reasons, mortgage loans will continue in favor as the chief income producer for mutual savings banks.

However, now that savings banks are under pressure to secure an even higher over-all return from their investments, so far as that is consistent with safety and liquidity standards, the question arises whether further major expansions of mortgage holdings are the best means to achieve this end. There are reasons why savings banks will wish to consider alternative high yielding investments before deciding on a further expansion of their mortgage holdings.

First, a savings bank may become concerned that mortgage loans available in a period of overbuilding and inflated price levels for real estate would not continue to meet its standards of quality.

Secondly, the net yield realized by the lending institution from a mortgage portfolio is materially lower than the rate of interest paid by the borrower. Studies of mortgage costs of life insurance companies and commercial banks made by the National Bureau of Economic Research indicate that the net rates of income realized from mortgage loans, after deducting expenses and reserves, has not averaged much above 3 1/4% in the recent past.

A third objection to exclusive reliance upon a sharp increase in mortgage lending to lift the rate of return realized on portfolios applies where a savings bank must make provision for the payment of Federal income taxes. A mortgage giving a net return as high as 4% would leave less than 2% for addition to surplus where the net income is taxed at 52%. For such banks in particular, it is highly desirable to seek alternative investments the income from which is not subject to this crushingly high tax rate.

### The Choice of Equities for Higher Income

There is one class of investments, not traditionally associated with savings banking, that does offer a higher yield than is ob-

tainable today from either mortgage loans or bonds. That is equities.

Mutual savings banks can obtain an average yield of around 4% from a list of investment-grade preferred stocks. The common stocks listed on the New York Stock Exchange provide an average rate of return of around 6% today. If the expense of managing an equity investment portfolio can be kept in hand, the net rate of income that mutual savings banks can currently realize from equities before provision for reserves would be close to market yields.

Moreover, many common stocks benefit from a growth factor that in time leads to increases in the dividend income they provide. In the aggregate, American corporations now pay out in cash dividends only a little over half their earnings, the balance being reinvested in the business. Eventually, retained earnings make possible larger dividends for common stockholders.

To a savings bank that pays Federal income tax, equities are practically the only type of investment that permits substantial annual additions to surplus accounts. Dividends received by a corporation are, with the exception of certain public utility preferred stocks, subject to an effective tax rate of only 7.8%. Hence, a stock bought on a 5% yield basis by a mutual savings bank subject to the income tax will give an effective after-tax yield of 4.61%. Where a savings bank would be obliged to make provision for Federal taxes on income derived from further additions to its mortgage portfolio, a preference for equities would be plausible because a 4% mortgage loan in that case would give a return of less than 2% after taxes. The same reasoning would hold true, of course, for additional government bond investments which, bought at a yield of say 2.60%, would

Continued on page 24

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May 28, 1952.

## Current Economic Trends

By ADAM GOSTOMSKI\*  
Economist, Moody's Investors Service

Pointing out both business and investors have been living in fear of a breakdown, because of awareness familiar economic laws are being violated, Mr. Gostomski lists among these fears: (1) fear of inflation; (2) fear of recession; and (3) fear of long-term change. Says, despite let-up in inflation, it is still a long-term problem. Holds there is no immediate threat of general recession and, when it comes, it will not be serious or prolonged. Forecasts favorable long-term outlook.

In thinking about what I might most usefully say to you today regarding the current economic trends, I was struck by something I read in the recent book on Capitalism by Prof. Galbraith of Harvard. Perhaps many of you have read his book; if so, forgive me for repeating his point. He sets out by remarking that the aerodynamics and wing-loading of the bumblebee are said to be such that, in principal, it cannot fly. But it does fly. And Prof. Galbraith says that if the bumblebee is aware that, in flying, it is violating the laws of physics and aerodynamics, it must live in a constant fear of a crackup. Similarly, he says, American business has been living in a state of fear of an impending breakdown because it has been aware that old familiar economic laws were being broken.



Adam Gostomski

What is true of business is also true of investors. Many of them live in a state of constant anxiety. So I would like to build my discussion of the economic outlook around investors' fears. Especially three fears which have been dominant:

- (1) Fear of Inflation
- (2) Fear of Recession
- (3) Fear of Long-Term Change

### Inflation Fear

First, as to fear of inflation. It isn't nearly as acute now as it was a year ago. The government, too, seems to have changed its mind about it and has begun to lift or relax controls. People are talking about surpluses instead of shortages.

This is what should make one feel a bit cautious. There is the possibility that this turn-about is being overdone, just as the fear of inflation was overdone a year ago. When the fear of inflation was the strongest, that was the point when commodity prices started turning downward. Maybe commodity prices are near bottom now, at least for a while.

You see, businessmen formulate their conclusions about demand and supply largely on the basis of orders they receive. After Korea, new orders were way up. Now they are way down. But actual consumption has been comparatively steady right along. One of these days, new orders will turn up again.

Then there is the steel situation. Wages are bound to go up and following that prices of many things made of steel too. Steel prices have been lagging somewhat behind general prices and are entitled to some adjustment.

On the whole, the kind of labor situation we have is long-term inflationary, especially that annual adjustment for productivity which is being written into more and more labor contracts. And as long as we have unsettled world con-

ditions and risk of war, we cannot write off inflation as a long-term problem. The awakening of the teeming masses of Asia and Africa to the possibility of a higher standard of living means that the world will be competing more actively with us for the supply of raw materials, which is not unlimited, at least at this level of costs.

But I think you would be right in assuming that the acute phase of inflation is finished. The threat of major war has not materialized, and we have greatly enlarged our production capacity. Last year, manufacturing capacity increased 8% over 1950 and this year will gain another 10%. The percentage of capacity utilized at the end of this year will be something like 83 as compared to 87 last year and 92 in 1948.

With costs still high and quite rigid, and prices levelling off, there is developing a squeeze on profit margins and there are doubts about future expansion plans of business. This brings me to the second of the fears, fear of recession.

### Fear of Recession

Now, I am not going to make any definite predictions about the next general recession—just when it may come or how long it may last. I will merely try to outline some of the main features of such a recession—what would be some of its tendencies and counter-tendencies.

I am going to begin with two broad conclusions:

- (1) A general recession is not an immediate threat.
- (2) When it comes, it will not be too serious or prolonged.

Why is a general recession not an immediate threat? In order to see that, let us analyze where we stand. I am going to use as my yardstick of measurements the FRB index of industrial production. Total production, aside from strikes, is now about 220 points. Out of this total 220, approximately 35 points represents military production. In addition, close to 10 points may be said to represent materials and equipment for the defense plants which, while privately financed, are more strictly for military purposes. This would leave about 175 points for civilian production proper. On a per capita basis, this is about the same as for 1949, a year of mild recession.

Another thing: Production of consumers goods for civilians, that is, excluding consumers goods bought for the Armed Forces, is now below actual consumption as measured by consumer expenditures for goods. That is only proper, because this is the only way in which inventories can be reduced. They are being reduced, and if consumer buying holds up at this level, they should be relatively normal in another couple of months. By now consumers have paid off most of the installment debts they contracted soon after Korea. It is the repayments that made savings look so high last year. Now, with controls off, buying on credit will rise again, though more moderately.

You can see in the rate of some individual industries that while

production could, of course, decline it could not decline very far from these levels. Take for instance automobiles. At about four million cars a year rate, they are not very far from a normal replacement level. At this rate, production is about 9% of registrations. This compares with a 15-year average of 12% and with 8% in the 1938 recession.

Because of recent material restrictions, as well as recession in demand, production of other durable consumers goods is also on the low side. It is lower in the aggregate than in 1949 and lower in relation to consumer incomes than normal relationships would indicate.

Residential construction is also restrained, because of high down-payment requirements.

You can see from this review that it would be difficult to knock general business very far under this level soon. In effect we have had a recession—in consumers goods—but under an umbrella of high defense activity.

Now, military production, even if appropriations are reduced somewhat further, should go up anyway, on the basis of the orders placed and the work in process. In terms of the FRB index, it should go up at least 10 to 15 points in a year's time.

Meanwhile business expenditures for plant and equipment, although they may be near peak, are not likely to go down sharply but rather gradually. Some of the big expansion projects, such as that of electric utilities, won't be completed until 1954. And those projects which had been held back by materials controls will be released and will partly offset the declines in industrial construction.

At most, the decline in total plant and equipment expenditures over the next 12 to 18 months might be the equivalent of, say, five points of the total production index. It will be more than offset by rising military output.

This background suggests that perhaps after some further small decline into the summer, business in general will be ready for at least a moderate upturn which may last into sometime in 1953. Whether after that we will be ready to go into a general recession, it is too early to say. I would guess that 1953 could still be a reasonably good year. After that some new factors may come to light which could conceivably make the outlook better than it now looks. A truce in Korea, if it should come, probably would not alter the situation appreciably.

My second conclusion is that a general recession, when it comes, will not be too serious or prolonged. Here are some of the reasons:

- (1) Even after the peak of the defense effort is passed, the military establishment will remain large and will be providing support to the economy with expenditures not a great deal below the present. A rate of \$40-\$45 billion a year is considered a minimum, and this is close to the recent rate.
- (2) If consumer buying and production of consumers goods remain moderate, as recently, it will be difficult to depress them very seriously. While wage incomes and business profits would decline, the total consumer income would be more stable. Accumulated savings are high.
- (3) As soon as unemployment rose above 4 million or so, there would be strong pressure to stimulate business by tax reductions and other means. It is difficult to imagine unemployment averaging more than 5 to 6 million in such a recession. The country wouldn't stand for more. In 1949, it averaged 3.4 million and did not ex-

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## From Washington Ahead of the News

By CARLISLE BARGERON

Ever since Mr. Truman's 1948 victory there has been a growing admiration for him, among editors and apparently among the general public, as a master politician. He, himself, makes no effort to disguise his pride in his ability in this respect. Intimates say he makes no claim to statesmanship, he has frequently said publicly that there are thousands of others better fitted for the Presidency than he. But on the matter of politics, the ability to get votes, he takes off his hat to none.

The editors refer to his famous whistle-stop campaign of 1948 and view an expected similar campaign this year with healthy respect. Many of them will tell you privately that in the final analysis he will be drafted in July, make another one of these campaigns and win. They are inclined to chuckle about it. "You've got to hand it to the little fellow," they will say.

To have a better understanding of just what type of ability is gaining the admiration of so many people, consider his speech on Monday to the Electric Consumers Conference, but first a word about the Electric Consumers Conference. It is a sounding board for the Public Power crowd of which the most effective lobby is the National Association of Rural Electric Co-ops. This is the brain-child of a former Arkansas Congressman, Clyde Ellis, an organizing genius who got the idea in World War II that the myriad electric co-ops around the country should be knitted together to get copper wire and handle their other kindred problems. He now collects a meter charge from some 800,000 co-op members in the country and has developed his organization into an avowed lobby for public power throughout the country. Co-sponsoring the consumers' conference was the leftist National Farmers' Union.

Anyway, before this group Mr. Truman made a typical whistle-stop speech and it is this type of speech, this type of campaigning that has gained considerable admiration from the American people.

Mr. Truman said the private utility lobbyists are arming to destroy public power, they are swarming all over the Capitol, into Congressmen's offices and into the committee rooms. They are spending money lavishly in magazine ads and this money is coming from the consumers of electricity and from the taxpayers, because they deduct these expenditures from their taxable income.

The only truth in Mr. Truman's statements is that five New York power companies are seeking the authority to develop the increased power that is to be taken from Niagara Falls just as one for more than 50 years has been developing power there. Mr. Truman wants the Federal Government to control this power along with that from the plant in the International Rapids that would be built in the St. Lawrence waterway project. I know of no single power company or any group of power companies that is doing anything against the St. Lawrence project except for an occasional speech which the President of the Rochester Gas and Electric Co. makes. The ads of which Mr. Truman complains are typical institutional ads.

The only power lobbyists in Washington which those of us who get around the Capitol know anything about are the President of the National Association of Electric Companies, and his assistant. Neither the St. Lawrence project nor that at Niagara Falls is part of the Association's program; it has no policy on them. The Association is directing its efforts against the further encroachment of the government into the power business, a general proposition on which the hundreds of power companies see eye to eye and it is only on such a general proposition that they do see eye to eye. There are member companies that would not permit the Association to take any part in the Niagara or St. Lawrence fights.

Yet Mr. Truman blithely holds forth on the monstrous power lobby that, if it were not for him, would eat away the substance of our people. This is not educational, it is not by way of improving the minds of the people, of informing them of national problems. It is the harangue that we used to get from candidates for municipal offices. Only in recent years has it become the successful vehicle of candidates for high office, particularly that of the Presidency. Yet we have become so cynical that we laugh it off, attribute it to politics and express admiration for a President who is adept at this sort of stuff. In his speech to the consumers' group, Mr. Truman expressed indignation at the "power lobby" for appealing not to the people's reason but to their emotions. Ye gads!

It was this same type of campaigning with which Mr. Truman won the election of 1948. His catch phrase in that campaign was Wall Street, iniquitous Wall Street.

To my mind, it is nothing to laugh about. How seriously are we to take a man with such a reckless disregard for the facts when he tells us about Korea, about Europe? What stock should we put in his warning that if the mutual security appropriation is reduced we will be in dire peril of Stalin? How seriously are we to take him when he says anything?

### New Reynolds Office

CHICAGO HEIGHTS, Ill. Reynolds & Co., members of the New York Stock Exchange, on May 16 opened a new sales office in the First National Bank Building under the direction of Robert F. Shields, registered representative.

### Chicago Analysts to Hear

CHICAGO, Ill.—Joseph A. Martino, President of National Lead Company, will address the Investment Analysts Club of Chicago at their luncheon meeting May 22, 12:15 p.m. in the Georgian Room, Carson Pirie Scott & Co.



Carlisle Bargeron

\*A talk by Mr. Gostomski before the Corporate Fiduciaries Association, Boston, Mass., May 13, 1952.

# Objections to Preferred Stock Issues by Banks

By E. S. KLISE

Associate Professor of Economics, Miami University, Oxford, Ohio

After contending there is now no need for additional banking capital, Professor Klise argues against resort by banks to preferred stock issues on grounds that: (1) it would not benefit present stockholders, but might prove disastrous to them in case of earnings decline; (2) it would erect a risky capital structure for banks; and (3) it would not add to bank reserves.

It has been recently proposed by a number of persons interested in bank stocks that banks should now be encouraged to issue preferred stock.

The arguments of these advocates run along these lines. Because of low bank earnings, bank shares are generally selling at a discount. Mergers, sales, and liquidation are encouraged, since by such means stockholders are in a better position to recover the book value of their holdings. Banks are discouraged from increasing their capital, for new common stock can be sold only at a discount corresponding to the market value of the common stock outstanding. However, to sell new common at a discount involves a dilution of the equity of the old stockholders. If, later, earnings improve, the old stockholders must share the gain on an equal basis with the later buyers, who purchased their stock at less than book value. Or if a merger should finally take place, the old stockholders will receive less than if the new common had not been sold. This inequitable treatment of present stockholders would be avoided and encouragement provided for banks to increase their capital if banking authorities would permit the banks to issue preferred stock.



E. S. Klise

The argument is correct so far as it goes. No doubt the holder of a stock with a book value of, say \$125, loses something when someone else is permitted to acquire, for perhaps \$100, the same rights with respect to earnings and liquidation value. But this does not prove that the issuance of preferred stock should be encouraged. The alternative to the loss mentioned above is a possible much greater loss, through the issue of preferred. It seems doubtful that many banks would care to issue preferred even if they were encouraged to do so by the banking authorities.

### Is More Capital Needed?

In the first place, it is far from clear that the banking system as a whole needs a great deal more capital. The capital-deposit ratio declined sharply during the war years as a result of the great increase in deposits caused by bank purchases of government securities. But from the banks' conservative policy of reinvestment of earnings the ratio has been gradually rising in the post-war years.

Specifically, the question is, why should capital be increased? One answer runs to the effect that stockholders should provide a more adequate cushion to protect depositors (and the FDIC) against a shrinkage in asset value. There is something to be said for this point, although taking into account the quality of bank assets today and the strength of the Federal Reserve we perhaps need

not rely so heavily upon nor require as substantial a capital-cushion as in the past. The point is debatable, in any event, but it was not mentioned by the advocates of bank preferred.

However, it is sometimes also claimed that more capital is required to support the growing volume of bank business. This is hardly true, at least in a literal sense. To support a growing volume of business, banks need additional reserves. One way for the individual bank to gain reserves is by selling stock—to depositors in other banks. To the extent that banks sell to their own depositors, they merely reduce their deposits, hence lower their reserve requirements. And if banks generally are selling stock—whether common or preferred—there is, of course, no net gain in reserves. All that has been accomplished is that the banks have reduced their deposit liabilities.

There is frequently confusion with respect to what a single bank can do and what all the banks together can do. If only a few banks need to acquire more reserves, the sale of additional stock is one way—though not the most direct way—to secure them. But if banks generally need more reserves to support an increased volume of loans and deposits, they cannot get them simply by selling stock. All it amounts to is raiding the reserves of their competitors, and when all are playing the game there is no net increase in reserves for the banks as a whole. If we decide that nearly all banks need added reserves, we cannot expect stock sales to provide them.

A simpler way for the banks to gain reserves is by selling securities to the Federal Reserve. This they have been doing, and this they can continue to do so long as the Federal Reserve stands ready to buy their government securities or to discount other paper.

Total capital invested in bank stocks runs around \$10 billion. By contrast, the commercial banks hold over \$50 billion of government securities, not to mention billions of dollars of other paper which could be converted to reserves at the Federal Reserve. Banks simply do not need to sell stock in order to carry on a larger volume of operations, as was clearly shown by the enormous expansion of bank loans during the war.

### Question of Adequacy of Bank Capital

On this question of the adequacy of bank capital, it has sometimes been argued that the low earnings are, in fact, clear evidence that bank capital is excessive, and that the economy would get along quite well even if some of our banking activities were curtailed. Whether or not one agrees with this position, he is likely to feel it raises a question of fundamental importance.

For if bank capital is excessive, then, according to the rules of free competition and free enterprise, there should be a gradual decline in bank capital, and a transfer of funds to other fields where they are in greater demand. On the other hand, if the needs

of the economy require the maintenance or expansion of present banking activity, then bank earnings should be permitted to rise. This may require tax revision as well as an overhauling of bank policy and perhaps of banking regulations. But one way or another, there must be an improvement in earnings. Bank stocks would then no longer stand at a discount, and new capital, if required, could easily and equitably be provided through sale of common stock.

### Preferred Stock Not the Answer

So much for the first point. Now suppose we agree that banks do need more owner-capital as a buffer between depositors and a decline in asset values. It still appears doubtful that preferred stock should be the security offered.

For it is easy to exaggerate the injustice to the old stockholder resulting from an increase in the common. It should be remembered that he has the right to buy the new stock himself, and to the extent that he does so he can avoid any dilution of his equity. It is only to the extent that new stockholders enter the picture that the proportionate shares of the old stockholders are, as a whole, affected adversely.

Here we come to the heart of the matter. When any business is unable to show satisfactory earnings on invested capital, the stockholders are bound to be hurt, one way or another. But what causes the trouble is, basically, the depressed earnings, and not the type of securities with which the company attempts to strengthen its financial position. The financial world is littered with the wrecks of companies which followed just the policy under discussion. To avoid "giving away" any of the stockholders' equity, management issued preferred or bonds. The argument was the same: "When earnings permit, we may retire these securities and once more have undisputed ownership." What happened when earnings did not pick up?

In support of this proposal for bank preferred, no reason has been offered for the banks to believe that present low earnings will soon, or ever, rise. Yet that is the crux of the discussion.

If earnings recover in a year or two, banks which now issue

preferred would be better off than if they had issued common. For, as has been pointed out, management might then retire the preferred and the equity of the common stockholders would have been impaired. (There would appear to be some doubt, however, that the best interests of the common stockholders would really best be served by retirement of preferred at such a time. Certainly it would be in exactly such a period that the earnings on the common would be most increased by the leverage action of the preferred.)

But suppose earnings do not recover. True, banks' assets are more liquid than those of other corporations, and management could still retire the preferred by disposing of sufficient assets. But how would this have solved any problems? Let's look at this more closely.

If we agree that added capital is required to protect depositors against a decline in market value of assets, then how can we feel the holder of common stock is benefited by the issuance of preferred? Here is the dilemma. If assets are regarded as unlikely to depreciate, then an increase in capital is unnecessary. Essentially, asset-stability would mean a continuance of low interest rates, and presumably of low earnings. The cure for this condition is less capital, rather than more, in proportion to assets.

If assets do decline in value, then it is the holders of common who must absorb the loss. The more preferred that has been issued and the more assets that are held, the greater the burden imposed upon the common by any market decline. In the event of a really serious drop in asset values, the holders of common stock might see their equity fall to zero, while the preferred still retained its par value. If added capital had instead been raised by the sale of common, the original stockholders would continue to share in whatever might be left over above the claims of the depositors, whether we are thinking in terms of liquidation, merger, or book and market value as a going concern.

In short, while under certain circumstances the sale of preferred might prove advantageous to the holders of common stock, under other circumstances it might prove disastrous. There is always a risk

to the common involved in setting up prior claims on earnings and assets, and present conditions do not provide any exception.

The traditional use for preferred has been as a device for providing leverage. If a company can earn 7% and can sell preferred to yield 5%, the common stock benefits from the use of the added funds. But when the point is precisely that earnings are depressed, then it is difficult to understand why an issue of preferred would ever be considered. The lower go earnings, the more heavily penalized is the common stock. It is exactly in a period when earnings are low that an issue of preferred should be least welcome to holders of bank stock, quite apart from what the regulating authorities might say.

To repeat, it is only if earnings should improve that holders of common would find that present sales of preferred, rather than additional common, had been to their advantage. It seems doubtful that many stockholders would find such a gamble to be appealing. It's too much like marrying a man in the hope he will reform. The basic requirement is to work toward lowering bank taxes and in other ways raising bank earnings. The erection of risky capital structures would not be a forward step in banking nor would it get at the real cause of the trouble.

## Vilas & Hickey to Admit Boutelle to Firm

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, will admit Franklyn Boutelle to partnership in the firm on June 1. Mr. Boutelle has been a partner in Burton, Cluett & Dana.

## Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)  
BOSTON, Mass. — Chester H. Graves has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 10 Post Office Square.

## With Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)  
BOSTON, Mass. — Elmer M. Greenhalgh is with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

*This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.*

**\$10,000,000**

**Iowa Power and Light Company**

**First Mortgage Bonds, 3¼% Series due 1982**

Dated May 15, 1952 Due May 15, 1982

**Price 101.93% and accrued interest**

*The Prospectus may be obtained in any state in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such state.*

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May 22, 1952

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## Property Insurance Companies' Prospects

of business written by property companies are the casualty lines other than automobile liability and property damage, which now total nearly \$2 billion or about the same annual premium volume as the variety of coverages we call the "fire lines."

The fourth broad segment in terms of premium volume are those coverages which are classified as marine. We refer to "wet marine" as being the indemnities written for hulls and cargoes transported by water, and "dry marine," being the inland transportation, personal property floater and other special classes that do not classify in the other categories.

### A Forecast of Fire Insurance Developments

With this background as respects the economic importance of the property insurance business we can approach the announced subject of "The Outlook for Fire," with a relative degree of simplicity. In a sense the forecast is a relatively easy one, since the outlook is based upon economic fundamentals.

While exact figures are not available, I have reliable estimates prepared by a competent authority that indicate the amount of straight fire risks written in this country. Starting at a point most of us remember, 1929 and the early '30s, the properties covered for fire had an insured value of about \$65 billion. At the time the war ended this figure was over \$100 billion and as a result of the postwar inflation the figure is now well over \$200 billion.

This increase in the value of risks underwritten of about three times correlates to the Department of Commerce sales of all industries which were about \$138 billion in 1929 and over \$420 billion in 1950, again a three-fold increase.

Another fact supporting the increase of fire risks underwritten is the Department of Commerce figure on the value of new construction, public, private, and maintenance and repairs. During the six-year period 1946-1950 the total value was about \$150 billion.

The industry basically sells only one product, namely protection. The insurance contract provides the vital protection for the values created by the ventures of a free economy. It therefore provides an important pillar of support to the banking business. As underwriters and investment bankers you know that your due diligent research requires a careful examination of the insurance protection carried by every project you propose to underwrite.

You have seen our great bridges over San Francisco Bay and you may remember the consternation suffered by many investors and investment bankers some years ago when the Tacoma Narrows bridge went down in a violent storm. Yet in that case, as with our Bay bridges, the bondholder has the constant assurance that his investment is secured by insurance protection.

The shareholders of Monsanto Chemical Company scarcely noted the annual result the tremendous loss suffered by that company as a result of the Texas City disaster. The protection of the insurance contract again provided the funds to rebuild, and the use and occupancy cover restored the normal operating profit that otherwise would have been lost.

Such examples could be recited at length, but my point is probably established in the mind of each of you by some individual occur-

rence with which you have had intimate contact. Fire or casualty insurance is unlike life insurance in this respect. I have collected several times on my property policies, but my life insurance will never do me any good.

### Factors in Growth of Property Insurance

Since insurance is so intimately connected with our individual lives and with every venture in our economic life and progress, it follows that the property insurance industry must grow in direct proportion to the growth of insurable values and the increase in population. As quick reference will illustrate this point. In the 10 years between 1950 and 1960 we will have an increase in population of children between the ages of 5 and 14 of between 10 million and 11 million. In other words we are going to have to provide in our elementary school system for this added population. Immediately after that these larger numbers of children are going to be moving into the high school systems, ultimately into college and finally into family formations.

At the other end of the life cycle we are all going to live longer. We as investors like Johnson & Johnson because of the high birth rate and increased sales of baby powder; we like the drug shares because of the magic things they do to make people healthier and to live longer. But did you ever stop to consider the fact that the more babies that are born, the more schools that have to be built, the more family units formed and the longer we live, we need more and longer insurance protection than ever before.

You are all economists in a sense and are of a statistical turn of mind, therefore using your own forecasts and projection of economic trends you can determine perhaps better than I your own estimate of the future. However, if we can assume that the fundamentals of the past will prevail in the future, we can assume that the insurance industry is certain to enjoy a steady if not dynamic long-term growth, contributed to in part by the increase in population and the great increase of insurable values to be expected in the future. Personally I am optimistic as respects the long-term trend. Our standard of living will show steady improvement as a result of the technological advances that are constantly occurring and at an accelerated rate in every field of endeavor.

### New and Improved Coverages

Another important fundamental is that the industry itself is constantly developing new and improved forms of insurance coverage. In this connection we are approaching the end of the time when we can meet in a forum such as this and discuss the outlook for the industry along the lines of fire companies and casualty companies. As recently as 1943 the segregation was almost complete, but since that time legislation has been passed in all the states except Arizona and Ohio permitting one company to write all lines of business on a full multiple line basis. It is in this fact that we have another of the most fundamentally important considerations bearing upon the outlook for the industry. Extreme changes will not occur overnight, since it will take time to effect the transition, but I can assure you that it is going on all the time. Each fire company or casualty company can now become a fire-and-casualty,

or so-called multiple line company and write all kinds of insurance each could write before. The industry is constantly adjusting itself internally, fitting existing types of policies to the multiple line program, and is continually conducting research for the development of new policies which are not limited by the compartments of fire and casualty. The so-called multiple peril package policies provide indemnity against any combination of insurable perils for which research supports the fact that there is a market, regardless of whether these perils are now in a group commonly labeled "fire," "casualty," or "inland marine." Ultimately those of you who are householders should be able to buy one policy at a single premium which may package several policies you now own. Conceivably this will encompass your fire, theft, comprehensive personal liability, personal property floater and possibly others.

When existing coverages are packaged into one policy it is possible to broaden the protection to include other and equally insurable hazards that are not now generally available. The trend toward multiple peril underwriting will not change or eliminate present policies. The buyer of insurance will still be able to buy any of these separate coverages that he may want. They, in effect, will supplement rather than replace the existing structure.

You have all heard reference to the so-called deductible forms which are designed to provide protection for the very large risks. Some years ago many large corporations considered it economic to go the route of self-insurance by setting up insurance reserve accounts and in effect paying their own losses. The inflationary trend of recent years has materially changed this situation to the point where few corporations today can provide their own indemnity for the enormously increased values that have occurred. They are still willing and able to absorb the smaller losses but they need more than ever before protection against the large or the so-called catastrophe loss. Within the past two years several very large industrial corporations have come back into the insurance market for an excess of loss cover. One such company had for many years been a self-insurer, but because of the enormously increased replacement cost of physical plant and equipment, an annual premium of about \$800,000 has come back to the capital stock insurance companies.

### More Insurance Education Needed

If any of you have had occasion recently to review your own situation you can readily appreciate the fact that a tremendous educational job remains to be done by the insurance industry to teach the assureds the merit and advantages of insuring to value under present inflated conditions. While total premiums written have increased more than three-fold since 1939, I am sure that we have not scratched the surface as respects full insurance to value. The great Eastern windstorm in November, 1950 has now been recorded as the greatest insurance loss since the San Francisco fire in 1906. Yet I do not fear contradiction in the statement that the uninsured losses were equal to those that were insured.

Another consideration is the outlook for profits. In this essential consideration insurance differs from all other forms of industry. In the public interest legislation has been provided that in effect dictates that insurance rates must not be excessive, they must not be unfairly discriminatory but they must be adequate—adequate to maintain the solvency of the company and the integrity of the contract.

You may all have seen the tabulation in the April National City "Bank Letter" which recorded the net income of leading corporations for the years 1950 and 1951, covering more than 3,400 corporations engaged in all types of industries. The tabulation reports a percent return on net assets of 11.4% in 1951 compared to 13.4% in 1950. The comparative return of 66 fire and casualty insurance companies was 5.7% in 1951 and 7.9% in 1950. It is characteristic of the insurance industry, because of the degree of stability inherent in the business, to earn a lesser rate of return during periods of prosperity than the average of industry generally. However, this point must receive the continuing consideration of the regulatory authorities, meaning the insurance commissioners of the various states, because of the responsibility they have to maintain a rate structure which will not only insure the solvency and the ability of insurance companies to meet their obligations, but to provide rates that will produce a return comparable with other industries. They also have the obligation to preserve investor interest and provide earnings that will attract capital to this essential business.

The fire insurance rating formula provides that rates on a given class of risk within a rating territory, a state for example, must over an average period of time produce an underwriting profit. If profits on a given class become excessive, rates must be reduced, and conversely, if adverse experience in that class produces a negligible profit or a loss for a period of time, the rate shall be increased.

This does not mean that poor underwriting of unsound risks will be subsidized or that skillful underwriting and careful selection will be penalized, but only that on the basis of aggregates and averages of large numbers that the class rate should always be set at a figure to produce an average overall moderate underwriting profit.

The philosophy supporting this rate-making procedure is that it is in the public interest for the property insurance industry to secure rates that will produce adequate reserves and capital and surplus of sufficient strength to assure at all times and under all conditions that funds will be available with which to pay losses. To this must be added the interest of investors in fair and adequate net earnings.

During the recent spiral of inflation this fundamental fact has become obscure at times. Investors in regulated industries, whether public utilities, railroads or insurance, have had reason to be impa-

tient during recent years with the sometimes cumbersome processes of rate making.

Over the years the industry has produced a relatively steady but moderate average underwriting profit that has by traditional practice been plowed back and invested to provide a growing surplus as increased protection for the policyholder and a greater equity for the shareholder.

The investment of these capital and surplus funds as well as reserves has produced a continually increasing investment income. Shareholders of insurance companies have received their dividends from this investment income segment. The enviable record of the industry for continuity of payments and periodic increases is too well known to require comment. It might be added, however, that some years ago it was traditional practice to pay out to shareholders about 75% of investment earnings and add the balance to underwriting gains in order to finance the steady growth of premium volume. However, with the advent of inflationary considerations and the consequent sharp increase in premiums and reserve requirements it has been necessary and desirable for most companies to retain a larger share with the result that the average payment is currently in the 50-60% range.

Once we enter an area of stability or some deflation it is to be expected that dividends distributions in the order of 75% will again be restored.

It seems to me that on the basis of these considerations that the outlook for the property insurance industry could be summarized as follows:

- (1) A continual and steady if not dynamic growth in premium volume.
- (2) In the public interest the industry will continue to improve its only product—protection.
- (3) That its shareholders will continue to enjoy, as they have in the past, a steady growth in equity value and dividend income.

## Milwaukee Bond Club Annual Outing

MILWAUKEE, Wis.—The Milwaukee Bond Club will hold its annual outing on Friday, June 13 at Oconomowoc. Guest fee is \$10, and further information may be obtained from Parris Lewis, General Chairman, J. P. Lewis & Co.

Golf is in charge of George Struck, The Milwaukee Co., and William Bosse, Loewi & Co.; baseball, Lyle W. Hamann, Central Republic Co. and Thomas H. Twitchell, Jr., B. C. Ziegler & Co.; cards, F. A. Newton, Loewi & Co.

## Phila. Municipal Men Elect Officers

PHILADELPHIA, Pa.—Robert V. Wehrheim, Assistant Vice-President of The Philadelphia National Bank, was elected President of the Municipal Bond Club of Philadelphia. Other officers elected to serve for the ensuing year: Ellwood S. Robinson of Aspden,



Robert V. Wehrheim



Ellwood S. Robinson



James W. Heward

Robinson & Co., Vice-President; James W. Heward of Butcher & Sherrerd, Treasurer; Edward B. Stokes of Stokes & Co., Secretary.

The following were also elected to serve on the Board of Governors: J. Brooks Diver, Mackey, Dunn & Co., Inc.; Michael J. Radolph of Stroud & Co., Inc. and William H. Hobson, Jr. of DeHaven & Townsend, Crouter & Bodine.

## Columbia Warns of Inflation as Serious Worldwide Problem

American Assembly's four-day conference, sponsored by Columbia University, explores inflation's causes and cures in the light of government spending, public debt management, monetary and credit policy, price and wage controls, productivity, and international monetary exchangeability. Maintains inflation threats continue, and failure to deal with them could mean defeat of civilization.

The second American Assembly on Inflation, sponsored by Columbia University, met at Harriman, N. Y., from May 18 to May 22, and at the conclusion of three round table discussions issued a statement of conclusions of their discussions. The full text of the statement follows:

*Statement of the conclusions of the discussions of the three round tables at the second American Assembly on Inflation, May 18-22, as drafted by the executive committee and presented to the second Assembly for approval May 22.*

While the three round tables approached the subject of inflation in different ways, they reached substantial areas of agreement regarding causes and cures. In the following statement of conclusions, note is taken of areas of disagreement, and of specific recommendations endorsed by an individual round table, which are not necessarily endorsed and which in some cases were opposed by the others.

### Threat of Inflation

(1) The American Assembly holds that inflation is a continuous and serious threat to the stability of the American economy and to the security of the entire Western world. Inflation results in an unjust redistribution of income and wealth, stimulates class conflict, encourages a wasteful use of resources, and saps social and economic strength.

(2) Despite the current lull in consumer spending, underlying inflationary pressures remain. They result primarily from the demands upon our economy, arising from the conflict between the totalitarian world and the freedom-loving nations of the West. The threat of inflation requires continuous reappraisal of our national policies and our means of carrying them out.

(3) The longer inflation goes on, the harder it is to achieve stability. The present period of relative ease is a good time to take stock. The Assembly agreed that there was no single, simple answer to the problem of inflation. Like many crucial problems of our time, it must be dealt with day by day through sound public policies courageously carried out. It is the responsibility of every individual citizen to acquaint himself with this situation, for only through personal understanding can the fight against inflation be successful.

### Influence of Government Spending

(1) Throughout history the greatest single cause of inflation has been huge government spending, accompanied by unbalanced budgets generally caused by war conditions. There was common agreement that a serious inflationary threat at the present time is the prospective deficit in the federal budget.

(2) There was also agreement that the utmost effort should be made to bring the federal budget into balance. The minimum goal should be to balance cash income and disbursements in the coming fiscal year. This would constitute an effective and powerful measure for combating inflation. It was the prevailing view that it would be most desirable if the budget could be balanced through expen-

diture reductions. It was generally believed that such reductions could be effected without sacrifice or impairment of the defense effort. There was support in the Assembly for the view that if expenditure reductions were insufficient to balance the budget steps should be taken to increase tax revenues.

(3) The Assembly supported the defense and mutual security program, but believed that substantial savings could be made in the cost of the program by eliminating waste and increasing the efficiency of each dollar spent.

(4) Control of government expenditures can be improved by better machinery for Congressional review of requests for funds. This is particularly necessary with respect to the present huge and complicated defense budget. Thorough review cannot be achieved without adequate staff assistance. Accordingly, we recommend that the Committees of Congress charged with responsibility for the defense budget set up a permanent joint staff—along the lines of the joint staff on Internal Revenue Taxation—to work closely with the Department of Defense at every stage of the budgetary process as well as in its presentation to the Congress.

(5) Support was also expressed in the Assembly for the use, where appropriate, of citizen commissions such as the Commission on the Executive Branch of the Government to review federal budgetary policies.

(6) One of the three round tables of The American Assembly favored the principle that the Congress should give closer supervision to, and place limits upon, actual expenditures, as distinguished from appropriations, in a given fiscal year.

### Public Debt Management

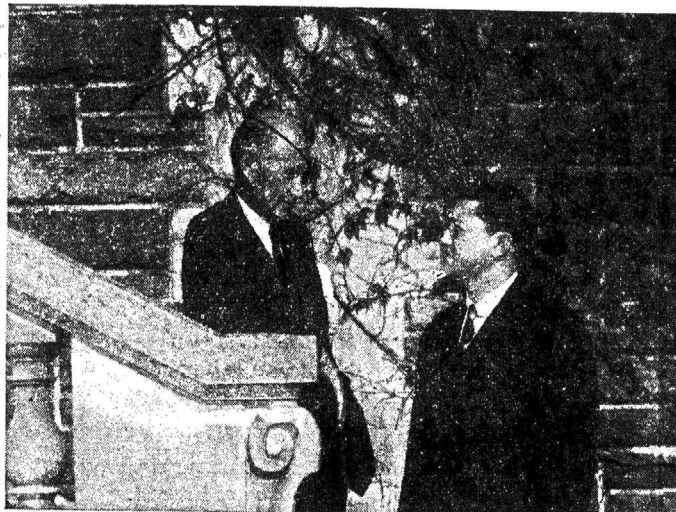
The round tables concluded that the large outstanding public debt is a powerful inflationary force, and held that the inflationary effect of the public debt can be minimized if the Treasury redirects a larger part of the debt into the hands of savers and savings institutions. In its borrowing operations the Treasury should strive to attract the savings of individuals, pension funds and savings institutions, by offering securities and interest rates designed to accomplish that purpose.

### Monetary and Credit Policy

(1) The Federal Reserve System should have primary responsibility for influencing the cost, supply and availability of credit. This responsibility should be exercised so as to contribute to general economic stability. Principal reliance should at all times be placed on indirect credit controls, such as the rediscount rate and open-market operations. Selective credit controls on installment financing and mortgage lending should be used only when essential to supplement indirect controls.

(2) Two round tables resolved that a primary objective of Federal Reserve policy should be to preserve the purchasing power of the dollar.

(3) In order to avoid any potential conflict the American Assembly recommended that the policies of government lending, loan insurance and loan guarantee



Lewis W. Douglas (left), Chairman of the National Policy Board of the American Assembly, and Philip Young, Dean of the Graduate School of Business of Columbia University and Executive Director of the Assembly, shown at Arden House, Harriman Campus of Columbia University, Harriman, New York, at the second American Assembly held May 18-22, 1952.

agencies should conform with the credit policies of the Federal Reserve System.

### Savings

The Assembly held that savings are essential in any type of economic system. All kinds of savings, including the repayment of debt, constitute a powerful defense against inflation. The record-breaking saving achieved by the American people since early in 1951 is a demonstration of the fact that individual thrift can help check inflation. The Treasury's recent action in raising the interest on savings bonds is a step in the right direction. It is desirable that interest rates and other terms of such bonds be made sufficiently attractive to the individual saver to avoid further monetization of the debt through the sale of government securities to the commercial banks.

### Price and Wage Controls

Direct controls of prices and wages are at best a supplement to appropriate fiscal and credit policies, not an alternative. Direct controls should be resorted to only at a time of sudden and extreme emergency. The prevailing view of The American Assembly was that suspension of the majority of direct controls is both feasible and desirable at this time.

### Productivity

A significant contribution to the fight against inflation can be made by increases in industrial and agricultural productivity. To this end public policies should give every encouragement, especially in the field of taxation and in the development of agricultural resources in food-deficit countries, to the improvement of production techniques.

### An International Monetary System

There was rather general agreement that, as a conscious object of policy, an international monetary system should be re-created whereby currencies will be freely exchangeable and made a more effective tool in international commerce. It was felt that the objective among the nations should be to get control of internal inflation as a first step for progress. Once the objective of internal stability is achieved, international cooperation and revival of foreign investments could support a worldwide expansion in production and improvement in human well-being.

### The Need for Public Understanding

It is the consensus of The American Assembly that public knowledge of the causes, processes and consequences of inflation is essen-

tial to the success of any anti-inflationary measures. Consequently, every effort should be made to improve the understanding of the American people as to ways and means of dealing with this problem.

### Inflation—A World Problem

Inflation is a problem common to all nations of the Western World. It arises primarily out of the destruction and sacrifices of the war fought to preserve human liberties, and continues as the result of the burdens of the cold war now being ruthlessly waged against the freedom-loving nations of the world. Failure to deal with this problem successfully could mean the defeat of civilization and the inevitable victory of totalitarianism.

## Business Man's Bookshelf

**Equality and Security**—Dean Russell—Foundation for Economic Education, Inc., Irvington-on-Hudson, New York—paper—no charge for single copies; quantity prices on request.

**Getting Ready to Retire**—Kathryn Close—Public Affairs Committee, Inc., 22 East 38th Street, New York 16, N. Y.—paper—25c.

**Instability of Consumer Spending, The**—Arthur F. Burns—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—paper—no charge.

**Intra-European Payments and Compensations 1947-1950, Documents and Statistics Relating to the Various Agreements Dealing with**—Bank for International Settlements, Basle, Switzerland—paper—6 Swiss francs.

**Picture Story of Steel, The**—Illustrated brochure—American Iron and Steel Institute, 350 Fifth Avenue, New York 1, N. Y.—paper.

**Relative Position of Small Business in the American Economy Since 1930**—Abstract of a dissertation by Rudolph Jones—Catholic University of America Press, Washington, D. C.—paper.

**Shirtsleeve Economics**—William A. Paton—Appleton-Century-Crofts, Inc., 35 West 32nd Street, New York 1, N. Y.—cloth—\$4.00.

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May 29, 1952.

## Taxes Strangling Risk Capital

By WALTER MAYNARD\*

President, Association of Stock Exchange Firms  
Partner, Shearson, Hammill & Co., Members, N. Y. Stock Exch.

Urging restoration of straight thinking on capitalism, Mr. Maynard points out a full employment economy, along with higher wages and generally higher standards of living without inflation, can only come from ample application of capital to industry. Attacks excess profits and capital gains taxes as immobilizing capital and stunting industrial expansion. Sees wide ownership of industry in U. S., and scores government competition with private business.

We who are gathered here tonight have a great stake in the securities industry and in the capitalist setting in which it functions. Because this capitalist setting, although not perfect perhaps, is obviously the most successful form of social organization the world has ever seen, at least if we are to judge it by standards of social justice or easy living, it is important that we understand how it works, and endeavor to foster those economic and social forces at work in it which are favorable to it and oppose those which are harmful. I propose to discuss some of these forces and the ideas or concepts from which they spring.

Some of these concepts are complex, and controversial, and I only have the temerity to discuss them here because in our capacity as brokers we must, if we are to stay in business, evaluate securities as carefully and objectively as possible, and in this respect it is important that our thinking on economic and political subjects, to the extent that it is humanly possible, be absolutely straight and uncolored by prejudice of any kind. It is this requirement for straight thinking that perhaps makes the views of our industry, and particularly that part of our industry which is connected with the analysis of economic trends and individual securities, of some value.

### We Are a Capitalistic Nation

By way of background, I think we can assume that our country, despite the efforts of many "liberals" over the past 20 years, is wholeheartedly capitalistic, and in many respects becoming more so in the sense that the ownership by private individuals of the means of production is generally considered to be the right and normal thing. However, capitalism in this country is profoundly different from capitalism abroad, and this basic difference is worth thinking about for the light that it throws on the fundamental requirements of our kind of capitalism. Two of the most important aspects of this difference, that determines its peculiarly American character are, first, that our capitalism is virtually classless, and, second, that so much of the productive power of our country is represented by widely owned and traded common stocks to which anyone may have access via our great security markets. Success stories—rises from rags to riches—are happily a commonplace here, and the riches more often than not take the form of ownership of American common stocks. This easy social fluidity is a phenomenon that simply does not exist in Europe, yet it is our greatest assurance that we are

making full use of our basic human resources, and it is our best shield against the kind of social pressure or tension which has lain at the root of many of the world's worst and most violent social disorders—wars and revolutions—of recent history.

I have just said that rises from rags to riches are happily a commonplace here. As a matter of fact, I think I should have expressed it somewhat differently and said *were* a commonplace here, and the reason for use of the past tense in this connection is, of course, the unconscionably high present rate of personal income taxes. These taxes, in a sense, are in line with our egalitarian traditions; however, in their practical workings they do not bear particularly heavily on those who are already rich and who may readily avoid them by shifting their assets into tax-sheltered investments. They do bear crushingly, however, on those who are getting rich, and by rich I don't mean vast accumulations of wealth but rather the comfortable cushion for retirement that is the legitimate aspiration of any successful businessman. Dr. David McCord Wright, the brilliant economist of the University of Virginia, expressed this well in a recent talk before the National Industrial Conference Board when he said that the income tax "is not a tax on the rich; it's a tax on the chances of the poor to become rich." Taxes at their present rates are powerful inhibitors of social fluidity, and I believe are therefore undemocratic. They diminish incentives to work, and they provide strong incentives to corruption, both on the part of the taxpayers themselves and on those whose duty it is to collect taxes. I think that Uncle Sam would be wise to limit taxes collected on income during a man's lifetime to a rate below 50% and make up the difference in government revenues, which, incidentally, would be relatively small, by increasing other taxes. To make this change would preserve incentives for hard work and capital accumulation, both of which, because they make social fluidity possible, are socially desirable, and would diminish incentives to corruption.

### Widespread Diffusion of Ownership of Industry

With regard to the second point of difference between American and European capitalism—the accessibility of ownership in American industry, I don't think we can emphasize too much that accessibility of stocks, and its corollary, widespread diffusion of ownership, give us the best discernible means of achieving a society in which the rights and privileges of its various components are reasonably well balanced. Prof. Sumner Slichter of Harvard has called our economy a "laboristic" one, and there have indeed been times in the past 20 years when the interests of those elements in the population that are consumers, and contributors of capital, have come second to those of organized labor. A widespread ownership of common stocks with the stimulus to straight thinking on economic

subjects which such ownership provides would seem to be one of the most effective and democratic ways of assuring ourselves of a well balanced social structure in this country. Many of our member firms have been grumbling, I think rightly, about the unprofitability of transactions in odd lots of stock, but I think that in spite of this handicap we should continue as aggressively as we know how the effort to broaden the base of common stock ownership and thus enlarge the base of our "people's capitalism."

I have just referred to the power of labor and therefore a few words about the effect on the common stockholder of some of the most important aspects of the practical working of this power might be of interest.

Despite the many hard things that have been said about some kinds of labor leadership, the underlying fact remains that in this country (and here, too, we have a contrast with circumstances as they exist abroad), by far the largest part of the best elements of labor leadership has not opposed the introduction of labor-saving machinery even where the use of new machines might temporarily displace certain workers. In fact, the cold and objective view of which I spoke earlier leads to the conclusion that the steady pressure of labor leadership for higher wages has stimulated and accelerated the invention and application of new labor-saving equipment. This in its turn has brought about increased activity in the capital goods industries and a requirement for new financing, which in turn has been paid for, in part at least, via the people's savings, which have been accumulated from their higher wages, and so on in a pleasing spiral. This particular sequence and its favorable consequences in stimulating economic activity and thus benefiting not only the receiver of the higher wages, but also the other elements in the productive process, including the stockholder, was not really foreseen even by such astute observers of the speculative scene as the late Lord Keynes; however, even the most reactionary must admit it actually has happened and is still happening.

Naturally, the foregoing analysis is grossly oversimplified, as any analysis of complex economic interrelationships must be if it is to be understood at all. Therefore a somewhat more detailed examination of some of the elements in the spiral seems appropriate. Probably most important is the requirement that rising wages must be supported by rising productivity. Where wages are increased but productivity does not rise, the effect is likely to be to increase prices—the substance of inflation. Moreover, and this is the sector where an important part of the work of the financial community is done, ample capital must be available to finance the mechanical inventions and improvements which create the increase in productivity.

### Government's Assault on Profits

This capital can only come from two sources—the undistributed profits of industry and the savings of the people. This in turn brings us to a further basic problem which our capitalism faces, and that is the government's assault, via an inimical attitude towards profits, on the corporate and individual savings which are essential if our expanding population is to continue to enjoy a rising standard of living. This inimical attitude appears in various ways, such as the President's broadcast in the steel dispute, but its most deadly form is in the

Continued on page 32

## The Deterioration of Collective Bargaining in Labor Disputes

By LEO WOLMAN\*

Professor of Economics, Columbia University

Contending current systems of collective bargaining have failed to work, Dr. Wolman lays blame on rise to power of national unions in basic and essential industries. Holds national unions have been endowed by public policy with enormous power, and have received government assistance. Points out national unions no longer limit their bargaining to wages and labor conditions, but extend their activities to realms of management and politics.

Whatever our plans and hopes for peaceful and constructive labor relations may have been, the record is clear that what we have

done has failed to work. Since the end of the war we have had a succession of great and costly industrial conflicts, and in those areas in which organized relations have had their longest history, prevailing systems of collective bargaining have steadily deteriorated. The present experience in steel, therefore, is not unique. It has happened before and will happen again, not only in steel, but in other industries as well.

If this is so, and I am clear that it is, then our most pressing task is to find out what is responsible for threats of nation-wide stoppages, national and local strikes that cut off essential goods and services, government seizure of the plants of an industry, and recurrent waves of suspicion and hostility in this most sensitive field of human relations. For, unless we know what the forces are that have caused these conditions, our efforts to devise remedial policies are bound to be fruitless and may, indeed, make matters worse.

I do not think it difficult to discover the principal source of our labor difficulties. It is the rise to power of the national union in practically all of our basic and essential industries. Unions of this character and scope can, whenever they wish, shut down an entire industry and keep it shut for long enough periods to make the shut-downs hurt. This national unions have done from time to time, and they may be expected to do the same things in the future, whenever it serves their purpose and interests to behave in that way.

National unions, as we know them, are private organizations which have been endowed by public policy with enormous power. This power they consider to be a private possession which they are free to use as they please. They resent and oppose attempts to curb their power for any purpose. In fact they are constantly engaged in devising the means for adding to their power and authority and, in this effort too, they have received invaluable assistance from the government.

It should not be surprising that the acts and policies of organizations of this character should come into conflict not only with the interests of industry, but with the public interest and, in fact, with the interests of their own members. It is our failure to recognize the existence of this conflict in this country that is at the root

\*Summary of an address by Dr. Wolman at the Industrial Relations Session of the 60th General Meeting of the American Iron and Steel Institute, New York City, May 22, 1952.



Walter Maynard



Prof. Leo Wolman

of the inadequacies and confusions of current policies, public and private.

Institutions of this kind are, by their nature, ill adapted to perform the functions for which they were initially formed. The practice of collective bargaining is one, and certainly the most important, of these functions. Yet, as national unions become more firmly established and conscious of their strength, they show less and less inclination to bargain and become more inclined to appeal to their power in order to achieve their ends. At the same time the relatively simple and few demands which unions negotiate about in the early stages of their development become elaborated and extended to include countless issues and rights which are concerned mainly with enhancing the authority of unions over employees, members, business and the country.

In this process collective bargaining has come to mean something quite different from what it was originally intended to mean. Its objectives have become dominantly political, as the conflict between business and organized labor is waged over the right to manage, the right to make business decisions—in short, over the whole question of the right to run privately owned and privately managed business.

National unions could not unaided have arrived at the place they now occupy. The Federal government has been, since this country embarked on a new labor policy in 1935, the most potent single factor in promoting their growth and in securing for them the monopolistic powers they now possess. The government has done still more. It has intervened in labor relations in such a way as to make it unnecessary for labor unions to depend upon their own resources and to develop a sense of moderation and responsibility in the management of their own affairs. For most leaders of organized labor have learned from experience to expect more from the authorities in Washington than they can hope to win through negotiation at the bargaining table. The most disturbing consequence of this relationship between government and organized labor has been the use of high government officials to provoke labor unrest and labor trouble. Under the circumstances it is hard to see how the citizens of this country can expect peaceful and rational settlements of labor disputes.

So long as this public policy remains unchanged, minor revisions in existing statutes, the drafting of new provisions for handling and settling emergency strikes, and the writing of laws about plant seizure are likely to have little effect on the prevailing course of events. Public policy and legislation, if they aim effectively to protect the public interest, must go directly to the source of our troubles—the existence and spread of powerful private labor monopolies, subject to little or no restraint in the attitude of government, the law, or in their own view of their rights and responsibilities.

\*An address by Mr. Maynard at a dinner meeting in honor of the Governors of the Association by various Southern industrial and utility companies, Richmond, Va., May 19, 1952.



# Bad Investments

By ROGER W. BABSON

Mr. Babson, asserting too many persons think they can detect bad investments by studying balance sheets and earnings statements, warns investors must look deeper and investigate a company's management. Says young people, especially need to realize importance of character in investing as well as in securing jobs.

E. H. Harriman was probably America's greatest railroad builder. Incidentally, he was the father of the present W. Averell



Roger W. Babson

Harriman, formerly Ambassador to Russia and who is now seeking the nomination for President on the Democratic ticket. Once, when riding in the father's private car, I asked: "What is the most important factor in selecting a good railroad investment?" He replied: "Character of the Management. Good Management can make a profitable railroad from two streaks of rust; while poor Management can turn a good railroad into two streaks of rust."

### Selecting Good Management

I then thought that by studying the location, capitalization and earnings of a railroad it would be possible to tell a good investment from a bad investment. Unfortunately, I have since found Mr. Harriman to be correct. There are too many who at the present time think they can select good investments and detect bad investments by studying earnings statements and other statistics, for the collecting and analyzing of which I now spend a million dollars a year.

Such figures are valuable. Every careful person should study balance sheets and earnings statements before investing hard-earned money in any stocks or bonds. From sad experience, however, I have learned that such figures, although recording the past, are little indication as to what the future will bring forth. To avoid losses, one must look deeper. The future depends upon the Management. Not only does the character of Management change as new men are elected, but Management will deteriorate under the same men who stay too long, or become careless. Unfortunately, the required information to judge the character of Management cannot be secured from manuals and magazines, but only through personal contacts and confidential studies.

### Importance of Character

I have almost reached the point where I must employ retired FBI men as my assistants, rather than statisticians or economists. A few trained newspaper men are useful in detecting bad managements; but the popular policy of leading banks, insurance companies, and investment trusts to depend upon so-called "investment analysts" is dangerous practice. Colleges have graduated hundreds of these investment analysts and they hold such jobs today. They are honest and hard working young men, but very few of them can forecast the future of a corporation by relying on published reports.

To prepare worthwhile reports on the management of any corporation, it is necessary to visit the plant and talk with the officers, directors and employees.

Furthermore, these men need not be judged by the answers which they give to your questions so much as by their language, ethics and basic principles. When interviewing men high up in the management of a corporation, I may learn more of their character by discussing home life, children, churches, schools, liquor, race tracks, and other general subjects than by talking about their own company. Readers should know that there are today over 750,000 corporations whose stocks have been bought or sold and are now a total loss, the companies passing out of existence.

Young people especially need to realize the importance of character in connection with securing and holding jobs, as well as in connection with the investing of

their hard-earned savings. The strength of America today came not from money or big business or even colleges. These are but the fruits of character implanted by praying parents, devoted school teachers, ethical employers and good neighbors.

## N. Y. Investment Ass'n To Hold Annual Outing

The Investment Association of New York will hold its annual outing on June 27 at the Sleepy Hollow Country Club. Foursomes for golf will be made up at the outing.

Announcement is also made that the cost of the luncheon served will be \$1.50 per person.

## Detroit Exchange Extends Trading Hours

DETROIT, Mich.—The Detroit Stock Exchange beginning June 2 will extend its trading hours to 2:30 p.m. daily. Previously the closing was 2:15 p.m.

## Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Catherine V. Bailey has joined the staff of Waddell & Reed, Inc., 1012 Baltimore Avenue.

## Joseph E. Cox

Joseph E. Cox, partner in Robert Winthrop & Co., passed away on May 20th.

## Foster Re-elected Vice-Chairman of NYSE

David Scott Foster, partner in the firm of Pershing & Co., has been re-elected Vice-Chairman of the Board of Governors of the New York Stock Exchange.

He has been a member of the Exchange since 1931, a Governor for the past five years and was first elected Vice-Chairman of the Board last year.

## Hagelstein Co. Formed

HARRISON, Ark. — Henry Hagelstein has formed Henry Hagelstein Co. with offices at 721 West Spring Avenue, to engage in the securities business.



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An entirely new kind of Long Distance service is now being tried in Englewood, New Jersey.

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# Can We Upset the Russian Regime?

By ADMIRAL ALAN G. KIRK\*

Former U. S. Ambassador to the Soviet Union

Our former envoy to Moscow, asserting the Soviet regime is neither impregnable nor crumbling on the brink of revolution, holds we can gradually reach the Russian people themselves and influence their attitude toward us. Urges we address ourselves to the new generation in simple, human terms, show sympathetic interest in their legitimate aspirations for more free and prosperous life, and disclose that our quarrel is confined to their despotic rulers.

Ever since coming back from Moscow, this question has often been asked of me: "Can we reach the peoples of Russia?" So I think, the first thing we must do is to define our terms. Some who ask the question are thinking primarily of the mechanics involved: Can we break through Soviet jamming of broadcasts, can we get printed matter into the hands of Soviet occupation troops; are there additional methods for getting under, through and over the Iron Curtain? Others, however, are really asking whether we can affect the thinking and attitudes of the Soviet population by what we say. In other words, can we influence them?



Adm. Alan G. Kirk

Perhaps the question then divides into two parts:

(a) How can we reach the peoples of Russia?

(b) In order to influence them? The problem of getting through the Iron Curtain may be considered more or less a mechanical one, and possibly it is inexpedient to say much more than that there are means which hold enough promise to justify the effort. The spoken and written word most likely can reach enough citizens of the Soviet Union to have an effect. Whether its further propagation within that vast area is possible, remains to be seen. But it is not unreasonable to assume that messages of real importance will travel—sometimes fast and far.

## Jamming Discussed With Stalin

The more complex question is how can we influence the minds and hearts of our Soviet audience. Back in August, 1949, when I was received by Stalin in the Kremlin, the subject of the jamming of the Voice of America broadcasts was raised. The Soviet dictator turned to Vishinsky to ask: "Are they saying rude things about us?"

"Yes," was the reply, "very."

"And are we blocking them?"

"Yes," said Mr. Vishinsky. Then turning to me, Stalin said that this was a matter to be handled by the Ministry of Foreign Affairs.

Now the point of this story is the ready assertion by the Soviet authorities of their own right to prevent the peoples of Russia from hearing any sort of news from the outside world. "The Masses" must only hear what the Kremlin dares let them hear. There must be no thoughts that are not those the Communist Party wishes the people to have. Therefore, everything from the outside world, written or spoken, is denied to the people—insofar as the police state can insure. No newspapers, periodicals, magazines, movies, posters, radio broadcasts can cross the frontiers—if the Politburo can prevent—and their control is very, very strict.

\*An address by Admiral Kirk before the Overseas Press Club, New York City, May 7, 1952.

## "Rudeness"

There is another lesson in this story, too: the instant reaction of Vishinsky to the word "rude." "Yes," our broadcasts were rude, said he. And without further question, such was accepted by Stalin. Such must be the way of dictators, for criticism of a dictator cannot be permitted—as is well known. The power of a dictator must be absolute; otherwise he falls. And freedom of speech and freedom of the press are unthinkable under such a regime. The Party is always right.

Now we do not accept as final any such dictum, and we do not believe "the masses" inside the Soviet Union are prepared to accept it, either. Since the peoples ruled by the police regime are currently inarticulate, we hold it is never "rude" for us to speak the truth, to oppose tyrants, and to extend friendship, sympathy and aid to their victims. And that is precisely what the American Committee for the Liberation of the Peoples of Russia intends to do, to the utmost limits of its capacity.

We intend to build carefully, thoroughly, but always with this simple democratic objective in view. We don't expect to accomplish miracles overnight. We don't intend to operate in a dream world of push-button revolutions, engineered by American-sponsored radio broadcasts, and we don't intend to risk the lives of brave men by irresponsible appeals for revolts that would be quickly crushed. To do a serious job, we must begin with a mature understanding of the strength and weaknesses of our adversary—the Soviet dictatorship—and of the doubts, fears and aspirations of the Soviet people, our potential ally.

Having just spent the better part of two and a half years in the Soviet Union, I know that we are dealing neither with an impregnable colossus, nor with a crumbling regime already on the brink of revolution.

Let us begin by understanding that when we distinguish between the Soviet oligarchy and the people, we merely recognize the principle that the Communist rulers themselves have steadfastly proclaimed. It is they—not we—who have always insisted that the Party (whose membership is never more than 2 to 3% of the population, and often considerably less) is the sole fount of wisdom, the sole judge of what is right and wrong for two hundred million people. When we look closer, we discover that higher still it is the Central Committee, then the Politburo, and finally, the aging Mr. Stalin himself who decides what is right and wrong for the Party. The purge is the dictator's instrument for disposing of those Party members who disagree.

When we say, therefore, that a vast moral gulf divides the Soviet rulers from the masses, we only recognize Soviet reality as 34 years of Communist dictatorship have fashioned it.

Now let us look, for a moment, at the people. What are they like? Three important elements stand out in my mind as a guide to what we can—and cannot—do when we speak to them. In the first place, the Soviet Union today is a country of tough, vital, young

people. Civil war, terror, famines and World War II have decimated the older generation. The former aristocrats, landowners, industrialists and middle class are all gone. Today the average age is somewhere between 31 and 35—a new generation that has sprung largely from the soil and the city factories. In the process, the country has been moving rapidly from a peasant to an industrial basis. Even in the countryside, the collective farmers are closer to the rest of society than the peasants of Old Russia were.

The second big factor is that about 85% of the population is now literate. The difference that once existed between the educated middle class and the backward masses has been largely eliminated. Workers and farmers whose parents, or at least grandparents, were mainly uneducated, can now read—and they have an almost insatiable curiosity for knowledge. The regime has had to push education for the simple reason that illiterates cannot operate complicated factory and farm tools, pilot jet planes or work in laboratories. But this new knowledge has also enabled the people to read classics of Russian and world literature, whose moral values are diametrically opposed to those of the dictatorship. The writings of Russia's humanitarian nineteenth century literature, which are far more popular than the tedious tracts of Leninism-Stalinism, are stimulating independent thought and reflection among intelligent young people—and there is little the Kremlin can do about it.

## Outside Contact

The third vital factor is that since 1941, many millions of Soviet civilians and soldiers have come into personal contact with the non-Communist world. At one stage of World War II, the Axis armies held territory containing about 40% of the entire Soviet population. Millions of these were deported, together with Soviet war prisoners, to work in German factories, mines and farms. Whatever new hardships they suffered here, these millions saw with their own eyes that workers and farmers in other countries, including Nazi Germany, lived better than they did. They discovered that the Kremlin had been lying to them for many years with its propaganda accounts of unlimited misery in the "capitalist" world. After the war, more than five million of these Soviet citizens were repatriated, including over two million who had come into direct contact with American and British troops.

Similar eye-opening experiences were shared by Soviet officers and men who fought their way into Bucharest, Prague, Vienna, Budapest and Berlin. Here they also saw that the average man in the non-Communist world enjoyed higher living standards and seemed less fear-ridden than the population of the Soviet Union. Red Army men who met Anglo-American troops in the spring of 1945 were exposed to an even more virulent infection. Only the blind among them could fail to contrast their status with that of the average British soldier and American GI.

Since 1945, many hundreds of thousands of Soviet occupation troops have seen something of the outside world. To judge from the unanimous testimony of recent escapees, as well as from the extreme police measures the MVD employs to reduce their outside contacts to the minimum, these new impressions have had a powerful psychological effect on the troops.

Thus we see that we are not dealing with a country of illiterate muzhiks nor with 200,000,000 robots who believe everything the Kremlin tells them. Instead we

confront a young, hardy people—only the hardy survive—among whom are millions who carry some real image of the outside world, and have transmitted that image to relatives and friends.

These are some of the positive elements which give us sturdy foundations on which to build. If we address ourselves to the new generation in simple, human terms—steering clear of pedantry, dogma and counter-dialectics (of which they've had more than their fill)—they will listen with interest. If we constantly show a sympathetic interest in their legitimate aspirations for a freer and more prosperous life; if by our actions in the world and towards them, we prove beyond doubt that our quarrel is solely with their despotic rulers, we will gradually "reach" them and influence their attitude towards us. We will also bolster their confidence in their ultimate capacity to shape a better future for themselves.

## Psychological Obstacles

Let us recognize, however, that we face formidable psychological obstacles. While intelligent people in Moscow, Leningrad, Kiev and Odessa take Kremlin propaganda with more than a grain of salt, the constant hammering home of certain themes does leave its mark. The Kremlin has not yet taught the population to hate Americans, but many of them do suspect that we harbor aggressive intentions. Since June 25, 1950, Soviet propaganda has told them every single day that the South Koreans attacked the North Koreans and that we came 6,000 miles across the Pacific to help them do it. Moreover, the Soviet press and radio constantly turn out a stream of stories about our so-called brutalities, our bombing of defenseless cities and villages, etc.

The real purpose of this propaganda is plain: It is not meant nearly as much to instill sympathy for the Korean people as it is to plant the insidious idea that we intend to wage a war of extermination against the cities and villages of the Soviet Union. How much of this the Soviet citizen believes is not entirely clear, but some of it does sink in and creates fear and suspicion of America.

Sometimes, some of us here in America are unwitting accessories to the Kremlin's anti-American propaganda. A public statement is made or a news story is published advocating preventive war, the dropping of an atomic bomb on Moscow, and the like. Quite naturally, Soviet propagandists reprint these stories, stressing the more lurid parts, and serve them up as proof of America's sinister intentions. And while you and I know that statements and stories of this nature are a comparatively rare phenomenon in this country, the Soviet citizen is given the impression that they occur daily and hourly and are representative of the attitude of American public leaders and the American press.

## Grist for the Kremlin Mill

There is still another type of American utterance that unintentionally supplies grist for the Kremlin mill. That is the careless invective against "the Russians" as such, when the Stalin clique is really what is meant. The Russian people have more reasons than we can tally for resentment against the dictatorship which has caused them so much suffering and bloodshed. But when the Soviet press and radio reproduce irresponsible attacks by individual Americans against "the Russians"—attacks which disparage them as a people or describe them as "Slav barbarians" bent on destroying Western civilization—it is not surprising that they become uneasy, suspicious or even hostile. If our purpose is to rally them behind their Georgian dictator, Stalin, for the sake of sheer self-preser-

vation; if we want them to believe that they must prepare to fight America with the same grim determination they demonstrated in the war against Nazi Germany, then we should, by all means, conduct all-out propaganda against "the Russians" rather than against the Soviet dictatorship. We will earn the Kremlin's thanks.

## Encourage the People

Since that is clearly not our aim, we should always stress the very opposite, both in our actions and words. Our aim rather should be to encourage the friendship and trust of the Russian people, who very well could be our greatest friend and ally in preventing war. There is certainly no evidence to date that the peoples of Russia want to fight a war against the peoples of America and Western Europe. We should certainly strive to support this attitude and do everything in our power to convince them that we have only feelings of friendship and sympathy for them.

We should also be clear, in our own minds, that it is not our function to instruct the various peoples of the Soviet Union how they are to arrange their relationships toward each other. That is their business, not ours. There is no surer way for Americans to arouse new resentments against us, rather than sympathy, than to meddle in such matters. The democratic principle of self-determination by the peoples concerned is the only sane guide we can follow. Before that right can be exercised, however, the common adversary of all—the Soviet dictatorship—must be defeated. That formidable undertaking requires the united action of all.

The American Committee for the Liberation of the Peoples of Russia intends to promote that united action. We intend to help Soviet escapees and democratic exiles of all nationalities to work together in a common effort, against the common enemy—the Communist dictatorship. We intend to help them reach their fellow-countrymen on a program that appeals to basic human values and rights. Our goal must always be to reach those aspirations for a freer and better life which the overwhelming majority of the Soviet population. Russians no less than others, share with the free peoples of the world.

## NYSE Elects Francis Public Governor

Keith Funston, President of the New York Stock Exchange, has announced the election of Clarence Francis as a Public Governor of the Exchange.

Mr. Francis is Chairman of General Foods Corporation. He is also director of the Federal Reserve Bank of New York, The Mead Corporation, Air Reduction Company, Northern Pacific Railroad and a trustee of Mutual Life Insurance Company of New York. He succeeds Thomas S. Nichols, Chairman and President of Mathieson Chemical Corporation, on the Board of the Exchange.

Other Public Governors of the Exchange are Dr. Henry M. Wriston, President of Brown University, and Gale Faulconer Johnston, President of the Mercantile-Commerce Bank & Trust Company of St. Louis.

The office of Public Governor of the Stock Exchange was created in 1938 to bring to the Board of the Exchange a closer understanding of the public viewpoint and interest. The Board is composed of 28 other Governors, plus the President and Chairman.

## E. L. Alexander Opens

JORDAN, Mont. — Edward L. Alexander is engaging in the securities business from offices here.

# The United Nations Can Destroy Freedom of the Press

By HON. JOHN W. BRICKER\*  
U. S. Senator from Ohio

Asserting United Nations is suffering from an insatiable lust for power, Senator Bricker attacks draft covenant on human rights as destroying freedom of the press in America. Accuses UN of seeking to force newspapers to further its activities in political, social and economic fields. Warns against being deceived by "pretty language in UN documents dealing with freedom of information."

The United Nations is attempting to impose universal thought control. That is the terrifying conclusion which the American newspaper and legal professions draw from various UN proposals concerned with freedom of information. The most dangerous of these proposals is the UN draft Covenant on Human Rights.



John W. Bricker

The United Nations Organization was born in 1945. No international organization started life in more auspicious circumstances, with a greater potential for doing good, or with less quarreling among the diplomatic midwives in attendance. But now, at the early age of six, and in spite of some worthwhile achievements, the UN seems destined for an early demise. I am not one of those who would permit the UN to die without seeking a cure for its illness. The UN will not be cured by a Coue type of propoganda which repeats *ad nauseam* that the patient was never healthier. At the other extreme are those who seek to restore the UN to health by increasing the dosage of nostrums which are the cause of its illness.

My diagnosis of the United Nations, which I assure you has not been casual, is that it is suffering from a disease which afflicts every bureaucracy. It is an insatiable lust for power. When this disease infects a national bureaucracy, the people, assuming they are free, use the sovereign remedy of the ballot. The power ambitions of our own bureaucracy are curbed in countless ways by our Constitution and by the rights and the machinery which it prescribes for keeping power in the people. While the American people are able to curb bureaucratic excesses, they have no right to withdraw from the government to which they are subject. With an international organization it is different. The UN is a voluntary association of sovereign states. Withdrawal is an available remedy and one which will be used ultimately by ourselves and others in response to repeated usurpations of power. Therefore, if you believe, as I do, that the United Nations can perform a vital role in easing world tensions, you will do everything within your power to keep the international bureaucrats in command from exceeding their authority.

The United Nations grab for power has appeared in two closely allied forms. First, the UN has generally disregarded the provisions of Article 2, paragraph 7, of its Charter. In the absence of Article 2 (7) the United States Senate would not have approved our membership in the UN. That article prohibits the UN from in-

terfering in matters essentially within the domestic jurisdiction of its members. Secondly, the UN regards all media for the dissemination of knowledge and information as instruments for the promotion of its utopian ideals. The multilateral treaty is the mechanism for achieving these illegitimate ends. The treatment accorded to freedom of the press in the UN draft Covenant on Human Rights is the best example of this dangerous trend.

American newspapers have concentrated their fire on Article 14 of the draft Covenant. Paragraph 3 of that article authorizes governments to impose undefined "penalties, liabilities and restrictions" on the press in the following vaguely defined circumstances:

"(if necessary) for the protection of national security, public order, safety, health or morals, or of the rights, freedoms or reputations of others."

If there is any suppression of information which cannot be justified under such language, I do not know what it might be. India, during the time she was represented on the Human Rights Commission, amended her Constitution to permit seizure of newspapers which endanger "public order" by criticizing foreign governments. No lawyer would like to try to prove that the confiscation of "La Prensa" was not necessary for the protection of Peron's reputation. The words "national security," as President Truman's censorship order of last year shows, can be used to draw an iron curtain around almost every species of information embarrassing to the party in power: To say that a free press does not imperil the "national security, public order (or) safety" of a communist dictatorship is to deny its fundamental purpose. To permit the press to be controlled on such grounds is a legalization of tyranny. Disregarding the effect of the draft Covenant on liberty of the press in America, it is sickening to see representatives of the United States voting in the UN to sanction the oppression of people less fortunate than we.

### Attitude of State Department

The State Department admits on occasion that the draft Covenant is an inferior product in comparison with our own Constitution. The Covenant is defended on the ground that it establishes minimum standards of freedom. The fallacy in this argument is that the Constitution of the United States was intended to set minimum standards of freedom. Any lower standard is an open invitation to tyranny. We cannot casually disregard the unalienable rights of other peoples without renouncing all claim to that moral leadership upon which the peace of the world and the cause of human liberty may well depend.

By approving the proposed Human Rights Covenant we would not export freedom. Would we import tyranny? In my judgment, and in the judgment of most American lawyers who have studied the problem, the answer is "yes."

The State Department has two defenses to the charge that the

draft Covenant would destroy freedom of the press in America. The first is that any national standard of freedom of the press which is above that set by Article 14 of the draft Covenant is recognized and preserved by Article 18. Both Article 14 and Article 18 appear in Part II of the Covenant. Now let me read to you the joker tucked away in Article 2, paragraph 1:

"In the case of a state of emergency officially proclaimed by the authorities . . . a State may take measures derogating . . . from its obligations under . . . Part II of this Covenant."

### The Truman Threat of Newspaper Seizure

To my mind, the most shocking incident which followed the seizure of the steel industry was Mr. Truman's refusal to deny that his so-called inherent, emergency powers might extend to newspapers and radio stations. The draft Covenant would give the President the power which Mr. Truman was reluctant to assert at his worst of all press conferences.

The final defense position of the State Department is that the Supreme Court would invalidate any provision of any treaty which authorizes what the Constitution forbids. During the past year, I have explained many times how a literal interpretation of the Constitution would permit a treaty to supersede its wise prohibitions. Leaders of the American Bar Association have studied these complex issues of international and constitutional law for more than four years. They, and the overwhelming majority of Association members, agree that there exists a constitutional loophole which must be promptly and resolutely plugged. It is true that the Supreme Court might subject a treaty to the same constitutional test as an Act of Congress. However, this remains an undecided question of constitutional law since no provision of any treaty in the history of the United States has ever been held unconstitutional.

The remedy, of course, is to amend the Constitution to make certain that no treaty will undermine the freedoms of the American people. On Feb. 7 of this

year, 58 other Senators joined with me in introducing such an amendment. Hearings on my proposed amendment, Senate Joint Resolution 130, will begin next Wednesday before a subcommittee of the Senate Judiciary Committee. The American Bar Association has recommended an amendment having the same general purpose. The reaction of Mrs. Roosevelt and like-minded persons has been about what I expected. The majority in the American Bar Association and I are described as "new-isolationists." Our efforts to plug a dangerous loophole in the Constitution are described as a new form of isolationism aimed at wrecking the United Nations. It was most reassuring, therefore, to read a recent speech by Mr. John Foster Dulles in which he pointed out that the treaty-making power was capable of altering the Constitution. So far as I know, Mr. Dulles has not been called an isolationist, old or new. But neither his demonstrated legal wisdom nor his splendid service in the Senate and in the State Department will save him from the isolationist label if he fails to hew to the UN party line.

### Aim of U. S. Proposals Regarding The Press

Running through all the United Nations press proposals is the idea that newspapers should be obliged to further the activities of the United Nations in political, social and economic fields. The UN draft Convention on Freedom of Information is the best example of this desire to make the press an instrument of United Nations policy. Article 5 of the draft Convention obligates each state to take steps to insure that the press reports facts in the following manner:

"without prejudice and in their proper context and to make comments without malicious intent and thereby to—

"(d) Counteract the dissemination of false or distorted reports which offend the national dignity of peoples or promote hatred or prejudice against other States, or against persons or groups of different race, language, religion, or philosophical conviction."

These are beautiful words. They express laudable objectives. But these objectives can be achieved only through the operation of a free press. When governments undertake to regulate the press in order to eliminate newspaper reports which are false, distorted, or prejudicial or which endanger friendly relations with other nations, they may have a sincere desire to develop a perfect press. Nevertheless, the authority to perfect newspaper reporting leads sooner or later to despotism. For example, a publisher in Peru was sent to jail for reprinting an article from "Life" magazine which dealt harshly with Eva Peron. The publisher was convicted because his action was found to endanger friendly relations between Argentina and Peru. That is the sort of action which would be legalized by the draft Convention on Freedom of Information.

The State Department, I am happy to report, has denounced the proposed Convention on Freedom of Information. In my judgment, however, the vague provisions of the Human Rights Covenant can be used to place the press under the same type of governmental control.

A third UN press proposal is the Convention on Gathering and International Transmission of News and Right of Correction. This convention establishes the principle that correspondents have a duty to report facts "without discrimination and thereby to promote respect for human rights and fundamental freedoms." The Convention also recognizes for the first time that a foreign government has a right to enlist the support of the Government of the United States in seeking the correction of what it deems to be false or distorted reports by American newspapers. Here again, we have noble aspirations couched in beautiful language designed to develop a more perfect press. The News-gathering Convention is less objectionable than the two treaties previously mentioned because its teeth are not as many or as sharp. Nevertheless, there is much opposition to this convention on the part of

Continued on page 35

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	March 31, 1952	March 31, 1951
Net Sales . . . . .	\$42,657,848	\$35,142,901
Income before Taxes . . . . .	7,021,532	4,497,358
Total Taxes . . . . .	5,267,881	2,575,222
Net Earnings . . . . .	1,753,651	1,922,136
Net Earnings per Common Share . . . . .	\$3.56*	\$4.56*
Total Taxes per Common Share . . . . .	10.93	6.33
Share Owners' Equity per Common Share . . . . .	22.68	21.67

\*At March 31, 1952 there were 481,752 shares outstanding compared to 406,638 shares in the prior year.

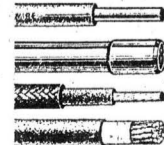
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\*An address by Senator Bricker before the Blue Pencil Club, Columbus, Ohio, May 18, 1952.

# The Steel Industry— Where Is It Headed?

By WALTER S. TOWER\*

President, American Iron and Steel Institute

After reviewing developments in steel industry in last 18 years, Mr. Tower finds it has traveled full arc from government approval of its independent privately operated status to government control in interest of special groups. Estimates steel producing capacity at 120 million tons annually, and denounces "constant harping about shortage of steel supply." Says steel profits are exaggerated and management is now left only with responsibility for losses.

We have seen in the last 12 months industry-wide expansion of iron and steelmaking capacity, vigorously pushed in spite of some doubt whether all of it is well-advised; production lifted to such heights that even steelmen themselves wondered where all that tonnage was going; alleged shortages, when steel supply was exceeding anything imaginable a few years ago; complete governmental controls of steel, ostensibly to insure getting the minor quantities needed for military programs; wages, prices and profits in steelmaking used as the basis for an amazing brand of perverted economics; facts about steel twisted and tortured in high places of government, for obvious political purposes; actual seizure of steel plants, and a strike to force labor's demands down the managerial throat.

Let me elaborate a bit on some of these items.

## Danger of Overexpansion

Expansion programs of established concerns, reflecting company responses to government request and insistence, are expected to lift annual steelmaking capacity, from its present figure of 110 million to about 120 million tons before this time next year. In many minds there is a question whether the bureaucrats, who fancy for themselves the label of national planners, were right in their calculations regarding steel requirements. There is growing doubt whether all of that capacity will be needed when completed, and there is fear that tough problems are ahead if it cannot be used profitably. However, even more capacity was covered by so-called "certificates of necessity" still outstanding until a few days ago in the names of several projected ventures. Neither defense needs nor sound economics would warrant for them at any time any measure of government support or encouragement, not even the implied status of "necessity."

Production a year ago had for the first time topped 100 million tons in a 12-month period. Already that figure seems commonplace in our thinking, perhaps due to our long exposure to a barrage of bewildering digits. New capacity put to work plus high efficiency in the use of other facilities pushed recent output to a rate equal to 112 million tons in a year, a figure that all the rest of the world could not match. A 10-million-ton month for steel output may soon be possible.

With such facts before us there is at least a flavor of the ridiculous in the constant harping about

shortage of steel supply. What reason is there to believe that the real demand for steel has grown in these few years by more than 20 million tons? What part of defense programs or of civilian economy can show hurts from lack of steel? What has been the purpose of so much clamor? Why controls of steel? Out of such huge production the small part required for military needs could have been assured, without official fingers being thrust into every corner of the industry. But who now can see any sure sign of an end of those controls?

Wages, prices and profits of steelmaking again were treated to the familiar statistical sleight-of-hand by labor economists and volunteer agitators. The facts, of course, like other facts about this industry, are open to anyone. They can be stated simply by any honest person. They need not be repeated here. But the plain fact of inseparability of wages, prices, profits in the life and survival of any industry needs constant repetition. It particularly needs resounding emphasis by steelmen to clear away false impressions and critical attitudes created largely by union propaganda.

## The Wage Problem

Take wages. As long as man-hours of work are required to make any steel product, it is simple arithmetic that every penny of pay for those hours will be reflected in cost. The plea that such impact may be avoided, that added wages may be offset by more tons of product, is a delusion. Experience over the years shows that more tons per man-hour in steelmaking have not been due to more skill or harder work by individual workers. The added tons have been the result of huge investments of capital for bigger furnaces, better mills, more harnessed horsepower. But the rewards for such investments have been largely absorbed by wages.

Take prices. Prices of steel products are only the expression of management's best judgment about how to cover costs and provide some measure of profit. To any fair mind it seems elementary that costs cannot be substantially increased with no effect on prices and profits. But the connection is commonly ignored or baldly flouted by industry's critics. Moreover, the practice of quoting prices for steel products in terms of dollars per 100-lb. or per ton seems to work to the steelmakers' disadvantage in public appraisal of steel price policies.

If prices of steel products were expressed in cents per pound, like other metals, the average person, who never buys even 100 lb. of steel, as such, would have a much clearer idea of relative levels of the figures which he hears or reads. He would see that steel is by far the cheapest of all metals, in spite of huge capital requirements for its production. He would see that proposed changes in steel prices are only in fractions of a cent per pound, even less than common fluctuations in the price of butter, sugar, meat, bread or countless other items, which provoke no violent out-

bursts from labor leaders or other critics of industry.

## The Profit Margin

Take profits. Simply defined, profits are what is left from company income after all bills have been paid. Any reference to profits "before" some bill has been paid, be it tax bill or any other cost of doing business, is less than a half-truth. Whatever the reference, by company executive or by the President of this nation, the effect can be only to mislead, let the motive therefor be what it may.

Steelmen would do well to delete from their lexicon any such term as "profit before taxes." Furthermore, in talking about actual profits it should not be necessary to limit the figures to aggregate millions, figures which daze the man who rarely has more than a few dollars in his pocket to go until pay day. Even six or seven dollars' profit on a ton of steel may look robust, but to speak about less than one-third of a cent per pound emphasizes the painful fact that profits of steelmaking have always been on the slim side. An average profit of less than 5 cents on the sales dollar over a period of years is far from exorbitant. And it might be explained that even the figure of 5 cents is inflated because the published profits of various prominent companies may cover such operations as shipbuilding, structural steel fabricating, bridge building, drum making and so on through a long list of non-steelmaking activities.

Does it never occur to anyone in government that pursuing present policy toward wages, prices and profits may carry the risk of ruin for some steel companies? Commitments for expansion programs run into tens of millions of dollars even for smaller companies, with large chunks of borrowed capital involved. If expansions are not finished the facilities can not be operated—the company is stuck. If finished and not operated at a fair profit because of wage boosts and price freeze—the company is also stuck. Who pushed the companies into expansion programs?

## Management Left Responsible Only for Losses

Government controls have left to private management complete responsibility only for losses. Controls of steel reached a climax in the outlaw seizure of the plants. Together with the defiant attitude of labor leaders they present a grave portent.

In the surrender by government to the pressure of labor unions you have seen the practical end of collective bargaining, as long as the present political regime survives. The term collective bargaining may now be defined as capitulation by the employer. Why would any leader of a powerful national union seriously bargain with private management, when it has been made painfully clear that government will intervene, if given any plausible pretext whatever? And government has proved that it will give more than unions dared ask, even to the extent of confiscating company profits for that purpose.

I realize that there is little new in these comments about wages, prices and profits. But there is something ominously new in recent official attitudes toward those vital aspects of industrial life. The way in which those attitudes are handled may settle for a long time who is going to run the steel industry of this country. Will it be private management?

Let me put this brief sketch of the past year into the larger setting of the 18 years since I first had a part in the programs of your meetings. That was in the

days of the National Industrial Recovery Act when this industry, by government requests and insistence, was responding to a call to help save the nation from threatened economic chaos.

It has been a crowded period since those four years of the '30s, a period filled with emergencies, some real, many of them synthetic. Perhaps there might have been a cleansing quality for our economy in the searing austerity of those years had there been time for its effects to operate unhindered. But the course of events was not wholly in response to natural factors, for the hand of government was rarely idle.

It operated in many ways. There was legislation to fix hours of work and minimum pay. Employers were muzzled as to discussion of some subjects with employees. A Federal Board was given, and assumed, much authority over labor relations in private industry. Maintenance of union membership was prescribed. Property rights were regarded coldly, in favor of the emotional and nebulous concept called "human rights."

Steps were taken to make Federal courts subservient to the executive arm of government. Farmers were tied to the political kite by subsidies and crop controls. Our currency was debased. Power projects fed from public funds invaded the utility field. Money from tax revenues became capital to create competition in basic industries. Redistribution of the wealth was an avowed goal and tax policy was advocated as a means to social reforms. Political intuition was valued more highly than industrial wisdom and wide experience. Inflation became a fixed part of Federal financial policy.

So-called administrative law grew swiftly as countless bureaus spawned rules, regulations and orders. Pressure groups exerted increasing power over policies and acts of government, collecting their toll from the ever-ready political spigot. The tyranny of labor union monopolies was increasingly felt in industry-wide strikes. Harassing industry became a favorite political diversion. Widely through government real pygmies played the dangerous game of imitating giants.

In such a setting the thin edge of national unionism was inserted into this industry by deft political maneuvers. That wedge you have seen driven deeper, ever deeper, in efforts to split from the hands of management control over basic policy, in favor of officially dictated action. The culmination of that trend now appears in the amazing spectacle of high officials brazenly backing labor leaders in their inflexible attitude.

The war years opened the way for wider use of government intervention in the affairs of industry and for general strengthening of radical forces.

## Problems of Postwar Boom

A postwar boom of vast size brought new problems to the steelmakers, as millions of people rushed to make up for the privations of the '30s and the restrictions of the war period. For two or three years prosperity in this country roared to unbelievable heights, until the time seemed ripe for another official cry of "danger." And "defense" paved the way for more open partnership of labor and government; for more Federal controls, and for small minds to toy with the big problems of the steel industry—this industry which has always been the chief reliance of the nation whenever the going gets rough.

To epitomize this whole sequence of events: What could be more significant than the recent contrast of attitudes toward the matter of wage and price increases

as inflationary factors. Steelmen urged a hold-the-line policy of no increase either of steel wages or of steel prices. Official action rejected that sound position and insisted on wage increases larger than ever before as a further step in government-sponsored inflation. Wage stabilization was scuttled.

## A Government-Directed Industry

Thus in the space of 18 years you have traveled the full arc from government approval of industry directing its own actions in an effort to serve the common good, to government directing industry action to serve the selfish ends of special interests. In between there have been many incursions of government into the affairs of business and of persons. They are not unrelated. Piece them together and they form a growing array of symptoms and actual manifestations of national socialism.

Through all these economic and political vicissitudes your Institute has grown in the scope of its activities and in its service to both makers and users of iron and steel. For that reason I want to say something about the Institute in this connection.

First let me make it clear that whatever has been accomplished has been the product of industry-wide cooperation. True enough there are a few men among you who have given almost without limit of their time and thought to promoting the usefulness of the Institute, but over these years of which I speak, the passage of time has seen many men come and go through the groups which have made this Institute such a versatile servant of your great industry.

Let me illustrate by a few details. On the Board of Directors there are only five now active who were members when I first sat with the Board 18 years ago. Yet over that period a total of close to 70 men have served on the Board. Again, take two from our great array of working committees, the Committee on Manufacturing Problems with 21 members and the General Technical Committee with 23 members. On the latter only one man remains among those who made up the Committee as first constituted. On the former, no one man has served throughout the 15 years of its existence. And what is true of these is likewise true of most of the others.

## Work of Steel Institute

Therein is a major source of continuing strength and progress. Many men of varied backgrounds have brought new thinking to the common problems of this industry. Facts and ideas from wide experiences, thrown into the hopper of cooperative effort, have contributed enormously toward promoting the interest of iron and steelmaking. Take as a simple example the work of the Committee on Packaging and Loading in producing a manual on that subject of such outstanding merit as to lead to its recent adoption bodily by the National Bureau of Standards.

Consider the efforts of the Committee on Industrial Relations to keep its members and others in the industry abreast of the ever-changing conditions affecting employment, the multiple outpourings from Federal and State agencies, and the records which bear so vitally on some of the most perplexing questions that harass modern industry.

Or appraise the activities of the Committee on Public Relations in the light of recent conditions. Never before, in time of controversy, has steel stood so well in public opinion. For that favorable position the committee can claim major credit.

In like fashion a score of other working committees could be



Walter S. Tower

\*An address by Mr. Tower at the 60th General Meeting of American Iron and Steel Institute, New York City, May 22, 1952.

cited for their imposing array of accomplishments contributing to progress and strength of the steel industry. Last year there were more than 300 meetings of such committees with an aggregate attendance of 4,500 men. The products of their efforts appear in a variety of our publications, but an important intangible result lies in the exchange of ideas and experiences, as broad, basic problems are discussed. From such channels there can be infinite promise for the future.

#### Steel—a Highly Complex Industry

No one need emphasize to you the fact that you operate a highly complex industry, with ramifications into almost every realm of industrial activity. As such, the industry has need for a meeting place for doing the kinds of things which I have mentioned. And you have through these years created an efficient agency to serve such needs. Yet there are, in some government quarters, lurking desires to curtail Institute activities, to hamstring its usefulness, perhaps even to the point of extinction.

If the efforts to hamper this Institute were successful, both the industry and the public would be losers. Inevitably, sooner or later, some kind of organization would be sought to take the place which individual or separate efforts never can fill. Now more than ever before this industry needs all the strength which it can muster, for any weakness in the industry is a source of strength for those who would like to be its masters.

The vitality of this industry derives largely from ability of its members to work together for the common good. In peace and in war the proof of that fact has been eloquent. Your Institute provides the equipment. It must not be shackled as a sacrifice to political whims.

#### NY Analysts Elect Chandler President

Marvin Chandler, partner of Reis & Chandler, Inc., was elected President of the New York Society of Security Analysts May 22. Mr. Chandler was Vice-President of the Society during the past year and has previously served as Secretary and Treasurer.



Marvin Chandler

Sidney B. Lurie, industrial and market analyst, Paine, Webber Jackson & Curtis, was elected Vice-President for the coming year. Mr. Lurie is a former Chairman of the program and executive committees of the New York Society of Security Analysts.

Albert P. Squier, head of the New York Institute of Finance, was elected Secretary of the Society, and Joseph S. Stout, National Shares Corporation, was re-elected Treasurer.

Members elected to the Executive Committee, who will serve until June 1, 1954, are: Pierre R. Breyer, Baker, Weeks & Harden; John F. Childs, Irving Trust Co.; Donald H. Randell, Home Insurance Co.; John Stevenson, Salomon Bros. & Hutzler, and William R. White, Hornblower & Weeks.

#### With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Joseph V. Cronin is now connected with Renyx, Field & Co., Inc.

## British Wage Inflation

By PAUL EINZIG

**Dr. Einzig asserts gravest danger menacing Britain's recovery lies in exaggerated demands of industrial and agricultural workers, which cause rise in production costs and make exports unprofitable. Says higher wage demands can let loose "a cataract of inflation," while their refusal may lead to political strikes disguised as industrial disputes.**

LONDON, Eng.—Although the government succeeded in checking the outflow of gold by the end of March it certainly cannot afford to rest on its laurels. Indeed, the improvement achieved at the cost of considerable efforts and sacrifices is threatened from more than one direction. The prices of raw materials exported by the Sterling Area to the Dollar Area continues to fall. Import cuts adopted by Australia and other countries in the Sterling Area and in Europe threaten to offset the improvement of the British balance of payments brought about through the British import cuts. The menace of a revival of protectionism in the United States is causing many a sleepless night to those who realize the paramount importance of reducing the dollar gap. From this point of view the American reply to the British note on the subject brought small comfort to London. While emphasizing the desire of the United States Government to uphold free trade, the note observes that the clause authorizing tariff increases would not be used unless the interests of specific American industries are at stake. Considering that the danger lies in the possibility of the Washington Administration yielding to pressure exerted by those specific industries, the outlook is far from promising.

The gravest danger menacing Britain's recovery lies, however, in the exaggerated wages demands of the industrial and agricultural workers. The overwhelming majority of the former are Socialists and therefore out of sympathy with the present Administration. They expressed their resentment over the change of government and the changes of policies entailed by it through organizing a number of frankly political strikes. Their leaders warned them, however, that such strikes were contrary to the spirit of the Constitution and that they are liable to damage the position of the Labor Party because they might alienate the sympathies of the public. Accordingly, political strikes were brought to an end. They threatened to reappear, however, in the near future in a more subtle form, disguised as legitimate industrial disputes.

During the last few weeks a number of deliberately exaggerated claims were put forward by various trade unions. Many of them bear no relations whatever to the rise in the cost of living. As Mr. Butler pointed out on May 15 when addressing the National Joint Advisory Council on which employers and employees are represented, by the beginning of 1952 wages and salaries more or less caught up with the rise in the cost of living that has taken place since 1950. Nor was there any increase in productivity that would have justified higher wages. At a time when the national emergency called for sacrifices and harder work millions of organized industrial workers were out for improving their standard of living without increasing their output. Some of the wages demands are so grossly excessive that nobody could seriously expect employers to be able to meet them. For instance, the Amalgamated Engineering Union claims an increase of £2 per week, without any pretense at justification.

Evidently the idea is that since such claims cannot possibly be satisfied without letting loose a cataract of inflation, their refusal will provide an excuse for a political strike disguised as an industrial dispute. On the face of it, the strikes will not pursue the end of resisting the measures passed by the Conservative majority in Parliament. In substance, however, the strikes in support of excessive claims pursue precisely that object.

To the extent to which the wages demands will be met, whether to avoid strikes or as a result of strikes, the inflationary vicious spiral will resume its course. This, in spite of the fact that the decline in the price of imported raw materials and in consumers' demand for textiles has resulted in a fall of prices. The effects of imported deflation and consumers' strike will conflict with those of wages inflation. In view of the prospects of a fall in the prices of consumers' goods the demand is likely to be at a low ebb so that manufacturers will not be able to pass on to the consumer the increase of their cost of production resulting from the higher wages.

In theory, the remedy is in the hands of the government. By enforcing drastic credit restrictions it would be in a position to reduce over-full employment and thereby to weaken the bargaining position of the workers. In practice, however, this course seems to be politically impossible. The violent reactions to the local unemployment in the textile industry give an indication of what would happen in case of the development of large-scale unemployment through credit restrictions. The utmost political pressure is brought to bear on the government in favor of inflating purchasing power in order to restore full employment in the textile industry.

Meanwhile, acute scarcity of labor continues to prevail in the engineering industry owing to rearmament requirements. The ideal solution would be if unemployed workers in the textile industry could be made to realize that part of that industry has become redundant as a result of the development of textile industries in a large number of countries since the war. Once this is realized, unemployed textile workers might become willing to apply for jobs in the engineering industry. The trouble is that even if this could be done the switch-over would now encounter resistance on the part of the engineering unions. They have just passed a resolution restoring the prewar restrictions on the admission of new entrants.

In the circumstances it seems difficult to avoid an increase of wages bringing about a corresponding increase in the cost of pro-

duction to the detriment of the competitive capacity of British industries at home and abroad. Quite possibly such will be the extent of these increases that the additional purchasing power created thereby will more than counteract the deflationary effect of falling raw material prices and will bring the consumers' strike to an end. In that case it will resume its course. The only hope lies in the realization of this danger. Unfortunately, the temporary cessation of gold outflow has created a false feeling of security. While a few months ago the danger of an exhaustion of the gold reserve created an atmosphere in which the government was able to adopt unpopular measures, that atmosphere no longer prevails. It is no longer expected that in the absence of drastic measures the gold reserve might run out by September. A large part of the British public lives once more in a fool's paradise. There is bound to be a rude awakening as soon as the inflation of wages has produced its effect on the balance of payments.

#### Albert Frank Agency Celebrating 80 Yrs.

Albert Frank-Guenther Law, Inc. is this year celebrating the 80th anniversary of its founding in 1872 as a two-man financial and transportation advertising agency in a one-room office in lower Manhattan.

The fact that the agency survived in those early days is a tribute to the mettle and resourcefulness of its founders. A year after the firm was organized, the panic of 1873 struck all the principal cities of the country. Excessive railroad development and large speculations caused banks to fail, railroads to go into bankruptcy, suspension of a large number of banking houses and a closing of the New York Stock Exchange. In the ensuing years the agency has witnessed 21 periods of recession or depression

and a like number of prosperous eras.

To meet the demands of changing times, AFGL some years ago altered its policy of acquiring only financial and transportation accounts to a point where current billings of approximately ten million dollars annually are about equally divided between financial and general advertising. The agency's list of clients is studied with important clients in virtually every field of business and industry. Clients of the agency now are offered an all-inclusive service, covering every angle from specialized research to public relations counsel. An aggressive radio and television department also is available to customers.

More than 160 people staff Albert Frank-Guenther Law's head office (three five-story buildings which the agency owns and occupies in lower Manhattan) and its branches in Boston, Philadelphia, Chicago, Washington and San Francisco.



### THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES

393 SEVENTH AVENUE, NEW YORK 1, N. Y.

#### Notice of Nomination of Directors

Notice is hereby given that in accordance with the provisions of the Insurance Law of the State of New York the Board of Directors of The Equitable Life Assurance Society of the United States has nominated the following named persons as candidates for election as Directors of said Society:

- ARLIE RAY BARNES, Rochester, Minn.  
Chairman, Board of Governors,  
Mayo Clinic
- JAMES B. BLACK, San Francisco, Cal.  
President, Pacific Gas & Electric Co.
- M. HARTLEY DODGE, New York, N. Y.  
Chairman, Board of Directors,  
Remington Arms Co., Inc.
- DOUGLAS S. FREEMAN, Richmond, Va.  
Lecturer and historical writer
- WILLIAM J. GRAHAM, New York, N. Y.
- HENRY TOWNLEY HEALD, New York, N. Y.  
Chancellor of New York University
- WILLIAM A. KELEHER, Albuquerque, N. M.  
Counselor-at-Law
- NICHOLAS KELLEY, New York, N. Y.  
Counselor-at-Law
- W. W. KLINGMAN, Dallas, Tex.  
Life insurance and banking
- RUSSELL B. LOWE, Fitchburg, Mass.  
Manufacturer
- RICHARD H. MANSFIELD, New York, N. Y.  
Executive Vice-President and Director,  
Rockefeller Bros., Inc.
- ARTHUR B. VAN BUSKIRK, Pittsburgh, Pa.  
Vice-President and Governor,  
T. Mellon and Sons

A certificate of nomination of the said candidates has been duly filed with the Insurance Department of the State of New York.

The annual election of Directors of The Equitable Life Assurance Society of the United States will be held at its Home Office, 393 Seventh Avenue, New York 1, N. Y., on December 3, 1952, from 10 o'clock a.m. to 4 o'clock p.m., and at said election twelve Directors, constituting one Class of the Board of Directors, are to be elected for a term of three years from January 1, 1953. Policyholders whose policies or contracts are in force on the date of the election and have been in force at least one year prior thereto are entitled to vote in person or by proxy or by mail.

HENRY G. WOOD, Secretary.

May 28, 1952.

# The Inflation Bias And Its Correctives

By FRED F. FLORENCE\*

President, Republic National Bank, Dallas, Texas

Prominent Texas banker, pointing out only "lip service" is given to fighting inflation, lays this to unpopularity of restraining measures. Calls attention to current "bias of inflation," and gives reasons for inflationary trends in last three decades. Sees inflationary forces still strong, and finds tying wage rates to cost of living a dominant factor. Lists among inflation correctives: (1) budget balancing and improved fiscal policy; (2) reduced government spending; (3) checking increase in money supply; (4) elimination of pressure groups; and (5) ending of wage adjustments to meet living costs.

Perhaps no other economic problem has been so widely discussed and so consistently studied in recent years by so many groups as the problem of inflation. Yet, the problem has not been solved; the threat and danger of inflation still persists. Its deadly virus is steadily undermining our foundation. Despite all that has been written on this subject, there continues to be confusion as to the basic causes of inflation, and the steps that should be taken to eliminate those causes, and thus effectively prevent the shrinking value of the dollar.

It is evident that there has been an inconsistency between the "word-of-mouth" attack on the problem of inflation and the "action" approach to the problem. Too frequently, even in highly responsible quarters, "lip service" has been given freely to the importance of fighting inflation, while the actions which were taken often reflected the effect of submitting to group pressures of one type or another. Perhaps this is a reflection of the fact that measures designed to restrain inflation and to eliminate its basic causes are restrictive and unpopular. Also, it may be that the fear of deflation by the masses—any degree of deflation—is greater than the fear of inflation, with a consequent reluctance to accept or tolerate any type of economic adjustment that is not expansive. The memory of the last great depression is still vivid in the minds of many people.

## The Bias of Inflation

We must delve much more deeply into the economic situation than merely to appraise the surface reflections and symptoms of the interplay of economic factors at any moment of time. We should direct our attention and study to the economic policies and forces which, together, in a sense, comprise the framework within which our economic system must operate. It is these economic policies and forces which, in the long run, will influence most significantly the trend of economic activity. The present economic framework of the nation consists in large measure of a set of policies and forces which were born of depression, nurtured in fear and threats of war, and sustained in an apparently continuous state of real or imagined emergency. Inherent in this economic framework, in my opinion, is the bias of inflation.

To hold to the position that there is an inflationary bias in our economy does not mean that

one is taking the position of an alarmist. It means merely the willingness to face objectively the reality that, as long as currently accepted economic policies are dominant in our economic thinking, the nation faces the danger of a persistent inflationary trend that will steadily undermine the soundness and the value of the dollar. We should seek as our objective, a relatively stable dollar in a balanced economy that is characterized by a sustainable growth, and in which the gains of productive efficiency are distributed equitably among the people in the form of an increased real income, i.e., a rising standard of living.

One of the most damaging effects of inflation arises out of the disproportionate increases that occur in prices, costs and income. The impact of inflation affects different groups with varying severity. There are undoubtedly large groups in this country who, because of their stronger bargaining power, or for other reasons, have been able to increase their real income and their standard of living during this inflationary period. There are equally large, or larger, groups, however, whose incomes have increased much less than the increase that has occurred in prices and who, consequently, have suffered serious losses in real income. The value of all forms of money savings and accumulations, whether they are savings accounts, insurance policies, pensions or fixed income securities, has declined sharply.

Looking to the future, however, and to the possibility of preventing further inflation, it is perhaps more important to study the causes of inflation and to recognize and appraise the inflationary forces that exist in the economy, than it is to consider in detail the historical developments.

## Causes of Inflation

Currently, the most important inflationary potentials lie in the government spending orgy; the danger of a seriously unbalanced Federal government budget; the probability or virtual certainty of substantial deficit financing during the months ahead; the danger of a credit policy during periods of deficit financing that is not restrictive enough to prevent an unwarranted increase in the private money supply; the bargaining strength of organized labor supported by a government that is excessively sympathetic to labor's wage demands; growing acceptance of the principle of tying wage rates to changes in the cost of living; acceptance of the principle of full employment as an economic mandate requiring the government to use its powers to maintain full employment, full production, and high-level consumption and incomes; the fear of deflation; and a strong public resistance against any economic adjustments other than those of an expansive nature.

Wars, threats of wars, and national emergencies are always a cause of disruption to government

fiscal policies and government budgets. Moreover, a continuing state of emergency and war, such as is threatened by the present international tensions, may be even more dangerous than an all out war such as World War II, for there is no discernible end or limit to the type of situation in which the nation now finds itself. All agree that an unbalanced Federal government budget should be avoided and the defense program required to meet the international situation and the Korean war should be on a pay-as-you-go basis.

Out of an unbalanced Federal budget develops the second inflationary potential mentioned, namely, the certainty of deficit financing in the months ahead. In recent weeks the Treasury began to draw new funds from the market by increasing its weekly offerings of Treasury bills by \$200,000,000 each week, but this is only a beginning. During the last half of this year the Treasury will seek several billions of dollars of new money from the market. The manner in which this money is obtained will determine largely whether the process will be inflationary in its effect. If these funds are obtained as they should be, from the savings of nonbanking investors, the inflationary effect can be avoided, but if the funds are obtained through the banking system, the money supply will be increased, thus adding to inflationary pressures. There has been a reluctance on the part of the Treasury to seek its funds in the market on a competitive basis with other borrowers, although in recent months there has been some slight modification of this policy.

During the past year savings have substantially increased. These savings are in the hands of nonbanking investors and are seeking investment. A portion of them should be available to the Treasury provided the Treasury competes for them at a rate of return that is competitive, all factors considered, with that offered by other borrowers in the market. If the Treasury undertakes to obtain its new money through short-term government securities at relatively low rates of interest, it is probable that a substantial amount of the funds will be obtained through the banking system. On the other hand, if intermediate or long-term government securities attractively priced are offered to the market, there is reason to believe that a substantial amount of non-banking funds would be forthcoming.

## Threat of Credit Expansion

Although central banking policy has changed significantly during the past year and has been much more effective in restraining the growth of bank reserves and thus the basis of credit expansion, there is still the danger that, during the last half of this year when the Treasury is engaged in the process of obtaining new funds, central banking policy will be less restrictive as the central banking system attempts to facilitate the Treasury financing. This could mean, if not carefully guarded against, an easing of conditions in the money market, a growth in bank reserves in excess of that required to meet seasonal adjustments, and ultimately an increase in the private money supply.

There is a tendency in some quarters of government to believe that the answer to the nation's economic and defense problem is a continually expanding economy, and that in order to achieve that objective, there must be relatively easy money and a surfeit of funds to encourage and stimulate activity. Certainly during a period of National defense, when both private economy and military are drawing upon the nation's re-

sources to the limit, and an easy money policy can be only inflationary.

Although one may be reluctant to be critical of a policy of full employment, when that policy virtually becomes a mandate requiring its maintenance by the government, it has inherent in it a strong inflationary bias. Under the Full Employment Act of 1946, the government is, in effect, directed to use its powers and agencies to maintain full employment, full production, and high-level consumption and incomes. Such powers as the government may resort to, however, almost inevitably will be those that involve an increase in the money supply, and make available more and cheaper credit.

Inflationary force, however, also may be strongly generated through policies and developments that affect costs. The present siege of labor unrest and strikes, including developments in steel, oil, transportation, aircraft, and others, has a foreboding inflationary possibility. Unless increases resulting from higher wage rates can be absorbed through more efficient productive means, the increased costs will have an inflationary effect.

## Tying Wage Rates to Cost of Living

This question of the pressure for higher wage rates is closely related to, and arises out of the policy that seems to have been accepted so widely throughout the economy, of tying wage rates to the cost of living. This is a very dangerous economic practice, for it disassociates changes in wage rates from gains in productive efficiency, and ties them only to the movement of living costs. If the cost of living increases, and then wage rates are raised to compensate for higher prices and to maintain the workers' real income, the higher costs of production will force further price increases to be followed by another wage increase, and so on through the series of cycles with its ultimate disaster to all. Moreover, one might well question whether there is equity solely in maintaining the workers' real income and not in maintaining the real income of professional employees, stockholders, pensioners, and all of the other groups in the economy. But if one concludes that it is equally just and logical to maintain the real income of all groups, then, in my opinion, one of the few remaining brakes against an inflationary debauch will have been removed.

Finally, we should not overlook the danger inherent in the fear of deflation, and in the strong public resistance against any sort of downward economic readjustment. It seems obvious that in a dynamic economy such as ours, adjustments must occur from time to time. Yet, it should be equally obvious that adjustments cannot be only upward and stimulative in character. However, at the slightest trace of easing in the economy, or when inflationary measures begin to be really effective, there develops a pressure for their removal or for their relaxation on the ground that they are adversely affecting business and economic conditions. Sooner or later we must face this situation realistically. One certainly should not advocate depression, but neither can one advocate with any greater safety continuous and persistent inflation, for the latter will inevitably lead to even more destructive consequences.

We should place emphasis on some of the causes of inflation which must be eliminated, such as the compelling necessity that Government place its fiscal house and budget in order; that we recognize that not even a nation as strong as America can continually support a government that is

loose in its expenditures and faces continuous deficits; that effective steps must be insisted upon to limit the growth in the money supply to that amount required to facilitate the production and distribution of a growing volume of goods at a relatively stable price level; that groups in the population cannot seek gain at the expense of other groups; that "built in" inflationary devices, such as the wage rate-cost of living concept be reconsidered. Then, as citizens, we must recognize that a dynamic economy must operate flexibly, with adjustments from time to time that are either moderately upward or moderately downward.

## Conclusion

Inflation cannot be permanently halted without tremendous sacrifices. We have become accustomed to an economy disguised as prosperity, and too many lack the courage to face this dangerous issue squarely. We must lick inflation in spite of the probability that temporarily it might bring about some unemployment, lower prices and values, and considerable readjustment. This is the challenge and opportunity that faces us as businessmen, bankers, and insurance executives, and citizens of the United States. It is not an easy task, nor is it one which can be solved quickly. This is of such importance that each of us must contribute to its solution and hope that such contributions will achieve the desired objective of a really progressive, stable economic system under which the real income of the people increases on a sound, sustainable basis.

## Vonderhaar Elected By Cincinnati Exchange

CINCINNATI, Ohio—Harry C. Vonderhaar, partner of Westheimer & Co., was elected Chairman of the board of trustees of the Cincinnati Stock Exchange, at a meeting held May 15. He succeeds Alfred J. Friedlander. Westheimer & Co. is a member of the New York Stock Exchange. Vonderhaar has been active in Cincinnati financial circles having served as President of the Cincinnati Stock & Bond Club.



H. C. Vonderhaar

## NY Security Dealers Summer Outing

The New York Security Dealers Association will hold their Annual Outing, on Friday, June 27, 1952 at the Hempstead Golf Club, Hempstead, Long Island. There will be an all-day golf tournament for prizes with a soft ball game scheduled for 6 p.m., and dinner will be served at 7:30 p.m.

The Committee consists of Charles H. Dowd, of Hodson & Co., Inc., Chairman of the Outing Committee; John J. O'Kane, Jr., John J. O'Kane, Jr. & Co.; Stanley L. Roggenburg, Roggenburg & Co.; George A. Searight, Eisele, King, Libaire, Stout & Co. and Melville S. Wien, M. S. Wien & Co.

## Now Sullivan Co.

WICHITA, Kans.—The firm name of Sullivan-Brooks Co. has been changed to Sullivan Company, Inc. Offices are located in the Union National Bank Building.

Excerpts from an address by Mr. Florence before the Insurance Conference of the American Management Association, N. Y. City, May 21, 1952.

## Department Store Net Earnings Down 39% in '51

Malcolm P. McNair finds diminished returns due to lower profit margins and higher operating costs, since gross sales were maintained by narrow margin over 1950 results.

According to a report presented to the Controllars' Congress Convention in New York City on May 28 by Prof. Malcolm P. McNair, Lincoln Filene Professor of Retailing, at the Harvard Graduate School of Business Administration, the year 1951 brought an unexpected reversal of fortune to the department store business in the United States. Despite the optimistic expectations entertained in January, consumer eagerness to buy cooled off rapidly after February, and dollar sales for the business year ending Jan. 31, 1952, barely managed to register the slight advance of 1.7% as compared with 6.4% in the preceding year. Such a small sales increase could not contain the forward surge of dollar expenses, and the percentage cost of doing business recorded a substantial rise to the extent of 1.05% of net sales. In the meantime heavy markdowns, resulting from the injudicious accumulation of merchandise stocks, eroded the profit base to a greater than normal degree; and concurrently the stringent OPS price controls impaired the initial markon, making management helpless to counteract either the rising expense ratio or the augmented markdown burden. The combined effect of the higher markdowns and the lower initial markon was a reduction of gross margin by 1.3% of net sales as compared with 1950. As a consequence of this combination of lower gross margin and higher total expense, department store net gains suffered more severely than those of practically any other important type of business in 1951, going from 6.85% of sales down to 4.55%. This figure, however, was before taxes; and after being subjected to the current high rates of income and excess profits taxes, department store final earnings reached their lowest point since 1938, amounting to only 2.3 cents of the consumer's dollar. As compared with 1950, the dollar net earnings of department stores after taxes were down 39%.

Departmentized specialty apparel stores experienced poor results in 1951. Although dollar sales increased by 3.4% over 1950, the gross margin rate diminished from 37.9% to 37.2%, and the expense rate pushed ahead even more vigorously than in the case of the department stores, going from 35.3% of sales in 1950 to 36.7% in 1951. As a consequence the percentage profits before taxes fell precipitously from 4.7% to 2.65%. On a dollar basis, allowing for the increase in sales, the 1951 earnings before taxes were 41.5% behind the 1950 figures. In only one year in the last 22 have specialty store profit percentages been as high as those of department stores.

### Sales

The reporting department stores gained only 1.7% in dollar sales during their business year, typically Jan. 31 to Jan. 31, notwithstanding the phenomenal rise in customer purchases which characterized the beginning of the period. This 1.7% sales increase figure checks closely with the data reported to the Controllars'

Congress of the National Retail Dry Goods Association. For the calendar year, which included the extraordinarily large January sales, the Federal Reserve System reported an increase of 3%. For the second consecutive year department store sales did not increase as much as did total retail sales, which for the calendar year registered an advance of 4.8%.

The startling development in 1951 was the failure of retail sales, including department store sales, to keep pace with the rise in disposable income. Personal saving, consisting largely of increased accumulation of cash and securities and of reduction in consumer indebtedness, moved up briskly from \$10.7 billion in 1950 to \$17.2 billion in 1951. The result was a rude upset in the calculations of those merchants who had expected that consumer buying would continue to maintain its high postwar ratio to disposable income.

In the 13 years beginning with 1939, if that year be taken as a convenient prewar benchmark, the relative importance of department stores in the field of retail distribution has diminished. The indexes, using 1939 as 100, show that in 1951 disposable personal income stood at 317, total retail sales at 358, combined sales of Sears Roebuck and Montgomery Ward at 345, and department store sales at 295. Even less favorable, however, is the relative position of variety stores, with an index of 258.

The approximate tripling of department store dollar sales since 1939 has resulted from the combination of a 40% increase in the number of sales transactions and a slightly greater than 100% rise in the dollar amount of the average sales check. This latter figure exceeds somewhat the advance in the department store price index, the difference presumably reflecting the heightened interest of consumers in big-ticket items over this period. The marked correspondence between the index for the average expense per sales transaction, 193, and the department store price index, 191, shows that over a period of this length the cost of doing business has closely reflected changes in the price level; in other words, no permanent advantage has been gained from the existence of so-called "fixed" costs.

### Gross Margin

In 1951 the gross margin rate receded to 35.3%, a figure practically identical with the gross margin of 35.2% for 1949, which was the lowest spread obtained by department stores since 1932. That the 1951 gross margin percentage of department stores was virtually at the lowest point reached in 19 years is a fact which certainly seems worthy of consideration by the Washington price controllers.

For all groups of stores from \$1 million up to \$50 million or more, the variation in typical gross margin was almost negligible, from a high of 35.6% to a low of 35.1%, the latter figure being that for the largest concerns. The lower percentage gross margins for stores under the \$500,000 mark were not, of course, peculiar to 1951; this difference, solidly established by the data for practically all preceding years in this series of studies, merely spotlights the fact that these small stores play a simpler role in the distributive process than do the large integrated wholesaler-retailer types of establishments.

In terms of dollars and cents per sales transaction gross margin

fell off from \$1.47 in 1950 to \$1.43 in 1951.

### Expenses

After the small decline in 1950 the total expense rate in 1951 resumed the advance which has characterized the postwar period. The common figure of 33.2% was over 5% of sales greater than the corresponding figure for 1946 and was, in fact, the highest figure recorded since 1941.

Substantial uniformity appeared in the expense rates of all the volume groups above \$1 million, which ran from a low of 32.5% in the \$2 to \$5 million group to a high of 34.0% in the \$20 to \$50 million classification. As is usually the case, one of the lower ratios, 32.7%, was that shown for the group with sales of \$50 million or more. For both 1950 and 1951 the expense advantage of this group widened over previous years in comparison with the stores in the next lower volume classification. Conceivably the managements in the top volume group have been somewhat more alert to the necessity of expense control in this period than has been true of department store managements in general.

On an identical firm basis dollar payroll costs advance 4%. Percentage-wise to sales the increase from 17.6% in 1950 to 17.95% in 1951 carried this division of expense, normally 54% or 55% of the total cost of doing business, to a higher point than any reached since 1938, though only a small fraction above the 1949 mark. Over the volume scale the lowest payroll percentage, 16.9%, appeared for the very smallest stores, and the highest,

18.3%, for the next to the largest classification. In cents per sales transaction payroll costs moved only from 71 cents in 1950 to 72.5 cents in 1951, a smaller advance than in the preceding year. The three functional groups represented in the rise were administrative and general, publicity, and direct and general selling.

tural gas business and the remainder from heat and ice.

The new bonds are redeemable at prices ranging from 104.91% to 100%; for sinking fund purposes only the bonds may be redeemed after May 15, 1954 at prices ranging from 101.86% to 100%.

## Halsey, Stuart Offers Iowa Pow. & Lt. Bonds

Halsey, Stuart & Co. Inc. and associate underwriters on May 22 offered \$10,000,000 of Iowa Power & Light Co. first mortgage bonds, 3 1/4% series due 1982, at 101.93% and accrued interest. The underwriters were awarded the bonds on their bid of 101.34%.

Proceeds from the sale of the bonds, and from the sale of 226,835 shares of the company's common stock being offered to its present stockholders, will be applied to the company's program for construction and acquisition of additions to its utility plant which, in the years 1952 and 1953, will require expenditures of about \$36,000,000.

The Iowa Power & Light Co. furnishes electricity and gas in Des Moines, electricity in Council Bluffs, and either or both services in other municipalities, communities and rural territories in the central and southwestern sections of the State of Iowa having an estimated population in 1950 of about 430,000. For the 12 months ended March 31, 1952 about 73% of the company's gross revenue was derived from its electric business, about 26% from its na-

## Elected to Board

Samuel E. Magid and Clermont Cartwright of Hill, Thompson & Co., Inc., and Charles D. Runyan, Trust Co. of North America, have been elected to the board of the Buhl Manufacturing Co. of Detroit. Mr. Magid will succeed Lawrence D. Buhl as Chairman.



Samuel E. Magid

The purchase of Buhl Manufacturing Co. by the Penn-Ohio Steel Corp. was recently arranged by Hill, Thompson & Co., Inc., of New York, and Watling, Lerchen & Co., of Detroit.

## Stephen Gilboy Opens

OLEAN, N. Y.—Stephen T. Gilboy has opened offices in the Exchange National Bank Building to conduct an investment business. He was formerly local manager for Milton C. Powell Co., Inc.

Watch for  
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When the  
**LID'S OFF** on  
**WALL STREET**

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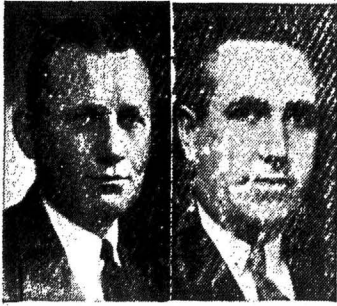
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## Taxation, Bank Earnings And the Business Outlook

William B. Walker, President of the First National Bank of Philadelphia, at Ninth Annual Conference with correspondent banks, opens discussion, pointing out high taxation forces bank mergers. Dr. Lionel D. Edie discounts impending depression.



William B. Walker Lionel D. Edie

Addressing more than 300 correspondent bankers from Pennsylvania, New Jersey, Delaware, Maryland and Virginia, William B. Walker declared at the Ninth Annual Conference of correspondent banks of the First National Bank of Philadelphia on May 20 that taxes, in some instances, are forcing mergers of banks and "constitutes a serious road-block to the raising of additional capital for the strengthening of capital ratios."

Attention was also called by Mr. Walker, who is the President of the First National Bank of Philadelphia, to the serious threat facing private enterprise inherent in the seizure of the steel industry by the government. He further warned that this thinking could be applied to the banks as well.

Vice-Presidents of the First National Bank of Philadelphia, C. J. Cable, Jr. and W. H. Hertzman highlighted the impact of taxes on bank earning power and the need for continuous tax planning in order to produce the greatest possible net income after taxes. They pointed out that Federal income taxes have now reached a point where a bank can pay as high as 82% on a portion of its income by the combination of 52% normal tax and surtax of 30% on excess profits. Authoritative figures reveal that the banks in the Third Federal Reserve District are paying as much to the government in taxes as to their stockholders. It was demonstrated that there are not now sufficient earnings remaining to bolster capital accounts, and as a consequence the ratios of capital to risk assets and capital to deposits leave much to be desired. At the same time it was emphasized that we must continue to maintain a strong, progressive banking system. A comparison was made of earnings for the period of 1938 to 1951, indicating that bank earnings were at a low ebb compared to industry from 1946 to 1949, the base period for excess profits tax computation, again imposing a penalty on banks for tax purposes.

After pointing out the need for bringing these facts, so detrimental to banks, to the attention of the proper authorities in Washington, it was illustrated by actual examples how banks could partly relieve the tax burden through proper timing of various security transactions, planning of expenses, adjustments of reserves, etc.

Dr. Lionel D. Edie, New York economist, told the conference the political and economic outlook, barring all-out war, portends a reduction in personal and corporate income taxes.

Based upon this premise, Dr. Edie predicted reasonably steady business conditions for the balance of 1952, gradually evolving into a

recession in general business in 1953. Despite this possibility, optimism was the keynote of Dr. Edie's talk, and he emphatically stated that he could foresee no major depression during this period. A \$60 billion backlog of public works, elimination of governmental controls, easing of the money market, increased supply of scarce materials, and a modified extension of the defense program all contribute to this thinking.

Finally, Dr. Edie expressed the theory that plunging bond prices would be replaced with an upswing resulting in a strengthened market condition. "Don't be pessimistic," said Dr. Edie, "but have hope and faith in 1953."

### NY Municipal Forum Conference June 12

The Municipal Forum of New York will hold an all-day conference on June 12 at the Hotel Commodore to review the vast accumulation of state and municipal public improvement requirements and consider some of the major problems involved in their financing.

Public works experts estimate that it would cost at least \$100 billion over the next ten years to finance the accumulated, and accumulating, capital needs of state and local government for highways, streets, schools, hospitals, housing, sewage disposal systems, water and other public service enterprises, urban redevelopment and other public improvements.

The Municipal Forum proposes to examine the possible means and methods of financing this huge backlog; consider practical methods of long-term financial planning; weigh the limitations on the purposes, types and amounts of state and local debt which may be safely incurred; review the outlook in some of the fields where large capital outlays are urgent; and consider certain major projects now pending.

Specialists in public finance and in various public works and planning fields will address the conference and direct discussion.

Among the speakers on the program are Frederick H. Allen, Harrison, Ballard & Allen, City Planning Consultants; Frederick L. Bird, Director of Municipal Research, Dun & Bradstreet, Inc.; Carl H. Chatters, Executive Director, The American Municipal Association; Lennox L. Moak, Director of Finance, City of Philadelphia; Wilfred Owen, The Brookings Institution, Washington, D. C., author of "Toll Roads"; Paul Studenski, Professor of Economics, New York University and financial consultant to the New York State Division of the Budget; and A. H. Wieters, Sanitary Engineer Director, U. S. Public Health Service.

### Earl E. Bond Joins Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Earl E. Bond has become associated with Schirmer, Atherton & Co., 49 Pearl Street. Mr. Bond has recently been associated with Walston, Hoffman & Goodwin. Prior thereto for many years he conducted his own investment business in Hartford.

Continued from page 11

## Role of Equities in Savings Banks' Investments

produce a net return after taxes of only 1.25%.

Equities have one and only one role to play in savings bank investment policy. Mutual savings banks are not justified in assuming the risks of equity investment to seek capital gains. They do not require increases in income and capital value to offset the decrease in the purchasing power of the dollar—a hedge against inflation—since their liabilities are stated in dollars. They seek only a higher yield from investment in equities, so as to increase the over-all rate of return realized from earning assets.

The higher net yield obtainable from a portfolio of high-grade equities will mitigate the adverse effect on the net income of a savings bank of a creeping rise in its operating expenses and will provide help in retarding a downward trend of its surplus account ratio in the face of deposit growth. The prospect of maintaining a stable dividend rate will thereby be improved.

### Risks of Equity Investment

Desirable as is the contribution equities can make in meeting the need for higher over-all yields on savings bank portfolios, we must keep clearly in mind the substantial added risks involved.

Equity investments, by their very nature, entail greater risk than the other types of investment available to mutual savings banks.

The greatest risk is that of wide fluctuation in market prices to which common stocks are particularly subject. Earnings, dividends and market prices of many common equities tend to rise sharply in a period of prosperity. This makes them all the more vulnerable whenever less favorable economic conditions lead to a decline in earnings and dividends, and consequently in stock prices. Investors who buy stocks in periods of business prosperity, like the present, at prices that seem reasonable enough when earnings and dividends are high, may see both the market value and the yield realized on the investment decline sharply in a subsequent recession.

The investor in equities also gives up the contractual creditor claim to fixed interest and principal payments that the bondholder and the mortgage lender possess. Stockholders occupy a junior position to creditors, and common stockholders to preferred stockholders, incurring the added risks of dividend reduction that a junior position entails.

### Techniques for Reducing Risks

While the risks attaching to equity investment are thus greater than those incurred by investing in mortgage loans and bonds, techniques have been evolved by professional investment managers for reducing and coping with these dangers, just as techniques have been worked out for lessening the risks in mortgage lending that became so apparent to all during the great depression of the 1930's.

One such technique is the timing of equity purchases so as to avoid heavy purchases of stocks, particularly more volatile issues, in periods of relatively high prices, however justified such high prices may appear in the light of earnings and dividends at the time. Equity purchases can be timed to minimize the risk of paying excessive prices by, for example:

(1) Purchasing only 10% or some such modest proportion an-

nually of the total common stock investment desired, which is known as dollar averaging. This avoids the risk of concentrating purchases in a period of high prices. It also results in the investor acquiring more shares for the same number of dollars in years when prices are low than in years of high prices. A possible exception to outright dollar averaging for a savings bank desiring to purchase equities to step up income at a more rapid pace would be the purchase of preferred stocks for temporary retention, pending gradual shifts into common stocks to achieve dollar averaging in purchases of the latter.

(2) Buying stocks on a scale down and selling them on a scale up, which is known as investing by formula plan.

(3) Buying stocks only in periods of business recession when prices are apt to be relatively low. This involves basing investment decisions on business forecasting.

A second basic technique for sound equity investment is the selection for purchase of issues that promise attractive yields with minimum risk of a decline in either market price or dividend payments. Selection of equity securities may be governed by the following principles:

(1) Purchase of preferred stocks and common stocks of regulated industries like public utility and telephone companies. The limitation of their dividends or earnings prevents a sharp rise in market price in good times, and so lessens the risk of decline in recessions. Selection of such issues is particularly desirable in a boom period like the present.

(2) Purchase of growth stocks like chemical issues where future increases in sales volume and profits will lead to higher dividends that will lessen the danger of any lasting decline in price, even where stocks happen to be bought in a relatively high market.

(3) Favoring stocks of industries whose sales and profits are least affected by the business cycle, so that market prices and dividend payments tend to be relatively stable.

(4) Selection of industries and companies whose prospects are much better than average, while avoiding those whose prospects are worse than average.

(5) Selecting stocks of companies that have little or no bonded debt, a strong cash position and proven good management, on the ground that such enterprises are more likely to maintain dividend payments during less favorable periods than others.

A third basic technique for sound equity investing is the systematic setting aside, out of income and capital gains that may be realized, of a reserve for market depreciation and capital losses. Such a reserve set aside regularly affords protection against equity investment depreciation or losses that are bound to occur in time despite skilled timing and selection of stocks for portfolios. This reserve would cushion surplus accounts or net earnings from being reduced by a temporary depreciation in market prices of common stocks owned such as would happen in a depression period. Like a mortgage reserve, the equity reserve would lessen the risk of encroachment (through possible depreciation of assets held by a savings bank) upon the surplus fund required by statute to be maintained for the protection of its depositors.

### Direct Investment or a Mutual Equities Fund

Mutual savings banks in New York State can apply these and other techniques to secure a higher rate of return from investment in equities through either their individual investment or a mutual equity fund.

Traditionally, mutual savings banks have generally done their own investing. In the purchase of government and corporate bonds and in most types of mortgage lending, the banks have found the balance of advantage in proceeding individually, rather than as a group. It has been found advantageous in some cases, however, for mutual savings banks to join in making mortgage loans.

Savings banks in New York are now authorized by law to invest in shares of investment companies to be owned by and operated for mutual savings banks of the state exclusively.

A mutual equities fund, run exclusively by and for savings banks, offers several advantages. It would provide adequate diversification even for a savings bank whose equity holdings are relatively small. Far more important, the equities fund would assure that specially trained personnel would administer as their full time job savings bank investment in equities, to take full advantage of techniques for increasing dollar income while minimizing risk through skillful timing and selection.

Such a fund can conduct an equity portfolio much more economically, per dollar invested, than savings banks undertaking to hire trained personnel for this purpose individually. With a fund, there should be less risk that equity purchases would be concentrated in periods of exaggerated optimism, and sales in periods of deep pessimism, to which the stock market is peculiarly sensitive. And, finally, a fund would lessen pressure upon trustees and officers of savings banks to devote an unduly large part of their energies and time in order to do full justice to the necessarily complex job of administering an equity portfolio in which, at most, only 5% of resources can now be committed.

Unlike open-end investment trusts that sell their shares to the public, an equities fund for mutual savings banks involves no material initial "loading charge" or annual expense. Expenses of operation should actually be less than if each savings bank did its own equity investing. At the same time, through a board of directors comprising investment officers of a number of savings banks, an equities fund would benefit from the talents, knowledge and experience of a number of men thoroughly versed in savings bank investment principles, practices and objectives.

A mutual equities fund conducted exclusively by and for mutual savings banks would have another great advantage over other investment funds. Its objectives would be exclusively those of mutual savings banks, and not of other types of investors with different aims and operating under different conditions. An equities fund for savings banks would seek only the higher yield available from equities, avoiding risks that other funds incur to secure capital gains or to hedge against inflation. At the same time, a mutual equities fund would conserve for mutual savings bank participants all of the tax advantages provided by equity investments, under the favorable provisions of the Revenue Act applicable to registered investment companies.

The decision as to whether to invest in equities directly or through a mutual fund is one that each savings bank will make for itself. A savings bank may also decide to invest directly in high-grade preferred stocks, for example, while utilizing the mutual



equity fund for the balance of its stock investments to assure itself of the full time services of specialized personnel and continuous supervision of common stocks, which offer a higher yield, but which involve greater risk of depreciation and loss.

**Conclusions**

The role of equities in savings bank investment policy, let me reiterate in concluding, is solely to secure a higher rate of return than is available from any other class of investment open to mutual savings banks. This higher rate of return is now particularly desirable to assist continued growth in savings bank surplus accounts and reserves while maintaining a stable dividend rate for deposits and coping with a creeping increase in operating expenses, the accelerated gain in deposits, and Federal taxation of retained earnings of many savings banks.

Greater risk attaches to equities than to other types of investment open to mutual savings banks. We must recognize this at all times. The dangers can be minimized, however, through techniques of timing and selection of stock pur-

chases that have been evolved by professional investment managers over a period of years, as well as through the systematic setting up of reserves out of the larger income realized from equities to provide a cushion for absorbing possible future market depreciation or losses.

Mutual savings banks in New York have the choice of investing in equities directly or through a mutual equities fund set up and operated exclusively by and for mutual savings banks. Such a fund can provide specially qualified management on a very economical basis, and assure to participating savings banks that the timing and selection of equity purchases will be designed solely to secure a higher rate of return for them with minimum risk.

Investments by mutual savings banks in equities, directly or indirectly, will make possible larger additions to the surplus accounts and reserves to margin future growth. Such investments should prove helpful in dealing with the hard problem facing savings banks today of building up surplus to keep pace with the expansion of deposits.

**Our Reporter on Governments**

By JOHN T. CHIPPENDALE, JR.

The shake-down of prices in the Government bond market seems to be attributed mainly to the selling that had to be done in order to raise the cash which must accompany the exchange of the last four restricted issues for the non-marketable bond. Whether this means a larger number of exchanges and more new cash for the Treasury than was expected, or whether those making the conversion have less ready cash than they counted on is largely a matter of conjecture. With the books expected to close on the new offering today, the pressure on quotations because of the need for conversion funds should subside. Opinion seems to be evenly divided as to what may happen to the market with the exchange offer out of the way.

Activity in the market has been spotty because there have been intervals of substantial volume and then periods of very limited action. The thinness of the market occasioned a quoting down of prices, largely because of the desire to avoid purchases rather than due to the pressure of liquidation. Switches and swops, mainly in the restricted obligations, are the results of adjustments that portfolio managers are making in their holdings.

**Portfolio Changes Abound**

The conversion program has brought with it many adjustments, which had a marked effect upon the whole Government list. There was considerable moving around among the various Treasury issues, with some institutions sellers of certain bonds and others buyers, because new schedules of holdings were being worked out by owners of Government securities. These switches and swops were concerned mainly with the various restricted obligations, although there were some important adjustments made in the bank eligible securities. In the first place there has been some outright selling of the ineligible bonds as well as certain short-term securities in order to get the necessary cash in connection with the exchange offer for the non-marketable 2 3/4s. This has had a tendency to keep the market on the heavy side because dealers and traders have pulled out bids that would ordinarily lend support to prices. They were well aware that liquidation had to take place in order to raise funds for the exchange offer, and they were not inclined to dissipate their buying power during the conversion period. As these sales for cash come to an end, positions of dealers and traders will most likely be rebuilt, if market conditions warrant it.

**Ineligibles in Spotlight**

Many of the institutions that are going along with the exchange offer have also been making changes in their other holdings of the restricted bonds. This has resulted in a fairly good two-way market being established in most of the ineligible obligations. As a result of this moving in and out of the various issues, there has been a good demand reported for the 1963/68s and 1964/69s and the shortest restricted issues. In some instances the 1966/71s and the 1965/70s have also been replaced with the earlier eligible tap bonds as have the two longest maturities, the 2 1/2s due 1967/72.

Although these various switches have not been too easy to carry out, because of the thinness of the market from time to time, they have been put over nevertheless in a satisfactory way, even though it did involve considerable shopping around and a fair degree of patience. One of the principal reasons for this moving about among the various restricted issues is that certain institutions, not going along with the exchange offer or just making a partial exchange, believe that the time is right now to make long delayed portfolio adjustments.

**Eligibles Finding Favor**

The lower yielding but coming eligible 2 1/4s have been well taken in the defensive market, and it is indicated that not a few shrewd operators believe these issues embody appreciation possibilities. To be sure, prices have not bucked the trend of the market, but according to reports these two obligations have been going into strong hands. There has likewise been some important takings of the 2 1/2s due 1963/68 by this same group of buyers, although these purchases have not been as large as those made in the 2 1/4s.

The 2 1/2s due 1962/67 have been under selling pressure and many non-bank owners continued to use this issue as a means for obtaining the cash that will be turned in with the bonds that are being exchanged for the non-marketable 2 3/4s due 1975/1980. On the other hand, commercial banks have been lending scale support to the newly eligible 2 1/2s and many of them believed the shakeout in the market was a favorable time to acquire this obligation. This buying has been cagey and well done, since it has been in not too large amounts at any one time. Nevertheless, quite a few bonds have been acquired and the average prices paid were considered satisfactory.

Money is still tight and this is keeping the market a bit on the indefinite side. There likewise is a growing tendency in some quarters to be watchful for what may develop around the 15th of June. The guesses as to the amount of new money that will be raised by the Treasury, through the exchange offer, appears to be tending toward the optimistic side.

**Welch & Co. Formed Three With Waddell-Reed**

LEXINGTON, Ky.—Frederick P. Welch is engaging in the securities business from offices at 156 North Upper Street under the firm name of Welch and Company. LINCOLN, Neb.—Sam H. Aden, Winona L. Busing, and Glenna D. Irwin are now associated with Waddell & Reed, Inc., Continental National Bank Building.

**Mulligan Trading Mgr. For Goodbody & Co.**

Frank E. Mulligan has become associated with Goodbody & Co., 115 Broadway, New York City, members of the New York Stock Exchange, as manager of the trading department. Mr. Mulligan was associated with Joseph McManus & Co., as manager of the trading department and prior thereto was with Blair, Rollins & Co., Inc., for eight years in a similar capacity.



Frank E. Mulligan

**N. Y. Stock Exchange Golf Tournament**

Richard M. Crooks, Chairman of the Board of Governors of the New York Stock Exchange, and G. Keith Funston, the Exchange's President, will be guests of honor at the 53d Annual Golf Tournament of the Stock Exchange on Tuesday, June 17, it was announced. The outing will be held, as usual, at the Winged Foot Golf Club in Mamaroneck, N. Y.

Some 200 Stock Exchange members will compete for the Governor's Cup, according to Edwin H. Crandall, Chairman of the Stock Exchange Golf Association. The cup is presented annually by the Exchange's Board of Governors to the golfer turning in the low net score.

An additional 300 members of the Exchange are expected to turn out after the close of the stock market that day, and to remain for the annual dinner.

J. Kenneth Lyden, of E. Lowitz & Co., won the Governor's Cup last year, with a card of 87-18-69; while Reinart M. Torgerson, of R. M. Torgerson & Co., won low gross with a score of 75.

**Davies to Admit**

SAN FRANCISCO, Calif.—Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchange, will admit Ernest E. Charleston to partnership on June 5.

**Life Companies Oppose Registration Of Direct Placements With SEC**

F. B. Wilde, President of Life Insurance Association of America, says registration will not benefit insurance companies or their policy holders, and would represent unnecessary extension of Federal regulation.

Speaking on behalf of both the American Life Convention, of which he is President, and the Life Insurance Association of America, F. B. Wilde, on May 20, told the Securities and Exchange Commission Sub-Committee of the House Committee on Interstate and Foreign Commerce that compulsory registration of direct placements of securities with the Securities and Exchange Commission is unnecessary for the protection of life insurance policyholders and would be of no benefit to them. He declared that such registration "would represent an unnecessary extension of Federal regulation into a field where private enterprise is now doing an outstanding job under state supervision."



Frazar B. Wilde

Mr. Wilde then listed for the subcommittee the various ways in which the insurance business is regulated by the states, and pointed out that it was the intention of Congress, when it passed the McCarran Act in 1945, that regulation of insurance should be left to the states.

Mr. Wilde termed "not at all realistic" the idea that registration would allow the SEC to obtain more information on a proposed distribution of securities and thus give added protection to the institutional buyer. He stressed that such a buyer has always insisted on all material facts, and where the purchase is by the direct placement method, the buyer is in a particularly good position to obtain adequate information and full and complete disclosure. This information, according to Mr. Wilde, is more readily accessible to the institutional buyer because the prospective borrower is not so apprehensive that his disclosures, including intimate details of business and plans, will be revealed to competitors.

The insurance executive cited as one difference between the institutional investor and the in-

dividual investor, the fact that an institution such as a life insurance company sets aside in surplus funds some portion of income against long-time cyclical investment losses.

"Financial officers of life insurance companies and of other institutions," he explained, "realize that they cannot expect to invest large sums of money in fixed obligations over a long period without sustaining some losses. However, these small investment losses are anticipated and are provided for and do not impair the validity of the individual life insurance contract."

These officers, Mr. Wilde continued, are experienced, although "they do, on occasion, make mistakes; and when the mistake involves a large or well-known borrower, then this mistake receives a great deal of publicity, especially when the investment is by direct placement. You hear nothing, however, about the other 99 and 44/100ths percent of direct placements which work out advantageously, the borrower paying his interest and his principal according to schedule."

Mr. Wilde pointed out that life insurance companies have suffered virtually no losses as a result of bond purchases during the last 20 years, a period in which economic conditions have been favorable. Going back further, and including losses arising from the depression, the losses still are extremely small in comparison with the total assets invested.

**With Hope & Co.**

(Special to THE FINANCIAL CHRONICLE) SAN DIEGO, Calif.—William C. Warren III has been added to the staff of Hope & Co., San Diego Trust & Savings Building.

**With Amott, Baker**

A. John Aucoin is now associated with Amott, Baker & Co., Incorporated, 150 Broadway, New York City. He was formerly with Pennington, Colket & Company.

**With Geo. Eustis Co.**

(Special to THE FINANCIAL CHRONICLE) CINCINNATI, Ohio.—John D. Boyce has become connected with Geo. Eustis & Co., Traction Building, members of the Cincinnati and Midwest Stock Exchanges.

U. S. TREASURY STATE and MUNICIPAL SECURITIES

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## Public Utility Securities

By OWEN ELY

### Portland Gas & Coke Co.

Portland Gas & Coke was formerly a subsidiary of American Power & Light, but in the recent reorganization its holdings were greatly reduced, most of the new common stock being distributed to the old preferred stock with arrears. The new common stock is currently selling around 17¼ and pays 80c to yield about 4.6%. With earnings last year of \$1.67 per share on the 547,627 shares outstanding (vs. \$1.50 pro forma in the previous year) this reflected a payout of only about 47%. It appears likely that the payout will eventually be increased.

The company's revenues showed rapid growth during the years 1941-8, followed by a two-year decline, but in 1951 there was a gain of about 10%. The sharp rise in 1947-8 reflected rate increases occasioned by higher fuel costs, because of increases in unit prices of oil and the necessity of using very large quantities of expensive diesel oil to meet the rapidly expanding peak demands.

The extensive plant improvements completed in 1948 added greatly to the plant's capacity to use heavy fuel oil, and eliminated the necessity of purchasing high-priced diesel oil. This and lower fuel oil prices reduced production expenses, and gas rates were also reduced, resulting in lower operating revenues in 1949 and 1950, but higher net revenues.

The company has made a specialty of by-products, earnings from which (after labor costs but apparently before other expenses) amounted to \$2,630,000 in 1951, which compared with gas revenues less labor costs of about \$5.7 million. Thus it would appear that nearly half of operating profits are attributable to by-products. However, this was partially due to the fact that arbitrarily low values were assigned to the crude residuals recovered from gas manufacturing and used in producing the marketable by-products. Principal by-products are light oil products, carbon briquets, pitch, petroleum coke, creosote, etc. Considerable amounts of briquets are currently being exported to Japan; they have the advantage of having no ash residue.

The company hopes to obtain natural gas but timing is somewhat indefinite. It has not been definitely settled whether it will obtain gas which may be brought down from Canada by the West Coast Company (controlled by Pacific Petroleum), or gas which may be transported from the San Juan area in New Mexico by Pacific Northwest Company (controlled by the Fish interests in Houston).

Since the question of bringing natural gas to the Northwest is of broad general interest, we quote as follows from President Gueffroy's remarks at the recent stockholders' meeting:

"Unfortunately, the Province of Alberta Conservation Board did not see fit to approve the export of gas from southwest Alberta, where it appears an ample supply could now safely be made available, and from which area one of the pipe-line companies has contracted to deliver gas to us and other Pacific Northwest distributors, subject to its obtaining the necessary governmental authorizations. Instead, the Board selected the Peace River region in northern Alberta as its recommended field for permissible gas export, apparently because producers in the northern area have no prospective market for their gas except to the Pacific Northwest. . . . We believe the ideas of the Westcoast (Transmission Company) people on delivered price and other terms will provide a working range for contract negotiations with us when their situation is such as to warrant definite negotiations. The Province of Alberta must act promptly, however, if it is to assure Alberta producers this market for their gas, as competitive pipeline interests are now busily engaged in gas drilling and development in New Mexico and adjoining fields, and propose to build a pipeline from these fields to serve the Pacific Northwest. We have given that company—Pacific Northwest Pipeline Corporation—a 'letter of intent' expressing our willingness to contract with it, or with any other responsible company who may be the first to assure us of an adequate supply delivered on satisfactory price and other terms."

The use of natural gas is not expected to have any great effect on the production of by-products since the company's Gasco plant, with its high BTU oil-gas operation, with still be used to supply about 10% of gas needs (particularly in the winter), the plant being operated long enough to obtain residuals for production of tar and light oil products in about the same quantities now being marketed. It may, however, be necessary to scrap the \$1,000,000 plant facilities now used in making carbon briquets and other carbon products (not including coke).

Those interested in this discussion of by-products and of gas operations will find thorough descriptions in the annual report and in the May issue of "Industrial and Engineering Chemistry" (reprints of the latter article can be obtained from the company).

The company is said to enjoy excellent relations with state regulatory commissions in the Northwest. In general, a return of about 6½% is understood to be allowed, with the by-product business considered largely non-utility.

## Baltimore Bond Club Annual Outing

BALTIMORE, Md.—The Bond Club of Baltimore will hold its annual outing on Friday, June 6, at the Elkridge Club. As in years past there will be the Kickers' Gold Tournament, Tennis Matches and free beer in the afternoon.

Guests tickets are \$8.00. Reservations should be made with Edward J. Armstrong, Stein Bros. & Boyce, Treasurer of the Club.

Members of the committee on arrangements are Jack A. Kolscher, Geo. G. Shriver & Co.,

Chairman; Arthur L. Baney, E. R. Jones & Co.; C. Prevost Boyce, Jr., Stein Bros. & Boyce; Walter L. Burns, Baumgartner, Downing & Co.; J. Wilmer Butler, Baker, Watts & Co.; John R. Crunkleton, Jr., Mercantile Trust Co. of Baltimore; Edward B. Freeman, Lockwood, Pack & Co.; W. Wallace Lananan, Jr., Merrill Lynch, Pierce, Fenner & Beane; Carroll M. Martin, C. T. Williams & Co.; Henry S. Miller, Mead, Miller & Co.; Benjamin D. Palmer, Alex. Brown & Sons; W. James Price, Price & Co., and Joseph W. Sener, Jr., John C. Legg & Co.

Continued from page 6

## Industry's Stake in Atomic Energy

posed questions in the field of private industrial participation that have no simple answer.

It would be quite improper on many grounds for me to discuss what is being done and what is being planned in your great country but I would like to say a few words on how our own problems appear to us in 1952.

First, we are in a measure in the position we hope the entire world will be in some day when there will be a limited military market for fissile material. This means that we tend to think of research and peacetime uses for fissile material.

At the risk of being accused of over simplification it seems to us that we have two broad problems. First, to make fissile material economically and then to find profitable industrial uses for this product.

As we see it in the immediate future the greatest need and scope for the well proven strength of private initiative and competitive spirit lies more in the second field of finding profitable uses for fissile material in existing and as yet unthought of industrial processes rather than in the production of the primary product. It is here we feel private enterprise will ultimately find its greatest dividends once the present compelling needs of defense cease to be the first priority.

In Canada at the moment we are engaged in operating and building reactors of an experimental type. We are of course producing and finding uses for radioisotopes which are a real by-product of reactors but we have no actual power producing units in the course of construction. We have to limit the scope of our activities as the areas of possible exploitation are simply enormous and no country, even yours, can hope to cover every present and future aspect.

Our programs have been carefully selected in relation to our research resources. We are concentrating on the production of fissile plutonium by a particular type of reactor known as the heavy water pile with which we have had considerable success.

As I have said in a reactor plutonium is produced from the fission of 235 and from every pound of 235 so broken up there is emitted as much heat as can be obtained by burning 1,000 tons of coal. We have, in theory at least, a furnace which burns up fuel, gives off heat, and finally hands back as much fuel as was used up. This sounds like a wonderful device but like all get-rich-quick schemes there are hidden difficulties—many of them.

At present in our pile and as far as I know in all other natural uranium piles the heat is low grade and from the economic standpoint is of little commercial value, but that situation is capable of being reversed by research.

At the present time our natural far as I know in all other natural uranium reactors are really producers of plutonium with two by-products. The first, "isotopes," will always remain a real by-product but an important one that will contribute increasing revenues. The second by-product, "heat," which is presently valueless, we hope some day will become a primary product providing significant revenues. One of our immediate objectives, therefore, is to develop a sizable pile that will run at sufficiently high temperatures to make power an important product that might be fed into a power grid or alternatively to find a profitable outlet for the

energy in the form of heat. Here in our program is where the economic crux of the problem lies with its uncertainties. There seems little hope that such sizable power units can become competitive with conventional central station power unless the plutonium produced can be sold at a good price. Theoretically, at least, if a sufficiently high price for plutonium can be obtained from a natural uranium pile, even from a costly, thermally inefficient one, the power could obviously be sold at low rates.

When peace is restored to the world and there is no longer any demand for fissile material for bombs it seems logical to me that if natural uranium piles have a future it will depend on the market that can be worked up for fissile material products, and this I think must be for power units serving special purposes and point sources of great heat energy where the costs of energy will not be of major importance.

### A Field Suited to Private Industry

As I have said this seems to be a field preeminently suited to the ingenious, competitive strength of private industry. There is a whole range of possibilities. There can be power plants using almost pure fissile material of very small size, and carrying a year's fuel supply that weighs little and only takes up a small space. Then there can be a whole line of plants using fuel of any intermediate mixture of U-235 and U-238 isotope all the way from natural uranium to the pure fissile elements mentioned above, and of course there is the breeder reactor with its intriguing possibilities of multiplying enormously the reserves of fissile material while at the same time producing power. But we should not think only in terms of conventional power, as such, for surely the enormous heat-producing possibilities of fissile material will find many uses as heat in chemical, metallurgical and other processes. I still believe the most important applications have not as yet been thought of.

Let me again repeat that in the light of present day information I think it is in this vast field of utilization that the real challenges lie and it is surely in this field where private and national dividends will most likely be found. It is also a field where rate of advance will undoubtedly be more important than past achievement and knowledge. Today outside of this country and Russia there are at least eight reactors operating in four countries and within another few years there will be twice as many units operating in perhaps a dozen countries and the search for new uses for the fissile product will become competitive in a world sense in the same way as novel chemical, electrical and other world industries have been in the past. The utilization of fissile material for peacetime purposes does not seem to me to be an area where monopolies will last long.

I have said little about radioisotopes which as you know are a real and important by-product of reactors. A great deal has been said and written about their great value as tracers and analytical tools in research in medicine, in the biological and chemical sciences, and of their use in industrial control and process work. In fact, there are some experts who hold with a great deal of authority that the fruits from the use of isotopes as research tools

in the various fields of science and technology may yet repay all the efforts put into atomic energy research.

But isotopes in addition to their value in research are already being used extensively in industrial processes. Here again I feel progress will depend on the initiative of private enterprise which of course initially must be linked with and assisted by those producing isotopes. I think the greatest industrial opportunities will lie, not particularly in the manufacture of isotopes, but rather in finding original and profitable uses for them in existing and future industries. There is no shortage in the supply of isotopes in general as there are large sources of supply not only in this country but in Canada and Great Britain. The industrial use of isotopes has increased rapidly in many countries but there is much yet to be done.

Perhaps there is not the same glamour about the uses of isotopes in industry as in research. I think that is quite natural. Speaking in general terms, isotopes are used largely in industry to assist in control of operations which are being carried out anyway. This means that in most proposed applications there is already available some instrument or procedure so that the use of isotopes is not absolutely essential no matter how much better the results may be. Consequently, it is difficult in many cases to demonstrate immediate spectacular and large financial gains by their uses. This does tend to make progress slower. However, there are many special cases where the use of isotopes does permit vital tests to be carried out that can be made in no other way and in innumerable other cases their use enables many operations to be carried out with more certainty and efficiency than was formerly possible. This permits more rigid control and enables management to obtain a much more accurate picture of what is going on in the plant. This is, of course, efficiency and efficiency methods have usually come quietly into industry.

In addition to uses in control and testing procedures there is the possibility of substituting isotopes directly in such operations as food product sterilization, in making luminous paints and for accelerating certain chemical reactions. Many of us feel, however, that the most important applications of the future will probably be in directions as yet unpredictable.

In closing let me say I have tried to give you my 1952 ideas about the prospects for industrial use of atomic energy and where industry may find its greatest opportunities. I wish you to accept my remarks as highly speculative, not dogmatic. I realize full well that our research effort is small in comparison with the almost astronomical activities of your Atomic Energy Commission. The greater part of their findings, however, are classified and not available to us and it may well be that my views would even today be modified materially if I was aware of all their scientific facts and industrial experiences.

But in this novel, largely secret and rapidly developing area those in charge of national programs must, just as a military commander in the field does, make general plans and then be prepared, and even expect, to have to change them rapidly and perhaps basically as the tactical and strategical position changes.

### Taiyo Secs. Co. Opens

LOS ANGELES, Calif.—The Taiyo Securities Co. has been formed with offices at 208 South San Pedro Street to engage in the securities business. Partners are T. Ichiooka, J. Narumi, G. Katow, and J. Takeda.

## Typical Postwar Problems

"In Japan where the basic essentials of life—food, shelter, clothing and fuel—are in chronic short supply; where past mistakes, which no one recognizes better than do the Japanese, are both tragic and lamentable; these people face obstacles in number and magnitude which might make the stoutest hearts quail.

\* \* \*

"In simple sequence, she must have access to raw materials which her industry can convert into products which she can sell in markets in which she must give and receive fair treatment in order to gain the foreign exchange to buy and import the food, fuel, and cloth she cannot herself produce.

"The complexity of each of these problems will tax the best in intellect and integrity.

\* \* \*

"Included among these many problems are ones of singular political difficulty for the present, or any other Japanese Government. Her military power having been destroyed, her merchant marine, vital to an island people, having been drastically reduced in tonnage, her constitutional limitations against maintaining ground, sea and air forces now having rendered her incapable of preserving unaided the independence recently restored to her, any Government in Japan, the present included, is vulnerable to a degree to all manner of attack by both well and ill-intentioned opposition."—General Matthew B. Ridgway.

How much more complicated and difficult all these postwar problems turn out to be than the naive were once led to suppose they would be!

## Cites Russians' Knowledge of Engineering

J. M. Davies, Research Director of Caterpillar Tractor Co., reports Russian engineers have skillfully redesigned American tractors, originals of which had been acquired by Russia via lend-lease program about 10 years ago.

Contrary to the current popular opinion, the Russians' keen knowledge of engineering and mechanics has been revealed probably for the first time in research on a track-type tractor which is a metric copy of a well-known U. S. manufacturers' machine.

Two well-built Red tractors—the Stalinetz 80—have been given detailed examinations by the Research Department at Caterpillar Tractor Co., Peoria, Ill., and were found to be copies of Caterpillar's D7.

J. M. Davies, Research Director, said of these tractors, "In our opinion, they are a well engineered, well manufactured copy, reflecting Russian practices, Russian machine tools and the raw materials available to the Russians."

Inspection revealed these sobering facts:

(1) The Reds redesigned the machine to fit more convenient metric dimensions—no mean engineering feat.

(2) Appearance was unimportant. The parts are rough on the outside, but careful attention was given where part finish and close tolerance is needed. Anti-friction bearings are very good.

(3) Although raw materials available differ slightly, metallurgy on the Red copy is very good.

(4) The tractors probably were produced on an assembly line basis similar to Caterpillar's.

Mr. Davies said: "These machines were a great surprise to us. They are of much better quality than we had expected."

The two Red tractors were captured in a battered condition by troops in Korea. Because the pair were obvious copies of a standard Caterpillar D7, the Army's Corps of Engineers asked Caterpillar to make an examination. However, the information has been restricted until only recently.

Caterpillar engineers believe the illegitimate cousin of their D7, Caterpillar's second largest

track-type tractor, was copied from machines obtained by Russia under Lend-Lease about 10 years ago.

Concerning the metric dimensioning, Davies observed, "Considering all the parts which had to be changed, and also considering the tolerances and fits of each of these parts had to be changed to metric standards, this is an achievement reflecting no slight engineering skill."

He said proof that the Russians understand the principle of part interchangeability was shown by the fact that the actual Russian Diesel tractor engine operated by Caterpillar for tests was assembled from parts from two separate machines.

In the opinion of Caterpillar metallurgists, the final Red product is just about what American manufacturers would have done if the same materials were available.

"The Russians know where to make parts hard and where to make them tough," Davies confided. "Hardness and toughness of their parts are about the same as we use."

### Bache & Co. Sponsors Financial News Broadcast

Bache & Co. members of the New York Stock Exchange, are sponsoring a new financial news program three times weekly on WOR radio at 4:15 p.m., starting May 26. Henry Gladstone will be the commentator on the program which will feature late financial news and market comment.

### David Klann to Join The Milwaukee Company

MILWAUKEE, Wis.—On June 16th, David Klann will become associated with the Milwaukee Company, 207 East Michigan Street, members of the Midwest Stock Exchange in their Trading Department.

## Canadian Securities

By WILLIAM J. MCKAY

Canada's wealth of natural resources plus the wisdom of her government and industrial administration makes this Northern Neighbor an attractive area of investment opportunity, according to a study prepared by Calvin Bullock, New York investment management company. This is not alone due to Canada's current industrial expansion, the company adds, but equally because of the hard core of its traditionally sound economic development.

"The tremendous development in the U. S. economy over the past 50 years," says Calvin Bullock, "has exacted its toll on our natural resources. For example, it is common knowledge that the once unlimited high-grade iron ore reserves in the Mesabi Range of Minnesota give clear indications of insufficiency over the coming years if present high output is maintained. Another example is the situation in non-ferrous metals. In 1914 the U. S. was producing about two-thirds of the world's copper, one-half of the world's lead, and one-third of the world's zinc. By the outbreak of the second World War, however, U. S. output of each of these basic metals had been reduced to only about one-fourth of world production and today more than 40% of U. S. copper, zinc and lead needs are supplied by imports. Furthermore, practically all our requirements of nickel are imported from Canada. Even in respect to the substantial oil reserves of the U. S., the long-term depletion problem is present. For example, whereas this country produces over 55% of the world's oil and consumes 60%, it has only 28% of total reserves. In fact, the U. S. is currently importing on average 880,000 barrels per day of oil and oil products largely from South America and the Middle East, much of which, in event of war, might well be unavailable. Thus, the present and future development of Canada's natural resources will have the advantage of a progressively increasing foreign market in addition to its own expanding needs."

Recounting Canada's resources and basic industries, the Investment Management Department of Calvin Bullock states:

"Canada's leading industry however is pulp and paper—first in employment, first in value and first in exports. Canada has been the principal newsprint producing country of the world for more than 25 years. Today it produces 54% of the world's newsprint supply and accounts for 80% of U. S. consumption. The predominant position of Canada in the overall pulp and paper industry may be basically attributed to its great forests which are now by constant supervision and scientific application on a 'self-sustaining perpetual basis.' More than one-third of the total area of the Dominion is covered by forests. Actual accessible production forests cover 473,000 square miles and another 340,000 square miles, classed as productive but not accessible, constitute a reserve for the future.

"Substantial power resources are necessary for the modern industrialization of a country. The Canadian Shield and the Rocky Mountains afford the physiography for a massive and well distributed supply of industrial hydro-electric power in Canada. Total electric power production (almost entirely hydro) of over 57 billion kilowatt hours in 1951 was double that of 1939. It is estimated that Canada's present installed hydro capacity of about 13.5 million h.p. is only about one-fourth the potential

capacity of its water-power resources. In response to the demands of a rapidly growing economy, a further increase in installed capacities of over 800,000 h.p. yearly is planned for 1952-1955. About one-half of the country's present power capacity is centered in Quebec Province, but one of the largest single expansions will be in the rapidly growing province of British Columbia, principally to produce aluminum. Due primarily to the excellent sources of low-cost hydro-power, which is so very important in aluminum production (10 KWH for 1 lb. of aluminum), Canada has been able to produce roughly 25% of the world's postwar output of aluminum.

"Steel production is another necessary ingredient for a country's industrial progress. Early in 1951 Canada's leading steel company announced an expansion program which would increase its ingot capacity 50% by the end of 1952. Canada's total steel ingot production in 1951 was 3,446,000 tons, an increase of 53% over 1946 production. Early explorations indicated that there were extensive iron formations in the trackless wastes of Quebec-Labrador. Later geological surveys have brought this area into an economic reality. A new 360-mile railway will link these iron ore deposits with the Gulf of St. Lawrence. The overall cost of this project has been estimated at more than \$200 million and annual production by 1954 should reach 2.5 million tons of high-grade iron ore. It is expected that this will gradually be stepped up to 10 million tons. Reserves are very high—initially estimated at 418 million tons of excellent grade and quality. Most of the output will be available for shipment to U. S. midwest steel furnaces (to supplement the diminishing Mesabi range reserves), but an ample quantity will be reserved for possible future requirements of the Canadian steel industry."

Much has already been said of Canada's recent development in oil and natural gas. This, according to Calvin Bullock, is undoubtedly the most important economic development in Canada in the postwar period.

Highlighting other factors attendant upon the phenomenal growth during recent years of the Canadian economy, the study reviews Canada's land and people; its gross national product; the Canadian fiscal policy; and the foreign trade and foreign capital inflow of the Dominion.

From a fiscal standpoint, Calvin Bullock finds the Canadian economy is unique—it is the only major country in the postwar period that each year has had a surplus and reduced its debt.

"Perhaps the most indicative index of the fundamental strength of Canada's current economic position," according to the study, "is the fact that its dollar, which was selling at a 10% discount as recently as September, 1950, is now commanding a premium."

### With B. C. Christopher

(Special to THE FINANCIAL CHRONICLE)  
KANSAS CITY, Mo.—Glyndon B. Jones has joined the staff of B. C. Christopher & Co., Board of Trade Building, members of the Midwest Stock Exchange.

### W. A. Ritchie Opens

HENDERSON, Nev.—Walter A. Ritchie has opened offices at 230 Leod Street to conduct a securities business. He was formerly with Lester La Fortune.

## Russell Phila. Mgr. For Blyth & Co., Inc.

Blyth & Co., Inc. is announcing the appointment of Stanley A. Russell, Jr. as Manager of its Philadelphia office, 123 South Broad Street.



Stanley A. Russell, Jr. will be in the financial community of Philadelphia.

For the past several years, Mr. Russell has been associated with Blyth & Co., Inc. in its New York office.

A luncheon was held at the Racquet Club to introduce Mr. Russell to the financial community of Philadelphia.

## Twin City Bond Club Annual Picnic

MINNEAPOLIS, Minn. — The Twin City Bond Club will hold its annual picnic at the White Bear Yacht Club on June 18. Headquarters will be the Nicollet Hotel, Minneapolis, and a cocktail party on the evening of June 17 will be held at the hotel for all members and guests.

Featured at the picnic will be a golf and tennis tournament; horse shoes; swimming; boating; cards; conversation. Breakfast will be available for early risers at 9 a.m. Luncheon will be served from 12 to 2 p.m. and dinner at 7 p.m.

Registration fee for non-golfing members is \$6; for golfing members \$8; for guests, \$25.

Committee Chairmen are: E. Edward Howard, Piper, Jaffray & Hopwood, General Chairman; Kenneth C. Joas, Ames, Emerich & Co., cocktails; Preston B. Shute, Jamieson & Co., St. Paul, transportation; Willys P. Jones, registration; Merrill M. Cohen, J. M. Dain & Co. and J. M. Wallace, Jr., Merrill Lynch, Pierce, Fenner & Beane, prize solicitation; Leonard A. Murray, Piper, Jaffray & Hopwood, tennis; Donald D. Grandin, Merrill Lynch, Pierce, Fenner & Beane, publicity; Carroll H. Babcock, Piper, Jaffray & Hopwood, prizes; Richard G. Egan, Mannheimer-Egan Inc., golf; Fred S. Goth, Irving J. Rice & Co., St. Paul, special; Robert Krysa, Harold E. Wood & Co., St. Paul, entertainment.

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# NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS  
NEW BRANCHES  
NEW OFFICERS, ETC.  
REVISED  
CAPITALIZATIONS

Horace C. Flanigan, President of the Manufacturers Trust Co., and Charles J. Stewart, President of the New York Trust Co., both of New York, announced on May 21 that the Board of Directors of the New York Trust Co., had asked that their agreement of May 13, to merge that company with the Manufacturers Trust Co., be cancelled. The announcement from the Manufacturers Trust also said that although the merger negotiations had been initiated by the New York Trust Co. and the merger terms had been approved by the directors of that company, "and pronounced fair and feasible by the First Boston Corp., which was retained by both banks as experts, opposition to the merger terms had come from certain large stockholders of the New York Trust Co. It appeared, therefore, to the New York Trust Co. directors that the required approval by the New York Trust stockholders might be difficult to obtain. Accordingly, the directors of the Manufacturers Trust acceded to the New York Trust directors' request. Under the circumstances, Mr. Flanigan stated, the Manufacturers Trust directors naturally did not wish to proceed with a merger when those who initiated it believed that they might be unable to consummate it with the enthusiastic support that the proposed merger should command.

President Stewart of the New York Trust, in indicating on May 22 that the proposed merger "has been cancelled, due to the unforeseen opposition of certain large stockholders of this bank," added: "Expressions received by us from our friends, customers and stockholders reflect their conviction that an independent bank of our type and size, staffed as it is, occupies a useful and important place in the community and provides a type of close personal service which is most desirable." The plans proposed incident to the merger contemplated, appeared in our May 15 issue, page 2049.

Keith M. Urmy has been elected Vice-President of Chemical Bank & Trust Co. of New York, in charge of its newly enlarged office at 46th Street and Madison Avenue, N. Baxter Jackson, Chairman, announced on May 23. Mr. Urmy, who was graduated from Wesleyan University in 1928, has been associated with Chemical Bank since November, 1929. He was elected Assistant Vice-President in 1948 and, since early last year, has been Manager of Chemical Bank's 46th Street office at Madison Avenue which has been completely rebuilt and enlarged to accommodate expanding business in midtown New York. Mr. Urmy will be associated with Reginald H. Brayley, Vice-President in charge of Chemical Bank's offices in the Grand Central area. The enlarged and rebuilt banking office was opened on May 28. Chemical Bank & Trust Co., with headquarters at 165 Broadway, is one of the nation's largest banks with assets exceeding \$1.8 billion. The bank has 19 offices in Greater New York.

Incident to the summer vacation season, the Bank for Savings in the City of New York has opened its Seventh Annual Vacation Travel Show. Located in the Banking Room at the Main Office, Fourth Avenue and 22d Street, Manhattan, the exhibit will run

through July. This year, it is noted by the bank, the accent is on air travel and on Florida as a popular summer resort. Other reliable areas include the Jersey coast, New York's mountains and New England's varied attractions, with the far west for the more ambitious. For those with a taste for foreign atmosphere, Mexico and French Canada offer contrasting appeals and now Europe, too, is within easy reach by air, at moderate cost. Colorful displays, Kodachromes and posters, together with up-to-date folders give the facts. The Travel Show is, of course, free to the public.

Arthur B. Richardson, President of the Chesebrough Manufacturing Co., Consolidated, has been appointed a member of the Advisory Committee of the Chase National Bank's 25 Broadway branch, in New York.

At the regular meeting of the Board of Directors of The National City Bank of New York held on May 27 A. Eugene Adams and John C. Macy were appointed Assistant Comptrollers, and Lawrence W. Huse was appointed an Assistant Cashier. Mr. Adams and Mr. Macy were formerly Assistant Cashiers.

The Dime Club, composed of 700 officers and employees of the Dime Savings Bank of Brooklyn, N. Y., has elected the following new officers for the coming year: Neil A. Wischerth, President; Daniel J. Spellacy, Vice-President, and Lila A. Numair, Secretary. It also re-elected Frank G. Sharkey, Treasurer, and Florence E. Graham, Financial Secretary. The Dime Club was formed 17 years ago by a group of employees to further social relationships among members of the bank's personnel. The club sponsors numerous social and athletic events each year and engages in several charitable activities.

Joseph P. Upton, President of the Queens County Savings Bank, of Flushing, N. Y., has announced the election of A. Edward MacDougall to the office of Vice-President, at the May 13 meeting of the Board of Trustees. Mr. MacDougall, who succeeds the late Howard D. Springsteen, has served as a Trustee of the bank since Aug. 8, 1950. A director of many civic associations on Long Island, Mr. MacDougall is also President of the Queensboro Corp., developers of Jackson Heights, and Vice-President and Director of the Chamber of Commerce of the Borough of Queens.

The Port Washington-Manhasset National Bank of Port Washington, New York, reports a capital, effective May 16, of \$775,000; the procedure whereby the capital was enlarged to that figure consisted in reducing the capital on May 16 to the extent of \$50,000—from \$670,000 to \$620,000, following which, on the same date the sale of new stock to the amount of \$155,000 served to enlarge the capital from \$620,000 to \$775,000.

Plans for the establishment of a new, modern banking structure by the Second National Bank of Philadelphia were announced on May 26 by Wm. G. Semisch, President. The announcement followed word from Washington of the approval of the expansion by Comptroller of the Currency. The new Second

National office will be located at Cottman and Horrocks Streets on a lot purchased by the bank. Parking facilities will be available adjacent to the new office. Mr. Semisch said that the additional office will enable Second National to participate to an even greater degree in a rapidly expanding section of Philadelphia—the northeast area. "Demand for banking facilities in this area," he said, "is being stimulated by the extensive development of the Delaware River port facilities to serve the great new steel and other industries that are springing up between that section and Trenton." The Second National Bank now operates offices at 4356 Frankford Avenue and at 3314 Germantown Avenue.

First of Michigan Corp. and Watling, Lerchen & Co., co-managers of a group that underwrote the offering of 50,000 shares of common stock of the Detroit Bank of Detroit, Mich., announced that 11,749 shares (representing those subscribed for by the underwriters and the remaining shares unsubscribed by stockholders) have been sold at \$65 per share. The plans to increase the common capital of the bank by the issuance of 50,000 additional shares (from 325,000 to 375,000 shares), par \$20 each, were noted in our issues of April 24, page 1714, and May 8, page 1928.

The capital of the National City Bank of Denver, Colo., was increased as of May 19 from \$100,000 to \$150,000 by a stock dividend of \$50,000.

## Foley President of S. F. Bond Club

SAN FRANCISCO, Calif.—Edwin R. Foley, partner of Kaiser & Co., has been elected to the presidency of the San Francisco Bond Club for the coming year. Other officers elected for the term are Dennis H. McCarthy, Vice-President of First Boston Corporation, as Vice-President; Murray Innes, Jr., partner of Irving Lundborg & Co., as Secretary-Treasurer, and Joseph



Edwin R. Foley

Tyler of R. H. Moulton & Co., as Historian.

Directors of the Club elected to office for the ensuing term are: D. Russell Hodge, of Shaughnessy & Co.; Daniel Stone, of Stone & Youngberg; Charles Clay, of Dean Witter & Co., and Robert L. Harter, of Sutro & Co.

The term of office for all officers of the Club has been changed from a six-month to a one-year period starting with this administration. It was felt that the longer period of time would give the officers an opportunity to better serve the Club.

## With Titus-Miller

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Floyd J. Williams has been added to the staff of Titus-Miller & Company, Penobscot Building, members of the Detroit and Midwest Stock Exchanges.

## Joins Watling, Lerchen

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Graeme M. Black is with Watling, Lerchen & Co., Ford Building, members of the New York and Detroit Stock Exchanges.

Continued from first page

## I'm Bullish

is that it will take a surprise to establish a new price trend.

In this connection, we've spent most of the past six months re-adjusting our thinking to what I term "normalcy." The speculative public has gradually come to realize that defense spending is a "leaky umbrella"—that it's a sustaining, not stimulating, force—that its impact will be different than our World War II armament program. Secondly, we've been paying penance—actually and psychologically—for our post-Korean buying spree. Both the public and industry have discovered that the pinch won't materialize—that the nation has satisfied its most pressing needs. Moreover, everyone now realizes there's been an enormous increase in our productive capacity—that the economy is unlikely to be stimulated by another major capital expansion program.

But, and again I say it's a big "but," this is background—not news! It merely highlights the fact that we've been living in an abnormal era for the past 10 years—witness the World War II years, when military demands taxed our productive capacity. Likewise, the immediate postwar years—when tremendous deferred demands were unleashed—were abnormal. And there certainly was nothing "normal" in the anticipatory buying which took place just after Korea.

### The Bull Case

Wall Street and the speculative public have been so busy recognizing and digesting this background that three fundamental facts are being overlooked:

(1) Seller's markets don't represent normalcy. After all, 1941 was a good year—yet it was possible to buy cars and consumer durable goods at discounts from list.

(2) Nor do waiting lists and big order backlogs represent normalcy. As a case in point, 1925-29 were years of general prosperity—yet industry operated about 21% below its potential capacity in this period.

(3) Divergence may be the price of normalcy. In other words, as a business cycle gets older, it's inevitable that some industries fail to do as well as the average. In 1949, we witnessed a number of individual—or piecemeal—readjustments, without the apple cart being upset.

More immediately, there are several reasons for believing that the business trend is turning upward—that the unappetizing headlines have just about run their course. For one thing, by now the consumer probably has absorbed his excessive non-durable goods inventory—and will be back to replenish his wants. True, his durable goods inventory is high—but there's a new normal of demand, and the elimination of Regulation W will help move current stocks in coming months. Further, industry's inventory situation is probably much better than the aggregate figures indicate. Secondly, the natural processes of improvement are at work in the depressed industries which led the recession now so apparent to everyone. As cases in point—all branches of the textile industry are rounding a bottom—the shoe business has picked up sharply—the carpet industry turned the corner last fall, etc. On an over-all basis, the still heavy order backlogs in the capital goods industries are an important bulwark.

Lastly, the fact remains that ours is a managed economy and this is an election year. The next stimulus probably will be the removal of all building controls in-

cluding the high down payments required by Regulation X. Even more important, truce in Korea or not, there will be a steady increase in armament spending each month from here out. A Treasury deficit is in prospect for the second half in contrast to a surplus in previous months.

If you'll grant the soundness of my premise that a depression is not likely at this time, I'm sure you'll go along with the thought that the market is in a position to mirror any intervening improvement:

(1) The psychological despondent of lower first quarter earnings—and most were off relatively little—has just about disappeared. Apart from the fact that the comparisons were with an abnormally good period, there is a possibility we may have seen the actual low of the year.

(2) We've been through a process of self-correction within the framework of "do-nothing" in the industrial average. Many stocks in effect have had a private bear market—and now have returned to their original "take-off" points.

(3) By and large, most stocks are selling in reasonable relation to this year's prospects and the reaction of past months has served to "freshen up" the price level. Moreover, there has not been any excessive or ill-advised speculation in the marginal companies which must be corrected.

### The Net of It

Sure, the bloom is off the rose; the peaks have been seen in business and corporate earnings. But what of it? The market was suspicious of the boom and cast a jaundiced eye at earnings considered "non-recurrent." Furthermore, there's no rule which says we must have either a bull or a bear market—either a boom or a depression. There are many past periods which defied a pat label—and we may again be in an era of "neuter gender." In this connection, one point deserves special emphasis: There's a new and higher floor to business and the stock market. We're in an environment where revival can come from within.

Don't underestimate the facts that:

(a) Our population increase since 1940 spells a new market, a new normal, which is far above the prewar normal.

(b) Our garrison economy and high taxes are accelerating the pace of research—and new products which create new markets are on the horizon.

(c) The redistribution of our national income benefits the segments of the population which proportionately spend the most.

Also, don't overlook the facts that although perpetual motion hasn't been discovered:

(1) A certain amount of inflation has been permanently frozen into the stock price level;

(2) Stocks are more strongly held than ever before, and are more "respectable" than at any time in 25 years;

(3) The security owner is displaying greater emotional maturity, a sounder approach, than in the past.

These considerations mean that the speculative game is played with new rules. Yes, I'm as concerned as you are about the present labor crisis. But, after almost 20 years of favoritism, isn't it possible that labor may have overreached itself—that the zenith of its power now is being passed? In like vein of thought, it seems to me that commodity surpluses are a promise as well as a threat—for this hastens a free economy, and

industry can operate more efficiently without controls. Similarly, while our armament program has been "stretched out," this doesn't change the prospect of permanently high defense expenditures. And it does raise the distinct possibility that taxes will be revised downward next year.

Net of this weighing of the evidence is that I believe stocks should be bought, rather than sold. Sometime in the next 30 days, I expect a great deal of emphasis on the strong seasonal up-trend which makes itself felt in the summer months. . . . The fact that business and stock prices usually trend higher in election years—particularly after the conventions. But we have been, and still are, in a period of individual industry distortions and contradictions. Furthermore, the economic sophistication of the stock buyer also spells an extremely high degree of selectivity. It is more dangerous than ever before to talk in terms of the averages. Thus, my bullishness is basically selective.

**Which Stocks?**

A year ago, any stock which could lay claim to a growth label was an immediate success. In the process of recognizing the importance of new product development, however, investor acceptance was overdone—and many issues got out of touch with reality. Most growth stocks are still doing penance for this over-enthusiasm—via recognition that even a basically fast growing business can suffer temporary indigestion. This doesn't mean that all growth stocks are still unattractive. A few industries, such as air conditioning and electronics, are promising media—for little or no premium is being paid for the future. But styles in speculation change and my particular favorites are "the forgotten stocks":

(1) Those where the "bad news" is out in the open—where the industry has been suffering a private depression and the stocks have had a private bear market. The textile and carpet stocks are cases in point.

(2) Those which will be helped by lower commodity prices and easing or removal of government rules, regulations and restrictions. The food and grocery—automobile and building stocks illustrate the point.

(3) Those whose current business is being bulwarked by the fact that the postwar normal of demand is far above the prewar normal. In addition to the automotive and building industries, the brewing business is another candidate.

(4) Those companies that can grow from within because of management changes, or potential developments which may have far-reaching importance.

I'm sure the specific application of these thoughts will come readily to the reader. As a starting point, I list below a few candidates which I think have merit—assuming my basic premise is sound. The list is not all-inclusive—and it includes investment calibre stocks as well as essentially speculative issues. There's a reason for each suggestion—to which I'll add the obvious, but sometimes forgotten, fact that the rewards go to the risk taker.

**Carpet—Textile**

- Collins & Aikman
- Lowenstein
- Mohawk Carpet
- Rayonier
- J. P. Stevens

**Food—Grocery**

- Food Fair
- Kroger Grocery
- National Biscuit
- Pabst Brewing

**Automotive—Building**

- Chrysler
- Johns Manville
- National Gypsum
- Standard Steel Spring
- Studebaker

**Long Term Growth**

- Bell & Howell
- Carrier
- General Amer. Trans.
- Radio

**Growth from Within**

- Allis Chalmers
- Butler Bros.
- General Electric
- Montgomery Ward
- Whirlpool

**National Steel Bonds Offered by Bankers**

Public offering of \$55,000,000 first mortgage bonds, 3 1/8% series due 1982, of National Steel Corp. was made on May 27 by a nationwide group of 96 investment firms headed jointly by Kuhn, Loeb & Co., Harriman Ripley & Co. Inc. and The First Boston Corp. The bonds were priced at 99.75% and accrued interest from May 1, 1952.

Beginning in 1960, a sinking fund will be in operation to retire at par at least \$30,000,000 of the issue by maturity. General redemption prices start from 102.75% on or before May 1, 1953 and scale down to par after May 1, 1980.

Of the net proceeds from the financing, \$40,800,000 will be applied to the redemption of the entire outstanding issue of the company's 3% first collateral mortgage bonds, due 1965, and the balance will be available for general corporate purposes.

The fifth largest steel company in the country, National, and its subsidiary and associated companies constitute an integrated unit for the manufacture and sale of a diversified line of iron and steel products. Major plants at Weirton, W. Va., and Detroit, Mich., had a rated annual ingot capacity of 5,100,000 net tons at the close of 1951. The company's current expansion program, entailing estimated expenditures of \$300,000,000 from 1947 through 1953, will, among other additions, increase the ingot capacity to 6,000,000 net tons.

Under the program, necessitated by the substantial increase in the corporation's business in recent years, approximately \$150,000,000 had been expended by the end of 1951 which had been provided almost entirely from retained earnings and depreciation accruals. The corporation anticipates that most, if not all, of the balance of its authorized expansion program will be provided by treasury funds on hand, retained earnings and depreciation accruals.

Consolidated net sales for 1951 totaled \$618,461,000 and net income amounted to \$45,287,000. During 1951, 65% of the tonnage of iron and steel products shipped was rolled strip and sheets and 18% was tin mill products. Other important items were pig iron, plates, merchant bars and structural shapes.

Domestic ore reserves of the company total over 100,000,000 gross tons. In addition, at least 80,000,000 gross tons are to be available starting in 1954 for purchase from a proven deposit in Labrador and Quebec under the corporation's investment in common stock and debentures of Iron Ore Company of Canada which is developing ore deposit. Interests in coal properties held by the company, its subsidiary and associated companies include reserves exceeding 265,000,000 net tons of metallurgical coal and more than 100,000,000 net tons of steam coal.

**Bank and Insurance Stocks**

By H. E. JOHNSON

**This Week — Bank Stocks**

A review of the operating results of banks for the past two years may give some perspective about current conditions and help to formulate ideas about earning prospects for the current period.

In the May, 1952 issue of the "Federal Reserve Bulletin" a discussion of member bank earnings for 1951 together with certain comparisons of figures for prior years is presented. In addition to showing the operating results of all the banks on a comparative basis, earnings for the past two years according to the class of bank is also discussed and tabulated.

The figures presented and the discussion of operations in the text of the article enables one to obtain a clear idea of the factors affecting net profits over the past year.

Although net current earnings of all member banks before income taxes reached a new high in 1951, net profits after providing for the higher taxes declined by approximately 3% from the level of 1950.

The factors affecting this result are summarized in the following table taken from the article in the "Federal Reserve Bulletin."

**FACTORS IN LOWER NET PROFITS**

(In millions of dollars)

FACTOR—	Change from 1950
Decrease in net profits.....	-\$25
Factors increasing net profits, total.....	+438
Increase in earnings on loans.....	369
Increase in other earnings, except on U. S. Govt. secur. ....	69
Factors decreasing net profits, total.....	-463
Increase in expenses.....	212
Increase in provision for income and excess profits taxes ..	122
Increase in net losses on securities.....	50
Decrease in earnings on U. S. Government securities.....	33
Decrease in profits on securities sold.....	30
Increases in net losses on loans.....	6
Increase in net additions to valuation reserves.....	7
Increases in other net losses.....	3

From the above figures it can be seen that the most important factor contributing to higher earnings was the increase in earnings from loans. The gain from other sources was relatively small.

On the other side, the increase in expenses was the primary factor which reduced profits. This, however, was in part the result of an increased volume of loans and business. Even after providing for an increase in net losses and lower profits on security transactions, earnings before taxes showed some gain. The increase in income and excess profits taxes which amounted to approximately 33%, reduced the final net profits.

Among the different classes of banks, those in the central reserve cities of New York and Chicago, generally the larger institutions, showed the greatest relative expansion in net current earnings before income taxes. In fact, even after higher taxes the decline in net profits at New York banks was minor and at Chicago there was an actual gain.

The figures for the member banks in these two cities are shown in the following tabulation.

(In millions of dollars)

ITEM—	Central Reserve City Banks			
	New York—		Chicago—	
	1951	1950	1951	1950
Earnings .....	\$608	\$512	\$151	\$132
On U. S. Government securities.....	127	145	45	48
On other securities.....	37	31	12	12
On loans .....	308	215	69	48
All other .....	136	121	25	24
Expenses .....	\$334	\$298	\$83	\$78
Salaries and wages.....	196	170	41	37
Interest on deposits.....	12	10	12	11
All other .....	126	118	30	30
Net current earnings before income taxes .....	\$274	\$214	\$68	\$54
Recoveries and profits.....	\$33	\$27	\$7	\$13
Losses and charge-offs.....	17	19	11	7
Net addition to valuation reserves.....	33	7	10	9
Profits before income taxes.....	\$256	\$214	\$55	\$50
Taxes on net income.....	114	69	17	15
Net profits .....	\$142	\$145	\$38	\$35

A number of figures in the above tabulation are interesting to note.

The percentage gain in net current earnings before income taxes was approximately the same for both cities—28% for New York and 26% for Chicago. After adjustments for recoveries, losses and additions to valuation reserves, pre-tax net profits of New York banks showed a gain of 20% as compared with 10% for Chicago.

Taxes on net income showed the greatest difference. The gain for the Chicago banks was minor and enabled them to report higher earnings. Taxes on the New York banks, on the other hand, absorbed all of the gain in earnings with the result that final net profits were slightly lower than in 1950.

**Deposits of Savings Banks Show Gain of \$117 Million in April**

Robert M. Catharine, President of National Association of Mutual Savings Banks, points out this increase is more than double that of same month a year ago. Reports banks still increasing holdings of mortgages, but have reduced government bonds by \$87 million.

According to Robert M. Catharine, President of the National Association of Mutual Savings Banks and President, Dollar Savings Bank of the City of New York, deposits in the nation's 529 mutual savings banks increased \$117,000,000 during April, to reach a new record figure of \$21,435,000,000. "This is more than double the gain of \$5,700,000 during April, 1951, and is the largest for any April since compilation of these figures began in 1947," Mr. Catharine said. "March and February increases had already been the largest for any March and February during this period. The total increase in deposits for the past 12 months has been \$1,273,000,000, or 6.3%."



Robt. M. Catharine

The large gain in deposits, Mr. Catharine points out, reflects a continued inflow of funds from savers. During April, people deposited 17% more in their regular accounts than they did during the corresponding month of 1951 and they withdrew 3% more. For 13 consecutive months, deposits have been above those of the year before, while withdrawals had been less for the preceding 10 months. In April, as during the first quarter, three-fourths of the regular deposit gain resulted from the receipt of new money in contrast to interest-dividends.

Holdings of mortgage loans by savings banks continue their rise above the \$10 billion mark, while holdings of U. S. Governments continue their decline below that figure. At the close of April, mortgage holdings reached \$10.2 billion, or 42.1% of assets, and holdings of U. S. Governments \$9.8 billion, or 40.5%. Reflecting less restriction of construction than had been anticipated earlier, as well as favorable investment opportunities, during April holdings of mortgages rose \$120 million and holdings of corporate and municipal securities another \$78 million. Holdings of U. S. Governments declined \$37,000,000 and cash \$18,000,000.

**COMPARISON & ANALYSIS**

**17 N. Y. City Bank Stocks**

Ten Year Survey  
Bulletin on Request

**Laird, Bissell & Meeds**

Members New York Stock Exchange  
Members New York Curb Exchange  
120 BROADWAY, NEW YORK 5, N. Y.  
Telephone: BR 4-3500  
Bell Teletype—NY 1-1248-49  
(L. A. Gibbs, Manager Trading Dept.)  
Specialists in Bank Stocks

## Securities Salesman's Corner

By JOHN DUTTON

### SEC Has Ten Chairmen in Eighteen Years!

Following is a list of the ten men who have served as Chairmen of The Securities and Exchange Commission since it began its reign over the securities business of this country in 1934:

Chairmen	Dates of Service	No. of Months in Office
Joseph P. Kennedy	July, 1934 - Sept., 1935	13
James M. Landis	Sept., 1935 - Sept., 1937	24
William O. Douglas	Sept., 1937 - Apr., 1939	18
Jerome M. Frank	May, 1939 - Apr., 1941	22
Edmond C. Eicher	Apr., 1941 - Jan., 1942	9
Ganson Purcell	Jan., 1942 - June, 1946	53
James J. Caffrey	July, 1946 - Dec., 1947	18
Edmond M. Hanrahan	May, 1948 - Nov., 1949	18
Harry A. McDonald	Nov., 1949 - Feb., 1952	26
Donald C. Cook	Feb., 1952 - to present	--

This record indicates that only one man, Mr. Ganson Purcell, served a four-year term. Ten men have had this job in 18 years. Is it any wonder that those who are engaged in the retail distribution of securities have been unable to operate their business with any degree of assurance of what this government agency, which has life and death power over their very existence, will do next?

### How Is Your Memory?

Back during the time of Mr. Jerome Frank's tenure of office, a request was made by the Commission that the Investment Dealers and Brokers of this country should collect the facts pertaining to the operation of their business under the Securities Acts of 1933 and 1934. A large amount of money was spent by the investment industry, research was carried on, and the material was turned over to the proper authorities. If I remember correctly, the Securities and Exchange Commission then gave a great deal of encouragement to this effort. The Commission suggested that Congress look into the operation of these laws, and that a real study should be made to see if improvements could be effected in the Securities Acts themselves.

What happened to this survey? What has happened at the SEC since Mr. Frank went off to other pastures? There have been six other Chairmen who have held down Mr. Frank's job since then. Where is the SEC's purported interest in improving the law so that the investment firms of this country, and their sales organizations, can operate under more clearly defined rules and better improved laws? Why is it that we have nothing to show for all this research that was done in 1940? Why are we still limping along under laws that were hastily passed by an emotional Congress back in 1933 at the very bottom of the depression? Why is it that we have had no impartial review by competent bodies of the entire procedural activities of the SEC until this late date? Congress, via the so-called Heller Committee, is working on an investigation of the Securities and Exchange Commission's activities at this time—but the "wheels of politics grind slowly indeed."

### What if You Had Ten Sales Managers During the Past Eighteen Years?

It takes years to learn the investment business. Most of the men who have held the position of Chairmen of the SEC have had no experience in the investment business whatsoever. I believe only one so qualified. Look at this record. Some of these men were hardly in the job of Chairman long enough to become acquainted with the barest fundamentals of their work. How could they mold and shape a policy that would have any semblance of direction, or permanence, so that those who have been regulated could begin to understand the rules?

They say, "No one knows just what the SEC is going to do from day to day." This is the way investment people view the situation when they talk about it. Is it any wonder that this is so?

If you, as an investment dealer, or a broker, had ten different sales managers, each with different ideas and training than their predecessor, do you think you could build a healthy and vigorous sales organization?

Some people have said, "If private business ran their affairs the way the government does it, we would have all been bankrupt years ago." One thing you can say about the SEC, no one ever grows old in the job of Chairman of that organization. Variety may be the spice of life but with the SEC it is a habit.

## Midwest Extends Stock Exchange Trading Hours

Homer P. Hargrave, Merrill Lynch, Pierce, Fenner & Beane, Chairman of the Midwest Stock Exchange, has announced that, beginning June 2, the Midwest Stock Exchange's trading hours will be extended one-half hour daily, which provides for the sessions to close at 2:30 p.m., instead of the usual closing hour of 2:00 o'clock. "Our Exchange congratulates the New York Curb Exchange for having taken the lead in extending the daily trading hours and recognizing the fact that there is a factor of difference in time zones in this country that affects the financial life of its citizens," Hargrave said. "We at the Mid-

west Stock Exchange agree wholeheartedly with Mr. John J. Mann, Chairman of the New York Curb Exchange, that recognition should be given to the marked westward shift in this country's population and wealth, as we think we know that the Middle West has become a most important financial center," he stated.

"This extension of trading hours," Hargrave continued, "is not a new thing for the Middle West; in fact, The Chicago Stock Exchange extended trading hours on Sept. 30, 1940, and this extra service to the public ran until the fall of 1943 when it was discontinued due to personnel shortage during the war. We welcome this opportunity to extend our hours of trading, as it will enable us to furnish more service to our members who represent so many investors in this country," Hargrave concluded.

Continued from page 7

## Uncle Sam—Deficit Addict

petuate themselves; functions initially exercised for proper reasons are continued for improper reasons and their cost increases.

Our first duty, as you know, is to our depositors. Upon this we will all agree. But just what is the extent of this duty? Is our obligation to our depositors fulfilled by merely so managing our banks as in the ordinary course of events to insure the return to them of the moneys deposited by them, or do we not owe a further duty? Are we not charged with the responsibility of doing what we can to make their deposits worth having, to see that they earn something substantial, and to see to it that when repaid they are repaid in dollars of real value?

The depositor is the very backbone of this nation—the man who is self-supporting, who saves, who bears the brunt of taxation, who supports the people and the government. Without him life would be primitive indeed. Without him the man on relief would soon find himself in the position of being obliged to rely upon his own efforts for a livelihood. This is so obviously true that one wonders there should be resentment among these classes of the community when a word is said in defense of the depositor a word which in effect means no more than a warning to these interests not to kill the goose that lays the golden egg.

### What Bankers Should Do

Today a word uttered in defense of the depositor is often met with the cry of partisanship and I am just a bit afraid that in attempting to avoid any feeling or appearance of partisanship we, as bankers, may have unwittingly become partisans in the very worst sense: You cannot avoid partisanship by keeping silent when one party desires that you keep silent; and partisanship in disregard of your duty, to the injury and peril of your depositor, is the worst sort of partisanship.

We cannot be justified in keeping silent when it is our duty to speak by any plea that we must avoid partisanship. It has been said that the hottest places in hades are reserved for those who in a time of national crisis, remain neutral.

This is what we must do:

**First:** We must manage our own banks. Our depositors are entitled to know in whom is vested the management of the institutions in which they deposit their funds. If we are obliged to surrender the management of our banks in whole or in part to some other person, persons, or agencies, I believe it is our duty to inform our depositors of that fact.

**Second:** It is our duty to manage our banks in the light of experience, and to the best of our ability, with a view to safeguarding the funds entrusted to us. If we are obliged to abandon practices which in the past have proven necessary to the security of our institutions and our depositors, we should inform our depositors of that fact. Diversification in investments and loans, limitation in the amounts of loans, insistence upon the self-liquidating character of loans accepted by us, the preservation of liquidity, all these must be continued or our depositors be informed that we propose to venture their funds in disregard of some one or more of these principles.

**Third:** It is our duty to use our best efforts to insure to our depositors a fair return on the funds entrusted to us, and when such a return is rendered increasingly impossible by reason of conditions beyond our immediate control, to

inform our depositors of such facts, in order that they may intelligently act for their own protection.

**Fourth:** It is our duty to do everything in our power to make it possible for us to return to our depositors when demanded by them dollars not depreciated by government fiat or by excessive government borrowing. Merely to give back the same number of "counters" would be to fulfill but a legal, not a moral, obligation. When we observe forces beyond our control tending to render impossible the return of sound dollars to our depositors, it again is our duty to inform them of such facts in order that they may act in their own protection.

We know that the politician will do all in his power to prevent the people from becoming tax conscious, that he will do this by borrowing instead of paying as we go, by raising revenues through indirect taxes wherever possible instead of through direct taxes. We know that the continuance of the present spending and borrowing policies of government can lead to but one end, the destruction of the savings of our depositors. It is our duty to do what we can to make the people tax conscious, to show our depositors that visible taxes are but a trifling portion of the real tax burden, to show them not only the extent to which invisible taxes cut into their earnings and their savings, but also to show them how they are further taxed as truly as though such impositions were called taxes by the low interest policies of government and by competition of government with banks.

### What Depositors Should Know

Have we made it clear to our depositors that the large reduction in the returns paid on their savings deposits has necessarily and directly resulted from the low interest policies of government, together with the fact that government is today the chief customer for the accumulated funds of our depositors? The average depositor should know that the government has become the banker's main customer as a result of the accumulated effects of the experimental policies of the Administration, of continued threats to industry, and of the consequent destruction of confidence in the future.

Do our depositors understand that the seemingly plump and wholesome condition of the banks does not reflect health, but bloat?

Does the average depositor understand that by insuring deposits in the FDIC, what the government has really done is tantamount to insuring itself against threatened lack of funds, to discourage the depositors of America from resorting to the old practice of hiding their savings in a wool sock?

Does the average depositor realize that with increased centralization of power has come a loss of the proper sense of responsibility for spending the moneys of the people; that history is repeating itself and a group securing control of a onetime democracy in entrenching itself in power by subsidizing a portion of the electorate?

Does the average depositor realize that the Administration is steadily engaged in making permanent that which was originated to meet a war and depression emergency, and that instead of reducing expenses or balancing budgets or encouraging a revival of industry, further and greater charges are placed upon industry?

Some things we can do. We can go to our depositors with the facts. We have their names and addresses, many of them we know

personally. We can and should give them the whole story. Why don't we and why haven't we told them that the Federal Government has been enabled to indulge in its old orgy of spending; because the bankers of America have loaned it the money that was placed with us for safety and sound investment by the wage earners, the professional men, the clerks, the widows, the domestics, the farmers, and all others who live within their means and save? Why don't we and why haven't we told them that the Federal Government came direct to us and got the money and got it upon the government's own terms? Why didn't we remind them that it wasn't the bankers' money, but the peoples' money? Why didn't we explain to them our reasons for making such loans?

You need not be told that private enterprise cannot compete with tax supported governmental agencies; that the existence of such agencies restricts the field for private enterprise; that you cannot loan money in competition with government.

We know today that only in a balanced budget and the restoration of the Gold Standard lies the possibility of a true recovery. When the Gold Standard was abandoned and thrown on the scrap heap by phony politicians, irreparable disservice was done to the economy of America, and the loss resulting to the middle class, thrifty, self-reliant savings depositor army of this nation, is beyond calculation. But do our depositors appreciate this?

Wrong thinking leads inevitably to harm. The Administration is given to pointing with pride to the increase in bank deposits which now total nearly \$170 billion. Is it not our simple duty to explain that such increases mean little but bank credit inflation, the effect of which it is difficult to distinguish from paper currency inflation?

Does the depositor realize that he represents the creditor class of this country; that in the aggregate the small holdings make the large total; that for all practical purposes the wealthy man may be ignored when we are considering the effects of the policies of government? Does the average depositor realize that when the government reduced its debts by inflation it also reduces our debts to him, and the debts of the insurance company to him, and to that extent destroys the worth of his savings?

With the banks stuffed with the obligations of government, with their operations fortified by the resources of the Federal Reserve banks, which in turn are likewise loaded with such obligations, with their deposits insured by the FDIC, the resources of which consist almost entirely of obligations of the government, is not the situation one which should be brought to the knowledge of the man who must foot the bill? Can we justify longer, can we even excuse ourselves for delaying in using every faculty and every power at our command to bring these facts to the knowledge of our depositors? To my mind there can be but one answer.

### Fundamentally, Nation Is Sound

Fundamentally, this country is sound. Our troubles are self-made. We are simply off balance. We are ignoring the balances set up by the Constitution. We are ignoring the balance that comes from the free interplay of ideas and independent action in business. We are substituting for all this the ideas of a small group of men to whom are entrusted the powers heretofore exercised by the many.

This is what is called "planned economy," perhaps the oldest thing in government, and the escape from which has been the boast of English speaking peoples, and particularly of Americans.

Those in authority in govern-

ment assume today that a part is greater than the whole, that some few men can better direct the affairs of the whole people than can the whole people. They assume that the lessons of history are meaningless or else misleading. They are convinced that initiative is vicious, except when exhibited by an elected officer or an appointed bureaucrat.

They affirm day by day that the very idea of local self-government, whether in public or private affairs, is wrong. They affirm that organization should be from the top down and not from the bottom up. They believe that nothing can be too big or too powerful provided it be conceived and controlled by the Federal Government, but that otherwise size is vicious, growth must be prevented.

They are demanding that business exhibit confidence in the future, assume further obligations, employ more men, and so "relieve" the Federal Government. At the same time they are adding to the numbers on the public payroll, wrapping more and more red tape about industry, demanding more and more that it be guided not by trained management, but by public officials.

Experience demonstrated that in private life, as in public life, too great a concentration of power was dangerous to individual freedom of action, and consequently there were enacted laws imposing necessary regulations and restrictions upon large aggregations of capital.

So far back as history records, those in control of government credited themselves with a superior wisdom and endeavored to regulate the affairs of the people. The further back you go in history, the greater this control, the greater the "planned economy." The history of the English-speaking peoples is the story of the fight to escape from this control and to render impossible its recurrence, to permit the individual the fullest possible freedom of action to develop himself. Experience taught our ancestors that you could not have this independence if you had too great a concentration of power in government. This is what brought about the division of the power of government among the executive, legislative, and judicial. That is what brought about the separation of church and state.

Experience also taught our ancestors that effective organization, organization which served the people and which did not dominate the people, had to come from the bottom up and not from the top down. That is what established our local governments, our state governments and our Federal Government. The Federal Government did not set up the states, the counties, the cities, the towns; on the contrary, the people established these units, restricting and limiting the powers entrusted to them as they progressed, from the smallest to the largest, and leaving to the latter, or believing that they had left to the latter, only those matters of true national concern.

Now, whatever we may think of all this, we cannot avoid recognizing that it worked better than any planned economy ever worked. It brought about a standard of living higher than had ever been known upon this earth before. It made possible to the common man comforts of life unknown to the rulers of kingdoms of but a few generations ago. If we are to abandon this and to assume that progress is to be found only by discarding the fruits of experience, let us at least do so knowingly, and let us not be fooled in what we are doing; and let us talk it over with our depositors. Do not leave them to hear but one side of the story.

### Threat to Private Banking

If banking is to become a government monopoly, or a holding company or branch banking monopoly, let it be because we have determined that that is best for the country. Do not let it happen because we shut our eyes to the successive steps. Let us clearly recognize that just as state rights are being destroyed by encroachments of the Federal Government, and by what amounts to coercion, and by unjustifiable gratuities, just so are the foundations of independent banking being sapped by the successive encroachments of government upon the functions of the banker and the increasing control by the Federal Government over the operations of the banks. Let us not either permit branch or holding company operations in the banking field to foist upon this nation a banking and credit monopoly more dangerous to, and destructive of the American system of state rights than any other form of capital concentration.

We know that it is not too late to act. The power to shape our course, to put an end to the evils that beset us, still lies with the depositors of America. They are our finest citizens and constitute the strength and backbone of our country. Give them the facts, and you may trust to the soundness of their heads and hearts.

Let us not make it possible for history to record that in this supreme hour the bankers of America, out of silence induced by fear of reprisals, failed both their depositors and their country. When the future of the nation and the welfare of the people are involved, mere party politics sink into insignificance. The issue is no longer one of mere partisanship, but of simple honesty and genuine patriotism.

One observes that we are living in a day of paradoxes. Ceremonious occasions are created to bewail the sad lot of the underprivileged and downtrodden. Men in high places lament the inadequate wages of the less prosperous. Sponsorship and advocacy of higher wages seem to bring those in public life both applause and promotion, and the expectation of being retained permanently on the public payroll. Yet here is the striking paradox. The very same agencies, the very same political leaders who are exhausting their strength of eloquence, and shedding tears out of commiseration for the workers because their pay envelopes are thin, will be largely responsible for the vanishing returns upon the accumulated savings of our workers—clerks, teachers, mechanics, miners, farmers, and others—who look forward to their savings continuing to produce not only an income for them but substantial purchasing power so as to supplement their personal earnings and secure well deserved comforts and relaxation in their declining years.

### 50 Million Savers—Salt of the Earth

Fifty million men and women with savings accounts, the millions who have holdings in building and loan associations, and the millions upon millions whose hopes depend upon the eventual purchasing power of the proceeds of insurance policies at maturity, should be at a loss to understand why humanitarians advocate drastic means of reducing unemployment, and at the same time direct their ingenuity toward lowering the earning power of the billions of saved dollars that many of our workers have toiled almost a lifetime to accumulate for themselves.

These millions of savers are the very salt of the earth. They look forward anxiously to the day when leadership in government will be not only aroused as they are to the gravity of this whole situation but also have the states-

manship and courage to so legislate, even at the expense of their political future.

### Duty of Bankers and Insurance Executives

Bankers and insurance executives who are not mindful of their duty to muster all the influence they can to preserve the purchasing power and save what will be left of the American dollar, will be in violation of their trust. They must bring pressure on their depositor army—these people who have the voting control—to wire, write, or telephone their elected representatives to forestall demon inflation which is already a long way on the road in its journey to destroy the hard-earned accumulations of the American people. Only they—our elected representatives—have this power, and only the people have the power and influence to force the issue with them.

The American way of life can be destroyed bloodlessly through chaos and the dictatorship that will follow bankruptcy. American citizens will not willingly accept the establishment of totalitarian state in this land. They will fight it—if they are able to recognize it as it creeps upon them. History records, I believe, that no solvent democratic nation ever went totalitarian. After all, a dictator is only a receiver for a nation gone bankrupt.

Inflation does not come by government proclamation. It develops slowly, as it always does, until the final stages, when it assumes the proportions of a prairie fire, consuming all the substance of the people. There remains a despoiled nation. Then comes the emergency, then chaos, then the dictator.

Complete loss of purchasing power in its money, which in the final analysis is uncontrolled inflation, is the greatest tragedy that can happen to any civil state. We say, it can't happen here. Rather let us resolve to force that resolution into reality. This representative republican form of government, as it now stands, is the last remaining citadel of human rights. We are the most favored and blessed of all people. Are we willing to maintain and perpetuate what we still possess, but what others have lost? America's great middle class must prove to be its own Savior, and "Save What's Left" of our way of life.

It, and it alone, can now rescue this country from the clutches of the Deficit Addicts—Roosevelt, Truman, and their ilk—whose power for evil so greatly exceeds that of the worst drug addicts.

Only in America has a great middle class survived the ravages of the demon inflation; but here in America, though scarred and battered by the malicious mistreatment of 20 years, that class still survives and, late as it is, can, I believe, reverse the course toward national bankruptcy and restore much of what we have lost if they will, acting in their own real selfish interest, forgetting parties and partisanship, spurning Santa Claus as a false god, choose honest, intelligent, patriotic men to lead us forward on the road the Founding Fathers visioned and on which road we so long successfully advanced. Can such leaders be found today? Of course they can, and in both political parties.

I need not name those great Americans whose services during the war and since the war years have been so freely given, but whose political affiliations—if any, are unknown. Among these men surely such leaders can be found.

To you 50 million savings depositors—you 85 million holders of life insurance policies—you 85 million who have purchased United States bonds—you old folks—you who have earned pensions through self-denial and re-

straint—to you, the voting majority of this land, I say, choose from such men leaders to restore intelligence, morality, a regard for something other than your vote, to govern and "Save What's Left" of your hard-earned substance and your priceless freedom. It is late, but not hopeless. Remember, if you neglect your own true interests and continue to hearken to the spurious promises of a wasteful and deficit building Administration when casting your ballots, you, like the people of so many other lands, may lose even the right to vote as you wish—and be reduced to voting as you are told to vote.

Surely, by this late date, we all should have learned the lesson, emblazoned in the record of the past by blood, sweat, and tears, that the steps to despotism are, first, national bankruptcy, then chaos, and then dictatorship.

We should know after nearly 20 years of Federal deficits that our most dangerous foe is not to be sought under foreign flags, but

here at home. Demon Deficit—America's Number One national menace, has already done tragically destructive work. The exigency demands prompt, decisive action. Let us remember that leadership that has vilified competence and glorified incompetence, has weakened the first line of National defense in our land, choice above all other lands, and is in breach of its trust to the American people. Such leadership, under the control of deficit addicts, should not be continued at the helm of the Ship of State, sailing as it is in troubled waters. The ability to save her is in the hands of the great middle class of thrifty savings depositors, to whom, as I have tried to impress upon you, we, as bankers, have a moral obligation. Let us no longer trifle with that Trusteeship.

The ballot box is the last hope of our Commonwealth and the world. God grant that our depositor group may be made to see the light, and to use their franchise to Save What's Left.

## Railroad Securities

### Southern Pacific—Illinois Central—Lehigh Valley

There has been considerable talk in financial circles in recent months over the possibility of a number of stock splits in the rail group. Largely the rumors had centered around the highest priced stocks, those selling around the 100 level. Little, if anything, had been said with respect to Southern Pacific. Action of the stock last week when it was announced that the dividend rate had been raised from \$1.25 to \$1.50 quarterly and that the road would seek I.C.C. permission to split the shares two for one afforded ample evidence that the step had taken the financial community by surprise. Trading in the stock on the New York Stock Exchange had to be suspended for nearly an hour and then the price soared five points.

Also last week it was announced that an agreement had been reached in the long standing controversy between the railroads and some of the unions. Final settlement was pretty much along the lines that had originally been offered and had been accepted by other unions. The railroads have been accruing such wage increases all along so that no large adjustments of earnings reports are involved in the settlement. Following the agreement the railroads were turned back to private management by the government.

Sparked by the wage settlement and the unexpected action by the directors of Southern Pacific, the rail list took on a much more buoyant tone. Many issues, both speculative and conservative, moved into new high ground for the year. One of the features in this rise was Illinois Central. Obviously it had been hoped in some quarters that with debt problems solved and earnings this year likely to run in the neighborhood of \$16.00 a share the Illinois Central directors might well be more liberal with dividends. When the usual \$0.75 quarterly was declared on Friday some selling developed and this pretty much dampened enthusiasm in the rest of the list. The market ended the week as it had started, with a very quiet tone of watchful waiting.

One of the more speculative issues that has been attracting considerable attention in the recent past is Lehigh Valley common. There is considerable feeling among analysts that before the current year is out the stock will be back in the dividend paying category. Nothing has been paid on the shares since 1931. This newly developing optimism to-

ward the road and its affairs is based on two major developments. For one thing, the management has been very aggressive in furthering its debt reduction program. Secondly, the operating performance has been improving substantially, presumably due to a considerable degree to dieselization, with a consequent salutary influence on earning power.

A couple of years ago when Lehigh Valley undertook a voluntary readjustment of its debt it provided, as an added inducement to bond holders to accept the debt terms, for heavy sinking fund payments. A general sinking fund was set up amounting to 50% of net income plus an amount equal to any dividends paid on the stock. When the total of fixed charges and contingent interest is reduced to \$4.5 million this requirement is to be halved. It will then amount to 25% of net income plus an amount equal to half of any dividend. The debt retirement has progressed rapidly—\$10.4 million last year and more than \$4 million in the first four months of 1952. Fixed charges and contingent interest requirements have been reduced to roundly \$4.8 million so there is not much further to go before the sinking fund requirement will be relaxed materially.

With respect to operations and earnings, the trend of the transportation ratio has been about the most favorable in the east. By last year this all-important ratio had been reduced to very close to the Class I average and well below the average for roads operating in the same general territory. In the opening quarter of 1952 there was a further cut of 3.7 points and it is expected that this favorable trend will continue. Reflecting this improvement, net income for the first four months this year was more than double that of the like 1951 interim. It now looks as if net for the full year, before sinking and other reserve funds, will top \$6.00 a share. Such earnings, coupled with prospects that the charges may soon be down to, or below, the \$4.5 million annual level has naturally resulted in the hopes of a reasonably early resumption of dividends.

### Juran & Moody Add

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn.—John A. Mayerle has been added to the staff of Juran & Moody, Minnesota Mutual Life Building.

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## Current Economic Trends

ceed 4.7 million in the worst month the following winter. There would be demands for cutting the standard work week to 35 hours and raising hourly wage rates to compensate. This would counteract deflation.

(4) Because of comparatively high break-even points for corporate earnings, Treasury revenues would be highly sensitive to even a small decline in production and sales. It can be calculated that the Excess Profits Tax, assuming it is still in force, would in effect be repealed by a decline in pre-tax earnings of about 40% from the present level. This could happen with a recession in production of only about 12%-15% (it was 9% in 1949, on annual basis).

In that case, the rate of corporate tax liability could drop by about \$15 billion from the recent \$27 billion. There would also be pressure for lower personal tax rates, because of shrinking incomes, so that the combined Federal revenues could drop by as much as \$20 billion annual rate. Even if military expenditures are reduced from the peak, they could still be larger than now, and the Treasury deficit could easily look like \$25 billion or more in one year of such recession.

This would be a stabilizing factor, because on a cash basis it would amount to \$20 or more billion being injected into the economy over and above what the government collected from it.

(5) There has accumulated, and will continue to accumulate, a tremendous backlog of needed public works and improvements, including roads, schools, hospitals, water and sewer systems, sewerage disposal plants and the like.

These projects were postponed, first by the depression of the '30s, then by the war, then by the post-war inflation of costs, and, once again, by Korea. Billions worth cannot wait any longer, especially schools and roads. Expressed in terms of physical volume and reduced to a per capita basis, all such projects built in the decade of the '40s were 50% less than in the decade of the '30s, and 52% less than in the decade of the '20s. Compared on the same basis, 1951 construction of these public improvements was 21% below 1932, the worst year of the great depression! I understand that one organization made a survey of what towns, cities and states would spend if they had the money and were told to build all that they needed. It came up with a staggering figure of \$150 billion over the next 10 years, or \$15 billion a year, which is roughly three times the recent rate.

There are still other reasons why a prolonged or serious slump any time in the next several years would be unlikely, but this enumeration may do. On the whole you may say that our economy is so constituted now that alarm sirens will be going off earlier and louder than on previous similar occasions. And the fire engines will come to the job sooner. But there is one unpleasant thing about fire engines even though they are used as a figure of speech. They are painted red, and this brings to mind the connotation of socialism, or at least another push in that direction by way of increased government intervention. And so we come to the third big fear of investors—the fear of long-term change.

### Favorable Long-Term Outlook

I think the long-term outlook is really quite favorable, for these reasons:

(1) There will be no need for applying newly invented artificial measures of recovery, because the

natural trend is strongly upward and will reassert itself after a comparatively moderate correction.

As I said before, production strictly for civilians is now equivalent to about 175 points of the FRB index. This is exactly in line with a calculated civilian long-term normal. We base this long-term normal on population, trend of productivity and trend of hours worked per week in manufacturing. It measures the country's combined capacity to produce and to consume.

Because of the growth of population and of productivity in industry, and despite the gradual tendency to shorter hours of work, production gains normally about 3% a year, or 6 to 7 points on the FRB index. In three years this is 20 points. And in five years it is 30 to 35 points. Thus in five years, the normal growth of the country could produce an effect on production nearly equivalent to that of all military expenditures at the present time. By 1960, the normal position of the FRB index of industrial production, including a certain permanent military component, should be 250 or more.

Thus, if you can afford to take a view of the average level of business over the next few years, including a possible recession, you get a level which is not much different from the present.

(2) This is a highly creative age in all arts, including industrial technology. Only a comparatively small section of American industry has yet availed itself of all the fruits of research and the improvements possible on this basis, either in plant or product design. We haven't had real competition, in the automobile field, for instance, since the '30s. In the next real recession we shall probably be amazed to see how quickly American industry will come forward with brand new, greatly improved and lower priced models. Not to do so would be to invite attrition of earnings which the large, growing corporations could not afford.

(3) I feel certain in saying that there will be no great expansion of Federal intervention following the next general recession, as was the case in the '30s. In the next recession the Federal deficit would tend to be so large that the Congress would be thinking of reducing taxes instead of voting new big expenditures. A possible change in Administration might also have something to do with such a decision. Of course, a switch from military expenditures to certain public works might be possible but this would provide little net stimulation.

The big demand then will be for local—i.e., state and municipal improvements. The Federal Government would no doubt help with limited grants and guarantees which after all is more or less accepted procedure now. But the bulk of the money would have to come from non-Federal sources. But how would it be financed, since local governments usually have difficulty in recession in getting new bond issues approved by voters?

Fortunately, the dilemma is not as bad as it looks. Several ways are open to increased local financing. Maturities may be lengthened further, though not all the way to those prevailing in the twenties. And of necessity the trend is growing toward the self-liquidating type of public projects, such as the generally successful turnpike projects. Finally, the physical need is now so strong and pressing that still other ways will be found. There is a challenge

here to the imagination of investing institutions in devising new forms of investment instruments to meet the need. Just to illustrate, perhaps it may some day be possible to finance hospitals through joint participation of insurance companies, local governments and individual investors-users. More such projects might have to be put on a self-paying basis.

(4) The final point I wish to make is that there is opening before this country a vast new frontier of wants and investment opportunities. I mean by this a whole range of services, as compared to goods alone, which would more adequately meet man's needs and desires which are other than strictly material. Don't forget that the work week has been getting shorter, and will be getting shorter still, and people will have more leisure time and will be thinking what to do with them-

selves. This means the development and satisfaction of man's psychological side—his desire for health, for rest, for travel, for beauty in life, for knowledge, for self-improvement. You can call it, if you wish, for lack of a better term, economics of the whole man.

Economics of the whole man may mean some distant shifts in present consumption patterns, but it is sure to call for a vast array of new capital goods to make it possible. Only a country which has finally conquered its physical wants can afford to think in these terms. There is only one such country in the world, and that is the United States. We can afford it in physical terms and we are gradually becoming more capable of grasping the need and significance of this trend, so that we can also afford it financially without waiting for the Federal government to do it for us.

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## Taxes Strangling Risk Capital

area of taxes, particularly the Excess Profits Tax.

To appreciate the economic evil of the Excess Profits Tax, it is necessary to understand the actual practical working of the mechanism for supplying industry with capital, and for this purpose it must be kept in mind that the flow of capital is controlled and guided by profit, and by profit I mean real profit—what is left over for the owners of business after depletion and obsolescence have been provided for and taxes paid. High profits reflect large demand; when retained they permit formation of capital at the exact point where demand says capital is most needed, and they attract new investment to meet that demand; thus the profit mechanism is a sensitive and flexible one which serves to attract savers' capital and to create equity capital through retained earnings in areas where the public's free choice shows that expansion is in the public interest. The Excess Profits Tax, because it is graduated, discriminatory, and confiscatory, effectively defeats the working of the profit mechanism, and it is for this reason that, from an economist's point of view, it is indefensible and should be allowed to expire by limitation next year.

Another tax assault on our economy as a whole, which affects our industry more than any other tax, is the tax on capital gains.

Of all the areas of ignorance or lack of understanding on economic subjects, the areas in which general understanding is least evident, surround the capital gains tax. The facts concerning this tax which people seem to have the greatest difficulty in grasping are twofold. The first is that payment of the tax is voluntary—no one has to pay it. A man who owns a stock in which he has a profit does not have to sell it. He can hold it until the market price declines, or he can hold it until he dies. It is this voluntary nature of the tax which is so damaging to a dynamic economy because it provides an effective, continuing, dollars-and-cents reason for locking up in the hands of holders who have been successful venture capital which otherwise could have been available for the development of those new products and processes which are part of the life blood of economic progress.

The second fact concerning the tax which is not understood is one which flows from its voluntary nature, and that is the influence of the rate on the yield to the Treasury of the tax. Now, brokers have long been urging a reduction in the rate of the tax;

because we believe that if the tax is reduced, more transactions will take place. We have been justifying this reduction by asserting that a lower rate would increase revenues from the tax. To the extent that we are right and that under conditions of a lower rate more transactions do take place, they will be transactions which would not take place at all at present tax rates. If more transactions do, in fact, take place as a result of lowering the rate, then each one of them will involve incurring a tax which would not otherwise be incurred, and therefore increase tax revenues. It seems entirely logical to believe that the increased revenues from transactions which under present laws simply do not take place at all, will much more than offset a reduction in the rate, and therefore in the return of transactions now taking place.

In addition to a lowering of the rate, I have once before suggested that it would be entirely logical for Congress to extend to transactions in stocks the exemption from payment of the capital gains tax accorded in the 1951 Revenue Act to exchanges in owner-occupied dwellings. That is to say, where a holder of stocks in which he has a profit sells them and promptly reinvests the proceeds in other stocks, he should be allowed to do so without incurring a tax liability. Such a change in the law would not diminish revenues from the tax, it would merely allow transactions to take place that are now impossible because in transactions of this type the capital gains tax acts as a transfer tax—and a transfer tax at a prohibitive rate.

A final fact to be kept in mind if we are to think straight about the tax is the fact that, because it immobilizes capital and makes the raising of new capital more expensive and difficult than it otherwise would be, it is inflationary. After all, the only answer to inflation is production, and in a full employment economy the only way to get more production is to apply more capital.

I think that you can see from the interrelationships between rewards for labor and the various factors affecting the supply of capital that I have been discussing, there is a very evident parallelism of interest between capital and labor under the conditions of social organization as they actually exist in this country, and yet the interesting thing is that much of the advocacy for punitive income taxes on individuals and corporations and higher capital gains taxes comes from certain "liberals" who profess to be

friends of the labor movement. I think that this is explainable by the fact that the spiritual home of these doctrinaire and unrealistic so-called "liberals" is Europe, and that they are in effect dealing not with conditions as they actually exist here, but as they existed in Europe in the 19th century. In spite of the fact that our economy and our social organization has evidently up to this point been strong enough to stand it, I believe that this Marxist-tinted advocacy of punitive taxation is not liberal, but rigid, doctrinaire, and illiberal; not progressive, but reactionary; not modern, but obsolete; not good, but harmful; and I think it behooves each one of us to be outspoken and even evangelistic in our daily lives and in our contacts with our law-makers in our denunciation of anti-capitalist ideas and in our support of American capitalism.

### Government Competing With Private Business

And now I am going to take up one more aspect of economic activity in this country where straight thinking is required and where it now seems to be lacking. This, too, is one of the areas in which the so-called "liberals" are operating in a reactionary manner, and where doctrinaire, socialist rigidity of thought is apparent. You may recall that in 1935 a Public Utility Holding Company Act was passed which decreed a "death sentence" for the vast enterprises which controlled utility empires from central offices in New York and Chicago. The principal arguments advanced by the backers of this legislation for the ending of the holding companies were that local management for utilities would be more responsive to the needs of local communities, and that it was socially undesirable to have power over large amounts of electrical energy concentrated in a few individuals. As we look back on it, those arguments were pretty sensible, and as the breakup of the utility holding companies has worked out in practice, I think it is now generally agreed that the legislation was good rather than otherwise.

However, while the public utility holding companies were being broken up, an entirely new public utility holding company much larger than any of the previous holding companies was being created. This holding company operates in widely scattered locations, contributes relatively little to the support of local government, and if anything, is less responsive to local needs than its predecessors. The holding company to which I refer is, of course, the Federal Government itself.

The claims of lower rates for electricity by which the public power advocates justify their demands for growing appropriations for the construction of steam plants for what we may call the Federal Holding Company are, of course, illusory. A modern generator in a government-owned utility plant produces electricity at exactly the same cost as a similar generator in private hands. The lower rates that government-owned utilities offer are only made possible by subsidies extracted from the taxpayers of the whole country for the benefit of the consumers in the areas served. I believe that in the interest of competitive fairness we should vigorously oppose tax-exempt productive operations of all kinds wherever we find them. Under present high tax conditions tax-exemption is such a potent favoring factor that tax-exempt producers, whether publicly or privately managed, are in a position to eliminate private taxpaying competition—this is the substance of socialism and therefore pro-



foundly inimical to the American kind of capitalism.

### American Common Stocks—Basic Merchandise

We've now done what I hope is some straight thinking, some of it unorthodox, about a few social and economic matters as they affect our economy. I should like now to contemplate our society a little more broadly and see if we can draw some useful conclusions, particularly with reference to the basic merchandise with which our industry deals—American common stocks.

First, there is the basic question of inflation and deflation in our economy to be considered. In this respect we all give lip-service to stability as the most desirable goal, but in practice, of course, we consider inflation the lesser of two evils. I think it logical to conclude that in the long run wherever a problem can be solved in an inflationary or deflationary way, we will tend to choose inflation. Moreover, we have in this country an inflationary bias; powerful and aggressive labor leadership; tax-hungry and apparently insatiable political administrators; and a vast war-created money supply, providing a background in which the readiest response to the challenge of threats from abroad or general business slow-up at home is likely to be of an inflationary nature. As a consequence, and subject to the variations of the business cycle, it seems logical to conclude that we must in the long run adapt ourselves to an inflationary way of life. Stocks, although far from perfect as inflation hedges, still seem to afford the best protection against inflation-caused capital erosion.

Secondly, the Constitution says, in the IV Amendment which is part of the Bill of Rights: "The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated." We are, as a practical matter, reasonably secure in our property, and this question is now receiving considerable legal attention. Since, after all, a common stock is only a piece of paper, its value is, in the last analysis, predicated on a high degree of social organization and fairly general agreement on property rights. I believe that subject to many qualifications, of which you are all aware, including taxes, property rights are more generally recognized now than at any time in the last 20 years. This seems to be largely the result of the increasing diffusion of the ownership of stocks and of homes—a larger proportion of families now own their own homes, albeit mortgaged, than ever before in history, and there are grounds for believing that, directly and indirectly, the number of stockholders now stands at the highest point ever reached.

Finally, I can point to our rising population, our working democracy, our improving education, our increasing emphasis upon and confidence in invention and research and our rising sense of social responsibility as grounds for believing that despite difficulties, obstacles and setbacks, we in this country are still vigorously advancing in every sense, and I am proud to participate in an industry that seems certain to play an important part in this advance.

### Elected Directors

Two additional directors, Harry W. Link, Jr. (Francis I. du Pont & Co., Miami, Fla.), and Andrew M. Scharrer, Hickory, N. C., have been elected to the board of United States Radiator Corp., the company announced.

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## The State of Trade and Industry

on the West Coast are reported to be well stocked with bars, this trade paper notes.

Another sign that steel mills think they are catching up with demand, says "Steel," is their attitude toward scrap. A few months ago many mills were operating on hand-to-mouth supplies of scrap and the government was shunting scrap from here to there to keep mills going. Now evidence continues to pile up that the edge is off scrap demand. Even though they are consuming scrap at capacity rates, mills have built up scrap inventories to as much as a 60-day supply. Consequently, mills are much more choosy, and there are reports of price shading on some steelmaking grades. Some scrap dealers have been advised to clear their yards of high-price scrap as quickly as possible.

Assisting the steel industry in its output effort is its growing capacity, declares this trade journal. The bulk of the additional capacity being realized from the current expansion program will come into operation this year and will push the already record high capacity to a further new record, it adds.

Some of the steel products that came into easier supply earlier this year show further signs of weakening. One of them is structural shapes, which only a few months ago appeared to be in such strong demand that the government put restriction on construction. Since the lifting of many of these restrictions, new building projects and plant expansions have not developed as rapidly as was anticipated, and as a result demand for structurals is waning, continues this trade magazine.

On the other hand, it points out, the earlier easing in demand for hot-rolled and cold-rolled carbon steel sheets has disappeared. This is largely the result of relaxation of government restrictions on production of automobiles. But then, the demand from the auto industry should be high now, for this is the time of the year when autos sell best.

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 102.3% of capacity for the week beginning May 26, 1952, equivalent to 2,124,000 tons of ingots and steel for castings, or a decrease of 0.4 point above the previous week's actual production of 2,134,000 tons, or 102.7% (actual) of rated capacity.

A month ago output stood at 52.1%, or 1,083,000 tons, the low level having been due to the strike threat.

### Car Loadings Rise 4.8% Above Previous Week

Loadings of revenue freight for the week ended May 17, 1952, totaled 754,373 cars, according to the Association of American Railroads, representing an increase of 34,580 cars, or 4.8% above the preceding week.

The weeks' total also represented a decrease of 55,102 cars, or 6.8% below the corresponding week a year ago, but an increase of 11,060 cars, or 1.5% above the comparable period in 1950, when loadings were reduced by railroad labor difficulties.

### Electric Output Makes Further Gains in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended May 24, 1952, was estimated at 7,146,204,000 kwh., according to the Edison Electric Institute.

The current total was 35,811,000 kwh. above that of the preceding week when actual output amounted to 7,110,393,000 kwh. It was 493,505,000 kwh., or 7.4% above the total output for the week ended May 23, 1951, and 1,252,422,000 kwh. in excess of the output reported for the corresponding period two years ago.

### U. S. Auto Output Holds Steady in Past Week

Passenger car production in the United States the past week, according to "Ward's Automotive Reports," totaled 92,654 units, compared with the previous week's total of 94,579 (revised) units, and 117,543 units in the like week a year ago.

Total output for the past week was made up of 92,654 cars and 25,784 trucks built in the United States, against 94,579 cars and 25,360 trucks (revised) last week and 117,543 cars and 33,205 trucks in the comparable period a year ago.

Canadian producers last week turned out 6,590 cars and 3,360 trucks, against 6,910 cars and 3,065 trucks in the preceding week and 5,447 cars and 2,064 trucks in the similar period of a year ago.

### Business Failures Decline Further

Commercial and industrial failures dipped to 145 in the week ended May 22 from 154 in the preceding week, Dun & Bradstreet, Inc., reports. This decline brought casualties considerably below last year's total of 191 for the similar week and the 1950 total of 214. Less than one-half as many concerns failed as in prewar 1939 when 303 were recorded.

Failures involving liabilities of \$5,000 or more declined slightly to 119 from 124 a week ago and 150 in the comparable week of last year. A small decrease also occurred among casualties having liabilities under \$5,000, which dipped to 26 from 30 and were off considerably from the 41 in this size group in 1951.

### Wholesale Food Price Index Scores Sharpest Advance In Twenty-One Months

The trend in foods continued sharply upward last week. A rise of 10 cents lifted the Dun & Bradstreet wholesale food price index for May 20 to \$6.48. This was the highest level since mid-March, and marked the sharpest weekly gain since the week of Aug. 29, 1950, when it rose 13 cents. The current index at \$6.48 compares with \$7.17 on the corresponding date a year ago, or a drop of 9.6%.

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

### Wholesale Commodity Price Index Gains Following Earlier Declines

Strength in livestock and pork products largely accounted for a slight rise in the Dun & Bradstreet daily wholesale commodity

price index the past week. The index closed at 297.84 on May 20, comparing with 297.08 a week earlier, and with 319.13 on the corresponding date last year.

Price movements in grain markets continued irregular with wheat, corn and barley scoring moderate advances while rye and oats declined. Strength in corn reflected a good demand for smaller market receipts, coupled with soaring live hog prices which have greatly improved the corn-hog feeding ratio. Export trade in corn remained dull. Wheat prices held within a narrow range at slightly above the seasonal lows of mid-April. Prospects for the winter wheat crop continued excellent. Exports of wheat and flour, as wheat, for the season through April were reported at 407,000,000 bushels, as compared with 277,000,000 in the same period last year. Rye prices declined on profit-taking following last week's sharp rise on the prospect of a very short crop. Daily average sales of grain and soybean futures on the Chicago Board of Trade totaled 33,300,000 bushels last week, as against 37,500,000 the previous week, and 27,400,000 in the same week last year.

Flour prices were somewhat firmer at the weekend but there was very little activity in bakery or other types of flour during the week.

Following sharp declines at mid-week, cotton prices turned upward to register small net gains for the week. Strength in closing sessions was attributed largely to technical considerations and reports of increased activity in cotton textiles over the weekend. There was a good demand for cotton from shippers who reported difficulty in obtaining higher grade cotton to meet commitments to domestic mills. Sales in the ten spot markets last week increased to 56,400 bales, from 39,100 the week before, and compared with 52,700 bales in the corresponding 1951 week. Consumption of cotton during April was estimated by the New York Cotton Exchange at about 815,000 bales, or 17.0% under April last year.

### Trade Volume Held Steady in Past Week

Retail trade in the period ended on Wednesday of last week held at about the previous week's level as unpleasant weather dampened the interest in many seasonal goods. As during recent weeks retail merchants were generally unable to match the high sales figures of a year earlier.

The lifting of the curbs on consumer credit did not spur shopping to any appreciable degree; most merchants were wary of extending unsecured terms. The most notable immediate rises were reported by automobile dealers whose sales had been lagging in recent months.

Retail dollar volume in the nation in the past week was estimated by Dun & Bradstreet to be from 3% below to 1% above the level of a year ago. Regional estimates varied from the corresponding 1951 levels by the following percentages: New England and South +1 to -3; East and Midwest -1 to -5; Northwest -2 to -6; Southwest +2 to +6 and Pacific Coast +1 to +5.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended May 17, 1952, reflects no change from the like period of last year. In the preceding week an increase of 6% was registered above the like period a year ago. For the four weeks ended May 17, 1952, sales rose 2%. For the period Jan. 1 to May 17, 1952, department store sales registered a decline of 5% below the like period of the preceding year.

Retail trade in New York last week, trade estimates reveal, declined 8% below sales volume for the like period of 1951. Bad weather coupled with a poor consumer response to the removal of credit restrictions accounted for the decline.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended May 17, 1952, decreased 8% 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 17, 1952, a decrease of 5% was registered below the level of a year ago. For the period Jan. 1 to May 17, 1952, volume declined 10% under the like period of the preceding year.

### Langley Offers Long Island Lt. Pfd. Stock

An underwriting group headed by W. C. Langley & Co. is offering 100,000 shares of Long Island Lighting Co. 5% preferred stock, series B, at \$100 per share and accrued dividend.

Net proceeds from the sale of these shares will be used for partial payment of bank loans incurred for construction of utility plant. It is estimated that the 1952 construction program will require total expenditures of approximately \$45,000,000, of which \$9,300,000 has been expended through March 31, 1952. Construction requirements for the period April 1, 1952 to Dec. 31, 1954, inclusive, are estimated to require expenditures of \$95,000,000 for electric property; \$15,000,000 for gas property and \$10,000,000 for common property.

The new preferred stock is redeemable at any time at \$104 per share through March 31, 1957, \$103 per share for the next five years and \$101 per share thereafter, plus accrued dividends in each case.

### Blyth Group Offers Husky Oil Common Stk.

Blyth & Co., Inc., heads an investment group which is offering publicly today (May 29, 1952) 200,000 shares of Husky Oil Co. common stock at a price of \$11.50 per share.

Proceeds from the sale, together with net proceeds of approximately \$1,000,000 from 100,000 additional common shares, which are expected to be sold to Northern Natural Gas Co., will be used for general corporate purposes. The company is engaged in exploration for, production and refining of crude oil and in the marketing of petroleum products in the United States. The company owns approximately 57% of the common stock of Husky Oil & Refining, Ltd., a Canadian company which engages in similar activities in Canada. The common stock of the Canadian company is listed on the Toronto and Montreal Stock Exchanges. This offering of common stock of Husky Oil Co. represents the first public distribution of the common stock of the parent company.

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# Mutual Funds

By ROBERT R. RICH

## Funds May Quit New York in Tax Protest

Leaders of the largest investment companies in New York, disturbed by the city's determination to increase the tax on the gross income of financial institutions, said they would make good their promise to quit New York if the proposal becomes law.

The city has proposed to increase its annual levy on financial businesses from 2/5 of 1% to 4/5 of 1% of gross income.

Investment companies in particular, it was pointed out, must operate on an extremely low cost margin and the increased tax will place them in an unfair position compared to investment companies in other cities.

One mutual fund leader said that if special relief is not granted to investment companies, the city will gain no revenue from them because they will move out of State and New York State will lose perhaps as much as \$500,000 in franchise taxes.

The total tax will yield about \$7 million if the increase goes through, an increase of a little more than \$2 million.

The tax on gross income, at the new rate, will be four times greater than that now paid by any other business. It will be 800% greater than the rate paid in June, 1946.

Spokesmen for the city said they expected the bill to go before an executive meeting of the Finance Committee next week and then to the City Council the following week. "Allowing two days after that at the Board of Estimate, and the necessary five days before the Mayor," one official said, "and we should have the bill through easily before the deadline of June 30."

The bill is part of the city's general plan to dig itself out of its financial "hole," which has grown steadily worse the past few years.

Authority for the new tax is an amendment to article 2B of the General City Law which was authorized by the New York State Legislature.

If the bill is approved by the City Council, investment companies and other financial institutions will on June 15, 1953, pay gross income taxes at the new rate for receipts during the calendar year 1952. In substance then, "the bill, if it becomes effective on July 1, 1952, will be retroactive to Jan. 1, 1952," Max Brofman, Chief Tax Counsel for the city, stated.

The two possible courses of action for investment companies, other than moving out of New York, will be to move for repeal of the law at the city level or for a change at the state level in the amendment to the General City Law.

## Lord, Abbett Cuts Sales Charge; Dealers' Share Steady

Lord Abbett & Co. is reducing its sales charges on Affiliated Fund and American Business shares on June 1, 1952. The company, in announcing the reduction, said, "Our sales of shares of Affiliated Fund and American Business Shares are now running at a rate of \$7 million a month. In the first four months of 1952, they were \$28,406,573. With a sales volume at this level, we can carry on the distribution of the shares on a profitable basis with a still narrower average margin than we now retain out of the sales charge."

**Changes Are:** (1) Sales charge will be reduced from 7 1/2 to 6 3/4 % on sales of \$5,000 instead of \$10,000. Dealers' concession will remain at 6%. (2) On each single sale between \$5,000 and \$100,000, Lord Abbett's portion of the sales charge will be 3/4 of 1%; on \$100,000 or more, it will be 1/2 of 1%. (3) Sales charge on single sales of \$15,000 or more, but less than \$25,000, will be reduced from 6 3/4 % to 5 3/4 % with a dealers' concession of 5%.

In a message to dealers, Lord, Abbett said, "We are confident that the reductions in sales charges will stimulate business for our dealers just as reductions have in the past. Whenever, in the future, as a result of an increased sales volume, we can operate profitably on still lower margins, or, as a result of larger assets in the funds, we can maintain the quality of our management services with lower management fees, we will put further reductions into effect."

## Vance, Sanders Streamlines Profit Sharing Plans

A new and simplified method of creating and administering profit-sharing plans for deferred employee benefits was announced Wednesday by Vance Sanders & Co.

The result of fourteen months of technical research, the method will serve the needs of thousands of companies of moderate size heretofore discouraged by the many complexities, including high cost, incidental to creating an acceptable employee benefit plan which will qualify for tax exemption and meet the requirements of the Wage Stabilization Board. The method has been made available to investment dealers throughout the country.

The Vance Sanders method can be utilized by almost any company in any locality served by a bank with a trust officer, the firm states. It has been streamlined to make the entire operation easier for the company's executives, the company's counsel and the participating bank. The basic structural work has been done. A standard plan can be adopted unchanged or with variations.

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The method makes available, right at the start, an actual profit-sharing plan designed in accordance with good business practice for moderate-size companies. Company counsel is furnished a related trust agreement which can be easily conformed to the adopted plan. Available also are printed forms in which can be inserted the information required in preparing a request to the Treasury Department as to tax exemption.

# Mutual Fund Notes

**BRIEFLY:** Harry Prankard, who leaves today for seven weeks in Europe, admitted that listing of Lord, Abbett funds on one of more European stock exchanges is a possible future development. . . . In this historically high market, Group Securities' Common Stock Fund has made new investments in General Foods and United Fruit and increased its holdings of American Tobacco, Chesapeake & Ohio, Liggett & Myers and Marshall Field. Substantial profits were taken during a reduction in oil holdings. Each security in Common Stock Funds' holdings, with the possible exception of Public Service Electric and Gas, is believed eligible for purchase by savings banks in New York State under the rather rigid requirements of the recent law permitting banks to invest in common and preferred stocks. . . . May 28, 1952 is the 20th birthday of Keystone Custodian Funds, which now has net assets of over \$200,000,000 owned by more than 47,000 investors. Originally started in Philadelphia, investors put \$14,000 of capital into Keystone within a few days of the stock market's depression low in May, 1932. By the end of 1932, assets totaled \$358,000. S. L. Snodley and T. A. Rehm, co-founders, are still at the helm as President and Vice-President, respectively. Keystone's full-time staff now numbers 145. . . . Monday, June 2, is deadline for mutual funds' comments on the Securities and Exchange Commission's proposals to simplify forms N-8 B-1 and S-5. . . .

## OPEN-END REPORTS

**AFFILIATED FUND**—Reports net assets of \$189,910,615, or \$4.69 per share, on April 30, 1952, compared with net assets of \$158,818,398, or \$4.65 per share, on Oct. 31, 1951. Net profits realized from the sale of securities during the six months' period were \$1,990,770.

The more important changes in security holdings during the six months' period were increases in bank, electric light and power, and railroad stocks, and decreases in oil and chemical stocks.

**GUARDIAN MUTUAL FUND** reported on April 30, 1952, total net assets of \$1,240,000, compared with \$794,000 on April 30, 1951. The net asset value per share on April 30, 1952, amounted to \$11.57, compared with \$11.54 one year earlier.

**UNITED SCIENCE FUND**, the "scientific research" portfolio of the United Funds group, reported net assets of \$12,750,591 on May 16, 1952, the second anniversary of its founding. The scientific fields in which investments have been made are, in order of size, geology, chemistry, mechanical engineering, metallurgy, electricity and electronics, biochemistry, aerodynamics, and nuclear (atomic) physics.

**RETAIL PRICES** of consumer goods and services in New York City rose 0.6% from mid-March to mid-April, Robert R. Behlow of the Bureau of Labor Statistics reported this week. Primary cause of the increase was higher food prices. Meantime, in other middle Atlantic cities, the month-to-month increase in the prices of consumer goods continues. In Philadelphia, prices for cost-of-living items rose 0.2%, while in Pittsburgh they were higher by 0.3%. Prices in New York City now stand at a level of 183.5% of the 1935-39 average, only slightly lower than the all-time peak in January of this year.

"WE HAVE ONLY seen the beginning of mass buying of investments through mutual funds," Herbert R. Anderson, President of Distributors' Group, said this Sunday in a weekly mutual funds broadcast over WOR. "More people invest for income today than for any other reason," he added, "which accounts for the current swing back to the so-called risk investments."

In an earlier broadcast, Henry J. Simonson, Jr., of National Se-

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curities and Research, speaking on the business outlook, stated, "It is good for our economy to spread defense spending over several years, because it sustains business at a high level and avoids the disadvantages of forced spending accompanied by forced production." Mr. Simonson foresaw a moderate decline in business when defense spending is completed. However, he predicted, as military expenditures decline, there will be a compensating increase in our expenditure for highways, schools and public buildings—also in foreign aid spending and in the extension of foreign credits.

Mr. Simonson believed that business will continue on the relatively high level that has prevailed during the last few years. He said that this doesn't mean, however, that all business will enjoy a great prosperity. Milton Fox-Martin, Manager of Kidder Peabody's mutual funds department, interviewed Mr. Anderson and Mr. Simonson on the radio program, "Your Money at Work."

#### PERSONAL PROGRESS

H. J. SIMONSON, Jr., President of National Securities & Research Corp., has announced that Mr. Frank D. Newbury has become consultant on business forecasting to the corporation.

Mr. Newbury was Economist for Westinghouse Electric Corp. for whom he directed forecasting activities for 16 years. During this period, he made original studies of industry cycle behavior. Under his guidance, research work in this field was carried on at Cornell University and field survey work was done under the auspices of the Controllershship Foundation, research arm of the Controllers Institute of America.

THE APPOINTMENT of Frank T. Betz, Jr., as eastern resident Sales Manager for the Knickerbocker Fund has been announced by Karl D. Pettit, President of Knickerbocker Shares, sponsors of the fund.

Mr. Betz, who joined Knickerbocker in 1948, has had broad experience in both wholesale and retail sales of mutual fund securities. In his capacity he will direct sales operations in the eastern district for the 14-year old Knickerbocker Fund. He will make his headquarters in the fund's main office at 20 Exchange Place, New York City.

THEODORE H. GERKEN, former steel, metals and automotive industries analyst for Moody's, has been appointed senior analyst in the home office investment department of Investors Diversified Services. Mr. Gerken will handle steels, chemicals and metal stocks.

A native of Ohio, Mr. Gerken attended Ohio University and received a degree in journalism from Northwestern University. He was for several years a staff writer and later news and markets editor of "Iron Age" magazine in Pittsburgh and New York, before entering the investment field as a securities analyst, specializing in heavy industry stocks. He has written extensively on steel and metal securities for many financial and industrial publications.

#### NEW PROSPECTUSES

INVESTMENT COMPANY of America has released for dealers a new prospectus dated May 1, 1952. Available from 650 South Spring Street, Los Angeles 14, California.

FIRST INVESTORS Corporation has released a new prospectus dated May 16, 1952.

NATION-WIDE Securities' newest prospectus is dated May 10, 1952. Available from One Wall Street, New York, N. Y.

Continued from first page

## As We See It

and industrial countries temporarily poor came and went without doing any lasting good to those it seemed to benefit. And it left its victims, principally the countries of Western Europe, saddled with costs and prices that wiped out much of the progress toward a better-balanced world economy that had been achieved by the devaluations of late 1949.

"Perhaps the most discouraging thing about that period is the evidence that the huge earnings of dollars and other currencies, representing valid claims on the products of advanced industrial regions, that accrued to under-developed countries during 1950 and early 1951 were simply dissipated in the inflation induced by the orgy of consumption. There was very little 'economic development' on the basis of this unique and potentially advantageous period of relative wealth, although foreign exchange resources are precisely what under-developed countries always say they need. The United Nations reports somberly that under-developed countries as a whole showed a relative decline in industrial and agricultural production during the period. This is unquestionably the most alarming and discouraging feature of the world economy today."

These facts may, as Mr. Hoffman says, constitute the most discouraging feature of the world economy today, but it certainly should surprise nobody. The history of the under-developed regions of the world certainly furnishes no good reason anywhere, so far as we are aware, for supposing that they would do anything other than they have done during the past year or two with any windfalls which might come their way. That, of course, is one of the reasons—quite possibly the controlling reason—why they are the under-developed regions of the world. The basic trouble of these regions is the people who live in them. Rightly or wrongly they have neither the driving interest nor the ability to undertake and to carry through the work which is essential to basic and sustained improvement in their economic status. At the very least they lack either the one or the other, and lacking either of them their future as judged by Western standards is not bright.

#### A Two-Sided Notion

Now this notion of world-wide abolition of poverty as a tonic for our own economic organism seems to be two-sided. The first postulate is that we ourselves cannot be enduringly prosperous unless and until we do something effective to wipe out poverty elsewhere. The second tenet appears to be that the act of wiping out poverty elsewhere will serve also to eliminate it here at home. What will happen when and if there is no more poverty left to be attacked, the deponents do not say, but the idea is one which has charmed a good many, apparently, who are not equipped to reason very effectively about such things as these.

It is quite true, of course, that we could collectively coin money and with it buy goods here in this country for shipment to Africa or any of the other backward regions. Were we to do so, it might very well come about that for a time at least we should seem to be prospering immensely. Of course, the question as to how, when and if we are ever to be paid for all this could for a time be overlooked. Indeed we could dump the goods into the sea—with results not greatly different from those to be expected by actually delivering them.

But, of course, at some time or other the day of reckoning must arrive. When that time comes, we may well find that we had been guilty of much the sort of nonsense and shortsightedness as Mr. Hoffman describes in his account of what has happened in under-developed regions of the earth. We should, in all probability, have engaged in something akin to "an orgy of consumption," and to complicate matters still further we could also find that we had built up industrial capacity for the production of goods in amounts far exceeding any really effective demand—except on a permanent give-away basis. Meanwhile, our natural resources would have been by so much depleted, and much of our energies expended merely to provide a better living for people who have little or no appreciation of what they get and no intention and probably no ability to take over the task of keeping themselves upon this improved plane of living.

#### Many Difficulties

We have no intention here of going into the metaphysical question as to whether the natives of central African jungles, or along the upper Amazon or anywhere

else in the world would really be better off for having factories established in their midst to give them "employment" and "civilization." What we are sure of is that the task of bringing Western scale of living to such peoples—or rather of helping them develop such an economic position for themselves—is one of a magnitude not dreamed of by most people who talk about such things and one which is fraught with difficulties the nature and proportions of which have not even been suspected by most of the reformers of this day and time.

We should be well advised not to count upon such programs for our own future economic well-being. Such basic alterations in the status of backward millions and in their attitude toward life will come through the decades and through the centuries if it comes at all—and that, probably, is the way it should be.

Continued from page 19

## The United Nations Can Destroy Freedom of the Press

those newspapers and correspondents who are its intended beneficiaries.

#### The Code of Journalistic Ethics

The fourth UN press document takes the form of a universal code of journalistic ethics. It is not a treaty. It is a UN recommendation which, like the Universal Declaration of Human Rights, is intended to have only moral force. Therefore, the UN code of press ethics will not be submitted to the Senate for its approval. Article 4 of this code of ethics declares that it is the duty of those who describe and comment upon events relating to a foreign country to acquire the necessary knowledge of such country which will enable them to report and comment accurately and fairly thereon. Now this is an excellent principle and one to which no reputable newspaperman will take exception. However, the attempt to translate these fine principles into treaty obligations enforced by the government must be resisted if the press is to remain free.

The acquisition of knowledge is closely related to the dissemination of information. It is not surprising, therefore, to find the UN forging chains for education which are similar to those designed for the press. Article 28, paragraph 7, of the UN draft Covenant on Human Rights provides in part:

"(Education) shall promote understanding, tolerance and friendship among all nations, racial, ethnic or religious groups, and shall further the activities of the United Nations for the maintenance of peace and enable all persons to participate effectively in a free society."

What I have just read might be described as the expected fruits of freedom of education. But whenever government is vested with power to attain these humanitarian goals by compulsion, the slave labor camps and the gas chamber are not far distant. The draft Covenant presents us with a choice between freedom of education and a more perfect education promised by the government. No one will deny, for example, that one of the purposes of education should be to "enable all persons to participate effectively in a free society." Freedom is imperiled, however, at the very moment this objective becomes the exclusive responsibility of any national government or any international organization. Sooner or later, the minister of education will be one who believes with Dr. Conant that private and parochial schools are undemocratic, and that only state-controlled schools advance effective participation in a free society.

You, who have a special interest in maintaining freedom of the

press, are confronted by a tremendous job of public education. Thousands of sincere, honest, and well-intentioned people have endorsed the UN's treaty-making ambitions. They have endorsed these treaties without critical examination of the flowery phrases. Without this support on the part of warm-hearted humanitarians, the State Department would be forced to quit using the unalienable rights of the American people as items of barter and compromise in treaty negotiations.

One of the basic faults of American foreign policy is thoroughly examined in the book, "American Diplomacy," written by our new Ambassador to Moscow, George F. Kennan. Mr. Kennan points out the disastrous consequences which flow from "the legalistic-moralistic approach to international problems." He explains the danger of abandoning the national interest as a determinant of foreign policy. He explodes the fuzzy idealism which seeks to impose on the peoples of the world a universal law when they have no common political, economic or spiritual values. Ambassador Kennan has paid the usual penalty for deviating from the UN party line. His scholarly thinking has been described by the Washington "Post" as "the new isolationism."

The great majority of American newspapers have not been deceived by the pretty language in the UN documents dealing with freedom of information. They have relentlessly exposed the traps which are concealed in pious verbiage. I cannot better summarize my remarks today than by quoting from the report adopted by the American Newspaper Publishers Association at its convention last month:

"It might not be inappropos to quote Alice in Wonderland at this time because the world we are living in has something of the Wonderland quality. Most of the documents are filled with 'the very best words' just as the Mad Hatter's watch was oiled with 'the very best butter.' Nevertheless the watch stopped! So with these Codes, Covenants and Conventions. They are undoubtedly filled with high-sounding language. Nevertheless, our freedoms may be impaired by their use."

#### With King Merritt

(Special to THE FINANCIAL CHRONICLE)

BENICIA, Calif. — Edward C. Hughes has become associated with King Merritt & Co., Inc. In the past he was cashier for C. E. Abnett & Company.

Continued from first page

## The Economic Situation— Today and Tomorrow

accept healthful competition, rather than being a warning of near-term collapse of the national market. Liquid savings accumulated during these years might become a very useful prop to the consumer market if widespread strikes develop out of a show-down on the wage issue or if and when military spending is reduced and the construction cycle moves into its down phase. On the other hand, liquid savings are "hot money" and would add fuel to the flames if another inflationary movement gets under way.

Elaborating a little further on the idea of balancing or offsetting factors in the present situation, I would like to set over against each other the productivity index and the military program. The rise of our productive capacity and the "stretch-out" of the rearmament time table combine to ease the economic picture.

For the past two years, I have been about as loud as anyone in pointing out the dangers of inflation growing out of the prospective rate of rearmament expenditure and of related industry building *vis-a-vis* the needs of civilian standards of living and population growth. After the Korean surprise, the military took the blakest view of the probability of other major Soviet aggressions. They wanted to get prepared for any emergency, and the public were hysterically ready to say yes to every request for funds.

This military pressure had its counterpart in the civilian area. Although we never really adopted a policy of full mobilization, the business and consumer public acted as though that condition was either here or just around the corner. During the two years of tension now abating, private business was overstimulated by the prospect of shortages even under partial mobilization, and practically everybody underestimated the new productive power of our industrial machine. Hence, overblown programs both of building and of buying, resulted in overcapacity and overstocking. From June, 1950, through 1951, there was real danger of an inflationary breakthrough.

Now, the sheer weight of goods is swinging the market from sellers' dictation to buyers' option. At the same time, the containment of Russia above the 38th parallel, added to the defeat of the North Koreans in 1950, and the Chinese "volunteers" in 1951—all on top of the winning of the Berlin airlift and the successful Greek resistance (with our aid) several years ago, now gives a much easier turn to the problem of "calculated risk."

But there is a further reason for the checking of the military drain, which has recently become apparent. In setting the character of their goal of deterrent military power and timing it for 1953, experts in all three branches of the armed services misjudged—quite pardonably—some phases of latest technological development. They could not be sure that they had something that would make the Maginot Line obsolete. Now they are beginning to think it safe to turn from making complete armor for Goliath to making a Buck Rogers sling-shot for David.

### The "Stretch-Out" Has Turned the Tide

It would be hard to overestimate the current economic significance of the revision and postponement of the military goal from '53 to '55. This was reflected first in the President's budget last January.

That total was set at \$85.4 billion instead of \$90, \$95, or \$100 billion that had been so glibly talked of last year. The \$85 billion budget included practically \$60 billion for military and foreign aid expenditures. But with the hump of rearmament reduced to a plateau, Congress bids fair to lower the level of both these items to one several billions lower. I suspect it will not come down to \$46 billion and \$6 billion respectively. But whatever the precise figures, it seems sure that 1952 will see the governmental component of our national economy brought much closer to balance with the civilian component on the plane of domestic productive capacity. In other words, we are easing into a real, but not ruinously competitive buyers' market from the inflationary sellers' market which obtained after the war and that seemed to be somewhat permanently established by the Korean episode.

As I analyze the basic economics of our present situation, it furnishes us a model on which we could go forward into a reasonably stable and continuing prosperity—if we would all behave ourselves—that is, face the economic facts of life instead of trying to beat the game.

To be sure, we shall probably end our fiscal maneuvers in a situation which will entail a moderate deficit for fiscal '53. But I would not expect a deficit of that magnitude by itself to have a seriously inflationary effect. It must be remembered, however, that military spending will rise rather rapidly in the second half of this year—the low period for Treasury receipts—whereas wage advances—past, present, and prospective—will have an increasing effect in the latter part of this year, both by enlarging the spending power of the working population and by price increases stimulated by rising labor costs and permitted under price stabilizing formulas. Whether this inflationary force proves to be less or more than the disinflationary force of high production and consumer caution remains to be seen. My personal guess would be that the trend of prices would be up, but only moderately so, with declines in some commodity areas tending to offset advances in the areas of many of the highly fabricated goods.

Before we leave this contemplation of the present economic scene, it is obvious that one other factor has to be taken into account. This is the impact of strikes, uncertain as to number, magnitude, and duration. If I am correct in my interpretation that 1953 is a year in which the inflation potential is being "contained," then we may expect it to be a year of many and perhaps serious strikes unless, of course, means of handling industrial disputes are devised—in Congress or out. I have little faith that this will happen—in a campaign year of all times!

If we do have sizable strikes, that will aggravate still further the unwillingness or inability of consumers to buy goods. This would normally lead to lower prices, but more particularly in such items as food, clothing, and house furnishings. At the same time, work stoppages would contribute to scarcities, and scarcity normally means stronger price trends. Under present conditions, however, this upward push would be most effective in other areas of the economy than consumer goods, namely heavy industry and military "hardware."

Since strikes in one industrial area lead to uncertainty and cautious buying in many other areas, their power to start a downward spiral of progressive unemployment is one of the greatest threats to our high employment situation. I marvel that organized labor is as ready as it appears to be to play with this dangerous weapon in the present delicately balanced state of the economy. If we are to work out a practical system of sustained full employment under free enterprise, organized labor will have to exercise self-restraint at the same time that management will have to take calculated risks.

### Will Tomorrow Be Fair?

It is easy enough to know when the clock strikes midnight and we enter a new calendar day. But I find considerable difficulty in trying to decide when "today's economic situation" will end and "tomorrow's economic situation" will begin. There is an old saying that "coming events cast their shadow before." It is no less true that present events cast their shadow ahead. Tomorrow's economic situation is already a-borning. Under the good employment and generally steady price level promised for the rest of 1952 there are increasing tensions for '53 and beyond. These threaten both the prosperity of the market-place and the institutions of our private enterprise system. The unsolved problems, the dodged issues, and the faulty adjustments of today and yesterday becloud the hope of continuing our somewhat artificial prosperity for very long into the future.

Some economic analysts appraise future prospects almost exclusively on the basis of fiscal and monetary considerations. They seem to regard other business relationships as of minor importance or as being easily controlled by good fiscal or monetary management. If that were in fact all we have to worry about, I should take a moderately hopeful view of tomorrow's economic situation. I have already indicated my belief that the country and the Congress have at last become aroused about the deficit issue so that it seems unlikely that the statutory ceiling of \$275 billion on the national debt will be breached. Even amid the difficult conditions of a campaign year, we have seen the President deflating the military's budget demands and the Congress further deflating the President's recommendations. With actual spending likely to be held materially below authorization, there would seem to be some prospect that, with a new Administration and further clarification of the offensive threat and of our defensive power, we might reach a balanced budget next year. Likewise on the monetary side, the Treasury-Federal Reserve accord of last year and the Patman Subcommittee hearings of this year seem to have restored a healthy independence of action under our central bank mechanism without creating a danger of collapse in the government bond market.

But I do not give exclusive or even dominant importance to fiscal and monetary causes of economic difficulty. My fears about tomorrow's economic situation are based primarily on the mishandling of our private market relationships, our wage and price structure. Against improving prospects in the fiscal and monetary areas, 1952, behind its facade of superficial prosperity, is putting us into a much worse situation in terms of industrial and commercial market relationships. Even with good intentions as to budget balancing, the government finds its task made more difficult if not impossible so long as wages and prices are out of control. Nor can credit control arrest the wage and price rise when the very mechanism of economic adjustment has

been converted into an engine of inflation. This, I think, is what has happened as the Office of Economic Stabilization has undertaken to supersede the process of collective bargaining. And the prospect of extricating ourselves from the mess we have gotten into in this area seems to me dim indeed. For these price and income relations get imbedded in business structures and practices and attitudes so rigid in character that it takes almost an ideological upheaval to change them.

If we truly believe in the preservation of a predominantly private system of business, we must recognize that the decisive factor in maintaining prosperous activity or of avoiding depressionary breakdowns lies in our voluntary market processes. We must establish wage, cost, price, and profit ratios that will furnish the necessary distribution of consumer purchasing power and at the same time preserve asset values and operating incentives.

### The Barometer Is Falling

This is something that we have not had to do for a period of some years. During World War II, a combination of government control and debt-creating subsidies and deficits superseded the ordinary enterprise economy. Since the war, we have had a prolonged period of inflation, nourished by the monetization of the war debt. A substantial part of that inflation—or rise of the general price level—was inevitable. But the time came when some internal restraint or external control had to be exercised over administered price making and collective wage making if we were going to get that degree of stabilization which is necessary for assuring continued prosperity after rearmament goals are accomplished. When we reach that stage, we must, quite evidently, settle down to the carrying of a larger military load than we have known in the past pattern of American life and at the same time assure the best standard of civilian living that is compatible with the magnitude of our resources, steadily and efficiently used.

We can say, somewhat abstractly, that this means a structure of wages, traditional or equitable or functionally correct in relation to each other so that they will "stay put"; a structure of prices which likewise reflects relative costs, scarcities, or mere conventions well enough so that they will "stay put"; and, finally, a relationship between income structure and price structure which will make the business process self-liquidating and enable consumers to take the full-scaled product promptly from the market.

Concretely, it is quite impossible to draw up a full scheme of such relations. This is amply demonstrated by the tribulations of OPA and the WLB under conditions of a shooting war situation and the antics of OPS and WSB during the twilight days since Korea. These things have to be worked out by the cut-and-try methods of free enterprise management and of unions collectively bargaining in good faith. I have regarded it as unfortunate from the start that those in power thought we could, at a time when we were not at war, do this stabilizing better through government controls than through many local and voluntary adjustments.

Others have had more confidence in the ability of central direction to handle these matters. But it has seemed to me that they threw away whatever chance of success they had by writing rules and regulations designed to keep everybody happy rather than to do a real stabilization job. In my simple philosophy, one who is named a controller has a duty to control—not a mission to comply

with the wishes of all the parties at interest. When, nearly 16 months ago, a freeze was imposed, the next day saw the control agency shaping policy to thaw it out wherever important interests were inconvenienced. When old administrators were superseded by new, the policy apparently changed to one of adamant insistence *pro this and contra that*, dictated by subjective considerations of whether one has had a little more or a little less than another, of imputed "ability to pay," reformist desires, or a horse trader's willingness to settle the instant issue for whatever the strongest party would accept. There has not been courageous use of the objective methods of statistical and economic analysis to work out terms of settlement which would contribute to a checking of the wage-price spiral, and to the promotion of monetary stability, which is a *sine qua non* of that general prosperity from which all parties—labor, management, farmers, and consumers—can permanently benefit.

It has been a habit of controllers to take credit for the price lull of the past year as an achievement of their control activities. In fact, however, it was much more an indication that, in some way as inexplicable as the colors of a sunset or the whims of fashion, the inflationary potential of the preceding years was reaching its limit as production mounted and that consumer resistance was indicating the necessity as well as the possibility for a topping out movement somewhere in the present range of general prices and dollar and cents wages and salaries.

This whole matter has been brought to a sharp focus and dramatic intensity in the steel wage case. Roger Putnam, administrator of the Economic Stabilization Agency, in a recent address, said: "If the economy were a slack one, rather than a generally tight one, I can assure you the dispute in steel would never have been built up to what it is." I would like to suggest that that statement is only half correct—and not in the sense he meant it. If he means that the United Steel Workers would not have gone to the limit of a strike to enforce their demand for a very large wage and fringe adjustment if the steel business had been in a process of curtailing operations, he is probably right. On the other hand, I suspect that it is just because steel management saw production catching up with protective market demand and a distinct possibility of price competition, lower profits, and some excess capacity in the near future that they were so determined not to commit themselves in perpetuity to this higher level of costs.

King Solomon has been praised down through the ages for his astute suggestion of recommending awarding half the baby to each of two claimant mothers. This proposal would not appear to most people as a very practical solution if taken literally. But King Solomon Putnam could have made a practical solution of his problem on these terms if he had held fast to the principle of stabilization to which his office was pledged. That is to say, he could have made a settlement that gave something reasonable to both parties. Steel wages had lagged somewhat and the equalization formula called for nine cents increase and could be stretched to 12, with a further adjustment of paid holidays, and shift differentials which would be in line with the practices of other industries. The steel industry alleges that it had offered 12½ cents in the wage rate plus some adjustment in these other items.

On the other side of the picture, steel prices had been maintained at a commendably restrained level while other metals, rubber, and various other commodities had

skyrocketed under comparable scarcity conditions. The Capehart amendment would permit \$3.00 of increase in the steel price and the Stabilization Agency at one time seemed ready to grant \$4.50. Collective bargaining needed to compromise no more than perhaps a nickel on the wage side or a half dollar on the price side to produce an adjustment which would have been within the stability range of both wage and price structures. But the formula injected by the "public" members of the Wage Stabilization Board and now backed in every detail by the President, the Vice-President, and the Secretary of Labor was perfectly designed to open a new round of wage increases, with all its inflationary consequences. Or, if resisted in steel and matched by comparable demands in other industries which face a competitive market and falling profits ahead, it is perfectly calculated to create an industrial impasse—strikes, spiraling unemployment, and recession. This situation, carrying into 1953, or revived after a breathing spell this fall, is a very real and somewhat disquieting aspect of tomorrow's economic situation as I see it.

**How Will We Meet Prospective Difficulties?**

Without wishing to qualify as a "gloomy Gus," I think we should in 1952 look very frankly at the conjunction of somewhat disturbing factors which appear to be developing for 1953. I have touched on the high, rising, and rigid level of labor costs, a more moderately rising and perhaps soon a declining scale of government expenditure, a weakened propensity to spend or enhanced propensity to save on the part of consumers, the tapering off of industrial building activity, and a rising productivity of our expanded and modernized productive plant. This combination of circumstances promises a highly competitive market and a need on the part of manufacturers and merchants to bring prices within the ability and willingness of the buying public.

Such a competitive situation will raise questions of how much employers' efficiency of operation can be raised, how much their profit margins can be narrowed after the extraordinarily high rate of "plowing back" capital during recent years. It will require a courageous interpretation of business enterprise, with its boasted function of risk-taking. It will call for a great deal of tolerance of "unwelcome" adjustments. The strain will be most intense and the responsibility for leadership greatest at the particular points where basic industries play a strategic role in our economy. If unemployment gets started in these areas, it undermines the market of secondary producers, distributors, etc.

Businessmen under the circumstances I have sketched may be expected to gripe about "profitless prosperity," just as everyone gripes about the weather or the food on the boarding-house table. But unless both parties "roll with the punch" and make mutual concessions under which goods can be sold and under which jobs can be maintained, we stand a very grave prospect that local spots of unemployment will snowball and spread contagiously into general recession.

This possibility—which we cannot afford to ignore—if we are to take steps to combat it—raises one final question. Do we know how to stem a recession once it really gets under way and then institute recovery measures? There are a good many economists, lay and professional, who cherish the thought that we can do so through vigorous use of fiscal and monetary policies now understood. Personally, I think the effectiveness of monetary policy is largely as a

restraint on booms rather than as a business stimulant in time of depression. Credit easing at such times is "pushing on a string." Likewise, fiscal policy as a cure for recession, has lost much of its potency by not being used to curb inflation or reduce the public debt during a long boom period. Hence, I come back to my basic proposition, that voluntary acceptance of price and wage relationships that enable business to go on even when neither party is wholly happy about the terms of trade, is the ultimate remedy for recession, just as it would have been the best preventive.

I suspect that many of you will agree in principle with what I have been saying and still reply that it does not seem realistic to expect that patterns of human behavior, of business behavior, and of political behavior will change fast enough to bring us by these means out of the difficult situation which seems to be shaping for 1953 or some year not much later. In honesty, I have to admit that I share that view. And that is why I said earlier that in tomorrow's economic situation, I saw trouble ahead both for economic prosperity and for the preservation of the institutions which we have regarded as our American heritage.

The sort of remedies which I have outlined presuppose tolerance, patience, understanding of economic fundamentals, and a willingness to "sweat it out on the beaches" while the necessary adjustments can be made and a stable pattern of peacetime high-level business worked out. But the prevailing mood of our people is not one of patience and tolerance. It is one of insistence by each group on what it regards as its "rights" and a considerable belief that if these rights cannot be obtained in the market, they can be obtained through a friendly man in the White House or other friends on Capitol Hill.

Three years ago, I addressed the Economic Club of Detroit under the title "Private Enterprise and Public Enterprise." In this address, I pointed out that we had always used government agencies for organizing some parts of our economic activities but that there were questions both of degree and of kind that really distinguish a private enterprise system from one that could accurately be labelled "socialism." I closed my remarks with these words:

"If we go on under this mixed, opportunistic American way, with varied and often imperfect combinations of private and public enterprise, is this socialism? Or are the developments now going on under our noses soon to push us into socialism? To both those questions my answer—and I assure you it is the purely personal answer of one professional economist—not an inspired bureaucrat—is No. Though we have socialized some of our economic functions in considerable degree and though we have gone beyond the facilitating role of government and into operative activities to some extent we have not taken the one fateful step which, as I read the literature and observe the facts, seems to me the hallmark of socialism as a system. That is the nationalization of industries.

"I am quite aware that there are people in Washington as well as Detroit who yearn and labor to that end. There are no doubt people of that persuasion in government as well as in other callings. But in my belief they are very much in the minority. And I do not think that present steps carry us down that road."

Today I am not so sure about the size of that minority or even the fact that, under conditions of incipient depression, it might not become a majority. The railroads have been under technical government seizure for more than two years. The steel industry was seized without the cloak of war

powers. A great volume of government communication business that once was handled by the private telegraph is now handled by the communications departments of various government agencies, while a telegraphers' strike is based on demands so extensive as to give color to the suggestion that it may have been designed to force this whole business into government hands.

Two weeks ago, the Supreme Court received briefs and heard oral argument on the seizure of the steel industry. The Court's decision in that case and the subsequent action of Congress if the seizure is not upheld will go far to give us the cue as to whether tomorrow's economic situation will be one in which management and labor have the opportunity to hammer out their own contracts and take responsibility for settling disagreements without arresting the process of production. Even if seizure is not upheld, we as a free people might decide on Nov. 4 and other election days that we will no longer rely upon this system but will try to buy prosperity at the price of control.

The question of tomorrow's economic situation is not merely the continuation of prosperity but also the preservation of freedom.

**Bankers Offer Tenn. Gas Transmission Stk.**

A nation-wide investment banking group headed jointly by Stone & Webster Securities Corporation and White, Weld & Co. on May 27 offered 100,000 shares of 5.25% cumulative preferred stock, \$100 par value, and 250,000 shares of common stock of Tennessee Gas Transmission Co. The preferred stock is priced at \$100 per share and the common stock at \$29.50 per share.

Owner and operator of a pipe line for the transportation and sale of natural gas, Tennessee Gas Transmission is increasing daily delivery capacity of its system from its present capacity of approximately 1,200,000 MCF to an authorized capacity of 1,310,000 MCF. The company estimates that the remaining costs of such expansion will be approximately \$45,000,000 which will be obtained from general funds, operations, short-term bank loans and additional financing as yet undetermined. Proceeds from the current financing will be applied to the payment of a portion of the company's outstanding short-term notes previously incurred for expansion purposes.

The company's system, extends from the Rio Grande Valley in Texas, to a point near Charleston, W. Va., and to the New York-Massachusetts border near Pittsfield, Mass. Principal customers are subsidiaries of The Columbia Gas System, Inc. and of Consolidated Natural Gas Company. Deliveries are also made to a number of other gas utilities and to the company's wholly-owned subsidiary, Northeastern Gas Transmission Company which is currently supplying natural gas to several distributing companies in New England. For the 12 months ended March 31, 1952, Tennessee Gas Transmission sold and transported over 400 million MCF of gas.

**Courts Director**

Thomas J. Watson, Chairman of the board of the IBM World Trade Corporation, has announced the election of Richard W. Courts, Jr., partner in the investment banking firm of Courts & Co., Atlanta, Ga. to the board of directors of the company.

**With Waddell & Reed**

(Special to THE FINANCIAL CHRONICLE)  
KANSAS CITY, Mo.—Alfred A. Julian is now with Waddell & Reed, Inc., 1012 Baltimore Avenue.

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**"Our Dwindling Sovereignty"**

warns against the United States becoming entangled in the politics of any foreign country. Washington expressed the view that it should be the policy of the United States to minister to the wants of foreign countries without being engaged in their quarrels. (We certainly are ministering to their wants, but we don't seem to be able to stay out of their quarrels.)

Later on in his Farewell Address, Mr. Washington stated that it was unavoidable for the European countries, with their diverse interests, to avoid frequent controversies. But he added, "our detached and distant situation invites and enables us to pursue a different course."

It seems to me that much of our present complications results from the fact that our situation didn't long stay "detached and distant." When Washington gave his advice, it was a six weeks' to two months' trip from Italy to the United States. Recently, an acquaintance of mine, using a regular scheduled passenger plane, had supper in Milan and breakfast shortly after 8 o'clock the next morning in New York. I understand that modern military planes (possibly carrying atomic bombs) could make the trip considerably quicker.

While Washington's advice seemed mighty good, it was only four or five years after he gave it before we found it necessary to fight a war with the Barbary pirates in the Mediterranean because they wouldn't let our shipping alone, and because our country simply had to trade with other nations across the seas in order to grow. And then a few years after that, England and France got into a fight and when Mr. Jefferson's attempt to prohibit trade with either of them wouldn't work, we got into a fight with one of them about 1812. Then, barring the Mexican affair in 1846 (which Mr. Clark doesn't like to discuss, but which did enable Texas to secure its freedom from Mexico and join (or annex) the United States), we got along pretty peaceably with the rest of the world for some 85 years, and then, largely because again we were trading with Cuba and the East Indies and disagreed with some of Spain's policies, we got into a little trouble with her which didn't last very long because Spain wasn't able to hold up her end of it.

Then about 1914 some of our good customers in Europe got into a row; one of them objected to what we thought was our right to free trade with the other one and carried their objection to a point where they sunk our ships carrying on this trade and, as we thought, murdered the people on those ships. And, in spite of our best efforts, we were soon in that war. World War II was largely a repetition of this.

It seems to me that in Washington's time transportation and communication were such that countries like the United States were in the fix of a man whose house is in thinly settled country. He doesn't think what his distant neighbor does is any of his business and how this neighbor keeps house or what his fire precautions are doesn't affect him.

But improvements in transportation and communication have had the effect of moving all of those houses close together like houses of a city block. Bad house-keeping or unsanitary conditions in one house in such a block can result in a disease epidemic which affects others. Or a fire breaking out in one house will spread to the others.

Under such conditions, people simply can't ignore their neighbors' actions. They have to adopt community rules and regulations protecting the safety and welfare of all of them.

It is much more likely that Mr. Clark is right than I am. But I sometimes wonder.

**C. P. CONRAD**  
President, Iowa-Illinois Gas and Electric Company

I think Mr. J. Reuben Clark, Jr. in his article "Our Dwindling Sovereignty" does a service to the nation in pointing out some of the dangers in our present course in foreign policy. I cannot agree with him as to all of the steps which he thinks should now be taken to correct these errors but he is certainly right that we cannot go on in our present course and preserve the best opportunities for future citizens in the United States.



C. P. Conrad

**HON JOHN T. WOOD**  
U. S. Congressman from Idaho  
I am pleased to inform you that I agree with Mr. Clark as far as he goes against the United Nations, but I go all the way, to "get out of it."

**HERBERT ABRAHAM**  
President, The Ruberoid Co.  
I find myself concurring with most of the conclusions reached by Mr. Clark.

**EDWARD A. RUMELY**  
Executive Secretary, Committee for Constitutional Government, New York City

Several members of our Committee read the extremely interesting statement of J. Reuben Clark, Jr., and commented upon it favorably.

You are rendering a real service by bringing this to public attention.

**H. MURRAY-JACOBY**  
Delray Beach, Florida

I wish to congratulate the "Chronicle" on publishing the very able address of the Honorable J. Reuben Clark, Jr. who, like myself, had the high privilege of having served under the Hoover Administration as Ambassador, and this he did with much success and distinction. Particularly pertinent were the following quotations by George Washington—the forgotten man—who said: "I hope the United States of America will be able to keep disengaged from the labyrinth of European politics and wars" and again "Europe has a set of primary interests which to us have none or a very remote relation. Hence she must be engaged in frequent controversies, the causes of which are essentially foreign to our concerns. Hence, therefore, it must be unwise in us



Col. Murray-Jacoby

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## "Our Dwindling Sovereignty"

to implicate ourselves by artificial ties in the ordinary vicissitudes of her politics or the ordinary combinations and collisions of her friendships or enmities." And again, and important as to the distinction between political and commercial ties: "The great rule of conduct for us in regard to foreign nations is, in extending our commercial relations, to have with them as little political connection as possible."

Now to lead up to a point I wish to make, permit me to quote from a little known statement which General Douglas MacArthur made at the time of Gandhi's assassination in India. Said the General: "In the evolution of civilization, if it is to survive, all men cannot fail eventually to adopt his (Gandhi's) belief that the process of mass application of force to resolve contentious issues is fundamentally not only wrong but contains within itself the germs of self-destruction."

With these thoughts before us, let us remember that in one single generation we have been involved in two gigantic world wars, in a limited war now, and a potential third world war an ominous possibility. With our enormous and justly earned economic power we should have been able to wield great corrective power without the necessity of stepping outside the framework of our most cherished tradition. In World War II we pulled 10 million men out of their offices, workshops and farms to beat down the menace of Prussian militarism, losing one million in dead and wounded, all of which could have been avoided through a few astute moves in the early twenties. In this connection I am enclosing a photostat copy of my page long letter to the New York "Times" as published in August, 1922. Therein I suggested the immediate stabilization of the German mark, with the warning that if we failed to intervene we would be confronted with a vast army of malcontents in Central Europe which would become a gigantic threat. I dealt with the excesses of the tariff which was creating dangerous upsets in the free flow of economic balances, etc. Now please note from the enclosed table that the German mark went on the toboggan slide in earnest during 1923 at the end of which year a trillion marks equalled one American dollar; another way of saving that all annuities, savings and pensions were wiped out and thus created that "vast army of malcontents" with which we eventually had to come to grips on the military level since we failed to understand the potential menace on the world economic level. In this regard bear in mind that we did not stabilize the mark situation via the Dawes Loan till the fall of 1924, or two years after my urgent suggestion to do so, and after the child had fallen into the well. It took 17 years for the disastrous subrosa forces to jell into a military world explosion, and another additional two years, at the Atlantic Charter Conference, to acknowledge by implication just what the subrosa forces which caused World War II had been. The Bretton Woods Agreements of 1944 and the Reciprocal tariff act represented the formalization of these belated convictions. For just as the advent of one American dollar equalling 425,000,000 Chinese dollars was at the bottom of the Chinese Communist revolution—some of our retroactive perfectionists notwithstanding—so was the advent of one trillion marks equalling one American dollar the cause of "Communism of the right" in

Germany, sometimes known as Nazism.

The obvious lesson for us is, of course, never ever to permit ourselves to get into an even remotely similar position. The obvious answer to that is that we must never permit ourselves to get involved into an extensive war which would so weaken our economic system that an eventual violent swing to the left would be the natural historic consequence. It will never be possible to convert our 800 million Communist opponents into Jeffersonian democrats in three easy lessons; it might take three generations to do it. It might have been nice to stabilize the Russian revolution at the Kerensky level, or the Mexican one at the Madero level, or the Cuban one at the Cespedes level, or the Chinese at Dr. Hu Shi's level. But that's for the wishful thinking amateurs; history just does not work that way. Communism as I said as far back as 1919 (N. Y. "Times" April, 1919 "Lenin's Education") is an economic monstrosity. If given enough rope it must, because of the fundamental laws of economics, fall flat on its face. So let's give it a chance to do so. But it will never happen if we permit ourselves to get sucked into the quicksand of excessive European or Asiatic involvements. It's all very nice to talk about collective security, but as Winston Churchill once put it: "There is not much collective security in a flock of sheep on the way to the butcher."

Fortunately, there is a way out, and Ex-President Hoover in his brilliant foreign policy speeches has shown us the way.

### HON. ARTHUR V. WATKINS U. S. Senator from Utah

Mr. Clark, who is a member of the church to which I belong, is also a friend of mine. I was so impressed with the speech when I first read it that I had it inserted in the Congressional Record so that many of my friends could read it. I have since received copies from people all over the country who have seen it printed in various publications. I think it is one of the finest speeches that has been made on this subject and no one could point up the situation and the reasons for it better than Mr. Clark.

### W. W. GASSER President, Gary National Bank, Gary, Ind.

I have read Mr. Clark's article and I think I quite agree with his thinking.

I am an isolationist so far as war is concerned; however, I believe in trading with other nations. I believe in buying from them and paying cash and expecting the same thing from them. I do believe in high enough tariffs to protect American labor against foreign cheap labor.

I am a great believer in the old Monroe Doctrine. I would not permit Europe or Asia to set foot on the American shores and by the same token I think it is only fair that we do not send armies to their shores. Why should we tell Europe and Asia that they

cannot get a military foothold on our continent and yet we go to theirs and do the very thing we tell them they cannot do. I do not think it is fair.

Neither do I think a nation of 150 million people can guarantee the sovereignty of two billion people scattered all over the world. I would keep strong militarily and economically at home. If we destroy our economic strength we also weaken our military strength. I would stop giving away that which we cannot afford to give. I would bring our boys home from an undeclared war. We fought World War I to make the world safe for democracy yet we have less democracy today than we had then. We fought World War II to end all wars but we are more deeply entangled in foreign affairs today than we have ever been. I am for keeping America strong and am for free enterprise, constitutional government, obedience of laws, and a reduction of debt and taxes. I think I quite agree with the conclusions reached by Mr. Clark.

### HON. H. R. GROSS U. S. Congressman from Iowa

I will read Mr. Clark's article carefully. Meanwhile, in skimming over it, I can see that many of our views coincide. In that connection, I believe you will be interested in the enclosed copy of one of my weekly Legislative Reports.

\*Editor's Note: The text of Congressman Gross' report, dated Jan. 2, 1952, reads as follows:

"As we start a new year, and a new session of Congress, we must face the fact that Truman's internationalism is the root of this nation's domestic and foreign problems. This is the issue to be faced squarely and courageously before it's too late.

"Today, every true American must feel there is something wrong with the United States carrying the burden of furnishing the money and blood to regulate the world. Our common sense tells us that the American people have been framed.

"The core of our trouble is the United Nations Organization. This international humbug was bred in Washington, D. C., Aug. 21 to Oct. 7, 1944, at what was known as the Dumbarton Oaks Conference. It was there concocted by representatives of the United States, Britain, Russia and China.

"This scheme to sell the United States to the Internationalists, manipulated in Washington, was then adopted at San Francisco, April 25 to June 26, 1945, and the Charter was drawn up. The original parties consisted of 50 nations, and its membership now includes 60 nations.

"The Charter became effective Oct. 24, 1945, upon ratification of five permanent members of the Security Council. The Security Council consists of the same crowd that originally met at Dumbarton Oaks, except that France was added.

"There is a myriad of other subdivisions such as the Economic and Social Council, the Trusteeship Council, the International Court of Justice, etc.

"In short the United Nations Organization is virtually a complete World Government tending to become paramount to all existing governments.

### "The Sell Out"

"In order that you may understand clearly and without any misunderstanding, I call to your attention the following recorded facts:

"Each Nation regardless of size or population has representation of five members.

"Each Nation regardless of size or population has one vote, excepting Russia.

"Iceland, with only 140,000 pop-

ulation, has one vote. The United States with 152,000,000 population has one vote.

"Iceland, Luxemburg, Panama, Costa Rica each have less than a million population. The four taken together have slightly more than two million population yet the four have four times as much voting power as the United States.

"Here is another comparison: in land area, Luxemburg, a member nation, consists of 990 square miles. Mitchell and Worth counties, in our Third Iowa Congressional District, have about the same land area. Yet this little country of Luxemburg, no larger than Mitchell and Worth counties, has as big a voice in the U. N. as does the entire United States!

"The average population of seven member Nations is about half the population of the State of Iowa.

"Thirty of the sixty member Nations have a population ranging from 140,000 to 8,000,000.

"As if this were not enough look at this: Russia with a population of 193 million has three votes compared with 152 million for the U. S. and one vote. This is the sell-out perpetrated by Alger Hiss and other assorted characters, who, with Truman's blessing, represented the United States at the San Francisco Follies!

### "U. S. Can't Win"

"It is obvious the United States cannot win. On a population basis, we are outnumbered 7 to 1. On a voting basis we are outnumbered 59 to 1. Take your choice of how you lose, there is no way to win in such an organization.

"With this picture, you have the reason why billions of American dollars are being poured into foreign countries in an effort to bribe and buy votes in this thing called the U. N. How long do you think we can continue to pay the price?

"Of far greater importance, American boys must do practically all the fighting and dying on orders of this bunch of foreigners to whom we have sold out in this fantastic international deal.

"Have we forgotten that our forces in Korea are not allowed to bomb and destroy the lethal weapons of our enemies because this parasitic organization of foreigners will not agree to it?

"In addition to this international monstrosity that is dissipating American lives, natural resources and money, we are importing to America economic and political formulas from abroad despite the fact that in the lands of their origin these formulas have failed completely.

"The Constitution of the United States is close to going down the drain, with the spider-web banner of the U. N. internationalists-for-a-profit supplanting the Stars and Stripes.

### "Uncle Sam—The Chump"

"Although there are 60 nations in the U. N., the United States contributes nearly half or approximately \$25,000,000 for its support. Recently, the United States asked that its annual cash outlay for support of the organization be reduced \$1,500,000. But when the vote was taken, only one country, Nicaragua, supported us. Britain and France, two of the nations to which American taxpayers have been most generous, led in the voting against us.

"That's how we rate when the roll is called!"

### JULIAN B. BAIRD

President, First National Bank,  
St. Paul, Minn.

I disagree with Mr. Clark's conclusions. The kind of America he conjures up is a sweet and pleasant one, but not realistic in this day and age.

### THEODORE ROKAHR President, First Bank & Trust Company of Utica, N. Y.

It is refreshing to know that a man of Mr. Clark's stature and experience shares my long held belief that the only remedy for the ills which beset this nation of ours is a return to the traditional principle of neutrality advocated by George Washington in his Farewell Address.



Theodore Rokahr

However, I fear that a return to the principles framed by what Mr. Clark calls "the good sense and inspiration of our founding fathers" is not as imminent as I would hope, because as Mr. Lawrence Dennis said in the May 17 issue of the "Appeal to Reason" (published at Becket, Mass.), "With a crazy foreign policy, a crazy state of the law in which a state of war is legally pronounced, a state of peace, and a crazy global crusade to stop what has gone on since the beginning of human history (war), it is to be expected that individual and mass behavior patterns will become crazier and crazier by the day."

### GORDON L. McDONOUGH U. S. Congressman from California

Mr. Clark's article is the best I have read on chronological history of U. S. treaties and their effect on our constitutional rights.

I have long been interested in this subject, and am enclosing a copy of my remarks and my H. J. Res. 325 which may interest you."

\*Editor's Note: We reproduce herewith text of Congressman McDonough's address in the House of Representatives on Feb. 18, 1952, along with the text of H. J. Resolution 325 which he introduced in the House of Representatives on Sept. 17, 1951, and which was referred to the Committee on the Judiciary:

### "Eternal Vigilance Is the Price of Liberty"

"Mr. Speaker, I fully realize the importance of the preservation of our civil rights under the Constitution and the Bill of Rights. I want to make sure that these rights will never be nullified, and I have, therefore, introduced House Joint Resolution 325, a proposed amendment to the Constitution of the United States which reads as follows:

"Treaties made under the authority of the United States and international agreements entered into by the Department of State or by the President shall be void to the extent that they abrogate or interfere with any of the rights guaranteed to citizens of the United States by the Constitution."

"It is these rights and all other rights guaranteed to citizens of this Nation that would be protected by ratification of the amendment proposed in House Joint Resolution 325 from nullification by any treaty or international agreement.

"The first line of defense for the United States in the struggle in which we are now engaged, to meet the aggression of Soviet communism, is not only the military might of our weapons of destruction. Our first line of defense is the basic concept of freedom upon which our Nation was established, the protection of individual liberty which insures the personal freedom of every American as guaranteed under the Constitution.

"Too many of us live under the false and erroneous belief that the Constitution is self-executing. This is the dangerous belief that



W. W. Gasser

our Communist enemies would like us to fall into. Eternal vigilance is the price of liberty. This means that we must always be alert and alive to any attempts to abolish, abrogate, or interfere with the freedoms or liberties, rights, or privileges, guaranteed to us under the United States Constitution, whether these attempts originate inside or outside our Government.

"Let me ask you a simple question. Do you know that the terms of a treaty between the United States and any foreign nation becomes the supreme law of the land and that the judges in every State in the United States are bound to recognize the terms of such a treaty as the supreme law of the land notwithstanding anything in the Constitution or laws of any State?"

"If you did not know this, permit me to inform you that what I have just stated to you is the contents of article VI, paragraph 2 of the present United States Constitution.

"To further explain this point, the laws of Congress are not the supreme law of the land unless they shall be made in pursuance thereof—of the Constitution. But a treaty is the supreme law of the land when made under the authority of the United States—that is, when negotiated by the President and approved by the Senate. The people having expressed their national will in a treaty, the will of a State respecting the subject must conform to the superior will.

"The Supreme Court has ruled—*Lone Wolf v. Hitchcock* (187 U. S. 553, 1903):

"It is well settled that in case of a conflict between an act of Congress and a treaty, each being equally the supreme law of the land, the one last in date must prevail."

"This means that the approval of a treaty can repeal a law previously passed by the Congress.

"The framers of the Constitution had a good and sufficient reason to make the terms of a treaty the supreme law of the land and consequently a matter of honor and responsibility to all citizens to uphold. They did not envision the United States would ever become involved in the many and complex treaties, compacts, and international agreements which we have become party to in recent years under the United Nations, which threatens our civil rights and the freedom and liberty guaranteed by the United States Constitution and our Bill of Rights.

"Too few of us realize the importance of this provision of the Constitution. Too few Americans realize that within this one short paragraph there exists a threat to their civil rights, to their individual liberty.

"At the present time the United States under the foreign policy pursued by the present administration has become allied with other nations and is building up a defense system which involves the coordinated effort of all of these nations through international agreement and treaty. Under these circumstances it is possible that under the many compacts, contracts, conventions, protocols, accords, pacts, covenants, agreements, understandings, and other methods of negotiation with foreign countries in recent years, some provision within such agreements impinges upon the civil rights of the people of the United States guaranteed by the Constitution.

"In addition to the treaties, compacts, contracts, and international agreements that we have already entered into, there are already many additional international agreements, treaties, and compacts, now under consideration by the United Nations, which we will be called upon to approve or reject.

"Let me repeat so that you will fully understand. Article VI of

the Constitution clearly states that a treaty, and every provision contained in it, shall become the supreme law of the land and the judges in every State shall be bound by its provisions.

"I am confident that every American citizen takes great pride in the United States Constitution, the fundamental basic law of this great Nation. I have seen thousands upon thousands of people come to the Congressional Library here in Washington and stand in silent reverence as they look upon the original handwritten document that guarantees our liberties and freedoms, of the press, of speech, of religion, of trial by jury, of the right to peaceable assembly and to petition the government for redress of grievances, and protect us against excessive bail or excessive fine or cruel or unusual punishment for crimes committed.

"I am also aware of the fact that too few American people realize that the United States Constitution must be protected or the liberties and freedoms we enjoy because of it may be lost.

"Our Constitution is the best plan ever made to assure freedom and to release the creative powers of men. It guarantees all the freedoms. Its guarantees of life, liberty, and property made possible the American way of life. They stimulated more new enterprise and invention and gave us in this country a higher standard of living, better housing, more food, and greater freedom in our civil, religious, and personal lives than any other people in history have enjoyed."

### Text of Resolution

Herewith is the text of Congressman McDonough's resolution:

**H. J. RES. 325  
IN THE HOUSE OF  
REPRESENTATIVES  
Sept. 17, 1951**

Mr. McDonough introduced the following joint resolution; which was referred to the Committee on the Judiciary.

### JOINT RESOLUTION

Proposing an amendment to the Constitution of the United States relative to the effect of treaties and international agreements upon the civil rights of citizens of the United States.

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each House concurring therein),*

That the following article is proposed as an amendment to the Constitution of the United States, which shall be valid to all intents and purposes as part of the Constitution when ratified by the legislatures of three-fourths of the several States:

#### "Article—

"Section 1. Treaties made under the authority of the United States and international agreements entered into by the Department of State or by the President shall be void to the extent that they abrogate or interfere with any of the rights guaranteed to citizens of the United States by the Constitution.

"Section 2. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the legislatures of three-fourths of the several States within seven years from the date of its submission."

**HON. CARROLL REECE  
U. S. Congressman from Tennessee**

The article by Mr. J. Reuben Clark, Jr. effectively points up the difficulties and dangers confronting us, which should be most helpful in preparing the way for a sound course of action.

### RICHARD WAGNER President, The Chicago Corporation

I thoroughly agree with most of the views expressed by Mr. Clark but I would go beyond his general position.

I realize that it is not generally popular to disapprove of our membership in the United Nations, but I do. I think the charter was drawn with provisions which definitely limit our right of self-determination. Furthermore, I believe that the United Nations has expanded into fields which are way beyond anything that was originally contemplated. There may be some basis for a coalition of nations who believe in certain fundamental human rights to unite for the purpose of resisting aggression, but to give such a body the power to commit this nation to armed ventures without the approval of our Congress is a delegation of sovereign rights which is inconsistent with our own national philosophy.

The decision in the California courts that the United Nations' charter vitiated that state's laws with respect to ownership of land by aliens is, in my judgment, an indication of potentials of interference in our own national objectives and safeguards which should be eliminated from the scope of the United Nations' activities. It is entirely conceivable, for example, that Russia could use its aliens in this country to acquire strategic seacoast properties which could be of immense value to Russia in the event of active hostilities between our two nations. There is, as you know, an active effort to cause Congress to void this potential.

It seems to me that the United Nations is a "club" wherein all of the other members are seeking ways and means to extract from this country benefits to themselves without giving in return anything which is of any major significance to our own advantage. It seems to me, further, that if we are willing to accept the role of leader in international affairs outside of the Communist front we can accomplish all of the objectives this implies without giving up the ultimate decision as to our actions to a group which have only their own selfish interests at heart.

None of what I have said means I believe we should be completely isolationistic in our attitude toward world affairs, but it does imply that I do not believe that this country should make itself the guardian of human behavior in every part of the globe with the responsibility of providing armies and funds at the behest of an international organization where our voice is only one of many. If for no other reason, we just can't afford it. Furthermore than this, our ideals are not necessarily shared by the rest of the world. Many Americans do not understand this fact nor do they understand that we are looked upon with growing suspicion, particularly by the Middle Eastern nations, first because they do not share our idealistic concepts and second because we have been "euchred" into a position in Middle Eastern affairs which makes us appear as conspirators to perpetuate the imperialistic objectives of the leading European countries.

Apart from the threat to our own sovereignty it appears to me that the United Nations is the



Richard Wagner

modern "Tower of Babel" with a good part of the babel coming in the form of propaganda, lying invectives, and gross misrepresentation from the very nation which is the professed enemy of the lofty ideals the dreamers had when the United Nations was formed. The ridiculous spectacle of our sitting at the same council table with Russia, the nation undoubtedly responsible for over 100,000 American casualties, is repugnant to my concept of Americanism.

**Tomorrow's  
Markets  
Walter Whyte  
Says—**  
By WALTER WHYTE

Last week's market was a repetition of the market for the week before. There were some minor flurries in isolated issues but no sooner did they start showing signs of establishing a new up trend than they faded and left new buyers locked in.

This pattern was first noticed in the oils some weeks ago. It then spread to the rails and today it seems to dominate the entire market. Its presence, however, isn't so prominent as to frighten holders out. In fact few influences that may affect the main trend of prices are prominent at the start of a move. They become prominent at the tail end of a cycle and by that time the damage is so great that pointing to it is almost completely academic.

In simple language, it works something like this: Stock "A" picks up activity on the tape. From a lethargic position of between 40 to 50, it calls attention to itself by pushing through the 50 figure with accompanying volume. Some public buying gets it to 55 or 60. Usually there's some news (plus rumors) of either sensational higher earnings, upped dividends or some other corporate development that may justify not only current prices but higher prices as well. A split is always good for a point or more.

The stock is now around 59-60 and has attained a semi-respectability. It is interesting to note, however, that most of the public buying came in around 58-59. Obviously such recent buyers aren't going to sell out at 60 because there would be an actual loss after taxes and commissions.

Suddenly the stock crosses 60 in volume and new buyers who've been waiting are electrified and jump in, doing most of their new buying at say 61 to 61½ or so. The old buyers simply hold on, licking their chops. But instead of going up the stock now eases

off and at the end of a week it is back to around 60 or slightly underneath. This pattern is repeated, accompanied by some volume; the stock goes up to around 61 and then, on small volume recedes to under 60. It is almost a certainty that a lot of longs are locked in around the 60 price.

Multiply such performance by the market and you have a condition that spells danger. The explosion, if, as and when, frequently depends on other factors. Some of this is news which may be based on fundamental economic development so involved that recognizing its meaning is too intricate to go into here. Manufactured news and propaganda is part of publicity campaigns. To recognize the hidden meanings is a task the market sets for itself.

Right now it is saying that there is danger ahead. The what and the why will have to wait another day.

*[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.]*

### Burroughs Adding Machine Debts. Offered

The first public debt financing on behalf of Burroughs Adding Machine Co. in its 66 years of business was undertaken yesterday by the sale of an issue of \$25,000,000 of 25-year sinking fund debentures, through a nation-wide banking group headed by Lehman Brothers. The obligations bear interest of 3½%. They were priced at 101.27, a yield basis of about 3.30%.

Burroughs, one of the leading companies in the business machine industry, plans to use \$6,000,000 of the proceeds for the retirement of short-term bank indebtedness \$8,000,000 for construction and equipment of two new buildings including one for expanded research facilities. The balance will be added to working capital and be available for general corporate purposes.

According to the underwriters the scarcity of obligations of well established industrial enterprises is resulting in widespread interest in the offering of the Burroughs debentures, particularly among insurance companies, pension funds and other investing institutions.

The debentures are subject to redemption for a sinking fund scheduled to retire a minimum of \$835,000 of the issue annually from 1957 to 1976. Sinking fund redemption prices begin at 101.09 and optional redemption prices at 104.25.

### Addresses Williston Staff

Sir Louis Beale, Q.C.M.G., Wednesday, May 28, addressed the customers, guests and staff of J. R. Williston & Co., on Canada and its extraordinary developments in oil, gas, gold, cobalt, nickel and iron ore. Sir Louis Beale, who spent most of his life in the British Foreign Service, lived in Canada for many years.

### With Waldron & Co.

(Special to THE FINANCIAL CHRONICLE)  
SAN FRANCISCO, Calif.—Harry L. Silverman has become associated with Waldron and Company, Russ Building.

# 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	Latest Month	Previous Month	Year Ago
<b>AMERICAN IRON AND STEEL INSTITUTE:</b>							
Indicated steel operations (percent of capacity)..... June 1	102.3	102.7	52.1	102.7			
Equivalent to—							
Steel ingots and castings (net tons)..... June 1	2,124,000	*2,134,000	1,083,000	2,053,000			
<b>AMERICAN PETROLEUM INSTITUTE:</b>							
Crude oil and condensate output—daily average (bbbls. of 42 gallons each)..... May 17							
Crude runs to stills—daily average (bbbls.)..... May 17							
Gasoline output (bbbls.)..... May 17							
Kerosene output (bbbls.)..... May 17							
Distillate fuel oil output (bbbls.)..... May 17							
Residual fuel oil output (bbbls.)..... May 17							
†Stocks at refineries, bulk terminals, in transit, in pipe lines—							
Finished and unfinished gasoline (bbbls.) at..... May 17							
Kerosene (bbbls.) at..... May 17							
Distillate fuel oil (bbbls.) at..... May 17							
Residual fuel oil (bbbls.) at..... May 17							
<b>ASSOCIATION OF AMERICAN RAILROADS:</b>							
Revenue freight loaded (number of cars)..... May 17	754,373	719,793	735,097	809,475			
Revenue freight received from connections (no. of cars)..... May 17	628,754	623,634	616,484	682,489			
<b>CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS-RECORD:</b>							
Total U. S. construction..... May 22	\$237,861,000	\$284,683,000	\$371,079,000	\$177,115,000			
Private construction..... May 22	140,699,000	165,538,000	186,185,000	80,789,000			
Public construction..... May 22	97,162,000	119,145,000	184,894,000	96,326,000			
State and municipal..... May 22	59,976,000	80,117,000	130,664,000	69,840,000			
Federal..... May 22	37,186,000	39,028,006	54,230,000	26,486,000			
<b>COAL OUTPUT (U. S. BUREAU OF MINES):</b>							
Bituminous coal and lignite (tons)..... May 17	8,350,000	8,025,000	9,195,000	9,637,000			
Pennsylvania anthracite (tons)..... May 17	720,000	721,000	683,000	782,000			
Beehive coke (tons)..... May 17	109,900	*88,200	106,000	139,300			
<b>DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100</b>							
..... May 17	99	117	97	99			
<b>EDISON ELECTRIC INSTITUTE:</b>							
Electric output (in 000 kwh.)..... May 24	\$7,146,204	*7,110,393	7,134,844	6,652,699			
<b>FAILURES (COMMERCIAL AND INDUSTRIAL)—DUN &amp; BRADSTREET, INC.</b>							
..... May 22	145	154	168	191			
<b>IRON AGE COMPOSITE PRICES:</b>							
Finished steel (per lb.)..... May 20	4.131c	4.131c	4.131c	4.131c			
Pig iron (per gross ton)..... May 20	\$52.77	\$52.77	\$52.72	\$52.69			
Scrap steel (per gross ton)..... May 20	\$42.00	\$42.00	\$42.00	\$43.00			
<b>METAL PRICES (E. &amp; M. J. QUOTATIONS):</b>							
Electrolytic copper—							
Domestic refinery at..... May 21	24.200c	24.200c	24.200c	24.200c			
Export refinery at..... May 21	27.425c	27.425c	27.425c	24.425c			
Straits tin (New York) at..... May 21	121.500c	121.500c	121.500c	139.000c			
Lead (New York) at..... May 21	15.000c	15.000c	19.000c	17.000c			
Lead (St. Louis) at..... May 21	14.800c	14.800c	18.800c	16.800c			
Zinc (East St. Louis) at..... May 21	19.500c	19.500c	19.500c	17.500c			
<b>MOODY'S BOND PRICES DAILY AVERAGES:</b>							
U. S. Government Bonds..... May 27	98.45	98.92	98.66	97.45			
Average corporate..... May 27	110.15	110.15	110.15	111.25			
Aaa..... May 27	114.46	114.46	114.66	115.24			
Aa..... May 27	112.93	112.93	113.12	114.46			
A..... May 27	109.42	109.42	109.60	110.15			
Baa..... May 27	104.31	104.31	103.97	105.69			
Railroad Group..... May 27	107.62	107.44	107.44	107.80			
Public Utilities Group..... May 27	109.60	109.60	109.60	111.07			
Industrials Group..... May 27	113.50	113.70	113.70	114.85			
<b>MOODY'S BOND YIELD DAILY AVERAGES:</b>							
U. S. Government Bonds..... May 27	2.60	2.57	2.59	2.67			
Average corporate..... May 27	3.16	3.16	3.16	3.10			
Aaa..... May 27	2.93	2.93	2.92	2.89			
Aa..... May 27	3.01	3.01	3.00	2.93			
A..... May 27	3.20	3.20	3.19	3.16			
Baa..... May 27	3.49	3.49	3.51	3.41			
Railroad Group..... May 27	3.30	3.31	3.31	3.29			
Public Utilities Group..... May 27	3.19	3.19	3.19	3.11			
Industrials Group..... May 27	2.98	2.97	2.97	2.91			
<b>MOODY'S COMMODITY INDEX</b>							
..... May 27	432.9	436.8	430.7	494.4			
<b>NATIONAL PAPERBOARD ASSOCIATION:</b>							
Orders received (tons)..... May 17	181,601	204,041	163,623	206,161			
Production (tons)..... May 17	205,276	206,350	196,697	257,930			
Percentage of activity..... May 17	83	81	81	106			
Unfilled orders (tons) at end of period..... May 17	388,381	412,863	389,115	680,105			
<b>OIL, PAINT AND DRUG REPORTER PRICE INDEX—1922-24 AVERAGE = 100</b>							
..... May 23	139.9	139.4	140.8	153.2			
<b>STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:</b>							
<b>Odd-lot sales by dealers (customers' purchases)—</b>							
Number of orders..... May 10	24,686	27,989	23,247	35,027			
Number of shares..... May 10	694,773	802,482	959,376	1,054,901			
Dollar value..... May 10	\$31,039,809	\$35,834,718	\$30,197,111	\$48,829,178			
<b>Odd-lot purchases by dealers (customers' sales)—</b>							
Number of orders—Customers' total sales..... May 10	21,370	23,109	19,578	30,853			
Customers' short sales..... May 10	131	198	108	208			
Customers' other sales..... May 10	21,239	22,911	19,470	30,645			
Number of shares—Total sales..... May 10	575,448	660,310	541,842	869,592			
Customers' short sales..... May 10	4,545	7,792	3,874	7,758			
Customers' other sales..... May 10	570,903	652,518	537,968	861,834			
Dollar value..... May 10	\$24,463,941	\$27,739,245	\$23,415,126	\$37,121,079			
<b>Round-lot sales by dealers—</b>							
Number of shares—Total sales..... May 10	157,210	198,920	158,800	262,910			
Short sales..... May 10							
Other sales..... May 10	157,210	198,920	158,800	262,910			
<b>Round-lot purchases by dealers—</b>							
Number of shares..... May 10	293,480	310,790	251,560	410,080			
<b>TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):</b>							
Total Round-lot sales—							
Short sales..... May 3	260,800	282,540	230,590	397,540			
Other sales..... May 3	6,520,070	6,949,140	7,783,790	10,686,930			
Total sales..... May 3	6,780,870	7,231,680	8,014,380	11,084,470			
<b>ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS</b>							
<b>Transactions of specialists in stocks in which registered—</b>							
Total purchases..... May 3	690,170	774,990	830,560	1,097,590			
Short sales..... May 3	138,590	146,230	130,490	211,400			
Other sales..... May 3	605,950	632,040	744,740	885,600			
Total sales..... May 3	744,540	778,270	875,230	1,097,000			
<b>Other transactions initiated on the floor—</b>							
Total purchases..... May 3	146,850	219,600	255,440	326,500			
Short sales..... May 3	14,800	16,100	16,700	17,800			
Other sales..... May 3	160,510	195,780	268,700	303,300			
Total sales..... May 3	175,310	211,880	285,400	321,100			
<b>Other transactions initiated off the floor—</b>							
Total purchases..... May 3	231,663	289,833	368,777	436,330			
Short sales..... May 3	34,390	36,600	35,650	72,700			
Other sales..... May 3	278,441	353,495	457,490	424,287			
Total sales..... May 3	312,831	390,095	493,140	496,987			
<b>Total round-lot transactions for account of members—</b>							
Total purchases..... May 3	1,068,683	1,284,423	1,454,777	1,860,420			
Short sales..... May 3	187,780	198,930	182,840	301,900			
Other sales..... May 3	1,044,901	1,181,315	1,470,930	1,613,187			
Total sales..... May 3	1,232,681	1,380,245	1,653,770	1,915,087			
<b>WHOLESALE PRICES, NEW SERIES—U. S. DEPT. OF LABOR—(1947-49 = 100):</b>							
<b>Commodity Group—</b>							
All commodities..... May 19	112.0	111.6	111.3	-----			
Farm products..... May 19	108.3	106.7	107.7	-----			
Processed foods..... May 19	108.7	108.7	107.7	-----			
Meats..... May 19	113.9	114.2	111.4	-----			
All commodities other than farm and foods..... May 19	113.0	112.9	113.1	-----			

\*Revised. †Not available. ‡On new basis. §Preliminary figure.

\*Revised figure. †Not available.



# Securities Now in Registration

★ INDICATES ADDITIONS  
SINCE PREVIOUS ISSUE  
● ITEMS REVISED

● **American Gas & Electric Co. (6/18)**  
May 21 filed \$20,000,000 of sinking fund debentures due 1977, and 170,000 shares of common stock (par \$10). **Proceeds**—To be invested in common stocks of Appalachian Electric Power Co. and Ohio Power Co. and to repay bank loans. **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**—To be received up to 11 a.m. (EDT) on June 18.

● **American Hard Rubber Co.**  
March 28 filed 96,655 shares of common stock (par \$12.50) being 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 as of May 16 (with oversubscription privileges); rights expire June 4. **Price**—At par. **Proceeds**—For plant additions and construction. **Underwriter**—None. Statement effective May 19.

● **American Investment Co. of Illinois (6/10)**  
May 16 filed 100,000 shares of cumulative prior preferred stock (par \$100). **Price**—To be supplied by amendment. **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. (6/26)**  
May 22 filed between \$490,000,000 and \$510,000,000 of 12-year 3½% convertible debentures, due July 31, 1964 (convertible through July 31, 1962, into common stock beginning Sept. 30, 1952, at \$136 per share, payable by surrender of \$100 of debentures and \$36 in cash), to be offered for subscription by stockholders of record June 16 at rate of \$100 of debentures for each seven shares held; rights to expire July 31, 1952. Rights will be mailed on or about June 26. **Price**—At par. **Proceeds**—For advances to subsidiary and associated companies. **Underwriter**—None.

★ **American Telephone & Telegraph Co.**  
May 26 filed 3,000,000 shares of common stock (par \$100) to be offered pursuant to "Employees' Stock Plan" to employees of company and related companies. **Price**—\$20 below average market price for month in which payment is completed or next succeeding month (whichever is lower). **Proceeds**—For property additions and improvements and other corporate purposes. **Underwriter**—None.

● **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.

★ **Armrey Co., Winsten-Salem, N. C.**  
May 23 filed \$500,000 of Plans of the Armsfield Plan for the Systematic Accumulation of new Class B Common Stock of R. J. Reynolds Tobacco Co. **Underwriter**—None.

● **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.

★ **Border Lord Mining Corp., Seattle, Wash.**  
May 7 (letter of notification) 2,335,950 shares of common stock. **Price**—10 cents per share. **Proceeds**—For exploration. **Office**—1828 Yale Ave., Seattle 1, Wash. **Underwriter**—None.

★ **Boston Edison Co. (6/24)**  
May 27 filed \$15,000,000 of first mortgage bonds, series D, due July 1, 1982. **Proceeds**—To repay bank loans and for capital expenditures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Goldman, Sachs & Co. (jointly); Lehman Brothers; The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received on or about June 24.

★ **Boundary Bay Turf & Surf Club, Inc.**  
May 9 (letter of notification) 2,331½ shares of preferred stock (par \$100) and 2,331½ shares of common stock (par \$1). **Price**—At par. **Proceeds**—For construction and improvement of race track. **Office**—Point Roberts, Wash. **Underwriter**—None.

● **Bridgeport Brass Co., Bridgeport, Conn.**  
April 8 filed 123,732 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. At stockholders' meeting May 26 no action was taken.

★ **Bristol-Myers Co., New York**  
May 28 filed \$5,000,000 of 25-year debentures due June 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Wertheim & Co., New York.

May 28 filed 199,937 shares of common stock (par \$2.50) to be offered for subscription by common stockholders at rate of one share for each seven shares held. **Price**—To be supplied by amendment. **Proceeds**—For

expansion and general corporate purposes. **Underwriter**—Wertheim & Co., New York.

★ **California Water Service Co.**  
May 27 filed 50,000,000 shares of common stock (par \$25). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

★ **Calvert Funds, Inc., Wilmington, Del.**  
May 19 (letter of notification) 300,000 shares of common stock. **Price**—At par (\$1 per share). **Proceeds**—For acquisition, holding and sale of options on listed and unlisted securities and on commodities. **Office**—407 Shipley Street, Wilmington 1, Del. **Underwriter**—Calvert Securities Corp., Wilmington 1, Del.

● **Cardiff Fluorite Mines, Ltd., Toronto, Canada**  
May 22 filed (amendment) 300,000 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.

★ **Castle Hot Springs Hotel, Inc. (Ariz.)**  
May 22 (letter of notification) eight shares of class A common stock (par \$100), 392 shares of class B common stock (par \$100), eight promissory notes of \$5,000 each, and 22 promissory notes of \$3,000 each. **Price**—At par. **Proceeds**—To repay indebtedness. **Office**—Castle Hot Springs, Ariz. **Underwriter**—None.

★ **Central Guaranty Insurance Co., Winter Park, Fla.**  
May 19 (letter of notification) 7,000 shares of common stock (par \$10). **Price**—\$20 per share. **Proceeds**—For capital and surplus. **Underwriter**—Security Associates, Winter Park, Fla.

★ **Central Louisiana Electric Co., Inc. (6/23)**  
May 22 filed \$4,000,000 of first mortgage bonds, series D, due 1982. **Proceeds**—For construction program. **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.; Salomon Bros. & Hutzler. **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on or about June 23.

★ **Central Oklahoma Oil Corp., Oklahoma City, Okla.**  
May 20 (letter of notification) 49,940 shares of common stock (par 10 cents). **Price**—At market (estimated at \$2.50 per share). **Proceeds**—For drilling operations and working capital. **Underwriter**—Israel & Co., New York.

● **Central Vermont Public Service Corp.**  
April 23 filed 108,900 shares of common stock (par \$6) being 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, has waived its subscription rights to 38,611 of the new shares. **Price**—\$12.25 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly) who were awarded the shares on May 19. Statement effective May 20.

● **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 selling stockholders. **Underwriters**—Blair F. Claybaugh & Co., Harrisburg, Pa.

● **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. **Warrants**—Will entitle holders to purchase 452,350 shares of common stock at par (\$1 per share). They are exercisable to May 1, 1955.

● **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. **Proceeds**—For general corporate purposes. Statement effective May 21.

Continued on page 42

## NEW ISSUE CALENDAR

June 3, 1952	
Consolidated Natural Gas Co. ....	Common
(Offering to stockholders)	
Mercantile National Bank of Chicago. ....	Common
(Glore, Forgan & Co. and The Illinois Co.)	
New British Dominion Oil Co., Ltd. ....	Common
(Allen & Co.)	
Tampa Electric Co. ....	Preferred & Com.
(Bids 11 a.m. EDT)	
Tri-Tor Oils, Ltd. ....	Common
(Peter Morgan & Co.)	
June 4, 1952	
Baltimore & Ohio RR. ....	Equip. Trust Cfts.
(Bids noon EDT)	
Illinois Bell Telephone Co. ....	Common
(Offering to stockholders)	
Northern States Power Co. ....	Common
(Bids 10:30 a.m. CDT)	
June 5, 1952	
Minneapolis, St. Paul & Sault Ste. Marie RR. ....	Equip. Trust Cfts.
(Bids noon CDT)	
June 9, 1952	
Island Air Ferries, Inc. ....	Common
(Hunter Securities Corp.)	
Midwest Pipe & Supply Co., Inc. ....	Common
(G. H. Walker & Co.)	
June 10, 1952	
American Investment Co. of Illinois. ....	Preferred
(Kidder, Peabody & Co. and Alex. Brown & Sons)	
Huyck (F. C.) & Sons. ....	Preferred
(Kidder, Peabody & Co.)	
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 11, 1952	
Devon-Leduc Oils, Ltd., Winnipeg, Canada. ....	Bonds
(McLaughlin, Reuss & Co.)	
Federated Petroleum, Ltd. ....	Common
(Wood, Gundy & Co., Ltd.; Kidder, Peabody & Co.; Dominick & Dominick)	
Public Service Electric & Gas Co. ....	Common
(Morgan Stanley & Co.; Drexel & Co.; Glore, Forgan & Co.)	
Rochester Gas & Electric Co. ....	Bonds
(Bids to be invited)	
Storer Broadcasting Co. ....	Common
(Reynolds & Co. and Oscar E. Dooley & Co.)	
June 12, 1952	
Chicago & North Western RR. ....	Equip. Tr. Cfts.
(Bids noon EDT)	
Leitz (E.), Inc. ....	Common
(Bids 3 p.m. EDT)	
June 16, 1952	
Oklahoma Natural Gas Co. ....	Preferred
(Bids 11 a.m.)	
Pacific Gas & Electric Co. ....	Common
(Blyth & Co., Inc.)	
June 17, 1952	
American Gas & Electric Co. ....	Debs. & Common
(Bids 11 a.m. EDT)	
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 11 a.m. EDT)	
June 18, 1952	
Southern Co. ....	Common
(Bids 11:30 a.m. EDT)	
June 19, 1952	
Martin (Glenn L.) Co. ....	Common
(Offering to stockholders)	
June 23, 1952	
Central Louisiana Electric Co., Inc. ....	Bonds
(Bids 11 a.m. EDT)	
June 24, 1952	
Boston Edison Co. ....	Bonds
(Bids to be invited)	
Gulf Power Co. ....	Bonds
(Bids 11 a.m. EDT)	
Southern New England Telephone Co. ....	Debentures
(Bids to be received)	
June 25, 1952	
Public Service Co. of Indiana, Inc. ....	Bonds
(Bids to be invited)	
June 26, 1952	
American Telephone & Telegraph Co. ....	Debentures
(Offering to stockholders)	
June 30, 1952	
Metals & Chemicals Corp. ....	Common
(Beer & Co.)	
July 8, 1952	
Georgia Power Co. ....	Bonds
(Bids 11 a.m. EDT)	
July 15, 1952	
Commonwealth Edison Co., Chicago, Ill. ....	Bonds
(Bids to be invited)	



Corporate and Public Financing

NEW YORK BOSTON PITTSBURGH CHICAGO  
PHILADELPHIA SAN FRANCISCO CLEVELAND

Private Wires to all offices

Continued from page 41

★ **Cities Service Co.**

May 28 filed \$4,090,000 of participations in the Employees Thrift Plan of Cities Service Co. and participating subsidiary companies and 40,000 shares of common stock purchasable under the plan. **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.

★ **Coca-Cola Bottling Co. of Los Angeles**

May 12 (letter of notification) 2,000 shares of common stock (no par). **Price**—\$23 per share. **Proceeds**—To Stanley N. Barbee, the selling stockholder. **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif.

★ **Colorado Oil Ventures, Inc.**

May 23 (letter of notification) 1,999,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For drilling test well in Lincoln County, Colo., and for other corporate purposes relating to oil property development. **Underwriter**—Teller & Co., New York.

★ **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**—\$52 per share. **Proceeds**—To purchase securities of company's operating subsidiaries which in turn will use the funds for property additions and improvements. **Underwriter**—None.

★ **Continental Oil Co., Houston, Tex.**

May 14 filed \$26,000,000 of interests in The Thrift Plan for employees of this company, together with 400,000 shares of capital stock (par \$5) purchasable under terms of the plan. **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.

★ **De Lys Theater Corp., New York**

May 12 (letter of notification) 10,000 shares of class B common stock and 10,000 shares of preferred stock. **Price**—For common 10 cents per share and for preferred \$10 per share. **Proceeds**—For leasehold improvements and general corporate purposes. **Office**—121 Christopher St., New York, N. Y. **Underwriter**—None.

★ **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.

★ **Delwood Corp., Washington, D. C.**

May 22 (letter of notification) 200 shares of preferred stock. **Price**—At par (\$500 per share). **Proceeds**—To engage in business by buying and selling real property, mortgage notes, and deed of trust notes. **Office**—1025 Connecticut Avenue, N. W., Washington, D. C. **Underwriter**—None.

★ **Detroit Steel Corp.**

Feb. 5 filed \$25,000,000 of 4% 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.

★ **Devon-Leduc Oils, Ltd., Winnipeg, Canada (6/11)**

May 23 filed \$1,000,000 of 10-year 5% convertible sinking fund mortgage bonds, due June 1, 1962. **Price**—100% of principal amount. **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriter**—McLaughlin, Reuss & Co., New York.

★ **Dividend Shares, Inc., New York**

May 20 filed 8,000,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Calvin Bullock, New York.

★ **Electronic Devices, Inc., Brooklyn, N. Y.**

May 23 (letter of notification) 200,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—To Robert C. Leonhardt, the selling stockholder. **Office**—429-12th Street, Brooklyn 15, N. Y. **Underwriter**—None.

★ **Federated Petroleum, Ltd. (6/11)**

May 19 filed 1,000,000 shares of common stock (no par), 500,000 shares of which will be offered in Canada and 500,000 shares in the United States. **Price**—To be supplied by amendment. **Proceeds**—For exploration and expansion program. **Underwriters**—Wood, Gundy & Co., Ltd. (in Canada), and Kidder, Peabody & Co. and Dominick & Dominick (in United States).

★ **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.

★ **Formula Fund of Boston, Boston, Mass.**

May 26 filed 30,000 shares of capital stock (par \$1). **Price**—At net asset value per share, plus sales load. **Proceeds**—For investment. **Underwriter**—Investment Research Corp., Boston, Mass.

★ **Gar Wood Industries, Inc., Wayne, Mich.**

May 23 filed 95,460 shares of common stock (par \$1) to be offered in exchange for United Stove Co. common stock at rate of one share of Gar Wood for each three shares of United. **Underwriter**—None.

★ **Genegantslet Gas & Oil Co. Inc.**

May 21 (letter of notification) 2,500 shares of common stock. **Price**—At par (\$100 per share). **Proceeds**—For drilling expenses. **Office**—Sherwood Hotel, Greene, N. Y. **Underwriter**—Edward Cool, Renova, Pa.

★ **General Contract Corp. (formerly Industrial Bancshares Corp.), St. Louis, Mo.**

May 26 filed 110,000 shares of common stock (par \$2), 15,500 shares of preferred stock (par \$100) and 50,000 shares of preferred stock (par \$20) to be offered in exchange for stock of Securities Investment Co. of St. Louis at rate of 11/10 shares of common stock and one-half share of \$20 par preferred stock for each S.I.C. common share and one share of \$100 par preferred stock for each S.I.C. \$100 preferred share. **Underwriter**—None.

★ **Gulf Power Co., Pensacola, Fla. (6/24)**

May 23 filed \$7,000,000 of first mortgage bonds due 1982. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. **Probable bidders**: Halsey, Stuart & Co.; 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 at 11 a.m. (EDT)

★ **Hahn Aviation Products, Inc.**

May 20 (letter of notification) 12,500 shares of common stock (par \$1). **Price**—\$3.25 per unit. **Proceeds**—For engineering, acquisition of machinery, and other corporate purposes. **Office**—2636 North Hutchinson St., Philadelphia 33, Pa. **Underwriter**—None.

★ **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.

★ **Huyck (F. C.) & Sons (6/9-12)**

May 16 filed 60,000 shares of cumulative convertible prior preferred stock (par \$50). **Price**—To be supplied by amendment. **Proceeds**—To redeem \$5 class B preferred stock and for working capital. **Business**—Mechanical fabrics for industry and blankets and apparel cloth. **Underwriter**—Kidder, Peabody & Co., New York.

★ **Illinois Bell Telephone Co. (6/4)**

May 15 filed 682,454 shares of capital stock to be offered for subscription by stockholders of record May 29 at rate of one share for each four shares held; rights to expire July 1. **Price**—At par (\$100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent (owner of 99.31% of Illinois Bell stock). **Underwriter**—None.

★ **Industrial Wire Cloth Products Corp.**

May 16 (letter of notification) 1,700 shares of common stock. **Price**—\$7.50 per share. **Proceeds**—To Kenneth Foust, the selling stockholder. **Office**—3927 Fourth St., Wayne, Mich. **Underwriter**—Manley, Bennett & Co., Detroit, Mich.

★ **Inland Oil Co. (Nev.), Newark, N. J.**

Feb. 26 (letter of notification) 599,700 shares of class A common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For drilling and equipping well and for working capital. **Office**—11 Commerce St., Newark, N. J. **Underwriter**—Weber-Millican Co., New York.

★ **International Technical Aero Services, Inc.**

Feb. 15 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—\$1 per share. **Proceeds**—For working capital. **Office**—International Terminal, Washington National Airport, Washington, D. C. **Underwriter**—James T. DeWitt & Co., Washington, D. C.

★ **Island Air Ferries, Inc. (6/9)**

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.

★ **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.

★ **Kentucky Utilities Co. (6/17)**

May 19 filed \$12,000,000 of first mortgage bonds, series D, due June 1, 1982. **Proceeds**—For new construction. **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.

★ **Kentucky Water Service Co., Louisville, Ky.**

May 19 (letter of notification) 2,000 shares of 6% cumulative preferred stock (par \$25) to be offered to public and 10,000 shares of common stock (par \$5) to be offered to common stockholders in proportion to their holdings. **Price**—Of preferred, \$26.50 per share; and of common stock, at par. **Proceeds**—For extensions and improvements. **Underwriters**—For preferred stock—The Bankers Bond Co., Smart, Clowes & Phillips, Inc. and Wagner, Reid & Ebinger, Inc., all of Louisville, Ky.

★ **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.

★ **La Grange Hardware Co., La Grange, Ill.**

May 22 (letter of notification) 450 shares of cumulative preferred stock. **Price**—At par (\$100 per share). **Proceeds**—For working capital. **Office**—22 Calendar Street, La Grange, Ill. **Underwriter**—None.

★ **Las Vegas Television, Inc., Las Vegas, Nev.**

May 19 (letter of notification) 3,000 shares of capital stock. **Price**—At par (\$100 per share). **Proceeds**—To establish television broadcasting station. **Office**—1260 So. 8th Place, Las Vegas, Nev. **Underwriter**—None.

★ **Leidy Prospecting Co., Renovo, Pa.**

May 22 (letter of notification) 7,000 shares of capital stock (par 10 cents). **Price**—\$2 per share. **Proceeds**—To John W. Gullborg, President, who is the selling stockholder. **Underwriter**—None, but Josephthal & Co., New York, will act as agent.

★ **Lewis Welding & Engineering Corp., Bedford, O.**

May 19 (letter of notification) 15,000 shares of common stock, of which 10,000 shares will be publicly offered and 5,000 shares offered to officers and employees. **Price**—To public, \$10 per share; and to employees, \$9 per share. **Proceeds**—From sale of stock, plus \$150,000 from private sale of a convertible note, to increase working capital. **Underwriters**—W. E. Hutton & Co., New York, and Merrill Turben & Co., Cleveland, O. **Offering**—Now being made.

★ **Lincoln Telephone & Telegraph Co.**

May 19 (letter of notification) 10,002 shares of common stock (par \$16.67) to be offered for subscription by common stockholders at rate of one share for each 16 shares held. **Price**—\$25 per share. **Proceeds**—To increase working capital. **Office**—1342 M St., Lincoln, Neb. **Underwriter**—None.

★ **Lindemann (A. J.) & Hoverson Co.**

Nov. 28 filed 112,500 shares of common stock (par \$1). **Price**—To be supplied by amendment. **Underwriter**—Sills, Fairman & Harris, Inc., Chicago, Ill. **Proceeds**—To eight selling stockholders. **Withdrawal**—Request to withdraw statement filed on May 22.

★ **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.

★ **London & Co., Inc., Elizabeth, N. J.**

May 21 (letter of notification) 299,000 shares of common stock (par 10 cents). **Price**—\$1 per share. **Proceeds**—For working capital and general corporate purposes. **Business**—Manufacture and sale of liquors. **Underwriter**—Batkin & Co., New York.

- ★ **Magar Home Products, Inc., Geneva, Ill.**  
May 22 (letter of notification) 3,000 shares of common stock (par one cent). Price—At market (approximately 75 cents per share). Proceeds—To T. E. Myers, the selling stockholder. Office—15 South First Street, Geneva, Ill. Underwriter—Reynolds & Co., New York, and Chicago, Ill.
- Market Basket, Los Angeles, Calif.**  
May 14 (letter of notification) 19,181 shares of common stock (par 50 cents). Price—\$11.50 per share. Proceeds—For general corporate purposes. Office—6014 South Eastern Ave., Los Angeles 22, Calif. Underwriter—None.
- ★ **Matheson Co., Inc., East Rutherford, N. J.**  
May 22 (letter of notification) \$18,000 of first mortgage bonds dated March 1, 1952 and due March 1, 1967. Price—At par and accrued interest. Proceeds—For building program. Underwriter—Mohawk Valley Investing Co., Inc., Utica, N. Y.
- Midwest Pipe & Supply Co., Inc. (6/9)**  
May 19 filed 100,938 shares of common stock (no par). Price—To be supplied by amendment. Proceeds—To go to selling stockholders. Underwriter—G. H. Walker & Co., St. Louis and New York.
- Montex Oil & Gas Corp., Baytown, Tex.**  
May 12 (letter of notification) 1,200,000 shares of common stock (par 1 cent). Price—25 cents per share. Proceeds—For drilling and exploration expenses and working capital. Underwriter—I. J. Schenin & Co., New York.
- ★ **Monty's Stores, Inc., Seattle, Wash.**  
May 16 (letter of notification) \$100,000 of 7% 10-year convertible bonds (in denominations of \$500 and \$1,000 each) and 10,000 shares of common stock (par \$10). Price—At par. Proceeds—For working capital and expansion. Office—208 Third Ave., South, Seattle, Wash. Underwriter—National Securities Corp., Seattle, Wash.
- 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.
- ★ **Motion Picture Advertising Service, Inc.**  
May 22 (letter of notification) 20,487 shares of common stock (no par) to be offered first to stockholders. Price—To stockholders, \$8 per share, and to public, \$8.50 per share. Proceeds—For expansion of film production. Office—1032 Carondelet St., New Orleans, La. Underwriter—Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.
- ★ **Motors Metal Manufacturing Co., Detroit, Mich.**  
May 19 (letter of notification) 16,451 shares of common stock (par \$5), to be issued to employees from time to time upon exercise of stock options. Price—95% of market value. Proceeds—For general corporate purposes. Office—5936 Milford Ave., Detroit 10, Mich. 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. Statement effective May 22.
- **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. Statement effective May 22.
- **New British Dominion Oil Co., Ltd. (6/3)**  
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 Power Co.**  
May 28 filed \$5,000,000 of first mortgage bonds, series E, due June 1, 1982. Proceeds—To repay bank loans and for new construction. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co. Inc.; Equitable Securities Corp. and Blair, Rollins & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly).
- ★ **New 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 (with an oversubscription privilege); 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—To be opened at 10:30 a.m. (CDT) on June 4.
- 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.
- ★ **Nursmatic Corp., Chicago, Ill.**  
May 21 (letter of notification) \$175,000 of 5½% 10-year debenture bonds and 26,250 shares of common stock (no par) to be offered in units of a \$500 bond and 75 cents shares of stock. Price—\$525 per unit. Proceeds—To repay bank loans and for working capital. Office—400 West Madison Street, Chicago 6, Ill. Underwriter—None.
- Oklahoma Natural Gas Co. (6/16)**  
May 21 filed 160,000 shares of cumulative preferred stock, series B (par \$50). Proceeds—To reduce bank loans and for new construction. Underwriter—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. Bids—Tentatively scheduled to be received up to 11 a.m. on June 16.
- **Old Dominion Investors Trust, Inc., Suffolk, Va.**  
May 19 filed 450 shares of capital stock (par \$750). Price—First at \$1,020 per share; than at market. Proceeds—For investment. Underwriter—Carnes & Co.
- Pacific Gas & Electric Co. (6/16)**  
May 21 filed 2,271,300 shares of common stock (par \$25) to be offered for subscription to stockholders of record June 10 in ratio of one share for each five shares held; rights to expire July 2. Warrants will be mailed about June 13, with subscription period to open June 16. Price—To be supplied by amendment. Proceeds—For construction program. Underwriter—Blyth & Co., Inc., San Francisco and New York.
- Palmer Stendel Oil Corp., Santa Barbara, Calif.**  
May 9 (letter of notification) 17,500 shares of capital stock (par \$1). Price—At the market. Proceeds—To Edward M. and Marjorie L. Bratter, the selling stockholders. Office—First National Bank Bldg., Santa Barbara, Calif. Underwriter—None.
- ★ **Pests Foods, Inc., Cleveland, O.**  
May 23 (letter of notification) 2,000 shares of 5% cumulative preferred stock and 1,650 shares of common stock (no par). Price—Preferred, \$50 per share; and common, \$20 per share. Proceeds—For business expansion. Office—3305 West 65th St., Cleveland, O. Underwriter—None.
- 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.
- ★ **Pittsburgh-Des Moines Co.**  
May 20 (letter of notification) 1,220 shares of common stock to be offered to employees. Price—\$49.25 per share. Proceeds—For working capital. Office—Neville Island, Pittsburgh 25, Pa. Underwriter—None.
- ★ **Pittsburgh-Des Moines Steel Co.**  
May 20 (letter of notification) 1,220 shares of beneficial interest in the company's employees' trust fund. Price—\$19 per share. Proceeds—For working capital, etc. Office—Neville Island, Pittsburgh 25, Pa. Underwriter—None.
- 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 Service Co. of Indiana, Inc. (6/17)**  
May 28 filed 800,000 shares of cumulative preferred stock (par \$25). Price—To be supplied by amendment. Proceeds—To repay bank loans and for new construction. Underwriter—Blyth & Co., Inc., New York.
- ★ **Public Service Co. of Indiana, Inc. (6/25)**  
May 28 filed \$25,000,000 of first mortgage bonds, series J, due July 1, 1982. Proceeds—To repay bank loans and 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. Bids—Expected to be received on June 25.
- ★ **Public Service Co. of New Hampshire**  
May 28 filed 50,000 shares of preferred stock (par \$100). Proceeds—For new construction and to repay short-term borrowings. Underwriter—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 Co. of New Mexico**  
May 28 filed 173,136 shares of common stock (par \$5) to be offered for subscription by common stockholders at rate of one new share for each seven shares held. Price—To be supplied by amendment. Proceeds—For new construction. Underwriter—Allen & Co., New York.
- **Public Service Electric & Gas Co. (6/11)**  
May 21 filed 700,000 shares of common stock (no par). Price—To be supplied by amendment. Proceeds—For general corporate purposes. Underwriters—Morgan Stanley & Co.; Drexel & Co.; and Glore, Forgan & Co.
- **Public Service Electric & Gas Co. (6/17)**  
May 21 filed \$40,000,000 of debenture bonds due June 1, 1972. Proceeds—For new construction and general corporate purposes. 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—To be received up to 11 a.m. (EDT) on June 17 at 80 Park Place, Newark, N. J.
- 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.
- **Rochester Gas & Electric Co. (6/11)**  
May 15 filed \$6,000,000 of first mortgage bonds, series N, due 1982. Proceeds—For new construction. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; The First Boston Corp.; Union Securities Corp. and Equitable Securities Corp. (jointly); Salomon Bros. & Hutzler. Bids—Expected June 11.
- ★ **Rock Creek Tungsten Co., Missoula, Mont.**  
May 21 (letter of notification) 20,000 shares of common stock. Price—At par (\$1 per share). Proceeds—To explore for and develop tungsten, silver and gold properties. Address—Box 1364, Missoula, Mont. Underwriter—None.
- 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.
- 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.
- Southern Co., Wilmington, Del. (6/18)**  
May 16 filed 1,004,510 shares of common stock (par \$5) to be offered by company for subscription by common stockholders of record June 19 at rate of one share for each 16 shares held; rights to expire on or about July 10. Price—To be fixed by company on June 16. 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 New England Telephone Co. (6/24)**  
May 27 filed \$15,000,000 of 33-year debentures due July 1, 1985. Proceeds—To repay indebtedness to American Telephone & Telegraph Co. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc., The First Boston Corp.; Lehman Brothers and Salomon Bros. & Hutzler (jointly); Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane. Bids—Tentatively scheduled to be received on June 24.
- ★ **Spokane Cleaners, Inc., Spokane, Wash.**  
May 7 (letter of notification) \$300,000 of debenture bonds. Price—At par (in denominations of \$1,000 each). Proceeds—For construction and equipment. Office—W.

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150 First Ave., Spokane 4, Wash. Underwriter—Arthur Lauck.

★ **Spokane Mining Syndicate, Inc.**

May 13 (letter of notification) 27,500,000 shares of common stock, of which 15,000 shares are to be issued to Henry T. Born, President. Price—At par (one cent per share). Proceeds—For equipment and development. Office—730 Peyton Bldg., Spokane, Wash. Underwriters—M. A. Cleek and J. Russell Tindell, both of Spokane, Wash.

★ **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.

★ **Stanley Works, New Britain, Conn.**

April 22 (letter of notification) 6,000 shares of common stock (par \$25) to be offered to employees exclusive of directors. Price—Approximately \$50 per share. Proceeds—For working capital. Office—Lake Street, New Britain, Conn. Underwriter—None.

★ **Sterling Oil of Oklahoma, Inc.**

May 20 (letter of notification) 5,000 shares of common stock (par 10 cents). Price—At market (approximately \$3.50 per share). Proceeds—To Sterling True, Vice-President. Underwriter—None.

★ **Storer Broadcasting Co. (6/11)**

May 19 filed 215,000 shares of common stock (par \$1), of which 200,000 shares are being sold by certain selling stockholders (170,000 to be offered publicly and 10,000 to certain employees; and 20,000 shares to the underwriters under option agreement) and the remaining 15,000 shares being reserved for sale by company to certain employees. Price—Of first 200,000 shares, to be supplied by amendment; of 15,000 shares by company, \$10.62½ per share. Proceeds—For general corporate purposes. Underwriters—Reynolds & Co., New York, and Oscar E. Dooley & Co., Miami, Fla.

★ **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. Statement effective May 16.

★ **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.**

May 26 filed \$800,000 of employees funds, plus contributions of the company to be invested in two plans, viz: Class A, consisting of U. S. Savings Bonds; and Class B, consisting of investments in Tennessee Gas Transmission Co. securities and securities of other companies and investment funds. Underwriter—None.

★ **Texas Co.**

April 18 filed \$30,510,000 of participations under the Employees Savings Plan together with 540,000 shares of capital stock (par \$25) which may be required by the Trustee under the Plan. Statement effective May 16.

★ **Thompson Creek Coal & Coke Corp.**

May 15 (letter of notification) 30,000 shares of common stock. Price—At par (\$1 per share). Proceeds—For equipment and mining capital. Address—P. O. Box 7772, Denver 15, Colo. Underwriter—None.

★ **Tiger Tractor Corp., Keyser, W. Va.**

May 13 (letter of notification) 180,000 shares of common stock (par 10 cents). Price—\$1 per share. Proceeds—For working capital. Office—East and Mozelle St., Keyser, W. Va. Underwriter—None.

★ **Trans-America Petroleum Corp., Shreveport, La.**

May 13 (letter of notification) 599,000 shares of common stock (par 1¢). Price—50 cents per share. Proceeds—To drill well. Underwriter—Weber-Millican Co., New York.

★ **Trans-Canada Petroleum, 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.

★ **Transport Insurance Co., Dallas, Tex.**

May 21 (letter of notification) 10,000 shares of capital stock (par \$10). Price—\$20 per share. Proceeds—To increase capital stock and surplus. Office—1410 Dragon St., Dallas, Tex. Underwriter—None.

★ **Transport Management Co., Dallas, Tex.**

May 21 (letter of notification) 5,000 shares of capital stock (par \$10). Price—\$20 per share. Proceeds—To increase capital and surplus. Office—1410 Dragon St., Dallas, Tex. Underwriter—None.

★ **Tri-State Contractors, Inc., Walla Walla, Wash.**

May 21 (letter of notification) 299,999 shares of common stock. Price—At par (\$1 per share). Proceeds—For purchase of tractors and trucks and other operating expenses. Office—309 E. Birch St., Walla Walla, Wash. Underwriter—None.

★ **Tri-State Petroleum Co., Inc.**

May 19 (letter of notification) 300,000 shares of common stock (par 25 cents). Price—\$1 per share. Proceeds—For oil well development in New Mexico. Office—407 Shipley St., Wilmington 1, Del. Underwriter—Calvert Securities Corp., Wilmington, Del.

★ **Tri-Tor Oils, Ltd., Montreal, Canada (6/3)**

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.

★ **United Dye & Chemical Corp.**

May 22 (letter of notification) 500 shares of 7% cumulative preferred stock (par \$100). Price—At market (estimated at about \$56 per share). Proceeds—To American Dyewood Co., a wholly-owned subsidiary. Office—285 Madison Ave., New York, N. Y. Underwriter—None.

★ **U. S. Manganese Corp., Phoenix, Ariz.**

May 14 (letter of notification) 500,000 shares of common stock (par 25 cents). Price—40 cents per share. Proceeds—To expand milling facilities. Underwriter—Hunter Securities Corp., New York. Offering—Now being made.

★ **Virginia Electric & Power Co.**

May 1 filed 494,642 shares of common stock (par \$10) being 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—\$21.75 per share. 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.

★ **West Virginia Production Co., Charleston, W. Va.**

May 28 filed 300,000 shares of cumulative preferred stock of \$1 par value (convertible after Dec. 31, 1955). Price—To be supplied by amendment. Proceeds—To drill wells and acquire acreage. Underwriters—Allen & Co., New York; and Shea & Co., Inc., Boston, Mass.

★ **Western Faucet Co., Portland, Ore.**

May 14 (letter of notification) 1,000 shares of preferred stock (par \$100) and 100,000 shares of class B common stock (no par) to be offered in units of one share of preferred and 100 shares of common stock. Price—\$110 per unit. Proceeds—For machine shop reservation and working capital. Office—1500 S. E. Gideon St., Portland, Ore. Underwriter—None.

★ **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.

★ **WJR, the Goodwill Station, Inc., Detroit, Mich.**

May 14 (letter of notification) 9,300 shares of common stock (par \$1.25). Price—\$10.75 per share. Proceeds—To Frances Richards, the selling stockholder. Underwriters—Straus, Blosser & McDowell, Chicago, Ill.; and Smith, Hague & Co., Detroit, Mich.

★ **Workers Loan Co., Du Bois, Pa.**

May 16 (letter of notification) \$200,000 of 10-year 6% convertible subordinated debentures due May 15, 1962. Price—At par (in denominations of \$500 each) and accrued interest. Proceeds—For working capital. Office—19 West Long Ave., Du Bois, Pa. Underwriter—Blair F. Claybaugh & Co., Harrisburg, Pa.

## 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.

★ **Allis-Chalmers Manufacturing Co.**

May 12 it was reported company may do some financing, the nature of which has not yet been determined. Underwriter—Blyth & Co., Inc.

★ **American Barge Line Co.**

May 27 stockholders approved a proposal to increase the authorized common stock (par \$5) from 330,000 to 430,000 shares and approved 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.

★ **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.

★ **Bailey Selburn Oil & Gas Co., Ltd.**

May 20 it was reported this company, which will be the result of a merger of Selburn Oil Co., Ltd., and six other oil companies operating in western Canada, may issue and sell approximately 1,000,000 shares of common stock. Underwriters—Reynolds & Co., New York (for about 60% of the issue) and McLeod, Young, Weir, Inc., New York (for about 40% of issue). Registration—Expected in near future.

★ **Baltimore & Ohio RR. (6/4)**

Bids will be received by the company up to noon (EDT) on June 4 for the purchase from it of \$3,960,000 equipment trust certificates, series EE, dated June 1, 1952 and due annually to June 1, 1967, inclusive. 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.

★ **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.

★ **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 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 Maine Power Co.**

May 15 stockholders increased authorized common stock (par \$10) from 2,500,000 shares to 3,250,000 shares and preferred stock (par \$100) from 300,000 shares to 330,000 shares. It is estimated that additional financing necessary this year will be in excess of \$8,500,000.

★ **Chicago & North Western RR. (6/12)**

May 16 company sought ICC permission to issue and sell \$6,555,000 of equipment trust certificates to be dated July 1, 1952, and to mature in 15 annual instalments. Probable bidders: Halsey, Stuart & Co. Inc.; Bear, Stearns & Co.; Salomon Bros. & Hutzler. Bids—To be received up to noon (EDT) on June 12 at 400 West Madison Street, Chicago 6, Ill.

★ **Cincinnati Enquirer**

May 16 it was reported that a bid of \$7,500,000 cash will be made for this newspaper by a group of its former employees, to be raised through the sale of \$6,000,000 of bonds through Halsey, Stuart & Co. Inc., and by sale of an estimated \$2,500,000 of common stock in addition to about \$910,000 already pledged by certain employees. It was stated that more than \$500,000 has been pledged outside the paper. The Cincinnati "Times-Star" has also made a bid of \$7,500,000.

★ **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 33½ cents) in order to provide for a 3-for-1 split-up of the present outstanding 233,729 shares of common stock and to permit the company to take advantage of any opportunities which may develop for property acquisitions requiring the issuance of common shares. Traditional Underwriter—Lee Higginson Corp., New York.

★ **Columbus & Southern Ohio Electric Co.**

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.

★ **Commonwealth Edison Co., Chicago, Ill. (7/15)**

May 27, Charles Y. Freeman, Chairman, announced that it may be advisable to make an offering of mortgage bonds about the middle of July. Proceeds—For new construction. Underwriters—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Gloré, Forgan & Co.; The First Boston Corp.

★ **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.

#### 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**—Ritter & 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.

#### Duquesne Light Co.

May 13 it was announced stockholders will vote July 8 on increasing authorized preferred stock (par \$50) from 800,000 shares to 1,000,000 shares. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Lehman Brothers; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly).

#### 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.

#### 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.

#### Food Fair Stores, Inc.

May 20 it was announced stockholders will vote Aug. 19 on increasing authorized indebtedness from \$12,000,000 to \$25,000,000 and to increase the authorized common stock from 2,500,000 to 5,000,000 shares. No immediate issuance of either debt securities or of common stock is contemplated. **Traditional Underwriter**—Eastman, Dillon & Co., New York.

#### 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)

May 27 company sought SEC approval to issue and sell \$20,000,000 of first mortgage bonds due 1982. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan tSanley & 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 at 11 a.m. (EDT). **Registration**—Expected filed on June 6.

#### 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.

#### Houston Lighting & Power Co.

May 14 directors authorized issuance and sale of approximately \$14,265,550 of 3¼% convertible debentures to be dated July 1, 1952 and to mature June 30, 1967, for subscription by common stockholders at rate of \$3 principal amount of debentures for each share of common stock held. **Proceeds**—For new construction and to retire bank loans. **Registration**—Expected in near future. **Underwriter**—To be selected by company. Kidder, Peabody &

Co. handled sale of an issue of convertible debentures in 1949.

#### 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 Central RR.

May 21, stockholders approved proposal to increase 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.

#### Kansas City Power & Light Co.

Jan. 4 company announced that it plans to issue and sell in 1952 about \$12,000,000 principal amount first mortgage bonds (this is in addition to present preferred and common stock financing. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc. and Lazard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—For new construction.

#### 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 (with up to 40,000 unsubscribed shares to be offered to employees). **Underwriter**—May be selected by company.

#### Leitz (E.), Inc., New York (6/12)

May 14 it was announced that Office of Alien Property, 346 Broadway, New York 13, N. Y., will up to 3 p.m. (EDT) on June 12 receive bids for the purchase from the Attorney General of the United States of the corporation's 400 shares of no par common stock (total issue outstanding). **Business**—Manufactures and distributes photographic equipment and supplies. **Bidders**—May include Allen & Co., New York.

#### Lone Star Gas Co.

April 1 the FPC authorized the company to acquire additional properties at a cost of \$5,598,129 and to build an additional 69.5 miles of transmission line at a cost of \$4,010,200. It is also planned to spend about \$31,000,000 in 1952 for additions to plant. Previous financing was done privately.

#### Martin (Glenn L.) Co. (6/19)

May 16 directors authorized issuance and sale to common stockholders of about 1,020,806 additional shares of common stock (par \$1) at rate of nine shares for each 10 shares held on or about June 19; rights to expire on July 11. **Price**—\$6 per share. **Proceeds**—For working capital, etc. **Underwriter**—None.

#### McCarthy (Glenn), 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.

#### Mercantile National Bank of Chicago (6/3)

May 22 stockholders approved offer to common stockholders of record May 19 of 25,000 shares on a 1-for-2½ basis; rights to expire June 23. **Price**—\$25 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Glore, Forgan & Co., New York, and The Illinois Co., Chicago.

#### Metals & Chemicals Corp., Dallas, Tex. (6/30)

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 30.

#### Middle East Industries Corp., N. Y.

Oct. 31 it was announced company plans to expand its capitalization in the near future and to register its securities with the SEC preliminary to a large public offering, the funds to be used to build new industrial projects in Israel.

#### Minabi Exploration Co., Houston, Tex.

March 21 it was reported early registration is expected of 125,000 shares of common stock. **Proceeds**—To go to certain selling stockholders. **Underwriter**—Moroney, Beissner & Co., Houston, Tex.

#### Minneapolis, St. Paul & Sault Ste. Marie Railroad (6/5)

Bids will be received by the company at Room 1410, First National-Soo Line Building, Minneapolis 2, Minn., up to noon (CDT) on June 5 for the purchase from it of \$2,850,000 equipment trust certificates to be dated July 1, 1952 and due semi-annually to July 1, 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co.

#### 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. Probable 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.

#### Morrison-Knudsen Co., Inc.

May 13 it was announced stockholders on June 3 will vote on increasing authorized common stock to 2,000,000 shares from 1,000,000 shares. No immediate financing planned. **Underwriter**—Blyth & Co., Inc.

#### Nevada Natural Gas Pipe Line Co., Las Vegas, Nevada

Feb. 8 company applied to FPC for authority to construct a 114-mile pipeline from near Topock, Ariz., to Las Vegas, Nev., at an estimated cost of \$2,400,880, to be financed by sale of \$1,600,000 first mortgage bonds, \$500,000 preferred stock and \$402,500 common stock.

#### New England Telephone & Telegraph Co.

Dec. 20, F. A. Cosgrove, Vice-President, said a permanent financing program will have to be undertaken in 1952 to repay about \$43,000,000 short-term bank borrowings. **Underwriters**—For bonds may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. In case of common stock financing there will be no underwriting.

#### New Jersey Power & Light Co.

April 8 it was reported company plans tentatively to issue and sell \$3,200,000 of bonds, \$1,000,000 of preferred stock and \$400,000 of common stock (later 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.

#### 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.

#### Pubco Development Co.

May 15 it was announced that company plans to issue and sell to present warrant holders additional warrants to purchase 605,978 shares of common stock at \$1 per share on a one-for-one basis. **Price**—\$2 per warrant exercisable on or before Jan. 1, 1955. **Proceeds**—For purchase and development of natural gas and oil leases. **Underwriter**—Allen & Co., New York.

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★ **Safeway Stores, Inc.**

May 22 it was announced stockholders will on June 23 vote on authorizing directors to issue and sell publicly not in excess of 200,000 shares of convertible preferred stock. **Traditional Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Expected late June.

★ **Sapphire Petroleums, Ltd.**

May 20 it was reported company may do about \$2,000,000 of new financing (including an issue of convertible debentures). **Proceeds**—For acquisition of properties and for development expenses. **Underwriters**—To include Frame, McFadyen & Co., Toronto, Canada.

**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.

**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.**

May 9 stockholders were to 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 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.

★ **Standard Oil Co. (Indiana)**

May 27 stockholders approved an increase in the authorized capital stock from 20,000,000 to 40,000,000 shares (par \$25 each) in order to make it possible to declare a stock dividend and for other corporate purposes. No such action has been determined upon at the present time.

**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.

**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.

**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. **Dealers-Manager**—Harris, Hall & Co. (Inc.), Chicago, Ill., and The First Trust Co. of Lincoln, Neb.

**Our Reporter's Report**

The corporate new issue market could do well with a more formidable "backdrop" in the shape of more propitious conditions in secondary trading judging from discussion among underwriters and dealers.

The Treasury could be helpful too, if it would come through with some definite indications of what it may have in mind for taking care of the deficit now piling up. Perhaps if the investment world could get an inkling of things in that direction it might be able to peer a bit farther into the future.

Currently there is just enough inventory around to be bothersome without being troublesome. And the behavior of the several bond issues and equities on which sponsoring syndicates have been terminated has not been especially conducive to growing confidence.

**LEGAL NOTICE**

**ABERDEEN AND ROCKFISH RAILROAD COMPANY**  
Incorporated  
First Mortgage Three and One-Quarter Per Cent Bonds Due July 1, 1960  
NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Trust dated as of July 1, 1945 between the undersigned and the Security National Bank of Greensboro, Raleigh, North Carolina, Trustee, there have been drawn by lot for redemption and it is the intention of the undersigned to pay and redeem on July 1, 1952, \$5,000.00 principal amount of the above described bonds, bearing Nos. 2-50-65-79-90  
The bonds so designated for redemption will become due and payable on said redemption date and will be redeemed on or after that date at the office of the Trustee, the SECURITY NATIONAL BANK, Raleigh, North Carolina, at par and accrued interest to redemption date. All such bonds are required to be presented for payment and redemption at said office of the Trustee on July 1, 1952 on which date interest shall cease to accrue thereon.  
**ABERDEEN AND ROCKFISH RAILROAD COMPANY INCORPORATED**  
By: J. A. Bryant, Treasurer  
Dated: April 29, 1952

Rather it has made for a measure of caution.

Of this week's new offerings, National Steel Corp.'s \$55,000,000 of 30-year, 3 1/8% first mortgage bonds was biggest and made the best showing. The first day reported found better than 90% of the offering spoken for.

The quick response of investors was not unexpected as the offering constituted the company's first venture into the capital market in 20 years and, accordingly, investors could not be regarded as overloaded with the firm's securities.

**On the Slow Side**

Burroughs Adding Machine's \$25,000,000 of 3% debentures, brought out at a price of 101.27 to yield 3.3%, appeared to be moving slowly.

The fact that this represented the first debt offering in the history of the company since it was formed in 1886, did not appear to provide it with any added flavor so far as institutions were concerned.

Meanwhile it was indicated that bankers sponsoring Dallas Power & Light Co.'s offering of 100,000 shares of new \$4.24 cumulative preferred stock had a selling job on their hands despite the recognized quality of the issue and the price of 102.50.

**Tapering Off**

The new issue market currently appears to be at a point where it becomes necessary to "strike while the iron is hot." In many cases, at any rate, it seems that inability to move an issue within a day or two of the opening of the books leaves bankers with a job of lugging along a portion of the issue.

Columbia Gas System's 3 3/8% were brought out around mid-April at a price of 100.929 to yield 3.32%. Demand was sluggish and underwriters finally terminated their agreement last week, turning the issue free. It settled below par, and early this week was reported quoted at 99 1/4 bid 99 3/4 asked.

Among the recent stock issues the offering group on 261,900 shares of Gustin-Bacom Mfg. Co.'s common stock was terminated this week. Brought out some weeks ago at 21 1/2 the stock was quoted in the free market at 17 1/4 bid and 17 3/4 asked.

**Ohio Turnpikes Ahead**

There is not much in the way of corporate material ahead next week. And perhaps it is just as well that way considering that the Ohio Turnpike Commission has just about completed details for its \$330,000,000 bond offering.

This would be the largest revenue bond issue ever projected and a banking group formed to buy the bonds for reoffering is slated to submit its terms by Tuesday of next week.

Aside from this gargantuan issue and a smattering of municipals it appears that institutional portfolio men will enjoy a breather in the period ahead.

**COMING EVENTS**

In Investment Field

- June 5, 1952 (New York City) Security Traders Association of New York Bowling League dinner.
- June 6, 1952 (Baltimore, Md.) Bond Club of Baltimore annual outing at the Eldridge Club.
- June 6, 1952 (Chicago, Ill.) Bond Club of Chicago field day at the Knollwood Country Club in Lake Forest.
- June 6, 1952 (Los Angeles, Calif.) Bond Club of Los Angeles Field Day at the Riviera Club.
- June 6, 1952 (New York City) Bond Club of New York outline at Sleepy Hollow Country Club, Scarborough, N. Y.
- June 10-13, 1952 (Canada) Investment Dealers' Association of Canada annual convention at

the Algonquin Hotel, St. Andrews-by-the-Sea, New Brunswick.

June 11-13, 1952 (Boston, Mass.) Boston Security Analysts Society Regional meeting and field trips.

June 12, 1952 (New York City) Municipal Forum of New York conference at Hotel Commodore.

June 13, 1952 (Atlanta, Ga.) Georgia Security Dealers Asso-

ciation summer meeting at the new Standard Town and Country Club.

June 13, 1952 (Milwaukee, Wis.) Milwaukee Bond Club summer outing at Oconomowoc.

June 13, 1952 (New York City) Municipal Bond Club of New York annual outing at the Westchester Country Club and Beach Club, Rye, N. Y.

**NSTA**



**Notes**

**SECURITY TRADERS ASSOCIATION OF NEW YORK**  
Security Traders Association of New York (STANY) Bowling League standing as of May 22, 1952 are as follows:

FINAL STANDING		Points
<b>TEAM</b>		
Kumm (Capt.), Ghegan, R. Montanye, Krassowich, Manson		106
Goodman (Capt.), Weissman, Farrell, Valentine, Smith		98 1/2
Bean (Capt.), Seigas, H. Frankel, Werkmeister, Reid		95
Serlen (Capt.), Gold, Krumholz, Rogers, Gersten		92
Mewing (Capt.), G. Montanye, M. Meyer, Lapato, Klein		92
Hunter (Capt.), Craig, Fredericks, Weseman, Lytle		88
Leone (Capt.), Tisch, O'Marra, Nieman, Bradley		88
Krisam (Capt.), Gavin, Gannon, Jacobs, Murphy		85
Donadio (Capt.), Rappa, O'Connor, Whiting, Demaye		82
Burian (Capt.), Seipser, Hunt, Growney, Kaiser		75 1/2
H. Meyer (Capt.) Swenson, A. Frankel, Wechsler, Murphy		74
Greenberg (Capt.), Siegel, Cohen, Strauss, Voccoli		73

**200 CLUB**

R. Goodman	216	M. Growney	212
R. Klein	212	C. Murphy	208
V. Lytle	211-220	W. Krisam	204

**THE WINNERS FOR THIS YEAR ARE:**

Willie Kumm (Capt.), Ghegan, H. Montanye, Krassowich, J. Manson.  
The League's Annual Dinner will be held on June 5, 1952.

**GEORGIA SECURITY DEALERS ASSOCIATION**

The Georgia Security Dealers Association summer meeting will be held Friday, June 13, 1952 at the new Standard Town and Country Club.

**CLEVELAND SECURITY TRADERS ASSOCIATION**

The Cleveland Security Traders Association will hold its summer outing at the Westwood Country Club on June 27.

**DIVIDEND NOTICES**

**The American Tobacco Company**  
 111 Fifth Avenue New York 3, N. Y.

**191ST PREFERRED DIVIDEND**  
 A quarterly dividend of 1½% (\$1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on July 1, 1952, to stockholders of record at the close of business June 10, 1952. Checks will be mailed.

HARRY L. HILYARD, *Treasurer*  
 May 27, 1952

**DIVIDEND NOTICES**

**AMERICAN LOCOMOTIVE COMPANY**  
 30 Church Street New York 8, N. Y.

**PREFERRED DIVIDEND No. 176**  
**COMMON DIVIDEND No. 110**

Dividends of one dollar seventy five cents (\$1.75) per share on the Preferred Stock and of twenty five cents (25¢) per share on the Common Stock of this Company have been declared, payable July 1, 1952, to holders of record at the close of business on June 4, 1952. Transfer books will not be closed.

CARL A. SUNDBERG  
*Secretary*  
 May 22, 1952

**DIVIDEND NOTICES**

**CRANE CO.**

The Board of Directors of Crane Co. has declared a regular quarterly dividend of \$.50 per share on the outstanding Common Shares of the Company, payable on June 25, 1952, to Shareholders of record at the close of business on June 6, 1952.

K. L. KARR, *Secretary.*

**DIVIDEND NOTICES**

**LOEW'S INCORPORATED**  
 MGM PICTURES · THEATRES · MGM RECORDS

May 28, 1952

The Board of Directors has declared a dividend of 20¢ per share on the outstanding Common Stock of the Company, payable on June 30, 1952, to stockholders of record at the close of business on June 11, 1952. Checks will be mailed.

CHARLES C. MOSKOWITZ  
*Vice Pres. & Treasurer*

**DIVIDEND NOTICES**

**HOMESTEAK MINING COMPANY**  
**DIVIDEND NO. 884**

The Board of Directors has declared dividend No. 884 of forty cents (\$.40) per share of \$12.50 par value Capital Stock, payable June 13, 1952 to stockholders of record June 2, 1952. Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*  
 May 16, 1952.

**SOUTHERN PACIFIC COMPANY**  
**DIVIDEND NO. 138**

A QUARTERLY DIVIDEND of One Dollar and Fifty Cents (\$1.50) per share on the Common Stock of this Company has been declared payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Monday, June 23, 1952, to stockholders of record at three o'clock P. M., on Monday, June 2, 1952. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, *Treasurer.*  
 New York, N. Y., May 22, 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.*



**ADVANCE ALUMINUM CASTINGS CORP.**

Chicago, Illinois

The Board of Directors has declared a regular quarterly dividend of 12½ cents per share on the common stock of the corporation, payable June 12, 1952, to stockholders of record at the close of business on June 4, 1952.

ROY W. WILSON  
*President*

**C.I.T. FINANCIAL CORPORATION**

*Dividend on Common Stock*

A quarterly dividend of \$1.00 per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable July 1, 1952, to stockholders of record at the close of business June 10, 1952. The transfer books will not close. Checks will be mailed.

FRED W. HAUTAU, *Treasurer*  
 May 22, 1952.



**ALLEN B. DU MONT LABORATORIES, INC.**

The Board of Directors of Allen B. Du Mont Laboratories, Inc. this day has declared a regular quarterly dividend of \$.25 per share on its outstanding shares of 5% Cumulative Convertible Preferred Stock payable July 1, 1952 to Preferred Stockholders of record at the close of business June 13, 1952.

May 21, 1952 PAUL RAIBOURN  
*Treasurer*



*In All Phases of Television*

**INTERNATIONAL SALT COMPANY**

**DIVIDEND NO. 152**

A dividend of FIFTY CENTS a share has been declared on the capital stock of this Company, payable July 1, 1952, to stockholders of record at the close of business on June 13, 1952. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN  
*Exec. Vice Pres. & Sec'y.*

**IRVING TRUST COMPANY**

One Wall Street, New York

May 22, 1952

The Board of Directors has this day declared a quarterly dividend of 25 cents per share on the capital stock of this Company, par \$10., payable July 1, 1952, to stockholders of record at the close of business June 2, 1952.

STEPHEN G. KENT, *Secretary*



**CELANESE CORPORATION OF AMERICA**  
 180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

**4½% PREFERRED STOCK, SERIES A**  
 The regular quarterly dividend for the current quarter of \$1.12½ per share, payable July 1, 1952, to holders of record at the close of business June 6, 1952.

**7% SECOND PREFERRED STOCK**  
 The regular quarterly dividend for the current quarter of \$1.75 per share, payable July 1, 1952, to holders of record at the close of business June 6, 1952.

**COMMON STOCK**  
 50 cents per share, payable June 24, 1952, to holders of record at the close of business June 6, 1952.

R. O. GILBERT  
*Secretary*  
 May 27, 1952.

**MERCK & CO., INC.**

RAHWAY, N. J.



Quarterly dividends of 20¢ a share on the common stock, 87½¢ a share on the \$3.50 cumulative preferred stock, and \$1.00 a share on the \$4.00 convertible second preferred stock have been declared, payable on July 1, 1952, to stockholders of record at the close of business June 12, 1952.

JOHN H. GAGE,  
*Treasurer*  
 May 27, 1952

**DIVIDEND NOTICES**

**OLIVER CORPORATION**

**Common Stock Dividend:**

The Board of Directors has declared a quarterly dividend of 60 cents per share on the Common Stock, payable July 2, 1952, to shareholders of record June 6, 1952.

**Preferred Stock Dividend:**

The regular quarterly dividend of \$1.12½ per share on the 4½% Cumulative Convertible Preferred Stock has been declared payable July 31, 1952, to shareholders of record July 15, 1952.

ALVA W. PHELPS A. KING McCORD  
 Chairman of the Board President

THE OLIVER CORPORATION  
 Chicago, Illinois

**FINANCE CORPORATION**

**88th CONSECUTIVE QUARTERLY DIVIDEND ON COMMON STOCK**

Quarterly dividends were declared by the Board of Directors as follows:

**COMMON STOCK**  
 \$.35 per share on the Company's \$1 par value common stock.

**CUMULATIVE PREFERENCE STOCK**  
 \$.56¼ per share on the Company's 4½% cumulative preference stock, series A; \$.62½ per share on the Company's 5% cumulative preference stock, series B.

The dividends are payable July 1, 1952 to stockholders of record at close of business, June 10, 1952.

WILLIAM B. PAUL, JR.  
*Vice-President and Secretary*  
 May 27, 1952

**REYNOLDS METALS COMPANY**

Reynolds Metals Building  
 Richmond 19, Virginia

**PREFERRED DIVIDEND COMMON DIVIDEND**

The regular dividend of one dollar thirty-seven and one-half cents (\$1.375) a share on the outstanding 5½% cumulative convertible preferred stock has been declared for the quarter ending June 30, 1952, payable July 1, 1952, to holders of record at the close of business June 20, 1952.

A dividend of twenty-five cents (25¢) a share on the outstanding common stock has been declared payable July 1, 1952, to holders of record at the close of business June 20, 1952. The transfer books will not be closed. Checks will be mailed by Bank of the Manhattan Company.

ALLYN DILLARD, *Secretary*  
 Dated, May 27, 1952

**THE West Penn Electric Company**

(Incorporated)

**QUARTERLY DIVIDEND DECLARED**

• Common Stock  
**50¢ per share**

Payable on June 30, 1952, to stockholders of record on June 11, 1952.

H. D. McDOWELL,  
*Secretary*  
 May 27, 1952.

**Materials Handling Equipment**  
 Locks  
 Builders' Hardware

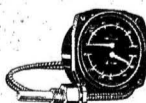
**YALE & TOWNE**

255th Dividend since 1899

On May 22, 1952, dividend No. 255 of fifty cents (50¢) per share was declared by the Board of Directors out of past earnings, payable on July 1, 1952, to stockholders of record at the close of business June 10, 1952.

F. DUNNING  
*Executive Vice-President and Secretary*  
**THE YALE & TOWNE MFG. CO.**

**AMERICAN MACHINE AND METALS, INC.**



**34th Dividend**

On June 30, 1952, a dividend of twenty-five cents per share will be paid, for the quarter ending that day, to share owners of record June 12, 1952. Checks will be mailed by THE CHASE NATIONAL BANK, of 18 Pine Street, New York, Dividend Disbursing Agent.

H. T. McMeekin, *Treasurer*

**DIVISIONS—**

- U. S. Gauge
- Gotham Instruments
- Troy Laundry Machinery
- Tolhurst Centrifugals
- Riehle Testing Machines
- Debothezat Fans
- Auto Bar Dispensers
- Trout Mining

# Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Congress is fixing up an uncomfortable choice for Harry Truman on the extension of the Defense Production Act. The President will have to take the kind of a DPA Congress gives him or find himself without a DPA at all.

This will come about because it would now appear that Congressmen will probably shoot the DPA down to the White House for approval just about the time they are grabbing their coats and heading for the big political circuses.

The House Committee has done nothing this week toward writing its version of the DPA, after concluding hearings. The Banking Committee doesn't plan to hold executive sessions before next week, which means that a bill for consideration on the floor will not be ready before the end of the first week of June, and more likely not until the middle of June.

Thus it is clear that before inevitable differences between the House and Senate bills can be ironed out, final adoption will be just about the last order of business when Congress quits either at the end of June or early in July for the GOP national convention.

This will leave no time to put the heat on the boys to eliminate features undesirable to the President. Until the House bill is reported out, it will not be possible to tell how distasteful the bill actually will be to the President.

The Senate Committee, however, proposed to limit price and wage controls to eight months and materials controls to a year, against the President's desire for a two-year extension. The Senate bill would repeal the Wage Board's power to attempt to force wage boosts and the union shop upon industry. Finally, the Senate bill also wrote a repeal of Labor Secretary Tobin's scheme to order by fiat an extension of the Walsh-

Healy Government Contracts Act upon subcontractors of government suppliers.

This lateness in presenting the DPA extension to Truman is not the product of intentional strategy. Congress is late on DPA because the Committees simply would not act upon the thing in view of the Wage Board's recommendation on steel and the President's seizure of the industry, until practically the last practicable minute.

First-termer Senator Lester C. Hunt, a Wyoming Democrat, is reported to have been the most solicited man in the United States Senate this year.

After the Senate Foreign Relations Committee and the Senate passed the foreign aid appropriation authorization of \$6.9 billion, the Senate referred this proposition to the Armed Services Committee for further consideration. This happened because Senator Tom Connally (D., Tex.) as Chairman of Foreign Relations refused to let Armed Services originally handle the foreign aid legislation jointly with Foreign Relations.

When Armed Services took up the matter separately, it tentatively knocked \$400 million more off the bill, but announced that the vote by which this further cut was made, was tentative, in view of the absence of campaigning of Senator Richard B. Russell (D., Ga.) the Chairman of the Armed Services Committee.

Between the time when the \$400 million cut was tentative and the final vote was taken restoring the sum, Senator Hunt appeared for a while to be the key man. If he voted for the cut, it would stick; if he voted against it, it would lose.

According to reports around the Capitol, Senator Hunt received not less than 100 telephone calls one day from VIP's like Harry Truman and Dean Acheson, on down, soliciting his support for restoration of the \$400 million.

It's about time to bury the Dixiecrat movement decently for the 1952 national election campaign.

Senator Richard B. Russell all but officially killed off the remnants of the movement when he announced in the course of a debate with TV star Kefauver that he wouldn't take a walk in the event the Democratic national convention adopted a civil rights platform repugnant to the Dixiecrats.

A walk-out was pretty much out of the question in any case, since Truman seemingly abdicated, for the whole idea of the States Right revolt was to beat Truman at any cost as a condition precedent to restoring the two-thirds rule in the Democratic convention with the power of the South, under this rule, to veto a radical aspirant for future Democratic nominations.

A good many leaders of the States Right movement were irritated beyond measure in the time between the self-announcement of Russell as their candidate and the day Harry abdicated. However, their private disgust of him now that he has stated in advance he wouldn't walk out even if Hubert Humphrey and the ADA again writes the Democratic civil rights plank, knows no bounds.

These States Righters feel that

## BUSINESS BUZZ



"I presume you have other reasons for deserving a raise, Miss Stupely, beside this weight card saying you're a hard and conscientious worker?"

even what small bargaining power the South might have in the Chicago shindig, was tossed out of the window by Russell. The States Righters are in the uncomfortable spot a lot of conservative publishers and editors will find themselves in, if, after sticking their necks out for Eisenhower, it turns out that the General is a "liberal," or, conversely, as uncomfortable as a lot of "liberal" publishers will be if it should turn out Eisenhower really is a conservative.

Southerners who have stuck their necks out for Russell can't recall their endorsements without looking silly. So the endorsement stands. Russell, however, will get only half-hearted Southern backing, from the leaders, that is. Fundamentally he is just another Senator with aspirations for the Presidency.

One of the reported reasons for the latest rise in the price of Canadian newsprint is the appreciation of the Canadian dollar. If this is correct, then it provides the first important notice to American business of the possibility that uncontrolled Federal fiscal policy entails this kind of a cost.

The remarkable thing about the rise to above parity of the Canadian dollar is that it takes place in a country whose dollar is inherently more subject to attack on classical foreign exchange account than the U. S. dollar. Canada normally has to import heavily of such necessities as coal, iron and

steel products, things in which she is deficient.

Furthermore, it is noted, Canada's foreign exchange reserves amount to only about \$1 3/4 billion, and some of these reserves are U. S. dollars.

Finally, another dramatic facet of this movement of the Canadian dollar is that it took place after a year in which, but for one thing, the exchange deficit would have been about \$500 million.

That one thing was the relatively heavy movement of foreign investment money to Canada. Most of it was American. In other words, U. S. investment money moving to Canada is primarily responsible for the fact that the value of the Canadian dollar had risen above the value of the U. S. dollar.

This investment interest is stimulated, Canadians believe, by a lot more than mere investment opportunities, however attractive or promising for the long future.

One of the attractive features of the Canadian scene is the level of taxes.

Canada refuses to levy an excess profits tax. The top level of Federal and provincial corporation income tax in Canada is 50% except in two provinces, where it is 52%.

Curiously, the Minister of Finance in his last budget apologized for the fact that rates on corporation income are that high. He said that too high taxes, long continued, reduce incentive.

Canada levies sales taxes for the avowed purpose of avoiding too high a tax on individual and cor-

poration income for the reason, said the Minister of Finance, that taxes on consumption do not discourage production. Some 80% or more of U. S. Federal revenues come from income taxes upon individuals and corporations. In Canada, the ratio is about 50%.

In the Dominion the defense program is carried forward within the framework of a balanced budget. Canada has reduced her national debt by \$2,343 billion since the war. Since Canada's production is about 1/17th U. S. output, that would be equivalent to a reduction in the United States of nearly \$40 billion.

The U. S., however, after allowance for the immediate war end over-borrowing and repayment, has a debt just about the same as at the end of the war. Furthermore, the Truman Administration has purposely embarked upon deficit financing for the indefinite future.

Finally, Canada refused to attempt wage and price controls and announced it would have none of these devices short of total war.

(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.)

### A. M. Kidder Acquires Angus Co., Toronto

Expansion of A. M. Kidder & Co.'s Canadian trading and investment facilities through the acquisition of Angus & Co., a 20-year old Toronto Stock Exchange member house, has been announced by Charles U. Bay, senior partner, and by Ewart Angus of Angus & Co.

The office and facilities of Angus & Co. in Toronto will be maintained as an additional Canadian branch office of A. M. Kidder & Co., who are members New York Stock Exchange, New York Curb Exchange, Toronto Stock Exchange, Montreal Curb Market, and other leading exchanges and also members of the Investment Dealers Association of Canada.

We have definite interest in the following MASSACHUSETTS BANK STOCKS  
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