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EDITORIAL

As We See It

Republican Party preconvention campaigns have been concluded. The convention itself in Chicago with all its fireworks has passed into history. The candidates and the platform of the party have for some days been before the American people. What the Republican party is offering the public is now clear at some points, but as to many other matters the thoughtful man must find himself much inclined to wait and see. Franklin Roosevelt is said to have been fond of quoting the railroad conductor who observed that platforms are made to "get in on, not to stand on." Such has all too often been the philosophy of candidates and parties even if few of them have been willing to admit it so frankly as the author and finisher of the New Deal faith.

It was the manager of the Eisenhower preconvention campaign this year who four years ago was quoted as saying that the Republican platform of that year was "a tent big enough so that everybody can get under it." Yet unless a candidate is as willing to act in bad faith as was Mr. Roosevelt in 1933 by showing utter contempt for what had been promised in 1932, the platform of the party upon which a candidate asks for election by the people at some points at least fixes the general framework of his commitments. In some instances bona fide observance of promises made rather definitely and closely defines party policy. This is true of the Republican platform this year. It is true despite the tiresome wordiness and the rather disheartening evasiveness and concessions to nonsense which all too often characterize the document.

Take this passage from what the platform had to say about foreign aid, as an example:

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How Near Is Business To the Crest?

By THEODORE J. KREPS*
Professor of Business Economics
Graduate School of Business, Stanford University

Professor Kreps, in viewing business outlook, is of opinion that within a year level of business may reach crest, followed by gradual and mild downturn. Looks for gearing of military outlays to supportable levels of taxation, because of public and political hostility to deficit financing and concludes, though unexpected fluctuations in consumer expenditures and savings will again occur, the long-term outlook, however, is optimistic.

It is with great hesitancy that I offer a few observations on the following propositions:

(1) Sometime toward the middle of 1953 the level of business may reach a crest and be followed by a relatively long though, I hope, mild downturn (assuming no major war, no crop failure, no drastic political changes in England or Russia, or other major untoward event).

Theodore J. Kreps

(2) Public and political hostility to deficit financing will finally triumph so that even military outlays will be geared to supportable levels of taxation.

(3) Unexpected fluctuations in consumer expenditures and savings will again occur with unpleasant jolts to some branches of industry, commerce, finance.

I shall take up each of these points in turn, devoting to none the full treatment its importance deserves.

I

Will There Be a Downturn in 1953?

To answer in one word, yes. After experiencing a further rise in gross national product and prices in 1952,

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*An address by Prof. Kreps before the Graduate School of Credit and Financial Management, Stanford University, Stanford, Cal., July 14, 1952.

Will Ike Substitute Smiles for Issues?

By A. WILFRED MAY

Unless they intend to run on glamorized "Me-Too-Ism," the GOP candidates must forthrightly clarify their party's policies.

CHICAGO, Ill.—To a far greater extent than in previous Presidential campaigns will the Republicans' coming fight for the Presidency be tied to the personality of the nominee rather than to the issues.

A. Wilfred May

This expectation ensues from a number of causes. First, Mr. Eisenhower is quite unfamiliar with the specifics of many of the current questions, for either submitting to interviewing by the press, or for debating with the winning Democratic candidate. Secondly, the "complexities," "highbrow-isms," and other difficulties of the anti-Santa-Claus-Fair-Deal argument, as revealed in General MacArthur's pro-liberty keynote struggling, offers the temptation to substitute the personality of the candidate. Our former General Ike's glamour maybe can dazzle away the GOP's troubles in answering their opponents' appeal to the voter's anti-liberty "man must live by bread" motivation; perhaps he can finally succeed in the role where the un-glamorous Dewey failed in merchandising "me-too-ism." And finally Ike, far from being a synthetic concoction, does affirmatively possess the great personality which has been definitely proven merchandisable (thus far) by the primaries and the polls.

Before leaving here for Denver Sunday night, Mr. Eisenhower relevantly told reporters: "I'm not eloquent —I wish I were eloquent—but I am sincere. I hope to bring a message of militant faith and hope to the American people in what they have got the capacity to do, gol darn it [sic], rather than go into the details of a specific program."

Already during the proceedings here last week was

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SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 29.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

A. HAWLEY PETERSON
Partner, Roberts & Co., New York City
Members of New York Stock Exchange

Greer Hydraulics, Inc.

Any company whose securities I like best at a particular time must have several attributes which might contribute to potential large appreciation.


A. Hawley Peterson

Obviously, aggressive and flexible yet conservative management is paramount. Essentiality of products is important to provide underlying stability to a company's business. Intensive research in new products is a vital element to provide growth and glamour, which would tend to make a company's shares sell high in relation to earnings. Direct labor costs should be relatively low. In choosing a growth company, timing is probably more important than any other factor from the speculative point of view. A company should have matured sufficiently so that its products are perfected and well established, with sales showing a definite uptrend. A long record of past profits and the great financial strength of a mature business do not necessarily attract me. The former tells only what has already happened and does not foretell the future, and financial backing can be obtained if the future looks promising. While my being a Director and stockholder might imply a biased viewpoint, Greer Hydraulics seems to me to have all the favorable elements mentioned above.

Edward M. Greer, President of the company, is an aggressive engineer with a vivid imagination in the development of new products. Robert P. Lord, Vice-President and Treasurer, has handled the company's finances well, as is demonstrated by the fact that the company has been in the black every year since its inception in 1943. For a war-born company, which was conceived out of war business, this is quite a record as compared with so many other companies begun in that period and which have since fallen by the wayside.

What first attracted me to Greer several years ago was the fact that the principal products were essential to the aircraft industry. These products were machines which tested everything on an airplane to assure its safety in flight. Safety in the aircraft industry is, of course, the prime requisite, and Greer Hydraulics was the pioneer in establishing a uniform method of testing all aircraft components. Today, the company is furnishing testing machines to practically every air line in the world. It is also manufacturing the latest types of machines for testing jet engines for General Electric, Westinghouse, and Pratt-Whitney, who are leaders in manufacture of jet and turbine engines. With the obsolescence factor such a rapid one in the aircraft industry, it seems logical to suppose that Greer will be constantly developing new machines as new aircraft, guided missiles and components are devised.

In addition to the vital aircraft business, Greer Hydraulics controls the patents to a device which adds great glamour to the future of the company. This is the Hydropneumatic Accumulator, which is to hydraulics virtually what an electric storage batter is to electricity—namely, it can store hydraulic pressure and make it available for instantaneous or intermittent use. The Accumulator has the additional property of being able to absorb pulsations. This is of value to pipe lines, water systems, and pumping equipment.

After several years of development and testing, Greer Accumulators are now being used in the machine tool industry, sugar refineries, steel mills, oil industry, the marine industry, to name a few. Large volume possibilities exist in the automobile, farm equipment, lift truck, and Diesel businesses. Many other applications for the accumulator will undoubtedly emerge from the defense programs, where the device is now being used on tanks, gun mounts, guided missiles, and in many other places. The accumulator is being used to open hatch doors on steamships, and has also been used in prototype to automatically operate hospital beds, and to start Diesel engines. This very brief summary only scratches the surface of the many uses to which the accumulator will eventually be put. Glamour — this really has it!

While the accumulator probably has the greatest potential for dynamic growth, the company's testing machine business aside from aircraft also looks promising, as much effort is directed to building of the industrial testing business. When asked recently, "What is the sales potential in the test machine business?" Mr. Greer replied, "The saturation point will come when people stop thinking." Some might feel that Greer Hydraulics is a "War Baby," but the management will certainly avow that the defense effort, while beneficial in many ways, has actually delayed the company's commercial development.

Greer's financial position seems satisfactory for this stage of its growth. Working capital is about $1 million, and two prominent New York banks recently arranged a $3 million loan for the company, which should provide adequate funds for the immediate future. About 50% of the outstanding shares are held by the management — this should assure resistance to dilution unless the growth of the business is so rapid as to necessitate future financing.

Capitalization of Greer is simple, consisting of only 17,725 shares of 5% $25 par value preferred, which is convertible into two shares of common, and 242,850 shares of common.

Last year Greer earned $77 per share, the highest in its history based on the present outstanding shares. This year should be better and the 10c quarterly dividend seems secure. Four years ago in 1948, the stock sold at the present level (14). Since then, capacity has been tripled, employees more so, and great progress made in development of products. Large sums have been expended in research which should pay dividends soon. Indications are that larger facilities will be needed before many months have elapsed.

In 1951 Greer's volume was $4,781,141, about double the rate of the previous three years. 1952 should nearly double last year's volume. With increasingly wide acceptance of the company's products by the leading concerns in America, 1953 should again show a large gain in volume. In spite of the restrictions of E. P. T. on earnings, perhaps the explosive stage of Greer's growth is at hand.

Greer Hydraulics is traded over the counter.

ERNEST SHARPE
Goodbody & Co.,
Members N. Y. Stock Exchange and Other Principal Exchanges

Sperry Corporation

When we stand back to consider it, the pace which industrialized man has set for himself is nothing short of amazing. With each generation, the tempo of living appears to increase. Each added endeavor or interest means inevitably greater demands on man's time and talents. Pressures and stresses grow at an alarming rate until the point approaches where the human machine, which was never designed to live under such conditions, must give ground, unless . . . unless enterprising companies like Sperry Corporation continue to devise electronic "brains" and mechanical "muscles" to take over many of the routine functions of living. Sperry is at the spearhead of those companies which devote nearly all of their time to making products that conserve human energy or extend man's capabilities. For that reason, as well as its good record and currently favored status, I would nominate Sperry common as the security I like best.


Ernest Sharpe

Sperry Corp. itself is a holding company heading up a group of subsidiaries and divisions which invent, develop and manufacture a wide variety of machinery, equipment, instruments and controls for military, farming and industrial uses. Products include navigational equipment and gunfire control systems for ships and planes; ground armament devices; radar, radio and other electronic apparatus; hay balers and forage harvesters; hydraulic control mechanisms; food processing and packaging machinery; a wide range of electrical components and assemblies; rotogravure printing presses; automotive service tools and many other items. There are eight wholly-owned subsidiaries and four major divisions under Sperry's direction. Each operating unit has its own management and carries out its part as independently as possible but within the framework of general policies laid down by the parent. Though widely diversified, the activities of most of the units are mutually complementary.

The Sperry Corp. was organized as a management company only 19 years ago but most of the operating divisions have been in existence a much longer time. Originally it specialized in the production of gyroscopes, gunfire con-

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LETTERS TO THE EDITOR:

More Comments on "UN— Why It Is Doomed to Fail"

Provision made for more letters commenting on William A. Robertson's article in which he contended that the United Nations, because of its mixed and nondescript composition, among other reasons, is incapable of achieving the objectives, including maintenance of world peace, which prompted its establishment. Suggesting U. S. withdrawal from UN, Mr. Robertson argued that this country, acting independently, could accomplish more good for the world than any such body as the UN.

We have received some more comments during the past week in connection with the views expressed by William A. Robertson, member of the New York Bar, in the article "The United Nations — Why It is Doomed to Fail" which appeared on the cover page of the "Chronicle" of June 19. These recent comments are given further below, others dealing with the same subject having appeared in our issues of July 3 and July 10.

In his article Mr. Robertson set forth the reasons for his belief that the United Nations is incapable of achieving any of its stated objectives, including the prevention of war. The very feature of the UN that was hailed as its crowing virtue—its internationalism—is, in reality, its outstanding weakness, said Mr. Robertson. Another insurmountable impediment to its success, he wrote, is "its mixed and nondescript composition." the membership thus including nations of Europe and Aisa, for example, which have nothing in common and hence can hardly be expected to agree on any measures that conflict with historical behavior.

Mr. Robertson concluded that the United States would serve its own best interest and that of the entire world by withdrawing from the United Nations. Acting independently. he said, the United States could achieve more for the world than any "federation of 60 nations that do not know their own minds."

Herewith are the communications regarding Mr. Robertson's article which were received in the past week.—Editor.

DONALD I. ROGERS
Business and Financial Editor, New York Herald Tribune

I found Mr. Robertson's article on the United Nations a very thought-provoking, though disturbingly discouraging piece. I have done a good deal of soul searching on this very problem and confess that I have come to no valid conclusions as to whether or not the United States should continue to support and take part in the noble experiment of the United Nations.

As for your part, I am sure that you are rendering a very valid service in printing the opinions of thoughtful men on this all-important subject.

HUGH C. GRUWELL
President, First National Bank of Arizona, Phoenix, Ariz.

I have read with deep interest the article "The United Nations—Why It Is Doomed to Fail." As to reaction to the views expressed by the author, Mr. William A. Robertson, a New York lawyer, this is my thinking:

Hugh C. Gruwell

I suppose any attempt to bring the nations of the world together is bound to have far from smooth beginnings; for after all the hurdles of age-old suspicions, language, customs, and even mode of dress—all contribute to what we have always considered the normal barriers between nations.

To first smooth these matters out and then direct general attention to the highest levels of thinking in the effort to establish a community of nations (which began with Woodrow Wilson's attempt and is now continued in the present United Nations structure) is a job which may take not years but generations.

The question is: Where is the hope of the world? Is it in that nation whose resources permit it to arm itself most heavily, regardless of its own political, emotional or ethical ideologies? Or is it with the nation, without arms, works ceaselessly over the impress of wholly logical idea which is the community of nations?

There must be a middle ground over which we may all travel in the hope and expectancy that eventually we will arrive at a situation which will give some assurance and insurance against destructive wars.

In any event, I am quite certain we will gain less by negatively criticizing the efforts which are being made toward this end, than though we were to attempt to help them gain some measure of success.

It is almost too much, I know, to expect that selfishness among people and among nations can be eliminated. But, I am sure the effort to do so will result in a much pleasanter place in which to live.

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*See article by Mr. May on cover page.

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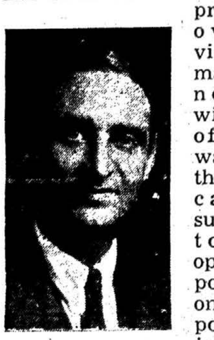
Taxes, Inflation and Executive Compensation

By V. HENRY ROTHSCHILD*

Member and Former Vice-Chairman and Chief Counsel, Salary Stabilization Board

Salary Board official cites data showing enormous shrinkages in take-home pay suffered by executives during past decades. Maintaining American management has done "wretched" job in selling itself, Mr. Rothschild urges it tell its story in simple and direct way to labor, stockholders and public. Concludes companies' ingenuity in devising profit-sharing and pension plans proves continuing vitality of our free enterprise society.

I am talking to you as a private citizen and not as a representative of the Salary Stabilization Board. The views that I am going to express are my own personal views, which may or may not coincide with the views of others. I want to make this clear because I am sure you want to hear an opinion and point of view on this important subject of executive compensation, and that is what I am going to try and give you.



V. Henry Rothschild

Last year, Judge Washington and I published a book on the subject of executive compensation. Our book seems to have attracted considerable attention and was featured in an article in the December issue of "Fortune" magazine. In connection with that article, the editor who wrote the article and I were discussing the combined effect of taxes and inflation upon salaries. We got out a pencil and paper and began to do some figuring. We took the case of a married executive with two children who earned $30,000 in 1940. We figured out what that executive would have to earn today in order to have the same purchasing power he had in 1940, using a 53c dollar in our calculations. We found that a married executive with two children who earned $30,000 in 1940 would have to earn more than $124,000 in 1952 in order to take home the same real salary that he did 12 years before. This is without taking into consideration state income taxes. In other words, he would have to earn more than 400% of his 1940 salary just to break even, and that means without any actual increase in salary during his 12 years with the company.

*An address by Mr. Rothschild before the Annual Convention of the Controllers' Congress of the National Retail Dry Goods Association, New York City, May 27, 1952.

The Drastic Shrinkage Over a Generation

Let's take an actual case—the case of Walter S. Carpenter, Jr., Chairman and former President of the duPont Company. In 1923, Mr. Carpenter's salary was $78,500. In 1947, his annual salary was $175,000, but his net income after taxes in 1947 was $48,250 as against $60,750 in 1923. Thus, while over a period of a generation with the duPont Company his annual salary had been increased by almost $100,000, Mr. Carpenter was in reality earning $13,000 less than he had been earning 25 years before, and this does not take into consideration the loss of purchasing power of the dollar. I don't think anyone would suggest that this reduction in actual earnings took place because of Mr. Carpenter's inefficiency or non-productivity.

Dollar Increases

Some interesting statistics to show what has happened to executive compensation have recently been published by Arch Patton. Upon the basis of a survey which he conducted, he found that during the period between 1939 and 1950, hourly-paid employees had been advanced in pay by 114%, white collar workers by 95%, supervisory workers by 83%, middle management by 45% and top management by 35%. The figures are on the basis of dollar increases in salary and bonuses—that is, gross compensation. Adjusting such compensation for changes in taxes and living cost, he found the following relationships in 1950 to the equivalent of 1939 income: hourly-paid workers were up 6% from 1939 in real wages after taxes, white collar workers were even, supervisory workers were down 13%, middle management was down 40% and top management was down 59%.

There is a story about this matter of executive compensation in connection with the steel dispute. In the course of the steel negotiations, labor representatives referred to the salaries being paid to steel executives as an argument to support the increases in wages which they were asking. When this subject came up, Admiral Ben Moreell, Chairman of the Jones & Laughlin Steel Company, is supposed to have explained at some length the effect of taxes upon the salaries paid and to have referred generally to figures such as those that I have just mentioned. According to the story, Philip Murray waited patiently until Admiral Moreell had finished and then said, "My heart bleeds for you."

Public Indifferent

I don't know whether this is a true story, but true or not, it points up a moral. The moral is that you can talk about taxes and statistics in the field of executive compensation until the cows come home but you won't make any impression upon labor—or upon stockholders or the general public either, for that matter. Peter Drucker, the economist, makes the point somewhat differently. He says that if you explain the effect of taxes on salaries to the average wage earner (a) he will not understand, (b) he will not believe you, (c) he will say, "So what?"

And the wage earner is right, completely right. You controllers understand the significance of figures such as these I have mentioned but how can you expect them to mean anything to the hourly-paid worker who makes, say, $1.87 an hour? You can't expect his heart to bleed for a man who earned $30,000 in 1940 and who is now earning $124,000 in 1952. The figures are as unreal to him and to the general public as the billion dollar figures which we read about in government budgets. The story of what is happening to executive compensation must be told to labor, stockholders and the public in another way—a simple and direct way, with down-to-earth economics as to why the boss is paid more than his employees and what may happen to them, to their jobs and to their futures if he isn't.

For a country whose industries have done the finest selling job in the world so far as their products are concerned, American management has done a wretched job in selling itself.

Stockholders, Labor, and Public Must Be Enlightened

I feel it is of the greatest importance that stockholders, labor and the public have a proper understanding of what is happening to executive compensation. For unless they do have such an understanding, current trends may well continue, with most serious consequences to our industries and our economy. You can't expect a man to take on the responsibilities, worries and headaches of a top job without proper inducements and rewards. Having taken on the job, you can't expect him to give the job what it takes. *It appears to be a medical fact that the life-span of the average American business executive is at least six years shorter than that of his employee.*

Labor does not expect William Green, Philip Murray or John L. Lewis to take on their responsibilities without being paid a lot more than the average union member; and stockholders and the public at large must also recognize that those responsible for the functioning of our business enterprise must, by the same token, have adequate financial recognition.

I do not mean to suggest that management is underpaid today or that we have yet reached the point where it is not worthwhile for a man to undertake an executive position. Furthermore, management, like everyone else, must make sacrifices in times of national emergency and cannot expect to maintain a standard of living appropriate to more normal times.

At the present time, also, there is a stabilization program under which, in accordance with elementary principles of equality under the law, the compensation of management cannot be increased at rates greater than the rates of increase authorized for production workers. There has been a good deal of pressure for immediate termination of stabilization controls. I think this would be a great mistake. Even if controls were not necessary at this particular moment, no one knows what lies in the period immediately before us. Whether or not there is a change in the international situation many respected economists believe that the impact of the defense program may be seriously felt in our economy in the next months. It takes much time and money to start a controls program and put it into effect. That time and money have now been spent and it would be both foolish and extravagant to scrap the program at this particular time.

Inflation the Key

The current stabilization program is intended to preserve financial incentives to the fullest extent consistent with stabilization objectives, I do not think it can be seriously contended that salary stabilization has contributed to any appreciable extent to the drastic reduction in financial incentives to management that has taken place. That reduction has been due in large part to the evils of inflation which the stabilization program is designed to prevent.

Despite the drastic reduction in financial incentives, there is, as yet, no convincing evidence of disintegration of executive efforts. A study by Thomas A. Sanders of the effects of taxation on executives was published about a year ago by the Harvard Business School. The 160 executives interviewed appear to have been virtually unanimous in their view that incentives to executive effort were being impaired but the conclusion seems justified that the business executive, "despite his grumbling at the taxes he pays and his wry illusions to working most of the time for the government rather than himself," continues to put in a full measure of work and energy.

A similar conclusion was reached in a study of 50 of our great industrial corporations by Robert B. Fetter and Donald C. Johnson, published this year by the Indiana University Press. While 20% of the executives there interviewed noted indications of present impairment of ambition and effort, 25% believed that there were no great ill effects on effort and ambition, and 55% thought current effects negligible but that the "greatest danger was a long-range matter leading to future deterioration of the dynamic caliber of industrial leadership and the protective character of competitive enterprise."

Because of the tax situation, the executive today no longer finds the same financial incentives in salaries, cash bonuses and traditional profit-sharing. Other arrangements have been developed to supplement salary and bonuses. These arrangements fall into *three broad categories.*

Supplements to Salary and Bonuses

The first category includes *the expense account* in its many forms. All of you are familiar with expense accounts, so I shall not dwell upon them here, except to mention a significant trend which has been taking place. This trend relates to the direct payment or assumption by the corporation of expenses, such as entertainment and living expenses away from home, which the executive himself was once expected to pay out of his salary, or for which he was reimbursed by the company *after* they had been paid by him. Payment of expenses directly by the corporation accomplished two chief purposes. First, the average executive is constitutionally incapable of keeping the adequate records necessary to justify a cash expense as a tax deduction; payment of such expenses by the corporation simplifies record-keeping requirements. Second, the direct payment of expenses by the corporation constitutes a recognition by the corporation that these expenses are considered a corporate expense; this tends to prevent a revenue field agent from arguing that a particular item of expense was really a personal expense of the executive rather than a corporate expense. Thus we find corporations today with charge accounts with airlines, railroads and hotels to which their executives can charge their expenses without any cash outlay. We also find companies owning automobiles and sometimes airplanes and owning or leasing houses or apartments for use by their employees.

The direct payment by a company of expenses of an employee may of course be carried to an extreme. In a recent case, the Tax Court disallowed as a corporate expense amounts paid by a company for the wedding costs of its treasurer's daughter.

When expenses are not paid directly by a corporation, it is important that the executive have some evidence that the item claimed is an expense incurred on behalf of the company—that is, a corporate rather than a personal expense. To effect this purpose, an executive today may ask for an employment contract which specifically provides that the executive is intended to incur and pay expenses of a stated nature out of his salary. If this is not done by contract, it can be done by corporate resolution or by memorandum from the company. The substance of the provision is that while the executive will be reimbursed for expenses which can be readily accounted for, the company recognizes that some entertainment and similar items may not be susceptible to accounting and that the executive's salary has been fixed so as to enable him to pay such expenses himself.

Entertainment Items

The type of expenses most frequently questioned by the Bureau of Internal Revenue is, of course, entertainment, and the problem here boils down in the last analysis to adequate records. It is easy enough to say to an executive, "Keep records of your cash outlays for entertainment." Few executives will heed this advice. A practical suggestion is to keep away from cash as much as you can. Here are two ideas on this score: (1) Open charge accounts at one or two restaurants where you take customers or business associates. When you sign the check, write somewhere on the check the names of the people with whom you have been lunching. Arrange with the restaurant to send you copies of these vouchers when paid. More often than not, the names of the people on the vouchers will refresh your recollection as to the purpose of the lunch, if later on expenses are questioned. (2) Work out with your wife an estimate of the reasonable cost of food and drinks for a guest and when you bring business associates home for dinner, have her actually bill you for each guest, and pay her bill. This

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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

Overall industrial production continued last week to record declines for the sixth successive week as industry suffered from fast-dwindling stocks of steel. With more than a million workers already away from their employment because of the steel dispute, lay-offs, particularly in the automobile industry, continued to spread. Vacation schedules also reduced overall output.

Aggregate output was moderately lower than that of a year ago and about 10% below the all-time peak reached in the middle of World War II.

Claims for unemployment insurance benefits rose 8% above the level prevailing for the like period of last year.

In the aviation industry hiring has slowed somewhat as a result of the Armed Forces' "stretchout" of aircraft production schedules, the United States Department of Labor reported. The agency said a survey of 176 aircraft and parts plants showed employment increases between February and April were smaller than in any previous period since the outbreak of the Korean War.

On Monday of this week, the "Fair Trade" Bill was signed by President Truman. The new law will enable manufacturers in the 45 States which have "fair trade" laws to fix minimum resale prices for their branded products simply by arranging a contract to that effect with one retailer in each State. The measure was adopted by Congress because of a Supreme Court ruling in May, 1951, that such contracts were not binding on non-signers.

Price controls were removed by the Office of Price Stabilization from 90% of products in the fruit and vegetable field, including all frozen vegetables and fresh fruits and all canned and frozen citrus juices, fruits and concentrates. Price Administrator Arnall said that he was forced to take the action under an amendment to the new controls law exempting fresh and processed fruits and vegetables from price curbs.

Steel ingot production last week inched up to 14.2% of capacity, a rise of 0.9 of a point, as some small steel producers settled with the union.

Settlement of the steel strike could come this week if Top Brass of the United Steelworkers can agree among themselves, according to "The Iron Age," national metalworking weekly. Basis for the settlement would be an industry compromise offer of union security based on the Bethlehem union shop formula, it adds.

Philip Murray, President of the union, personally rejected the compromise offer last week-end. But other union officials favor accepting the plan which goes a long way toward meeting their demands for union security without putting companies in the position of actually administering compulsory union membership, this trade weekly states.

Intense pressure for settlement is being felt on all sides. The financial drain on companies will show up on balance sheets later this year. Steelworkers, their savings exhausted, have been forced to apply for relief.

Strangely enough there is little left to predict about the outcome of the strike—except its time of ending. The industry has already offered a 16c per hour wage increase plus fringes amounting to about 5.4c per hour. It has satisfied union demands on holidays, vacations, shift differential and southern pay differential. The only big issue remaining is the union shop.

The steel price increase has been pretty well agreed upon for many weeks. As has been pointed out repeatedly by "The Iron Age," it will be around $5.20 a ton.

Settlement of the iron ore miners' strike has become an integral part of the problem of peace in the steel industry. This was a major topic of discussion in the negotiations which collapsed last week-end, this trade journal points out.

The ore supply outlook is desperate. Shipping losses have already mounted so high that some blast furnace shutdowns may be inevitable next spring.

Steel inventories, which some manufacturers worked two years or more to build, have been wiped out. It will not be possible to resume operations until at least some next inventory has been accumulated. Even consumers with the highest priority can not expect steel shipments for two weeks or more after the strike's end. The outlook now is that the steel market will be tight—probably until mid-1953, concludes this trade authority.

Auto production in the United States may be "blacked out" by July 25 because of the steel strike, said "Ward's Automotive Reports." Output will be the lowest this month since 1946, this agency predicts.

Last week steel shortages caused auto output to fall to 52,767 units, down 17.7% from the 64,129 of last week. In the like 1951 week the industry turned out 86,637 cars.

"Losses in car and truck output due to the steel strike have already swelled to the 70,000 mark," Ward's notes. The total production losses will be pushed over 100,000 this week as more plant shut-downs occur.

Chrysler Corp. began closing its plants on Monday. Output at Willys Overland Motors, Inc., and Packard Motor Car Co. plants was "fading out" early this week, "Ward's" noted. Operations at General Motors Corp.'s home plants for Cadillac, Buick, Oldsmobile and Pontiac "will struggle through to near the end of the month."

All this means that July will be the poorest production month since postwar operations were resumed in 1946, according to

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No-Top Convertibles

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Whether on the highways of America, or in swings up and down Wall Street in coupon form, the convertible is an attractive vehicle. The ones we shall discuss today are of great investment utility — in fact, two great utilities — American Tel. & Tel., and Houston Lighting & Power Company.

Automotive convertibles are highly prized, spectacular performers and usually sell at a premium. So it is with good convertible bonds; but instead of having a hard top, one you can crank up or down or propel by a push button, the bonds have no top at all (in theory). Their market height depends not on themselves but on the lift provided, if at all, by the price of the common stock into which the coupon carrier may be converted.

Ira U. Cobleigh

Long before the two platoon system—one for offense and one for defense — was invented and utilized to win football games, its principle was being applied by investors in the convertible bond. The defensive platoon part is the intrinsic and abiding market value of the bond itself as a prime security; the offensive platoon element is opportunity for capital gain by exchange into common shares when they sell above the conversion price. For example, Consolidated Edison 3s of 1963, offered to stockholders at par in 1948, never sold below 105¾ (defensive value) but sold as high as 141½ because they could be converted into 40 shares of common, selling today at 34½ (offensive stage). When these 3s came out, common was selling at only 23, and conversion, as you easily perceive, had no value at all, at that time.

What has never been given enough consideration in all the hoopla about convertibles, is this defensive part. Any tyro can see that if the stock market roars, the advancing price of commons will automatically build fancy values for convertibles; but what he fails to notice, is that if the market tailspins, it takes a powerfully fine bond to build a solid defense at par, give or take a couple of points.

For this reason, today's article will not treat with convertible preferreds, or second preferreds, which present a somewhat porous defense in a declining market. We're seeking prime bonds, in their own right, which further transcend those traditional investment qualities of safety and income, by offering a conservative cut at capital gains—Security with a fringe on the top.

American Tel. & Tel.

No primer convertible bonds have been offered, through the years, than those of American Telephone & Telegraph Company. Four earlier issues, all offered originally for stockholder subscription at 100, are listed on the New York Stock Exchange. All sell at a premium, and are now convertible at prices ranging from 138 to 146. About $350 million are still in bond form (unconverted that is) but your attention today is directed to the new issue of about $500 million American Tel. and Tel. 3½% convertible debentures due July 31, 1964. Stockholders can buy $100 face amount of these at par for each seven shares of stock held, provided they act by this July 31. The debenture itself, in addition to paying 3½% interest, is convertible into T common at $136 (payable by surrendering $100 principal amount and $36 in cash. This is an interesting way of raising further capital—$360 per $1,000 bond, in cash at some future date). With T common selling at 154, the present when issued price of the new bonds, 115, is not hard to explain.

First we must raise a question for the defense. How much is this bond worth without a conversion gimmick? Considering its early maturity (only 12 years away) it's worth at least a 2.70% basis or 108. That's roughly the price at which examiners would probably approve these 3½s for bank portfolio purchase. The difference between 108 and 115, namely $7 a bond, is the price you pay for a ten-year call on T common at 136. Since the war, T common has sold at 200. If, with good fortune, it should hit that price again, these 3½s could sell around 160. We can dream, can't we?

Surely you're going to ask why does A T & T need all this dough — half a billion dollars when only last year it sold $415 million in bonds. Well, here's part of the answer. From the end of World War II, demand for telephones has been insatiable. Since then, 16 million new phones have been placed in service, and right this minute A T & T has 38 million phone bells to ring! That's 80% of all the phones in America; and yet there are still around 800,000 unfilled applications. So it is that AT spent $295 million to expand facilities, just in the first three months of this year. Hence the continued king size need for capital.

If this convertible bond idea appeals to you, then by all means ignore the foregoing comment, which is devoid of official or authoritative status, and secure and read, the prospectus dated June 9, 1952 which is the only authentic aggregation of facts about A T & T 3½s to which anyone should refer. One just can't help believing, however, that A T & T is perhaps a premier example of private enterprise in the world with over a million stockholders, nearly $10 billion in assets, 550,000 employees, and a distinguished record of paying $9 a share dividend on its common stock for 33 years in a row (plus a lot of valuable rights along the way). Yes, if you dilate on the subject, could be you might regard these new Telephone "converts" as a good number.

Houston Lighting & Power

The second classic example of a classy convertible is Houston Lighting and Power 3¼s due June 30, 1967, convertible between July 1, 1953 and Dec. 31, 1955 into common at 17½. Checked the basic value here with a brilliant bond brahmin who opined the bond, without the parley, would be worth about 110. It sells when issued, at 116 because the common at 21 is already 3½ points above the conversion price.

Five things appear to operate favorably for these Houston 3¼s. First, the territory is one of the fastest growing in the United States with gross operating revenues between 1940 and 1950 jumping from $13 million to over $40 million. Second, the company enjoys a top credit rating, so these debentures rank as bank-quality bonds. Thirdly, the common stock, historically, has been dynamic, with 2-for-1 split in 1947, and 3-for-1 in 1951. Fourth, the conversion into stock at so low a price multiplies the gain for bondholders; each point the stock advances, equals 5.7 points on the bond. Fifth, there's a tax gimmick. For those whose tax bracket makes them slightly allergic to current income, and more partial to capital gains, the bond yielding around 2.75% is preferable to the same dollar investment in common yielding 4.8%. The debenture offers equal chance for capital gain, and superior defense, should deflation set in.

Here again informed comment has been rapidly presented, but for the only real, genuine, statistical and reliable information you simply have to read the prospectus dated June 18, 1952. It may be dull reading, but, like Petrillo's stand-by orchestra in the theater —the show can't go on without it.

Other Issues

These two issues above have been presented as examples of what a good convertible bond should look like. But you don't need to stop there. Look up Union Oil 3⅛s due 1972 selling at 108½ with a stock call at 45; Warren Petroleum 3½s of 1966 at 109, switchable into common at 34; and there's a $100 million issue of Dow Chemical 3% "converts" launched this week. Some fine companies, fine credits, and the stocks aren't sleepy ones either.

With the Dow Jones industrial average nibbling at a new high, a number of security savants have recently been counseling caution. Well, the quality of caution is not strained by the possession of prime convertibles such as the ones we've mentioned. And you're definitely not trapped if the market goes higher.

Fact is some "no-top" convertibles have really romped—like Interprovincial Pipeline 4s of 1970 which leapt, in two years, from par to over 300. If you like to have your cake and eat it too, convertibles may be the bonds for you.

Low Interest Rate Policy—A Hindrance to Savings Banks

By WILLIAM A. LYON*

New York State Superintendent of Banks

Scoring low interest rate policy as a disservice to savings banks, New York State Banking Superintendent attacks low mortgage interest rates fixed by government agancies as discouraging investment in FHA and VA housing loans. Sees need for equity investments by savings banks to give a lift to earnings, but warns banks should exercise caution. Recommends savings banks be permitted to buy bank stocks.

There is nothing as stable as change. "Observe always," a great Roman said, "that everything is the result of change, and get used to thinking that there is nothing Nature loves so well as to change existing forms and to make new ones like them."

Wm. A. Lyon

Most assuredly change has not overlooked savings banking. Savings banking in this country dates its origins back nearly a century and a half, but only in its purpose and not in its operations is it one of those fixed and unchanging institutions. Formerly it was a sort of side show to the main business of banking, which was, of course, demand deposit banking. Now it is in a good many states a hale and hearty full partner in banking. It has ever been evolutionary.

For a number of decades savings banking was for the most part run by public-spirited men as a sort of civic duty. In their own callings they were men of substance and accomplishment, but in banking, that is, savings banking, they were amateurs. The Legislatures spelled out pretty fully—more fully than in the case of other types of banking—the investment powers of these amateur, these part-time bankers. It steered them firmly toward mortgages on real property, and it set up a good many standards to aid the amateurs in separating the good mortgage loans from the bad ones. The lawmakers said certain bonds were in bounds. Our governments and municipal bonds were declared to be preferred risks. Among corporates on the legal lists a position bordering on monopoly status was given to railroad bonds.

With respect to railroad obligations it is not necessary to go into detail to show that there have been some changes made, to show that change is also a law of nature in savings banking. Railroad bonds have taken a back seat in savings bank investments and other obligations have come forward to take their place. This shift from railroad bonds did not exhaust the process of change for savings banks.

*An address by Supt. Lyon at the 44th Conference of the Savings Banks' Association of New Jersey, Spring Lake, N. J., June 27, 1952.

Adverse Effects of Low Interest Rate Policy

Government controls of various kinds are nowadays bringing about changes in the status of both the real estate mortgage and the high-grade bond, which have ever been the main reliances of savings banks for earnings. The net effect of these controls on real estate is to take it out of that part of our economy where the free market holds sway. This means that the functioning of the free market's automatic regulating mechanism is interfered with. The price of the product is not permitted to determine its supply by attracting or repelling capital.

Rent controls most directly affect the lot of owners. Control of rents undoubtedly has social advantages. At the same time the economic necessity of making suitable provision for replacing the property at the present high building costs is being postponed to some future period.

Both mortgage rates and high-grade bond yields have been affected by the long-lived easy money policy, whose extreme degree has been moderated over the last year to only a limited extent. The main reason for easy money's adoption and long continuance was to facilitate Treasury borrowing and to hold down the requirements of interest in the Federal budget. The yields offered by municipals and prime corporate bonds are much lower. In the first 15 years of the easy money era the average yield of the highest grade corporate bonds was cut in half, the decline beginning at 5.01% in 1932 and continuing until a low of 2.53% was reached in 1946. The current yield of 2.93% is 4/10 of 1% above the low, but it is still more than two full percentage points below the 1932 high. Government security yields, direct beneficiary of easy money, have dropped in like degree. Earnings of the savings banks from top-grade securities naturally reflect these developments.

Low Income From Bonds

As to securities we may say that government intervention in the economic scene has cut down drastically on the contribution which bonds can make toward the ability of savings banks to draw savings to them. You can't expect to succeed in getting the public to bring its savings to you unless the return you pay makes that course attractive. You pay dividends out of earnings, and bond portfolio earnings have suffered.

The average rate borne by mortgages also has falled noticeably. In part, the weakening in the mortgage rate has been in reflection of the pervasive effect of the easy money program, to which very few rates have been really immune. Certainly the average interest received by the savings banks on their mortgages has been dropping away rapidly. In the six years up to the end of last year, or just about a third of easy money's reign, the mortgage rate has declined ½ of 1%. For the entire reign the fall in rate has been more nearly on the order of 1%.

In addition to the effects of government intervention through easy money, mortgages have been affected by government controls of another kind. Mortgage rates have fallen also in response to the essay in mortgage rate fixing which the government has carried out through the Federal Housing Authority and the Veterans Administration. The most that can be said for the FHA rate is that it could not be supported in some parts of the country if the insurance feature did not give FHA's a national market.

The VA rate was not fixed with any thought of balancing the demand for and the supply of mortgage money. It was set purely and simply with the purpose in mind of making home ownership available to veterans on the lowest possible cost basis. The rate is held down by the partial government guaranty. It is held down also by an intangible—that is, by the widespread natural inclination to help along veterans' causes regardless of the financial sacrifice that may be involved.

In addition, the government has a way of making sure that the FHA and VA rates prevail. Should private sources be unwilling to make mortgage money available at the rates that the two agencies consider appropriate, the Federal National Mortgage Association is poised to absorb the mortgages itself. It is common knowledge that mortgage lenders in great numbers have said that they didn't like the VA rate, but they would take the loan to keep the government from getting deeper in mortgage lending.

Threat of Enforcing Lower Mortgage Rates

These influences have combined to impair the productivity of the real estate mortgage as a source of earnings for savings institutions. I may add that it appears to me that governmental action in the future may depress the mortgage rate more than it has in the past. It has been the frequently expressed view of government economists that home construction offers the best hope of supplying strength to the whole economy if the makings of a slump should begin to appear. In that event it can be expected that one of the first moves will be the lowering of the mortgage interest rate so that monthly payments can be reduced and the market for homes broadened.

Government controls affect mortgage lending not only through their influence on the interest rate but also through their effect on the mortgage supply. It seems to be almost the invariable rule for some years now that when the public has the money to buy homes and savings institutions have abundant funds to lend for the purchase of homes, the urgent need of resisting inflation causes the government to clamp controls down on home building which either restrict the supply of mortgages or the supply of building materials, or both.

Before war and defense needs began to distort the normal tendencies of our economy, savings banks swung from mortgages into bonds and from bonds into mortgages according to the phase of the real estate cycle in which business happened to find itself. Controls in recent years have caused lags to appear in the ability and desire of the public to buy homes and in the availability of new homes. During these lags, however, high-grade bonds have come to offer a far from satisfactory solution to the investment problems of savings institutions. Their yield is so low that they are really helpful only to a savings system operating in low gear.

Treasury Has Done a Disservice

The Treasury, it has seemed to me, has done us all a disservice by failing to fill this gap in the investment field itself. I should like to trace some of the consequences of the Treasury's policy so far as savings banks are concerned.

The best way to restrain the inflationary forces that abound in a war and defense economy is by financing the Treasury's needs for new and refunding moneys as far as possible out of savings. To tap the savings that flow into savings banks it is necessary to offer them a security with a coupon large enough to permit the institution to pay an attractive rate to the saver. A miserly rate only compels the savings banks to leave subscriptions to new Treasury issues out of their investment calculations.

The Treasury acts as if it feels that it must continue to rely on commercial banks for new money and refundings because savings institutions have plans to invest their funds elsewhere. But if you will give savings banks an issue with a rate that will allow them to draw savings to them, and if you will provide them with some assurance that these issues will be continuously and frequently available, you will find savings banks coming to place greater reliancse on Treasury issues in working out both short-range and long-range investment programs. The coupon rate for the savings institution issue need not be any higher in these times than the actual cost of E bond money—that is, the total cost of interest, promotional expenses and handling.

What happens when the Treasury doesn't try to reach savings institutions' funds? The savings institutions compete strenuously with one another for the reduced supply of new mortgages available and in that way force down the net yield on mortgages, on the one hand, and set forces in motion on the other, that impair the effectiveness of government controls on building. Mortgage money becomes so abundant that rising prices of old homes can be supported with ease. The inflationary spiral is thereby made to whirl faster and extend higher.

The lowered earnings possibilities in the mortgage and high-grade bond fields pose, I think, a problem for savings banks. Since the drop in return on mortgages and bonds has been taking place at a time when savings deposits have been rising rapidly, you may well ask what all the shooting is about. It may we'll be said that the last 10 years have been the Golden Age of savings banking. The answer is that I am looking to the future and am trying to analyze the long-term effects on your institutions of trends which began some time ago and are still in progress. For a long time ahead I should expect to see real estate mortgages and high-grade bonds remain as the main reliances of savings banks as producers of earnings. The average return provided by the mortgage portfolio, however, has been and continues on a long downslope. Nobody can say when the bond market will emerge to any considerable extent from easy money. We should not wait for the earnings circumstances of savings banks to be in serious straits before coming to grips with the situation that is developing.

What to do? At least two different approaches are possible. One is to stand pat, to ride out the storm and to have faith that the old days will return. If the conventional outlets are unsatisfactory producers of earnings for savings institutions, we can say that we won't budge an inch toward new investment fields, but will, instead, wait as long as may be necessary for the world to return to its senses.

For my part, let we say that I do not believe that savings institutions can afford to go into a form of Rip Van Winkle sleep against the return of the day when the interest rate may be free again and the traditional outlets may be a more rewarding source of earnings for saving institutions. My fear is that by thus passively waiting for the restoration of the old regime, savings institutions may lose their trade to more flexible, more adaptable, more responsive trustees of the public's savings.

Stocks Can Give a Lift to Bank Earnings

It is by this process that I have brought my own thinking to the point where I believe that a modest addition of common and preferred stocks to a savings bank's investment portfolio can give a lift to earnings without bringing safety of principal into jeopardy, and so help the institution to do its job better. Others have arrived at the same conclusion for different reasons.

For me the determining consideration is the fact that the market for equities is the one sector of the whole investment front where government controls have not depressed the earning power of money nor interfered with the supply of available investments. The Treasury has not found it necessary to do to stocks what it did to bonds, namely, lower yields as a means of reducing the cost of money to itself. Nor have Congress and the governmental agencies driven down stock yields to influence economic activity or bring benefits to special groups, as they have done in mortgage financing.

I look upon stocks in modest quantities as offering one possible way of making up for some of the deficiencies in earning power that have shown up in bonds and mortgages. I say this, not in the spirit of an out-of-the-stater trying to tell New Jersey what it should do with its institutions. You must, of course, wrestle the problem out for yourselves, and I am aware that there is more than one point of view possible on this question. I for one would be most reluctant to shift even slightly from the seasoned real estate mortgage-high-grade bond investment outlets if their value as producers of earnings were not being impaired. Stocks can help to make up for some of this loss of earning power. This fact is cardinal: You can't have a healthy savings system unless you are able to reward the savers.

Before I conclude, and to all savings banks which have or may have the power to buy equities, I should like to say a few words about the responsibilities that devolve on certain types of institutional holders of stocks. Savings banks in some states have had in all their history only a creditor relation to the business organizations to which they have advanced funds. When you buy a bond you don't ever have any of the responsibilities of owner—unless,

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We Have Drifted Too Long

By WILLIAM F. EDWARDS*
Dean, College of Commerce
Brigham Young University, Provo, Utah

Citing an old Aesop fable as illustrating need of team work in the economic organism, Dean Edwards stresses importance of interaction of profits and savings in our American capitalistic economy. Says it is bankers' patriotic duty to encourage savings, despite loss of purchasing power to savers from inflation, and sets up as program: (1) establishment of gold standard; (2) restoration of sound fiscal policy; (3) continuation of restricted credits; (4) caution in productive capacity expansion

Times are changing. We can still marry and be proud when the Lord blesses us with a boy and watch him develop. Then at the prime of life he may be drafted into the army and trained to kill or be killed.

Dr. Wm. F. Edwards

On the home front, it would be more realistic to recall an old Aesop fable. The various parts of the body once rebelled against the stomach. They said that it lived an idle, lazy life at their expense. The legs declared that they would not carry him about any longer. The hands refused to lift even a crust of bread to keep him from starving, and the mouth would not take another bite of food. The stomach had no choice but to allow them to follow their own courses but being confident that they would soon come to their senses. This they did when for want of nourishment supplied by the stomach they found themselves fast becoming mere skin and bones.

The economic organism — described as the American way of life—grew big and strong because the various parts functioned together, each contributing to the welfare of the body as a whole. But confusion is taking the place of cooperation. Strikes are accepted by many as the normal way of resolving differences between management and labor. Compromise and expediency are worshipped above honor and integrity. The foundations laid by generations of the past are becoming less secure.

*An address by Dean Edwards before the Utah Bankers' Association, Grand Canyon, Ariz.

Profits and Savings

Profits and savings are being looked upon by some like the stomach in the Aesop fable. And yet, as you so well know, they are as important in preserving the strength of our economic system as the stomach is to the body. If they are long neglected, the economic organism will become the equivalent of "mere skin and bones."

Labor has become organized into powerful monopolies. In many instances labor leaders have demanded and obtained contracts that provide for salary increases to offset gains in costs of living and also salary increases to reflect increases in productivity. They are demanding for the workers most of the reward from the combined effort of all of the factors of production. The consumers are paying for this through higher prices. It is an important cause of the price increases of recent years. This works against the best interests of the consumers as a whole, and if continued it will weaken the economy and impoverish the workers along with everyone else.

The attitude toward profits is made crystal-clear in the steel controversy. One governmental board, acting under the Wage and Price Stabilization program, has recommended a substantial wage increase, while another division of the government refuses to grant a price increase to offset the increased costs. The President of the United States has publicly stated that the wage increase is fair and should be granted and that it can be paid out of the industry's profits. Legislation intended to stabilize wages and prices is, in fact, being used to regulate and to limit profits.

The steel industry has made known its willingness to grant the recommended wage increases if it is permitted to raise prices sufficiently to offset the added costs. The industry is motivated not only by the fairness of its position but also by a decline in profits during the first quarter of this year of approximately 20% from a year ago. To the proposals of the steel industry, the government to date has said no, while at the same time encouraging labor in a strike that has brought to a standstill one of our basic industries.

Satisfactory profits are a prerequisite for a healthy economy. You know what happens if you make a loan to a company which subsequently loses its ability to make satisfactory profits. The loan may not be repaid, expenditures for new and better equipment are curtailed, and production may be reduced by the decline in employment. This is also true of the economy as a whole.

We must all support industry in its right to and its need for reasonable profits. The prospect of profit is the prime motivating force in our free enterprise society. If this is destroyed, the wheels of industry will stop moving forward. Labor should be encouraged to understand that it is only one part of the economic body, and if it weakens the other parts, it will ultimately weaken or destroy the whole.

Importance of Savings to the Economy

The Siamese twin of profits is savings, a word that should be held in sacred reverence by all true-blooded Americans. Our way of life is no more secure than our willingness and ability to save.

One kilowatt-hour of electricity comes to the home unnoticed and costs only a few pennies. However, this kilowatt-hour of electricity represents more energy than would be exerted by a man working two full days at a manual task, such as shoveling coal. This kilowatt-hour of electricity represents servants for the people, but this mass servant cannot be had unless there are generators and distributing facilities, and these can be built only with savings.

The American Telephone and Telegraph system is spending an average of about $4 million per day to enlarge and improve its services. This capital is available only if the people save the money and are willing to invest in the business.

The oil industry finds it necessary to invest over $500 for each new passenger car that goes on the road, almost $700 for each new oil burner, and almost $1,000 for each additional truck. Unless these funds are saved and reinvested to developed new oil fields, construct pipelines and refineries, etc., the petroleum products needed would not be available. Hence, we could not operate the additional passenger cars, oil burners, and trucks.

The strength of nations is not due primarily to their population or natural resources. China and India represent 40% of the world's population and they have substantial natural resources, but they account for only 2% of the world's output of manufactured goods. In contrast, the United States, with less than 7% of the world's population, produces almost 50% of the world's manufactured goods. The principal factors which make possible our greater production and higher standard of living are capital and the ability to use it. If we destroy the source of savings, we shall witness the death of our economic way of life, as certainly as the tree will cease to bear fruit if we destroy the roots. No group appreciates this more than you, and we plead with you to be aggressive in helping to keep this light of truth shining.

The Obstacle of Taxes

Karl Marx showed a better understanding of our way of life than many of today's leaders when he stated: "There's only one way to defeat capitalism . . . by taxes, taxes, and more taxes." He recognized how this could weaken the opportunity for profit and reduce the ability to save. Taxes have risen to such levels as to almost prove true the statement of former Justice Marshall when he said: "The power to tax is the power to destroy."

Under the present tax laws, many companies are paying in Federal taxes 60% to 70% of their earnings. Individual tax rates go up to 91%. Layers of taxation make these rates even more onerous. Due to present governmental regulations of some accounting methods, such as allowable depreciation charges, and high corporate taxes, there are many instances where companies are being partly liquidated. Just how sharp is the distinction between communism, socialism, and capitalism with current taxes? How valuable are a man's property rights if the government takes away up to 91% of the earnings?

A Balanced Budget Alone Will Not Stop Inflation

This brief discussion about taxes was injected in the hope of making obviously clear a fallacy preached in most circles and ac-

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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:

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

Bond Market Developments with a brief description of the new issues of United States Savings Bonds—Estabrook & Co., 15 State Street, Boston 9, Mass., and 40 Wall Street, New York 5, N. Y.

Cigarette Industry—Survey in forthcoming issue of "Trusts & Estates," 50 East 42nd Street, New York 17, N. Y.

Natural Gas Industry—Integrated companies with particular reference to **Columbia Gas System Incorporated, El Paso Natural Gas Co., Lone Star Gas Co., Northern Natural Gas Co.** and **Panhandle Eastern Pipeline Co.**—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

New York Bank Earnings—For first half of 1952—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Oil Companies—Financial analysis for 1951 of 30 companies by Frederick G. Coqueron—Chase National Bank of the City of New York, Pine Street, corner of Nassau, New York 15, N. Y.

Public Utility Bonds—Brochure—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Textile Shares—Analysis—J. Arthur Warner & Co., 89 Devonshire Street, Boston 9, Mass.

Tokyo Stock Quotations—Bulletin—Nomura Securities Co., Ltd., 1-1 Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

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Albuquerque Associated Oil Co.—Circular—Stanley Pelz & Co., Inc., 52 Broadway, New York 4, N. Y. Also available are circulars on **Crusader Corporation, Katz Canon Oil & Gas Co., Oklahoma Oil Co.; Sierra Petroleum, Inc., Tri State Oil & Refining Co.** and **United Oil Corp.**

Allis Chalmers—Brief data—Abraham & Co., 120 Broadway, New York 5, N. Y. Also available are data on **American Potash & Chemical, Bridgeport Brass Co., Columbia Gas System, Eastern Utilities Associates, Sperry Corp.,** and **Western Pacific Railroad.**

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

Central Illinois Public Service Co.—Memorandum—Eastman, Dillon & Co., NYC 7-17-52.

City National Bank & Trust Company of Chicago—Circular—Central Republic Company, 209 South La Salle Street, Chicago 3, Ill.

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

Detroit Harvester Company — Analysis — Straus, Blosser & McDowell, 135 South La Salle Street, Chicago 3, Ill.

Eaton Manufacturing—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y. Also available are memoranda on **Masonite Corp.** and **Sangamo Electric.**

Eastern Metals Corporation Limited—Leaflet—Rittenhouse & Co., 226 Bay Street, Toronto, Ont., Canada.

Erie Forge & Steel Corporation—Bulletin and annual report—de Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Hoffman Radio Corporation—Analysis—Conrad, Bruce & Co. of Los Angeles, 530 West Sixth Street, Los Angeles 14, Calif.

Hoffman Radio—Circular—Raymond & Co., 148 State Street, Boston 9, Mass.

Hudsons Bay Company—Data—Kippen & Company, Inc., 607 St. James Street, West, Montreal, Que., Canada.

International Business Machines Corp.—Memorandum—White, Weld & Co., 40 Wall Street, New York 5, N. Y.

International Hydro-Electric System — Analysis — Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Kewanee Oil Company—Study—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Landers, Frary & Clark—Memorandum—F. S. Yantis & Co., 135 South La Salle Street, Chicago 3, Ill. Also available is an analysis of **Central Public Utility Corp.**

Langendorf United Bakeries, Inc.—Analysis—First California Company, 300 Montgomery Street, San Francisco 20, Calif. Also available is an analysis of **California Oregon Power Co.**

Continued on page 34

Our Reporter's Report

In touching on the sluggishness that has marked some recent offerings, it was erroneously stated here last week that Gulf Power Co.'s issue was among them. The fact is that this particular issue moved out virtually in its entirety on the initial day of offering, largely as a consequence of strong institutional demand.

Deere Issue Awaited

Movement of a number of large new debt issues to market this week pretty well cleaned up the corporate offerings calendar in that respect for the balance of the month.

The only major corporate undertaking in immediate prospect is Deere & Co.'s projected sale of $50,000,000 of 25-year sinking fund debentures slated for market a week hence.

Since this is an industrial project it is being handled through negotiation between the issuer and its bankers and, accordingly, is expected to be priced to afford a yield that will make it attractive to potential investors.

Those who follow the market closely are disposed to anticipate a brisk demand for the debentures, pointing out that obligations of good name industrial firms brought to market earlier this year encountered good reception and have more than held their ground since.

They point out among other issues in that category those of Firestone Tire & Rubber Co., and American Tobacco Co. Both went over well, moved to premiums above the offering price and have since managed to retain a bit of that advantage.

Since there has been a long interlude during which the money market has been given over chiefly to public utilities current feeling is that investors will be found ready to look with favor upon the opportunity to pick up another good industrial name.

Dow Chemical a Quickie

Bankers who marketed Dow Chemical Co.'s $100,000,000 of subordinated debentures found a ready market for that issue, despite its size. Books closed quickly and the debentures moved up to a premium of about a point for a time though subsequently settling back around the offering price.

Aware of the vast preliminary interest in the issue, underwriters priced the debentures rather fully, it was opined, seeking to prevent anything in the way of a runaway situation.

The issue had the added attraction of a conversion feature which proved attractive to individuals and institutions alike giving them a call on the common stock and at the same time interest to carry it along.

Commonwealth Edison

Investors stepped into the market quickly to take up Commonwealth Edison's $40,000,000 of new, 30-year, first mortgage bonds.

The successful banking group paid the company a price of 101.68 for the 3¼% bonds and moved, late on Tuesday, to open subscription books at a price of 101.93 for an indicated yield of 3.15%.

Syndicate managers were able to close the selling group books within the space of about an hour.

Freedman Appointed To Post by SEC

WASHINGTON, D. C.—Chairman Donald C. Cook of the Securities and Exchange Commission has announced the appointment of Solomon Freedman to the position of Assistant Director, Division of Public Utilities.

Mr. Freedman has served as an attorney in the division since July, 1942, where he has been active in some of the most complex and controversial integration and simplification cases under the Holding Company Act, including those with respect to Associated Gas and Electric Company and Midland United Company. More recently, among his other assignments, he conducted the trial and other legal work in connection with the integration proceedings with respect to General Public Utilities Corporation and the reorganization proceedings for Long Island Lighting Company.

Joins Goddard Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Henry F. Merriam has become associated with J. H. Goddard & Co., Inc., 85 Devonshire Street, members of the Boston Stock Exchange. Mr. Merriam was formerly with J. Arthur Warner & Co. and H. M. Eames & Company.

With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Oscar H. Zaun is now connected with Renyx, Field & Company, Inc.

New York Central RR. Eqp. Tr. Ctfs. Offered

Halsey, Stuart & Co. Inc. and associates are offering $8,475,000 New York Central RR. 3¼% equipment trust certificates, third equipment trust of 1952, maturing annually Aug. 15, 1953 to 1967, inclusive. Issued under the Philadelphia Plan, the certificates are being offered subject to approval of the Interstate Commerce Commission at prices to yield from 2.25% to 3.40%.

The certificates will be secured by 64 Diesel road freight locomotives; 50 steel tank cars, and 6 steel flat cars having an estimated cost of $11,363,380.

Other members of the offering group are: R. W. Pressprich & Co.; Baxter, Williams & Co.; First of Michigan Corp.; Freeman & Co.; Hayden, Miller & Co.; Wm. E. Pollock & Co., Inc.; McMaster Hutchinson & Co.; William Blair & Co.; McCormick & Co.; Mullaney, Wells & Co., and F. S. Yantis & Co., Inc.

Joins Richard J. Buck

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Azad Ahmadjian has become associated with the Boston office of Richard J. Buck & Co. Mr. Ahmadjian was formerly in the trading department of Edward T. O'Malley & Co. and prior thereto was with du Pont, Homsey & Co. and conducted his own investment business in Whitinsville.

Missouri Brevities

American Investment Co. of Illinois, of St. Louis, has sold through a group of underwriters an issue of 50,000 shares of 5¼% cumulative prior preferred stock at par ($100 per share) plus accrued dividends. The issue was publicly offered on July 10 to a group of underwriters, including the following St. Louis bankers: **Newhard, Cook & Co.; Reinholdt & Gardner; A. G. Edwards & Sons; Edward D. Jones & Co.;** and **I. M. Simon & Co.,** and was quickly oversubscribed. The net proceeds are to be applied to the reduction of current borrowings.

* * *

Stern Brothers & Co., Stifel, Nicolaus & Co., Inc. and **Stix & Co.** last month participated in the public offering of an issue of $20,000,000 3⅝% sinking fund debentures due 1977 of American Gas & Electric Co. at 100.75% and accrued interest. This offering was oversubscribed. Among the bankers who participated in the offering of 170,000 shares of common stock (par $10) of the same utility were the following Missouri houses: **Reinholdt & Gardner** and **Barret, Fitch, North & Co.** The stock was priced at $60.25 per share.

* * *

The Missouri Utilities Co.'s offering to shareholders of record June 16 to subscribe on or before June 30 for 18,280 shares of common at $15.50 per share was underwritten by **Edward D. Jones & Co.** of St. Louis. The offering was on the basis of one new share for each 14 shares held, with proceeds of the financing to be used by the company for new capital purposes. The offering increased the total shares of outstanding common stock to 274,200 and it is anticipated that future earnings will permit continuance of the present quarterly dividend of 25 cents a share upon all of the outstanding common stock.

* * *

Directors of **Merchants Bank** voted the usual quarterly dividend of $1 per share, payable July 1 to holders of record June 30.

* * *

The Gleaner Harvester Corp. reported gross sales for the first nine months ended June 30 of $5,603,862, a gain of $1,288,901 over the results achieved during the corresponding period in the previous fiscal year. Net profit after taxes was $819,034, or $2.04 a share, compared with $757,859, or $1.81 a share, in the 1951 period. Sharp improvement in sales and earnings for the second and third quarters more than offset the relatively poor results attained in the opening quarter when operations were severely curtailed because of a shortage of materials. Output is currently running at about 10 machines a day, according to President George Reuland, and sufficient materials are in sight to continue operations well into August. Earnings for the first nine months are sufficient to meet dividend requirements on the 400,000 shares of outstanding common. The annual dividend rate is $2 a share.

* * *

The **Interstate Bakeries Corp.** recently borrowed an additional $1,000,000 from the Prudential Insurance Company, the funds to be used in connection with the company's fixed asset program and to pay for the cost of constructing a new office building in Kansas City. The loan bears 3⅛% interest and will be retired at the rate of $250,000 annually up to and including 1970. The company's long-term debt is now $6,000,000.

* * *

The **Kansas City Life Insurance Co.** paid the regular semi-annual dividend of $2 a share on July 1. In a report to the board of directors, President W. E. Bixby observed that while the margin of security for policy owners is ample, he nevertheless favored substantial additions to the contingency and surplus funds. The company, he said, "is one of the outstanding stock life insurance companies in the United States—and we intend to keep it that way."

A new high in assets and insurance in force was reported, with a volume of about $68 million of new business, compared with $50,814,000 a year ago.

Life insurance in force totaled $917½ million. Assets were $262 million, a gain of more than $8 million for the first half. Payments to policy-owners amounted to $6½ million.

* * *

The Western Auto Supply Co. (Mo.) reported record high sales for the first six months of this year, despite the fact that sales of the wholesale division were $312,000 below the results recorded in the first half of 1951. This was more than offset, however, by an increase in sales of $1,344,000 established by the retail division. During June, both divisions surpassed results attained in the same month a year ago.

Aggregate sales for the six-month period were $74,169,000, compared with $73,137,000 for the same period last year, a gain of $1,032,000, or 1.4%. Aggregate sales for June were $15,981,000, or 21.4% of the six-month period, compared with $14,475,000 for June, 1951. This was a gain of $1,506,000, or 10.4%.

The retail division's sales for the six-month period were $35,905,000, compared with $34,561,000 for last year, a gain of 3.9%. Wholesale division's sales for the same period this year were $38,264,000, compared with $38,576,000 for last year, a decline of .8 of a per cent.

Retail sales in June this year were $8,812,000, compared with $7,857,000 last year, a gain of $955,000, or 12.2%. Wholesale sales were also up for June with sales of $7,169,000, compared with $6,618,000 for last year, a gain of $551,000, or 8.3%.

The company has 2,670 wholesale outlets, compared with 2,574 last year; retail stores now number 270, against 266 last year.

It's Twenty-Six Years For Karl L. Mayers

Karl L. Mayer and his wife Aurelia are celebrating their 26th wedding anniversary on Saturday, July 26. Mr. Mayer, who is a native of Denver, has been in the investment business for 30 years and is associated with J. A. Hogle & Co. in the Denver office in the Equitable Bldg.

Karl Mayer

The Mayers' son, Frank L., is a graduate of Massachusetts Institute of Technology and is now a Second Lieutenant in the Air Corps and is stationed at Dayton Field.

Scott, Khoury, Brockman Formed

Announcement is made of the formation of Scott, Khoury, Brockman & Co., Inc., with offices at 61 Broadway, New York City, to conduct an investment business as underwriters, wholesalers and dealers in United States, Canadian and international securities.

Officers of the company are Charles Scott, President, and Louis E. Khoury, Secretary and Treasurer. Mr. Scott, prior to the war was active as an arbitrager between Amsterdam, London, Paris and New York. He has been active in Canadian securities recently.

IBA To Preview New Motion Picture

The Investment Bankers Association of America will preview for the press on July 17 a new sound motion picture entitled, "Opportunity, U. S. A." The picture is designed for people who know little or nothing about the securities business and is intended for adult audiences of all types and for college and senior high school groups.

The picture will be presented at the Bankers Club in New York City and at the Mid-Day Club in Chicago.

N. Y. Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Francis K. M. Hunter, limited partner in Bache & Co., will become a general partner in the firm on July 18.

Thomas Lynch retired from limited partnership in Moore, Leonard & Lynch on July 1.

Elmer L. Smith Joins Founders Mutual Depositor

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Elmer L. Smith has joined the staff of Founders Mutual Depositor Corp., First National Bank Building. He was formerly divisional manager for Investors Diversified Services.

Food for Thought!

"The fact is that most of the great forward steps of history were strictly negative. Positive progress for people came from negative acts against governments.

"Magna Charta was a negative step. It told King John not what he must do but what he could not do.

"The first ten Amendments to the Constitution, the Bill of Rights, were all negative steps. Some people want you to believe that the Bill of Rights is a set of guarantees by the Government that it will do certain things for the citizen."—Representative Walter H. Judd of Minnesota.

These observations were stimulated by a charge that "Republicans are just negative and against everything," and are intended to indicate a line of effective defense.

There is wholesome food for thought in them. After all, if the people are to run their own affairs in true American tradition, the main thing—or at least one of them—is to keep government from undue meddling.

Business Drifting Toward Profitless Era

Henry H. Heimann, Executive Vice-President, National Association of Credit Men, holds higher wages and taxes will lead to considerably reduced profit margins.

In the opinion of Henry H. Heimann, Executive Vice-President of the National Association of Credit Men, despite a good business outlook for the next six months, industry is now facing a drift towards profitless production. In his Monthly Business Review, he points out that the break-even point is constantly rising and that wage demands will increase.

Henry H. Heimann

The impact of the high tax levy on earnings is so severe that business can look forward to a considerably reduced profit margin, the head of the nationwide credit organization said.

"First half reports already show that earnings are down considerably and although they may fall slightly further there is no apparent reason why the last half of the year should not be one of considerable activity. Industries such as petroleum, aircraft, machine tools and coal, have not registered in the lower earning brackets up to this time. However, textiles, automobiles, chemicals, food, and, because of the extended strike, the steel industry, are showing marked decline in earnings. Another factor which may offset the earnings picture is the possibility of an increase in the number of strikes, for union labor leaders seem to believe they can bargain with more success just before the national election."

If sales are to pick up in the near future, Mr. Heimann indicated that new and ingenious promotional methods must be developed in order to stimulate the consumer into buying action.

"We in business must more than ever analyze the psychology of the human being," Mr. Heimann said. "Presently consumers are possessed of large funds but it has been apparent during the past year that old methods of sales promotion do not produce satisfactory results. We feel sure, however, that American business management has not lost its ingenuity and will successfully demonstrate the real values it can offer and thus will realize an increased distribution."

Its present action in easing controls and regulations seems to indicate that the government now is getting nervous about how the heavy defense expenditures can maintain the inflationary trend it has tried to promote, Mr. Heimann pointed out further.

"Despite the fact that commodity prices have been weak throughout the world, the basic inflationary trend is still with us. It may not be as evident and pronounced as it was in earlier years but it is still a factor with which to reckon. It is a natural part of our managed economy and modern day propaganda. With our seeming prosperity, even though it be synthetic in character, it is difficult to convince the average man and woman that mild inflation is not beneficial. It is even more difficult, if not next to impossible, to convince them that mild inflation ever stops at that point. Given time, it develops into serious inflation, and, of course, this exacts its toll from every living being.

"If a quarter of a century ago, government officials had urged inflationary measures such as the world so readily accepts in this day and age, they would have been considered incompetent. Now they are looked upon as great explorers who have found a new way to reach the millennium without effort or suffering. Perhaps one of the reasons we are now in such world-wide difficulty is because we ignore the fundamental fact that a true recovery after war's toll will involve some sacrifice and suffering. This truth automatically eliminates sound measures of recovery from consideration by the politicians and officials who are unwilling to face the facts and tell our people about the real measures essential to a healthy reconstruction."

J. B. Hanauer Adds

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — George Dann has been added to the staff of J. B. Hanauer & Co., 140 South Beverly Drive.

William A. York

William A. York passed away at the age of 61. Prior to his retirement he had been with Hansen & Hansen and the Irving Trust Company.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

ALMA, Ga.—Hubert S. Salter is now connected with Waddell & Reed, Inc.

Foreign Entanglements

By O. R. McGUIRE*
Member of the Bar, District of Columbia

Prominent Washington attorney reviews change in our foreign policy as laid down by George Washington in his Farewell Address—a change, he says, inaugurated by Woodrow Wilson and extended by Franklin D. Roosevelt. Scores United Nations Charter as failing to preserve peace, and warns history reveals nations which became involved in foreign entanglements and alliances have declined as great powers. Decries concentration of power in Federal Government and loss of many rights to local self-rule.

I have been requested to speak on the subject of "Foreign Entanglements." Presumably this was done for at least three reasons: Because not only New England men but New England women, too, delight in the discussion of profound principles of government; because he was the greatest of Virginians and of Americans of all time who solemnly warned his fellow citizens in his Farewell Address against foreign entanglements; and because he was a Virginian of a later day, President Woodrow Wilson, who was the first to disregard Washington's warning and involve us in Europe's quarrels. President Wilson attempted, without success, to permanently involve us and the defeat of his abortive League of Nations was due in no small measure to two very able Senators from New England.

O. R. McGuire

Where Wilson failed, his Assistant Secretary of the Navy, Franklin D. Roosevelt, as successor President, succeeded—but whether such involvement will continue depends entirely upon an aroused citizenry of the United States with the ballot in their hands. Shall we become deeper and deeper involved in foreign entanglements, bury the flower of American manhood on foreign battlefields, consume our natural resources, and bankrupt our nation and our people—or shall we, seeing ahead the brink of disaster, draw back and devote our manpower, our money and our natural resources to the defense of the Western Hemisphere? Basically and fundamentally, that is the great issue now confronting the American people in the grand assize which will close next November.

You know, of course, that we are now involved in Korea in a very costly war, in manpower, in money, and in natural resources. Also, we are aiding the Chinese on Formosa. We are supplying much of the materiel of war to the French in Southeastern Asia. We have facing Soviet Russia a large standing army in France and Germany; and we have both given and loaned literally billions of dollars to nations of the world. The burden upon American taxpayers, existing and unborn, for foreign aid and foreign relief is now far in excess of the aggregate costs of our entire national government for any year prior to 1932. In fact, our total appropriations for the current fiscal year ending June 30, 1952, exceed the combined income of all the farms, ranches, factories, mines, and individuals in all of the States of this Union west of the Mississippi River, all of Alabama, and half of the State of Mississippi! We have spent almost as much public money during the past six years as we spent from the commencement of Washington's term to the end of the F. D. Roosevelt administrations! During this period of six years we have had thieves, scoundrels and traitors in our government such as we have never had before in our history! Yet, the present cry from the White House is for more and more taxes, more and more appropriations, more and more expenditures.

Involved in Foreign Military Entanglements

We are not only involved in foreign diplomatic entanglements but we are involved in foreign military entanglements and in foreign relief entanglements. Before taking up some of these entanglements for specific discussion, I desire to invite your attention to some entanglements of other nations in times past and the results. Alexander the Great thought to conquer the entire world. His troops lived off the countries he conquered. He not only depleted the manpower of Greece but his victories came to naught and his nation has never since been a world power. Asiatic Ghengis Kahn and his troops rolled across Asia to the banks of the Danube. He boasted that even the grass died where the hooves of his horses had trod. He died on the battlefield and his orientals retreated to the place from which they came. They have not been to this day a first class world power. Our diplomatic ineptitude has delivered them body and soul to communism. Whether they will again become a menace to the world no one knows.

The Moslems, in their fanaticism conquered most of north Africa, Asia Minor, and were stopped on the plains of France. Their empire has shrunk to an Asia Minor province, a fraction of its former size. Roman manhood fell in the battles of the then known world—and Rome sank to rise no more for near 2,000 years —then only to a very small and impoverished land. The flower of French manhood fell in the French Revolution and in the ceaseless campaigns of Napoleon from Egypt to Moscow. France has never recovered. England at one time boasted that she ruled the waves of the seven seas and that the morning drumbeats of her troops followed the rising sun around the globe; as indeed, they did. The flower of English manhood now lies buried throughout the world; England is in a sad financial plight; she has lost most of her colonial possessions; her able men have been destroyed; and their present day successors are unable to make brick without straw.

Moreover, none of the nations ever embarked on Point 4 Programs in the countries they conquered or in other foreign countries, pouring literally billions wrung from their taxpayers into building roads, constructing irrigation and power dams, building factories, etc., for such other nations and their peoples. Incidentally, in most of these other countries there are no constitutional guarantees binding upon their rulers to respect the lives, liberties and properties of their subjects, such as we have in the United States. Since private capital had not gone into such countries for their development and since some of these nations have been in the habit of seizing the private property of foreigners in their borders, including the oil refineries in Iran, we are justified in concluding that foreign capital has remained out of these countries to avoid the risk of confiscation. It is reported in the United States Senate, for instance, that even France so shows her gratitude for the billions of relief funds we have supplied her and for the armies we have in her country for protection that she is charging our country a tax of $4 or $5 for every soldier we land in her country! God save the mark! How is that for a foreign entangelement?

Can We Escape Lessons of History?

But, however that may be, who are we to believe that we can involve this country in such political, military and economic entanglements, with such increases in our domestic public debt, taxes and expenditures as to stagger the imagination of an Einstein and yet escape the fate which overtook the nations which I have mentioned? We in America have no such belief. We know that our public debt must be drastically curtailed; that our public expenditures here and abroad must be similarly reduced; and that our natural resources of iron, oil, aluminum, etc., including our young manhood, must be conserved. The vast majority of the American people were taken on this joy ride in complete ignorance, without their acquiescence, and as conscripts.

What is my proof? The Department of State released in February 1950, a book it had prepared and published under the title of "Postwar Foreign Policy Preparation," wherein it is stated, at page 79, that its Advisory—

"* * * Committee agreed that its work should be approached from the general standpoint of the kind of world that the United States desired after the war."

And elsewhere on the same page it is stated that the State Department concluded that:

"Publicity on current study of postwar policy might lead to impairment of the war effort by placing in possible question the fact that sustained and prolonged struggle would be required before victory could be won. Accordingly, the Committee's existence and work were kept secret."

It is further stated in the first paragraph of the introduction to this book that President Truman expressed a desire in April 1946 that a record be written of the structure and conduct of the extraordinary preparation of our postwar foreign policy, but as I have stated, this book was not actually released until February 1950. During all this time from the commencement of the Second World War in 1939, when these secret studies were initiated, to February 1950, when the book was released, the people of the United States were deliberately kept in complete ignorance of what these self-styled committees of the State Department were preparing for the "kind of world the United States desired after the war."

Obviously, no self-constituted Committee, appointed by a Secretary of State or even by the President of the United States, had any jurisdiction or responsibility for determining the kind of a world this country wanted after the war or at any time. Under our Constitution the sole and exclusive power to legislate is in the Congress, the elected representatives of the people, responsible to the people. If any agency of our government had the responsibility in 1939, or at any subsequent time, to make a determination of the policy question of what kind of a world we wanted, that responsibility was in the Congress and not in groups of bureaucrats in the State Department. And what an advisory committee that was, too! You will find their names listed in the State Department publication I have referred to. I can take the time to do no more than mention a few: H. Julian Wadleigh, Alger Hiss, Harry Dexter White, Milo Perkins, Phillip C. Jessup, Archibald MacLeish, Phillip Murray, George C. Marshall, Dean Acheson, Laurence Duggan, Benjamin Cohen, David K. Niles, Henry Wallace, Claude Pepper, Mordecai Ezekiel, Harry Hopkins, and a host of others.

It is clear from this State Department publication, "Postwar Foreign Policy Preparation" that the Charter of the so-called United Nations was drafted and redrafted in the State Department and that the outlines of it were considered as early as February 8-10, 1940, nearly two years before we entered the Second World War, when Secretary of State Hull "initiated diplomatic conversations with the governments of 47 neutral states." It is further stated that:

"The intent was to obtain before any peace conference was held a definite understanding and, so far as practicable, commitments with respect to the basic principles of sound and stable international relationships after the war. The

Continued on page 22

*An address by Mr. McGuire at the Annual Dinner of the 39th Congress of the National Society of New England Women, Virginia Beach, Va., May 12, 1952.

Connecticut Brevities

Torrington Manufacturing Company has acquired the entire amount of stock outstanding of its subsidiary Torrington Impellers, Ltd., of Oakville, Ontario.

* * *

United Aircraft Corporation plans to enlarge the jet engine development and test facilities of its subsidiary Pratt & Whitney Aircraft at a cost of several million dollars. The Willgoos Turbine Laboratory will be expanded and some of the experimental test cells now used for piston engines will be converted for jet use.

* * *

Flax Corporation, subsidiary of **Emhart Manufacturing,** was sustained in the Chicago Federal District Court on three counts in its patent infringement suit against Elmer E. Mills Corp. The patents involved related to extrusion of plastic from blow tubes; the casting of closures at one end of the blow tube, and the method used to blow out plastic bubbles and enclose them in the mold that shapes the plastic bottle. Plax was denied the claim that Mills infringed a patent governing the method of filling the bottles.

* * *

The **New Haven Clock & Watch Company** has announced receipt of a prime defense contract to manufacture fuses for the Army. The order, from the Springfield Ordinance District, is for about $1 million.

* * *

On June 14, the **Electric Boat Division** of General Dynamics Corp. laid the keel for the first atomic powered submarine at Groton. The boat is to be named the U. S. S. Nautilus.

* * *

A. C. Gilbert Company has obtained a loan of $1,250,000 from Penn Mutual Life Insurance Company, the proceeds of which will be used to retire at par and accrued dividends the preferred stock—all of which is owned by Penn Mutual. The loan is a 15-year serial note with 4% interest. Principal payments begin Jan. 15, 1955 at $90,000 a year, with the final payment of $80,000 due in June of 1967. Under the provisions of the loan the company must maintain net working capital in excess of $2,000,000.

* * *

Purchase of **American Sintered Alloys, Inc. of Bethel** has been announced by **The Yale & Towne Manufacturing Company.** The purchase was completed through exchange of stock. American Sintered Alloys manufactures sintered powdered metal products for use by other industrial companies. The purchase will place Yale & Towne in a new field in addition to its present production of locks, hardware, and materials-handling hoists. The company has also announced receipt of government orders for industrial trucks valued at about $8,000,000.

* * *

American Hardware Corporation has borrowed $2,500,000 from National City Bank of New York and has obtained an additional $500,000 through repayment of a loan by its Canadian subsidiary. The proceeds will be used to continue the plant modernization and product development program.

* * *

Russell Manufacturing Company has obtained a patent on its Rusco fused fabric brake lining which involves a new method of manufacture. Strands of asbestos web are saturated and surrounded with a special frictional binder material and then compressed under 300 tons of pressure.

* * *

Segal Lock & Hardware Company has filed a letter of notification with the SEC covering a maximum of 298,000 shares of common stock which will be offered at the market price to creditors of the company or its subsidiaries. Proceeds of not to exceed $298,000 would be used to liquidate indebtedness.

* * *

It is reported that **U. S. Finishing** is negotiating with **Comfy Manufacturing** for sale of the Queen Dyeing Division. At the present time Comfy is the largest customer of this division.

* * *

Singer Manufacturing Company has arranged to borrow $25,000,000 from John Hancock Mutual Life Insurance Company and a group of pension trusts.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

For the next few weeks the election campaign will play a dominant role in the market. I doubt if the charges and counter charges made by the candidates will have much of an effect. But as the trend toward whichever candidate seems closer to election becomes more evident, his announced policies and those of his political party, plus the platform he's running on, will be scrutinized more sharply than ever.

* * *

In its own fashion the market will interpret these veering winds with action and reaction depending on the hopes, wishes and desires of those with funds large enough to influence the market.

* * *

In an off-the-cuff opinion, I would say that such markets are best to leave alone, at least until such time as they crystallize into something discernible. Basically, however, running away from what is at best an uncertain market period, is hardly the way to trade in any market. By the time a trend becomes definitive enough to the casual observer, the chances are that the move is either at the top or close to it. Putting it another way, it is close to the bottom or near it. It depends on what side of the market you're trading.

* * *

The majority of traders prefer the long side for many reasons that needn't be gone into here. The difficulties of trading on the short side are too familiar to enumerate here. The ideal, of course, is to be able to operate in both swings with complete freedom. No one is so naive as to hope that the ideal will or can be attained. That leaves the trader with a basic tenable position: to buy when he believes the opportunity exists and get out of his longs when the trend seems to be turning.

* * *

In the foreseeable future an advance to about 300 in the Dow Jones averages is a probability. But before that occurs I expect an intermediate decline (evidences of which you're currently seeing) to possibly 270. It is apparent that such a decline will not be witnessed without accompanying "panic" stories of various kinds. With the election the burning issue, it is likely that the campaign heat will be an important factor in the varying trends—daily, weekly and monthly.

* * *

As the fears of further declines mount, and with stocks going off on varying rumors, I think the opportunities for shrewd buying will occur. Anybody can buy them when they're going up. It takes courage to buy them when they seem friendless.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

With J. Lee Peeler Co.

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C.—Jonathan L. Peeler has joined the staff of J. Lee Peeler & Company, Inc., Trust Building.

Joins Selected Inv.

(Special to THE FINANCIAL CHRONICLE)

WILMINGTON, N. C.—William F. Gorman has become affiliated with Selected Investments, Insurance Building.

Walston, Hoffman Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore.—George D. Belford is now with Walston, Hoffman & Goodwin, American Bank Building.

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — William J. Hacht and Waldemar J. Miller have become affiliated with Waddell & Reed, Inc., 600 Woodward Avenue.

Securities Salesman's Corner

By JOHN DUTTON

Find the Prospects

There has been much written during the past few years about going out into the highways and byways, and finding socalled "new investors." The idea has been put forward that there is a great gold mine of investment money among people who have never bought securities before. This may all well be true, but it is my humble judgment that most security dealers will find this business more expensive to locate, to educate, and to sell, than it would be to go out and uncover prospects who at least know something about investing and securities.

Education Is a Costly Business

Good salesmen are hard to find. Good securities salesmen are very hard to find. Experience will prove that it takes a special quality of educational background, temperament, and knowledge, if a man is to be successful in the specialized field of security salesmanship. I am not talking about the old fashioned telephone technicians, the quick turnover fellows, the salesman who in the old days was always looking for a "deal." Nor am I talking about many of the young men and women who are now being taken into the sales organizations of firms, who are trying to do a wholesale selling job at the retail level, on Mutual Funds. You just can't learn the investment business in three months, or three years. You have to work in it, study it constantly, live it, and keep at it day after day. You also have to study salesmanship continuously.

Of all the salesmen that break into the securities business and keep at it, only a small percentage really become efficient clientele builders. Therefore the time and the effort of these salesmen is valuable in the extreme. I don't believe that such men should have to employ their time running down a constant stream of curiosity seekers who answer the wrong kind of advertisements. I don't believe that well trained, able, and competent salesmen should have to spend their time trying to educate people who are so far outside of the circle of security buyers that they don't know a debenture from an indenture. I believe that if you are going to educate that you should do it another way—by holding meetings, by giving lectures before interested groups, by using a scoop net, and then culling out the few fat fish from the hundreds of minnows you are bound to collect in all such endeavors.

Go After the Money Market

The people who can give you the most business are those who have money. The elderly retired investors, those beyond 50 are the best place to prospect. Stockholders' lists are excellent as a source of leads. If you want to find the people who buy for income, and who have investment resources that your salesmen should cultivate, obtain such lists as those of A. T. & T. (if you can); General Motors; General Foods; the Power & Light Co. in your State or locality; and United Fruit, among others.

Then offer information. Information regarding the things that investors wish to know about. The other day I was talking with a certain investor and he told me he liked a stock because it had a seemingly good future. He said he went to his broker and asked for a report. He was given a report of a statistical firm. He read it. Then the thought struck him that although this firm's earnings looked promising in the year ahead, he did not know where they stood regarding excess profits taxes. He asked four men in that broker's office about it and none of them could give him the answer. Then he told me he asked one of them how "excess profits taxes" were estimated. In other words, what formula was now used by the tax authorities to determine the point where earnings would be subject to excess profits tax. None could tell him. He said, "I sort of lost confidence in that organization. If they couldn't tell me the answer to that question I don't think they know very much." Could you blame him for feeling this way?

It may be that excess profits taxes will be reduced, or even eliminated next year, or several years hence. Isn't it possible that many investors now own stocks that will be able to show much larger earnings if tax reductions in the "excess" rate take place, providing of course that gross before taxes holds up? This may be a hidden opportunity that many people would like to have explained to them. Those who own stocks in companies that are now severely penalized by "excess profits" taxes, might respond very quickly to the right type of letter, or double return mailing card. Then a salesman would have an opportunity to go in and show his prospect some facts and figures concerning an investment that he already owns, and in this way the salesman immediately creates interest and goodwill. The next step is to go over the entire list—start with the tax position and make a complete analysis. This would offer an opportunity to demonstrate to an investor that superior investment "know how" can be of value to him.

There are many other facets to this approach. All have the same beginning and revolve around tested sales techniques. First find your market, get before your buyer on a favorable basis at a suitable time. Then don't send a boy to do a man's job. I have no criticism to make of anyone who desires to go out and sell securities to people who have never bought them before. I think this is a very laudable effort. But I do believe that there is a great deal more profit involved in selling securities to people who are favorably inclined toward them. There are 6,500,000 people in this country who own stocks. Many of these 6,500,000 could use better service, more information, better investment programs; and they could help and assist in bringing more new investors into the fold through their recommendations.

Recommendations will only come, however, if customers are so thoroughly sold on the investment programs they are using themselves that they want their friends to know about them. That is the best way to sell the socalled "new investors," as I see it.

With Equitable Secs.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Richard R. Felker is now connected with Equitable Securities Corporation, First National Bank Building.

With Republic Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Cyrus L. Morton has become associated with Republic Investment Company, Inc., 231 South La Salle Street.

From Washington Ahead of the News

By CARLISLE BARGERON

CHICAGO, Ill.—Any post mortem on the Republican convention is justified only in that it throws light on what is to come and this one has that purpose.

Bob Taft has served with distinction in the U. S. Senate for nearly 13 years. The day before the final balloting, when the handwriting was plainly on the wall, one of his managers recounted to me the names of industrialists—automobile men, steel men—and bankers, who in the course of that time had come to the Senator pleading that he "do something to save the situation." Maybe the "situation" was a strike; maybe plant seizure was involved or it was one of the many problems industry has faced at the hands of the government in these recent turbulent years. Bob Taft was the man they invariably came to see in their distress.

Carlisle Bargeron

Now these men—the Taft manager bitterly named them—were up to their necks in the Eisenhower campaign, giving money and pressuring delegates.

I am not so naive as to have expected gratitude from these men. It is something you seldom see in politics. And I have no doubt they were acting with the best of motives. Some of them, craving a Republican victory, had become poisoned with the propaganda that Taft couldn't win and Eisenhower could; others are obsessed with the belief that our economy is inextricably dependent upon continued spending in Europe.

So I have no feeling against these men. But I do deplore their stupidity. Whom do they intend to come to with their troubles in the future? It is not so much a question of what Taft's disposition will be towards them. It is the fact they have whittled down the Senator's political stature; to what extent remains to be seen.

Undoubtedly they figure they will have a Republican in the White House and unquestionably General Eisenhower is just as "conservative" on domestic affairs as Taft, probably more so, particularly towards labor. That is, the General himself is this. But I hope those gentlemen of finance and industry are hearkening to what the pundits of the radio and press are saying about this being the birth of a new Republican Party, a more "enlightened" and a "liberal" Republican Party; about its being the end of the Taft "Old Guard," and a taking over the reins by the youngsters. I hope they are reading and listening to all this.

The Senator, himself, has no illusions about what is in store, assuming a Republican victory in November, and he assumes that. Asked, before he left the convention, if he expected to remain as Chairman of the Republican Policy Committee in the Senate, his official title, he said candidly that he didn't know. He implied that he expected some change in his political influence.

The Vice-Presidential nominee, Senator Nixon, said graciously in his acceptance speech that a Republican victory would make Senator Taft the chairman of the majority policy committee instead of the minority policy committee. Whether the California Senator said this at the suggestion of the General, I don't know. But the General did say at his meeting with Taft, after the balloting, that he needed the Senator's support not only to win the campaign but to carry out his policies when elected.

Very likely no thought has occurred to the General at this time of the Senator's not remaining as leader. But he will most assuredly be challenged by Senator Henry Cabot Lodge if the latter survives his own campaign for relection against young John Kennedy. He has contested for the Senate leadership against Taft before. However, it is a fact that Republican Senators do not bow to the White House as did the Democrats under both Wilson and Roosevelt in the earlier years of their Administration. In the past, under Hoover, for example, they have insisted upon running the Senate themselves.

So, everything considered, I am sure I don't know what is going to happen. As the Democrats begin to assemble, there are signs they may let the Presidency go by default. Barring Adlai Stevenson, I do not see how they can come up with a candidate of sufficient strength to win. Harriman might be a surprise. There is no doubt that should he get the nomination he intends to throw restraint to the winds and go all out for labor, the Negroes and the foreign born.

He could make quite a melee out of the campaign, and the bitterness in the Republican ranks can't be minimized. Some bruises have been left that will never be healed. It was pretty rough treatment they gave to a man who has served so well as Bob Taft.

It is silly to attribute his defeat to mistakes on the part of his managers and himself. What he was up against was a mob-like frenzy whipped up by the "internationalist" press and radio. At the outset he had a potential delegate strength of 580 or so votes, only about 25 from the nomination. They took 62 Southern delegates from him on a trumped up, phony moral issue and I say this unhesitatingly. For example, Texas Democrats in their primary next month will elect — victory in the Texas primary is equivalent to election—a Governor and Senator. Those "Eisenhower Republicans" who swamped the Republican precinct elections will be in that Democratic primary voting for these officials which, if they had really been qualified to participate in the Republican elections, they would be disqualified from doing.

In the Georgia contest the Pennsylvania member of the Credentials Committee, a very high calibred jurist, I was assured, voted for the Taft delegation. I asked Senator Ed Martin of Pennsylvania, a Taft delegate, if this indicated Pennsylvania might be breaking to Taft. He said regretfully no, that this jurist was a very high-toned man who followed the law regardless of his own predilections. However, his vote did morally bind the Pennsylvania delegation to back him up in the floor fight on this delegation which would have given the victory on that particular issue to Taft. So Governor Fine went to work on this honest jurist and he went back to the Credentials Committee and changed his vote.

The first test, the one that broke Taft's back, was on the question of permitting the contested delegates who had been approved by the National Committee and the Credentials Committee to vote until they had been approved by the whole convention. For 40 years it has been the Republican rule that temporarily seated delegates are permitted to vote except on themselvs. Why, this was outragous, the Eisenhower people screamed, and with television, the radio and the "internationalist" press shouting fraud and corruption, the rule was changed. But do you think it was changed to prevent contested delegations from voting in the future? Oh no. Only those who cannot muster a two-thirds vote in the two committees are banned. It was immoral for them to vote when a majority of these committees had approved them, but quite moral if two-thirds approved them. You would think that morally they are either entitled to vote or they aren't.

Britain's Gold and Dollar Position

Chancellor of Exchequer says improvement in Second Quarter 1952 was due mainly to large U. S. defense aid, and task of balancing payments is long and hard.

The British Information Services has released the official text of the statement made in the House of Commons on July 2 by Chancellor of the Exchequer, Mr. R. A. Butler, regarding Britain's gold and dollar position.

Rt. Hon. R. A. Butler

The text of the statement follows:

"The gold and dollar deficit of the sterling area during the past quarter amounted to $14 million. There was a net refund to the United States of $1 million of ERP money. The gold and dollar reserves therefore fell by $15 million in the quarter. This compares with a deficit of $636 million in the first quarter of the year, of which $299 million was lost in January, $266 million in February and $71 million in March. At June 30, the reserves stood at $1,685 million, compared with $1,700 million on March 31, 1952.

"It is too early to give a detailed analysis of the reasons for this considerable improvement but I should mention that we had receipts of $202 million of defense aid from the United States as against $9 million in the first quarter of the year, and that our EPU gold settlements amounted to $143 million, compared with $219 million in the first quarter. Again, we have started to see the effect upon our imports from the dollar area of the cuts which we in the United Kingdom have had to make; and also the effect of the action taken, following the Commonwealth Finance Ministers meeting, by other members of the sterling area. The fall in imports has not, however, involved a reduction in the total quantity of stocks of essential imported foods and raw materials.

"There are also seasonal influences which have worked in our favor during the quarter just ended. For all these reasons I must repeat what I said to the House on June 12, first, that we have gained a respite, but the task before us is long and hard; and second, that we must put the balance of payments first in all our considerations and that we shall continue to take whatever further means prove necessary to maintain confidence in sterling and to balance our payments. In future, since the EPU balance is announced monthly, the figures for the gold and dollar reserves will also be published monthly. I will give explanations of them to the House from time to time, as may seem necessary."

Thomson McKinnon Adds

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Warren P. Humphreys has become affiliated with Thomson & McKinnon, Healey Building. He was previously with Courts & Co.

With Irving Weis Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Jacob B. Gordon has been added to the staff of Irving Weis & Co., 16 Ivy Street, Southeast. He was formerly with Thomson & McKinnon.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

DOUGLAS, Ga.—Woodrow W. Vickers is now affiliated with Waddell & Reed, Inc.

The Republican Monetary Plank

Dr. Walter E. Spahr maintains that despite its defects, it could serve as a step to the gold standard. Urges Eisenhower and Nixon to grasp opportunity for sound leadership.

The money plank of the Republican Party of 1952 was partly praised and some of its features were deplored by Dr. Walter E. Spahr, Executive Vice-President of the Economists National Committee on Monetary Policy, in a statement issued on July 17.

Dr. Walter E. Spahr

Dr. Spahr said that "in the paragraph which advocated 'A Federal Reserve System exercising its functions in money and credit system without pressure for political purposes from the Treasury or the White House,' the words 'for political purposes' should have been deleted for the reason that all pressures from the Treasury or the White House could be alleged to be for non-political purposes."

He said that "the paragraph which reads, 'To restore a domestic economy, and to use our influence for a world economy, of such stability as will permit the realization of our aim of a dollar on a fully convertible gold basis,' is good in the fact that it states that the aim is for 'a dollar on a fully convertible gold basis.' Otherwise," he said, "its defects are outstanding. Unfortunately conditions are offered as prerequisites to the restoration of a redeemable currency which are irrelevant in the case of the United States. When the ratio of a nation's gold stock to its non-gold money and deposits is adequate, in the light of experience, to support redeemability, as is the case in this country, that fact alone, determines whether a nation can and should institute redeemability. Our ratio is 30% above the average ratios for the years 1915-1932 and above the average for any one of those years. When a nation's ratio is adequate, the way to resume is to resume.

"There is a widespread notion in this country that there must be 'stability abroad' before we can resume redemption. Apparently these fallacious notions were entertained by those who controlled the wording of the Republican money plank in its final stages. As the plank emerged from the temporary drafting committee, it was highly respectable; its chief defect was that while it advocated resumption of redeemability, it did not specify the rate of $35 per fine ounce of gold, thus leaving the door open to another devaluation of the dollar, and it used the word 'early' instead of 'prompt.'

"The plank should have read as follows: 'We commit ourselves to provide promptly for the redemption of our currency in gold at the statutory rate of $35 per fine ounce.' Such a plank was laid in the laps of the bill drafters by monetary economists of experience and repute. Such aid and guidance should have been accepted.

"England led the world in the introduction of a gold standard in 1816-1821, and, as a consequence, the British pound sterling, and London as an international money market, occupied the leading position in the world for a century. The United States should lead the way, in a similar manner, to a sound currency today. The notion that we cannot resume until conditions are stable or proper abroad is as indefensible as would be a contention that we cannot have constitutional government and morality here until they are established abroad.

"Although the drafters of the Republican money plank missed a great opportunity to produce a plank that should have put the Republican Party in the position of providing fine leadership in the field of money, both in this country and for the world, the door to such leadership is not closed. Senator Nixon has revealed more than the typical understanding in Congress of this issue, and he has shown himself to be sound in respect to it. In so far as this author knows, General Eisenhower has not made a specific statement on this issue. But considering that the General stands for morality and integrity in government and is opposed to Socialism and Dictatorship, it does not seem reasonable," Dr. Spahr concluded, "to suppose that he will fail to see, or will pass by, or approve of, the most extensive case of immorality in our nation—an all-pervasive case which touches all our people."

Wainwright, Ramsey Retained By Fla. City

Le Roy F. Harlow, City Manager of the city of Daytona Beach, Florida, has announced the employment of Wainwright, Ramsey & Lancaster, 70 Pine Street, New York City, consultants on municipal finance, to aid the city in the refunding program of $4,230,000 of the city's outstanding water and sewer bonds, and to provide new financing for the purchase of the South Peninsula Water Company.

Mr. Harlow indicated that he expects the program to start immediately and should be completed within 120 days.

John P. Davis Co. Formed

(Special to The Financial Chronicle)

MINNETONKA BEACH, Minn.—John P. Davis is engaging in the securities business under the firm name of John P. Davis & Co. Mr. Davis was formerly with Straus & Blosser and prior thereto with John G. Kinnard & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Prices of government obligations continue to fluctuate within a fairly narrow trading range, which is not an unusual happening, following an important financing operation by the Treasury. New issues generally have to be digested by the market after they are offered by the Treasury, and this one appears to be no exception to the rule even though the new 2⅜% bonds offering was very well received and was an immediate success, as far as both the buyer and the seller was concerned. Accordingly, it does seem as though the period of digestion for the new obligation should not be too long because there is still a very sizable demand around for the 6-year bond. This means the floating supply is being diminished very steadily and especially when large amounts appear in the market for sale, which is getting to be less frequent than was the case not so long ago.

The bellwether of the market continues to be the 2⅜% of 1958, and there are no indications yet it will surrender its place of glory in the sun. The recently eligible 2½s of 1962/67, the 2¼s of June, 1959/62 and the two longest 2½s of June and December, 1967/72, have been getting attention but not in amounts to be compared with what is taking place in the 2⅜s.

Tight Money Conditions Prevail

The government market is still in the process of digesting the recent offering of bonds by the Treasury. Tight money conditions are part of this whole scheme of things, and funds are being moved from the large money centers to outlying and interior areas, in order to take care of the money requirements in these localities. This has happened in the past, when there have been operations by the Treasury, so it is not an unusual development and generally does not last for too long a period of time. However, during the interim, when money market conditions are on the restricted side, as they have been, this has resulted in more limited operations in the government market as far as volume is concerned, as well as somewhat defensive action as far as quotations of Treasury securities are concerned.

Because there is still a fairly sizable amount of the 2⅜s that will have to be eventually absorbed by the commercial banks, and the latter institutions have been handicaped somewhat in these acquisitions by tight money conditions, there has been a tendency for quotations of this obligation to recede a bit from its highs for the move. The price decline, which had carried quotations of the 2⅜s down from the top of 100½, to about 100 10/32, has not been accompanied by importantly larger volume or activity. A great deal of the minor decline in quotations of all government obligations, including the new 2⅜s, could be attributed to a quoting down at times, by dealers. Such a course of market action does not usually occur if there is a pick-up in volume in either direction.

Commercial Banks Active Buyers

Despite the backing and filling which is taking place in the 2⅜% due 6/15/58, this security is still the principal item of interest in the market, and there are plenty of buyers around for this obligation especially when there have been signs of price weakness and bonds have appeared in volume. To be sure, while the deposit banks have been retarded to some extent by the tight money conditions in their purchases of the 2⅜s, they appear to be able to find funds when this issue gets into the neighborhood of 100 10/32 and 100 12/32. This seems to indicate they want more of the 2⅜s, but would like to buy them as cheap as possible.

However, rather than take the chance of missing the bonds that have appeared in volume, (but not as frequently now as in the past) the deposit banks step up bids a few thirty-seconds in order to get them. Accordingly, it is believed in certain circles in the financial district that a temporary trading area is being carved out by the new issue, with the lower limit around 100 8/32 or 100 10/32, and the higher reaches about 100 16/32. This trading range, it is felt, will prevail for not too long a period, because with the floating supply of the 2⅜s being rapidly decreased, it will not take too much buying to push the new bond through into new high price levels. There appears to be no question in the mind of many money market followers but what the 2⅜% bond represents very good value from the investors' standpoint, and still embodies possibilities of price betterment from current levels.

Extent of Bank Purchases

It was known that the commercial banks throughout the nation had been sizable buyers of the new 2⅜s, but the weekly figures for the reporting member banks appear to furnish tangible evidence that for the period ended July 2, they have taken quite a good-sized bite out of the available supply of the new obligation. Although it cannot be definitely said that all the bonds bought by these banks was in the new issue, it is believed that practically all of the increases in the holdings of bonds reported by these institutions was in the 2⅜s of 1958. Nearly $1,200,000,000 more of bonds were reportedly added by the member banks for the week ended July 2, with the New York banks in first place, followed by those of San Francisco, Boston, Dallas, Atlanta and Kansas City.

State pension funds have been in the market again, taking on the highest yielding Treasuries, namely the 2½s due 1967/72. Private pension funds, as well as private trust accounts and savings banks, have also been making commitments in these same bonds. Volume has not been too large but sufficient to make an impression upon a not too sizable floating supply. It is reported that the 2½s due 1962/67 have been getting greater attention, with the decline in prices, as have the 2¼s due June, 1959/62. Activity, however, has not increased too appreciably in either of these two issues yet.

Britain and the Sterling Area

By PAUL EINZIG

Commenting on criticism of the Sterling Area as being a regional discrimination in international trading, Dr. Einzig denies there is something inherently vicious and inconsistent in Britain's producing largely for sales in Sterling Area. Holds Sterling Area gives British international market with immense absorbing powers, thus permitting mass production methods.

LONDON, Eng.—The Sterling Area has come in for a good deal of criticism in recent times. Hostile comments have not been confined to quarters favoring indiscriminate international trading. Those quarters have, of course, been working overtime in their efforts to denounce this particular instance of regional discrimination, in order to strengthen the case for multilateral trade and free convertibility of sterling. Their attitude is understandable even if, regarded from a practical angle, their campaign is somewhat premature in view of the adverse pressure on sterling. What is less easy to understand is that this campaign has been receiving a growing volume of support from quarters which in the past have not been in favor of nondiscrimination.

Dr. Paul Einzig

During recent months, the Sterling Area has been denounced by experts and politicians as being the root of Britain's dollar difficulties and those of other Sterling Area countries. The substance of the argument is that, since it is too easy for Britain and other members of the Sterling Area to sell their products within that area, is no inducement for their exporters to make a genuine effort to expand their sales in the Dollar Area and in other hard currency areas. The London meeting of the Sterling Area Finance Ministers in January, 1952, appears to have come strongly under the influence of this argument. Hence the decision to cut down imports, not only from nonsterling countries but also from countries within the Sterling Area. The exaggerated interpretation of this principle by the Government of Australia resulted in drastic cuts of imports from Britain, the character and circumstances of which cuts threatened to wreck the whole Sterling Area system. Although the British Government did not bargain for such excessive cuts, it did favor a reduction of certain exports to Australia and other Sterling Area countries in the hope that this would lead to an increase of British exports to nonsterling countries.

Advantages to Britain

The argument on which this policy is based appears to imply that there is something inherently vicious in producing largely for sales within the Sterling Area. In reality, there is gross inconsistency between this argument and the often repeated argument that the absence of a wide domestic market is a handicap to British exports owing to the difficulty of reducing overhead costs per unit through mass production. The example of the United States has conclusively proved the advantages of having a domestic market with immense absorbing capacity. Britain could achieve similar advantages through developing the Sterling Area as her domestic market. For British industries to sell their products in Australia is no more unsound than for the industries of the State of Pennsylvania to sell their products in the State of Texas.

Admittedly, in the case of certain British industries, it is necessary to curtail domestic sales owing to the limitations of the capacity of these industries to deliver goods within a reasonable time. As far as these industries are concerned, there is, of course, comparable justification for curtailing their sales to the Sterling Area. It is, however, illogical on the part of those who object to the restrictions imposed on domestic demand, to argue in the same breath in favor of a curtailment of exports to Sterling Area countries. If, owing to shortage of labor, raw materials or foreign exchange, British industries have more or less reached the limit of their capacity for the time being, then it is, of course, inevitable to curtail both domestic consumption and sales to the Sterling Area, in order to stimulate sales outside the Sterling Area. It would be gross inconsistency, however, to remove controls in Britain at the same time as curtailing trade with Sterling Area countries—or, to be correct, encouraging those countries to curtail their imports from Britain.

U. S. Deemed Inconsistent

The American attitude towards the Sterling Area is guilty of a somewhat similar inconsistency. The expansion of trade with the Sterling Area is viewed with strong disfavor in the United States. At the same time, however, American writers and politicians are strongly in favor of expanding trade within the European Payments Union. Yet trade within that area also consists largely of taking in each other's washing. By consuming too much of each other's goods, the countries of the European Payments Union have not enough exportable surplus left for increasing their sales to hard currency areas outside Europe. As in the case of sales within the domestic markets or exports to the Sterling Area, the ease with which industrial firms are able to dispose of their goods within the European Payments Union weakens the incentive to engage in a vigorous export drive to the Dollar Area. Most arguments used in denouncing the Sterling Area arrangement could be applied also against trade with the European Payments Union.

Favors Regional Trading Systems

The basic fact of the situation is that, owing to the difficulties of increasing their output further, Britain, the Western European countries and the Sterling Area countries have to lmiit both their domestic consumption and their sales to each other. As a matter of principle, there is everything to be said in favor of building up regional trading systems—whether in Western Europe or in the Commonwealth—as a substitute for an extensive domestic market comparable to that of the United States. Possibly the reason why Western European regional trading is favored in the United States, while Commonwealth regional trading is not, lies in the political argument for strengthening Western Europe as a first line of defense against Communist Imperialism. The argument in favor of strengthening the Commonwealth is, however, fully as valid. It may be advisable, as a matter of immediate expediency, to curtail trade within both Areas as it is advisable to curtail domestic consumption. As a matter of principle, however, the development of regional trading areas, securing for the participants the advantages of vast domestic markets, is in accordance with the long-range interests of the United States.

Chicago Analysts' Committee Heads

The Board of Governors of the Investment Analysts Club of Chicago has held its first meeting and approved the following Committee Chairmen for 1952-53:

Program: Philip C. Biggert, Scudder Fund Distributors.

Midwest Forum: J. C. Knotter.

Membership: George L. Emrich, Jr., Brown Bros., Harriman & Co.

Arrangements: Vernon D. Ogren.

Public Relations: Edward K. Hardy, Jr., The Illinois Company.

Placement: Earl F. A. Meyer, Blyth & Co. Inc.

Education: Robert J. Kiep, Wm. Blair & Co.

Fifteen luncheon meetings will be held at Carson's, the same as this past year, generally on the second and fourth Thursdays of the month. The new season will start Sept. 25.

A number of members have suggested that the word "Club" in the Association's name be changed to "Society," which appears to be more in keeping with the present nature of the organization in that it is rather a professional than a social group. It would tie in more closely with sister organizations in other cities, all of which, save one, are "societies," and should make it easier to obtain good speakers.

Accordingly, members have been asked to vote on whether or not they favor a change in name, and, should a majority favor a change, which is preferred: Investment Analysts Society of Chicago or Chicago Society of Investment Analysts.

Goldman V.-P. of Wm. E. Pollock & Co.

Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City, announce that Milton T. Goldman has been elected Vice-President of the firm.

Forecasting

By ROGER W. BABSON

After explaining his experiences in forecasting business conditions, Mr. Babson notes changes in basic data, and concludes "three-quarters of the subjects upon which we used to depend in making forecasts are now of little account." Says it is still possible to make accurate forecasts for perhaps six months, but it is nonsense to attempt to foresee situations for more than a year ahead.

For over 40 years, I have devoted most of my time to forecasting business, employment, and investment conditions. I started with five employees and now have over 170 on the job. Our record has been good. And furthermore, all we have said and done is recorded in public libraries.

Roger W. Babson

Up to the time in the Roosevelt Administration when we went off gold onto paper currency, we had a yardstick by which we could measure. Moreover, there was a ceiling above which business could not go except at great risk; and a floor below which it could not go without disaster. For instance, when in 1928 we loudly forecast the panic of 1929, it was necessary to pay 8% interest in order to borrow on the best collateral. Today, with prices actually higher, these money rates are slightly above 2%.

Statistics on Failures, which were one of the best barometers of impending changes, are another illustration. In 1928 failures were 24,000, with liabilities of $500 million. Yet, today, with nearly twice the volume of business, failures are running at the annual rate of 8,000, with liabilities of $300 million. This, of course, is due to the fact that the Reconstruction Finance Corporation, the Federal Mortgage Banks and the various other government aids make it unnecessary for a concern to fail. Therefore, statistics on failures are now of little use when making forecasts.

Managed Currency Is Pleasant But Dangerous

The fact is that today there are no economic ceilings and no floors. Three-quarters of the subjects upon which we used to depend in making forecasts are now of little account. Of course, Washington cannot continue indefinitely the present practice of extending unlimited aid to all groups. The Law of Action and Reaction is fundamental, like the Law of Gravity, and must some day result in an economic crash. On the other hand, the government can postpone such a readjustment for some years more by printing more money or more bonds. Furthermore, it will be a great temptation for any administration to do this — Republican or Democratic.

This next economic smash will probably be brought about by an ultimate showdown between Congress and the labor leaders. If each side should refuse to "give in," with a large number of industries being struck at the same time, we could have a real depression. Almost within sight of my office one of the largest bus systems in the world has been shut down for 120 days, inconveniencing hundreds of thousands of people and costing the employees and the company a million dollars a week. What would happen if a dozen of the country's largest transportation systems should so strike at the same time? The steel strike, which has thrown 650,000 steel workers out of employment, has affected so many other businesses that the whole U. S. production of all goods has fallen 10% during the past few weeks. What if the employees of our ten largest industries, doing 70% of the nation's business, should strike at once?

How Can We Forecast?

By a study of new subjects, such as dividends and wages received, selling and advertising expenditures, and various confidence indices, it is possible to make accurate forecasts for perhaps four to six months. When, however, "experts" attempt to tell you what the business, employment or stock market conditions will be for more than a year ahead, this is nonsense. No facts now exist to give proper basis for any such long-term forecasts. Some will say, "It is in the hands of the gods." I even deny this and say: "It is in the hands of Congress." If Congress should get fed up with labor leaders and demand a showdown, and the labor leaders should refuse to be reasonable, a depression could come next year. The probabilities, however, are that Congress will allow matters to drift for some years. But the longer the cancer runs its course before a surgical operation, the more dangerous the operation will be when it finally takes place.

NYSE Exhibit At Columbia University

An exhibit depicting the activities and functions of the New York Stock Exchange opened July 14 in the main gymnasium of University Hall, Columbia University, Broadway and 119th Street, according to G. Keith Funston, President of the Stock Exchange.

One of the attractions of Columbia University's Twenty-eighth Annual Educational Exhibit, the Stock Exchange display will be open to the 14,000 graduate students and teachers attending Columbia's summer session and to the general public from 10 a.m. to 5 p.m. every day this week through Friday.

The Exchange display shows pictorially detailed results of the recently-completed national census of shareowners — which disclosed that 6,500,000 individuals own corporate stock—pointing up the fact that these investors come from all income groups and educational levels and represent a broad cross-section of the American public.

A large photo-mural in the exhibit explains that "A Share of Stock Is a Share of a Business." Another reproduces the famous trading floor of the world's largest organized securities market. "Stills" from the Stock Exchange's new animated Technicolor motion picture, "What Makes Us Tick," tell the story of the part played by stock investment in the country's growth. The movie will be shown in the University Hall Gymnasium later this week.

Mr. Funston pointed out that the Columbia exhibit represents the latest step in the Stock Exchange's program of telling its story to the nation's schools and colleges.

Continued from page 2

The Security I Like Best

trols and anti-aircraft defense instruments. It was almost entirely occupied on military or maritime contracts. Some diversification moves were started later in the thirties but it was not until World War II was out of the way that management felt free to turn its attention to developing civilian markets on a broad scale. The numerous acquisitions made since V-J Day created a wider and more solid earnings base, ending Sperry's complete dependence on the pace of military procurement.

Until the latest rearmament boom brought a deluge of new war orders, the corporation was over 60% occupied with commercial customers. The balance has again tipped in favor of military production but not because of decreased output of civilian-type products. The company is still doing a highly diversified business with nearly all major industries in addition to supplying the military.

The Sales and Profit Record

In 1933, the year of incorporation, sales were barely $4 million, but by 1940 had climbed to 47.5 million. Three years later, they were over $432 million. That proved to be the wartime high, and at the end of three more years, volume was down to slightly below $66 million. Addition of new product lines started a sales recovery that has been accelerated in the last 18 months by sharply increased business for the military. Total volume for 1951 was $240,933,677 and everything points to a 1952 figure of over $300 million. Unless the rearmament program is retarded seriously, next year's volume could approach the half billion dollar mark for a new record high.

From less than a half million dollars for the first years, net income climbed to over $8 million in 1941. Renegotiation and taxes held wartime earnings to an average of about $7 million. The expense of reconverting its plant and developing new markets to replace lost military business sent 1946 results to a deficit before receipt of a refund on prior years' taxes. In 1948, profits bounced back above $8 million, lagged in 1949, then began the good uptrend we are experiencing lately.

Before World War II, Sperry was carrying, on the average, about 15% of gross revenue through to net profit. On a per share basis, the 1933-1941 average was $2. During the war, the net profit percentage dropped to about 2% but the per share average rose to about $3.50. Comparable figures for the years 1946 through 1951 are near 6% and $3.60. Last year was the best yet, at $5.36 a share. On the latest information available we believe this year will be even better than last.

In the payment of dividends, management has been rather consistent, disbursing during the last 15 years about half of the total earned. Since 1948, the rate has been $2 and there is every indication that it will continue and, in time, increase.

Sperry's Fabulous Future

As the speed of travel increases and more powerful forces are harnessed, man must find means beyond his own reflexes and finger-tips to control his mechanical creations. Purely routine functions must be relegated to machinery as much, and as fast, as possible. Otherwise the human race becomes slave rather than master of the intricate mechanisms supporting its way of life. The future belongs to the "labor-savers" and the explorers of far horizons, such as Sperry. A generation ago, how many would have scoffed at the idea of "seeing" across a continent by television, of "hearing" the approach of an enemy miles away by radar, of "feeling" one's way securely through fog or uncharted seas. Scientists now believe the phenomenal progress of the "Machine Age" will pale by comparison with the accomplishments of the "Electronic Age." Most of today's drudgery should be only unpleasant memories a generation from now. It takes little imagination to realize the multitude of mechanical motions we all make during the course of a day. The elimination of only a few of these has already meant the creation of big businesses. In distribution, even more than in production, the waste and duplication of effort is deplorable. Consider how much selling prices could be reduced by by-passing the "middle-men," who in many cases exist only because of archaic merchandising methods, not because of a mechanically essential function. The need for more efficiency and less effort in the operation of our economy is unquestioned; the means are available in a limited way now through products of the type in which Sperry specializes. As whole new concepts are uncovered, the potential for any company which can utilize these to make living easier and more fruitful is tremendous.

In quality and originality of research, Sperry is second to none. Much of its developmental work has been done on the frontiers of science and under the terrible urgency of war. The array of ingenious new devices which it has introduced during a relatively short history tells of its success better than can words. Our Navy's overwhelming fire-power, our Air Force's accuracy in bombing, the effectiveness of our air-raid warning system and the sure-footedness of ships and planes everywhere are tributes to Sperry's research and engineering skill.

Automatic flight and landing of aircraft was also pioneered by the company. Power-steering devices have been developed for ships, planes, and ground vehicles. Guided missiles, communication devices and a host of other electronic items have been perfected in the company's laboratories. Servo-mechanisms for all major industries have come from the fertile brains of Sperry engineers. Happily, management, while encouraging complete research has been able to channel it into the orderly development of products with military or commercial possibilities. And many of its wartime "swords" become peacetime "plow-shares," through the ingenuity of research.

Judging by the corporation's past performance, its growth, favorable current situation and promising prospect beyond the rearmament boom, this appears to be one of those situations that can be rated "superior" for investment purposes. The present management is virtually the same, despite recent rearrangement, as that which founded and has for nearly 20 years operated the enterprise so capably. They are research-conscious, diversification-minded and intend to campaign aggressively in the tremendous market that exists for labor-saving electronic equipment. With this policy, we feel that the passage of time will bring a gradual improvement in the investment quality of Sperry common. While it cannot yet be rated a "blue-chip" issue, it is well above the speculative class. The enterprising and forward-looking investor will do well to own this stock around 37.

Rosenberg Opens Office

LIBERTY, N. Y.—Paul Rosenberg has opened offices at 30 Columbia Street to conduct a securities business.

Railroad Securities

Estimates of Car Loadings for Third Quarter

The 13 regional Shippers Advisory Boards have recently made their estimates of freight car loadings for the third quarter of 1952. On the whole they are quite optimistic, indicating an overall drop for the country of only 1.2% from the like period of a year ago. Of course the expectations vary widely as between the various sections of the country. Reflecting the highly favorable grain prospects, the best showing is in the Trans-Missouri-Kansas region, with an estimated increase of 11.7% over a year ago in third quarter car loadings. Next comes the Pacific Coast region with an estimated gain of 5.6% and the Central Western region with an estimated rise of 3.2%.

The poorest showing is looked for in the Northwest region where it is estimated that there will be a drop of 9.4% in the third quarter traffic. The only other sizable estimated drop for the period is in the Ohio Valley region, 7.7%. Other sections where a falling of in traffic volume is looked for are New England, the Atlantic States, the Mid-West region and the Southwest region. In these four regions, however, the estimated declines are not of any great proportions. Nominal to modest traffic increases are expected in the Allegheny, Southeast, Great Lakes, and Pacific Northwest regions.

From the present vantage point it does not appear likely that traffic will hold up so well during the period as has been estimated by the Advisory Boards. This is particularly true if the steel strike, and accompanying curtailment of iron ore shipments, is prolonged for any further extended period. From the breakdown of the Advisory Boards' estimates it appears as if this potentiality had not been given any considerable weight. It is not only the direct loss of iron ore and steel tonnage that is now adversely affecting railroad traffic. It is the pyramiding influence of curtailment, of cessation, of operations by other plants due to the growing shortage of steel.

So far as individual commodities are concerned the estimate for the country as a whole is for a dip of 3.2% in "ores and concentrates" and for the same commodity classification the estimate is for a decline of 9.2% in the Northwest region. It is in the Northwest Region that most of the iron ore used in this country originates. None of this is moving now, although the steel companies are making special efforts to have this stoppage corrected even if the steel labor difficulties are not resolved. It is fairly obvious that if iron ore does not move out of the Minnesota Ranges during the season when the Great Lakes are open to navigation there will be a shortage at the mills during the winter months.

As for iron and steel products as a class, the Advisory Boards estimate that car loadings for the country as a whole in the third quarter will be 3.3% above the level of a year earlier. This is hardly possible of achievement even if the steel strike were to be settled in the very near future. At the present time a full half month's production has been lost by the major part of the steel industry. When the strike is settled it is obvious that it will still take some time to get back to capacity production. With this loss in the opening month of the quarter it is difficult to see how shipments for the full three months could equal, much less top, loadings of a year ago.

As mentioned above, the cumulative influence of the prolonged steel strike is becoming progressively a more serious threat to other segments of our industrial plant so that in other categories of manufactured freight the Advisory Boards' recent estimates are also apt to prove too optimistic. As a partially offsetting factor, estimates of grain loadings are apt to be on the low side. The Advisory Boards' place the prospective grain loadings at 5.8% above the like 1951 period. Crop conditions are excellent and for many individual roads in the winter wheat belt it seems possible that loadings may come close to doubling the 1951 showing. Thus, at least for the time being the western roads continue to have the best prospects.

Harriman Ripley Offers Deere Common Shares

Harriman Ripley & Co. Incorporated and associates on July 16 offered 691,276 shares of $10 par value common stock of Deere & Co. at $32 per share.

Deere & Co., one of the largest manufacturers of agricultural implements and farm tractors, will use the proceeds of about $20,780,000 from the sale of these shares, and from the sale of $50,000,000 of 25-year debentures scheduled to take place in about a week, to repay $33,000,000 of short-term bank loans; to build, equip and provide initial working capital for a new chemical plant requiring $18,000,000 to $21,000,000; and will add $16,000,000 to $19,000,000 to the general funds of the company.

Hewitt-Robins Inc. Notes Sold Privately

Thomas Robins, Jr., President of Hewitt-Robins Inc., announced on July 16 that the company has borrowed $4,300,000 from The Northwestern Mutual Life Insurance Company. The proceeds have been used to repay $2,000,000 of current bank loans, reduce long-term bank indebtedness by approximately $1,000,000 and provide about $1,300,000 additional working capital. The financing was arranged by F. Eberstadt & Co. Inc.

The company's funded debt is now represented by $1,700,000 of 3½% promissory notes due Dec. 16, 1960 and the new $4,300,000 4½% promissory note due July 1, 1972.

The company has also issued to The Northwestern Mutual Life Insurance Co. a warrant to purchase an aggregate of 50,000 shares of common stock, $5 par value, of Hewitt-Robins Incorporated at a price of $26.26 per share at any time prior to July 15, 1957 and at $28.65 per share thereafter and prior to July 15, 1964.

As a result of this financing the company's net working capital has been increased from approximately $7,200,000 to around $10,500,000.

Dewar, Robertson Opens New Branch Office

CORPUS CHRISTI, Texas—Dewar, Robertson & Pancoast, members of the New York Stock Exchange, have opened a new office in Corpus Christi under the direction of Joe P. Nelson.

LETTER TO THE EDITOR:

United Nations: A Failure!

Alden A. Potter also criticizes MacArthur keynote speech as trying to cool "cold" war by threatening to win another. Says UNO commits us to "power politics."

What can we do about war? Abolish it, says General MacArthur. Use independent diplomacy, says William A. Robertson, implying that the General's ringing demand can never be fulfilled. On the record he is right. But must men stick to their historical negatives so slavishly?

Alden A. Potter

General MacArthur's keynote is certainly not that of a pacifism which would be so naive as to abandon the current American advantage in the implementation of war. He specifically rejected "collective security," i.e., naked power to enforce, regardless of its merits, parliamentary adjudication among nations. Majority rule in the UNO, abrogating the veto, would exemplify such autocratic power politics.

The cart-before-horse idea that a rational, constitutional solution, morally defensible, can be had only by first using the "language of force" against communism, can hardly be fitted into the MacArthur theme. We cannot cool the "cold" war by threatening to win another hot one. That there can be no substitute for victory in war accords no virtue to victory as adequate to prevent war. Our own socialistic, me-too "liberalism" with its utopian materialism, is the language that keeps the moral initiative in the hands of communist propaganda.

Unfortunately the constitutional approach is not that of our current foreign policy. Through the treaty-law theory of the UNO we are committed to power politics and are accordingly confronted with a military situation in which isolationism such as Mr. Hoover represents is the best choice among the evils presented. It avoids the dilemma of lack of authority to act expediently as responsible agents for UNO decisions; we should therefore abandon this clumsy entanglement with the UNO type of isolationism favoring a loose confederacy of independent nations. The Truman expedient of seizing authority presents a dilemma, not a solution. It abrogates our own Constitution on the false pretense that the treaty power and the UNO constitute a superior and adequate system of law and order. Such doctrine could be no less disastrous if backed by parliamentary authority in Congress or the UNO, or both.

Relative to need for a central government with completely adequate authority to give responsible service, the international situation is now closely comparable to the interstate situation under our Continental Congress. That weakness was remedied by a strong, constitutional, central government. The present global problem cannot be met by any lesser device. Indeed, the attempt to overthrow our successful centralization and establish a loose confederacy resembling what is now proposed in world "federalism" with "limited powers" such as could not possibly be "adequate to prevent war," fortunately failed. To renew such a compromise with anarchy now and try to apply confederation to a congerie of independent nations scattered around the globe, is but to court the continuing disaster of a world divided against itself as Europe has been for centuries.

Our Union was preserved in order that just, constitutional government might not perish from the earth. Were it now to crumble under the military follies of the UNO in experimenting with enforcing nationalistic independence over the earth, the peace potential of constitutional democracy with a single currency controlled solely by the central government, would be a long time recovering its suspicious start. Disaster would surely ensue; for there is no reason to suppose that a communist regime could establish law and order on a global scale. Our position is defensible only on the ground that socialism *cannot* provide stable government and so establish peace on earth and good will among men. Socialistic "ideals" are subversive not merely to democracy but to any government worthy of the name. Their good intentions pave the road to hell—to endless war.

ALDEN A. POTTER.

Bethesda, Md.
July 15, 1952.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Offering of $2,400,000 Chicago, Rock Island & Pacific RR. 2¾% equipment trust certificates, series N, maturing semi-annually Feb. 1, 1953 to Aug. 1, 1964, inclusive, was made on July 10 by Halsey, Stuart & Co. Inc. and associates. Issued under the Philadelphia plan, the certificates are being offered subject to approval of the Interstate Commerce Commission at prices to yield from 1.90% to 2.975%.

The certificates are secured by 29 new standard-gauge Diesel-electric locomotives estimated to cost not less than $3,391,000. Other members of the underwriting group are—The Illinois Co.; Freeman & Co.; and McMaster Hutchinson & Co.

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Roscoe B. Ayers has become associated with Harris, Upham & Co., 740 17th Street. He was formerly with Hemphill, Noyes, Graham, Parsons & Co.

With Peters, Writer

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Franklin M. Vess has joined the staff of Peters, Writer & Christensen, Inc., 724 17th Street.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Joseph J. Perry has been appointed Assistant Vice-President of **The Corn Exchange Bank Trust Co. of New York.** Mr. Perry is manager of the Plaza branch of the Corn Exchange in Long Island City.

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Chemical Bank & Trust Co. of New York, through its Chairman, N. Baxter Jackson, announced on July 10 the appointment of Robert J. McGinty as Assistant Secretary of the 30 Broad Street office; Walter J. Vreeland, Jr., Assistant Manager of Fifth Avenue at 29th Street office, and Charles W. Charles, Assistant Manager of Credit Department, main office.

In commemoration of the silver anniversary of its Times Square office, **Chemical Bank & Trust Co., New York,** has published an illustrated booklet telling of the establishment of the branch and showing photographs of the main banking room and the executive office. Also, photographs of the officers and of the advisory board of the Times Square office. The booklet also devotes a page to "Times Square—the most exciting site in the world," showing pictures of the Square and also headlines in the newspapers of 25 years ago, one of which announces Lindbergh's safe arrival in Paris after his flight from New York in 33 hours.

* * *

Joseph H. McConnell, President of the National Broadcasting Co., was elected a Trustee of the **Hanover Bank of New York** on July 15. Mr. McConnell, who joined NBC in October, 1949, as President, formerly was with the RCA organization eight years. He joined RCA Manufacturing Co.'s legal department in 1941, became its General Counsel a year later, and was elected Vice-President and General Attorney of RCA Victor Division in 1945. He was named Vice-President in charge of finance for RCA, the parent company, in 1949. Six months later he was elected Executive Vice-President of RCA. Prior to his association with RCA, Mr. McConnell had been with law firms in Florida, North Carolina and New York City, and for two years was director of one of the three legal sections of NRA in Washington.

* * *

Following a recent meeting of the directors of **The County Trust Co. of White Plains, N. Y.,** Dr. Joseph E. Hughes, President, released a statement disclosing that John J. Irish was promoted to be a Vice-President of the bank. In addition, Harry W. Baum and Walter G. Korntheuer were appointed to the office of Assistant Secretary and Martin Miller was advanced to Assistant Treasurer. Mr. Irish has been associated with the County Trust Co. since 1933, formerly serving as Assistant Vice-President. For the past 10 years, Mr. Irish has been in charge of banking operations at the White Plains office. Mr. Baum has been associated with the County Trust Co. since 1935. He is located in the Washington Irving office of the company in Tarrytown, where he is manager of the Building Loan and Mortgage Creation Departments. Mr. Korntheuer began his banking career with the Washington Irving Trust Company in 1942. He is stationed at the White Plains office. Mr. Miller has been connected with the County Trust Co. since 1936.

* * *

A consolidation of the **Brandon National Bank of Brandon, Vermont** (with common stock of $50,000) has been effected with the **First National Bank of Brandon** (with common stock of $75,000) as of June 30 under the charter and title of the First National Bank. The July 7 Bulletin of the Office of the Comptroller of the Currency reports that at the effective date of consolidation the consolidated bank had capital stock of $100,000, divided into 1,000 shares of common stock of the par value of $100 each; surplus of $100,000, and undivided profits of not less than $36,211.60.

* * *

Edward L. Clifford, President of the **Worcester County Trust Company of Worcester, Mass.,** has announced that, at a meeting of the directors held on June 24 David H. Green and John P. Lineen were elected Assistant Treasurers, Bernard G. Sutherland to the position of Assistant Manager of the new Park Avenue office, and Stanley A. Pitcher, Manager of the Time Sales Finance department. Mr. Green was previously associated with the **Union Trust Company** of Springfield, Mass., which he joined in 1946 after discharge from the Army. He was appointed Assistant Treasurer of that bank in 1948, later going to Worcester as Assistant Treasurer of the Guaranty Bank & Trust Company. He will take over his new duties on July 7, in the Main office of the Worcester County Trust, where he will work on loans and credits in the Commercial department. Mr. Lineen came to the bank in 1922 as a bookkeeper, and was later made head teller. He has served as President of the Board of Governors of the Worcester Chapter of the American Institute of Banking. Mr. Pitcher has been with the Worcester bank as a messenger since 1929 and has worked in several departments. Mr. Sutherland entered the Worcester County Trust in 1931. He has been employed in several departments, principally as a teller, and most recently in the Analysis department.

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As bearing on the recent merger of the **Bloomfield Bank & Trust Co. of Bloomfield, N. J.,** with the **National Newark & Essex Banking Co. of Newark, N. J.,** effective on June 23, as noted in our issue of June 26, page 2655, the Treasury Department Bulletin of June 30 indicated that as of the date of the consolidation (June 23) the National Newark & Essex Banking Co. would have a capital stock of $5,000,000, comprising 200,000 shares of common stock, par $25 each, surplus of $5,000,000 and undivided profits of not less than $2,250,000. Prior to the effective date of the consolidation the National Newark & Essex Banking Co. on June 20 had acted to increase its capital from $3,000,000 to $3,500,000 by a stock dividend of $500,000.

* * *

Oversubscription is reported by the stockholders of the **Upper Darby National Bank, of Upper Darby, Pa.,** of a recent offering of 12,500 additional shares of common stock at $25 per share, the capital having thereby been increased to the extent of $125,000, raising it from $750,000 to $875,000; effective June 25.

* * *

Following the recent approval by the stockholders of the **Charleroi Savings & Trust Co. of Charleroi, Pa.,** of the sale of the bank's assets to the **Peoples First National Bank & Trust Co. of Pittsburgh,** the Charleroi institution was absorbed by the Peoples—the office of the former becoming a branch of the Peoples First National on June 23.

* * *

The appointment of James R. Searles as resident Vice-President in charge of the St. Louis branch of the **Fidelity & Deposit Co. of Maryland** and its affiliate, the American Bonding Co. of Baltimore, has been announced by B. H. Mercer, President, according to the Baltimore "Sun," which also said:

"Formerly manager in St. Louis, Mr. Searles succeeds Fred G. Doenges, Vice-President, who has resigned to accept an executive position with the American-Associated Insurance Companies. Mr. Searles has been connected with the F.&D. and its running mate since 1929."

* * *

The Anacostia National Bank of Washington, D. C., increased its capital as of June 19 from $300,000 to $400,000 by the sale of $100,000 of new stock.

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Today, July 17, 1952, is the 30th birthday of **The Bank of Virginia of Richmond, Va.** From a small office established in Richmond in 1922, it has grown to a more than $90 million organization with 12 offices in six Virginia cities, serving more than 211,000 customer accounts, ranking fourth in size in Virginia and 254th in the nation. The lengthened shadow of two men extends across all the pages of the history of the Bank of Virginia, viz.: Arthur J. Morris of Norfolk, Va., who gave the nation the "Morris Plan"—a new kind of bank so widely accepted even now in his lifetime as to be defined by Webster's dictionary as "An industrial bank organized to extend character loans in small amounts to wage earners"—and Thomas C. Boushall, founder and President of the Bank of Virgina, who adopted the Morris Plan concept as a foundation for building a bank he saw as "one organized to meet the needs of the people and one continuously useful in the daily lives of individuals, businesses and communities." To commemorate its 30th birthday, the bank has issued an illustrated brochure that records in an interesting manner, the history and growth of this thriving Virginia institution.

* * *

SOCIETY FOR SAVINGS IN THE CITY OF CLEVELAND, OHIO

	June 30,'52 $	Dec. 31,'51 $
Total resources	253,481,945	248,291,164
Deposits	233,326,562	227,730,525
Cash and due from banks	19,218,431	22,715,400
U. S. Govt. security holdings	77,674,704	85,562,160
Loans and discts.	122,829,270	124,434,742
Surplus	15,000,000	15,000,000

* * *

CENTRAL NATIONAL BANK OF CLEVELAND, CLEVELAND, OHIO

	June 30,'52 $	Dec. 31,'51 $
Total resources	453,190,081	469,466,446
Deposits	428,908,842	448,314,994
Cash and due from banks	106,709,558	114,913,906
U. S. Govt. security holdings	191,390,226	200,653,593
Loans and discts.	146,671,402	148,200,696
Undivided profits	1,438,064	1,108,610

* * *

An increase in the capital of the **Union National Bank of Little Rock, Ark.,** became effective on June 30, when the amount was increased from $1,250,000 to $1,500,000 as a result of a stock dividend of $250,000.

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The **City National Bank & Trust Co. of Kansas City, Mo.,** announces the election of three new officers to the rank of Assistant Cashier: All three have been loan interviewers in the Installment Loan Department and will continue in the same duties. They are A. J. Sons, who has been with the bank since 1925; Robert Sears and Marion Mabry both with the bank since 1941. All three have had experience in the various duties of the commercial department of the bank.

* * *

FIRST NATIONAL BANK OF SALT LAKE CITY, UTAH

	June 30, '52	Dec. 31, '51
Total resources	$93,205,799	$94,022,747
Deposits	89,792,682	90,723,845
Cash & due from banks	24,873,360	25,983,162
U. S. Govt. security holdings	56,919,094	54,457,037
Loans & discounts	10,373,815	11,589,111
Undivided profits & reserves	1,663,116	1,548,901

As noted in our issue of July 3, page 46, the bank previously designated the **Utah First National Bank of Salt Lake City** changed its name, effective July 1, to the First National Bank of Salt Lake City.

* * *

The Anglo California National Bank of San Francisco has purchased a site and will erect a new and larger building for its Redding (Calif.) office, it was recently announced by Allard A. Calkins, Chairman of the Board. The new location, at Pine and Yuba Streets, is located half a block east of the bank's present location at Yuba and Market Streets. Preliminary plans contemplate a one-story, mezzanine-and-basement reinforced concrete structure.

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Plans for the opening on July 7 by the **Bank of America of San Francisco** of two new branches, one at Tahoe City and the other at Tahoe Valley, were recently made known by L. M. Giannini, President of the bank. The branches, primarily to service the thousands of vacationers, tourists and summer residents who flock to the area of Lake Tahoe in the Sierras of California, will remain open only about four months of each year. The region is buried under deep snow in winter. The services of these branches will be available to all, as in metropolitan centers, states E. A. Mattison, Executive Vice-President. At the same time, he points out, resorts and business houses operating for the short season will find the branches a convenience in serving their deposit needs, and travelers from outside the State will likewise find them a convenience in acquiring or cashing travelers cheques.

* * *

Appointment of Mulk Raj Ahuja, prominent in international business and diplomatic circles for more than 30 years, to represent the **Bank of America of San Francisco** in New Delhi, India, was recently announced by L. M. Giannini, President of the bank. This extension of direct Bank of America representation to the capital of India is in the interests of further development of trade between that country and the United States, according to Russell G. Smith, Executive Vice-President in charge of the bank's international activities. Mr. Ahuja, whose home is in Punjab, recently retired from the India Foreign Service after a public service career which began in 1931. Previously, he had acquired 12 years' experience in private import and export business. While in the foreign service of his country he served as Trade Commissioner in Milan, Deputy Trade Commission for the United Kingdom, Trade Commissioner for Southern Europe, and then as Trade Commissioner for Canada and Newfoundland. In 1941, he moved to New York as Indian Government Trade Commissioner for the United States, and in 1950 took up the duties of Consul-General of India for the western United States, with office in San Francisco. Mr. Ahuja is now en route to his home in India via Europe.

* * *

Lt.-Gen. Sir Ronald M. Weeks, K.C.B., C.B.E., D.S.O., M.C., T.D., has been appointed a Director of **Westminster Bank Limited of London.**

With White, Weld

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — William H. McCartney has become associated with White, Weld & Company. He was formerly with Investors Diversified Services in Minneapolis and prior thereto was with Lehman Brothers and Tucker, Anthony & Co. in New York City.

Cousens With Albee Co.

(Special to The Financial Chronicle)

PITTSFIELD, Mass.—Jasper B. Cousens has become connected with A. L. Albee & Co., Inc. of Boston. He was formerly Pittsfield Manager for J. Arthur Warner & Co., Inc. and for Davenport & Co.

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Taxes, Inflation and Executive Compensation

may sound foolish, but it is the type of record that field agents as a whole pass with pleasure.

A second category which has been worked out to supplement salary involves *stock option and stock purchase plans.* Such plans enable executives to buy stock in their company, and, if and when the stock appreciates in value, presumably at least in part as a result of their efforts, to realize upon the increase and receive payment taxed at capital gain rates rather than at the high income tax rates for ordinary compensation. A great fillip to such types of plans was given by Congress in the Revenue Act of 1950, which recognized stock options granted under specific conditions as a proper incentive to employees. Over the past year and a half, over 100 listed companies have adopted stock option plans.

To illustrate the effect of the 1950 Act, let us take the case of a company with stock having a market value of $100 a share. If the company grants an option to buy shares at not less than $95 a share, the executive under given conditions can exercise the option at a time when the stock is worth $110 without paying any tax. If he later sells the stock at 120, the $25 a share profit is taxed only at the 26% capital gain rate. If the option is granted at less than 95% of market but not less than 85%, profit will be taxed at ordinary income tax rates but not until the stock is sold and the profit realized.

Conditions attached to these tax advantages are that the option can only be exercised during employment, or within three months thereafter, and that the stock must be held for at least two years from the date of the granting of the option and for at least six months after the option has been exercised.

The so-called "restricted stock option" granted under the 1950 Revenue Act is primarily useful to companies with listed stocks or stocks with a readily ascertainable market value. However, the restricted stock option can be used with advantage by closely held corporations. A problem arises in the case of such corporations to determine fair market value of the stock for the purpose of fixing the option price at not less than 95% of the fair market value. However, this problem may often be solved through appraisals and other measures. While the executive may have no ready market in which to sell the stock in future years, provisions can be worked out to require the corporation to repurchase the stock under given conditions, such as death or retirement, at the amount paid by the executive plus increase in book value. The increase in the value of the stock can thus be paid to the executive upon resale of the stock to the company.

Apart from tax advantages, a stock option can serve as a hedge against inflation. Inflation usually brings with it an increase in equity values and a stock option can thus serve as a rough equivalent of cost-of-living escalator provisions secured by production workers. The inflation hedge aspect of stock options has led some companies to use them to supplement pensions.

Deferred Profit-Sharing and Pensions

This brings me to a third type of supplemental compensation. High tax rates make it impossible today for an employee to accumulate any substantial estate for his family or for his retirement. In recognition of this fact, Congress has granted tax advantages to certain types of plan providing for pensions or retirement benefits. By reason of these statutes also, deferred profit-sharing is becoming an increasingly important source of deferred compensation. The tax thinking behind *deferred profit-sharing and pension plans* is to defer the receipt of income either until a day of lower tax rates (if one should ever come) or to a time when it is expected that retirement or other causes will reduce gross income and hence applicable tax rates.

The deferred profit-sharing and pension plans now recognized by Congress for tax purposes are group plans. A principal problem presented by such plans is that they require inclusion of a relatively large group of employees without discrimination in favor of officers, stockholders or supervisory or highly compensated employees. They may thus be expensive for the employing company. Treasury rules with regard to discrimination were formerly quite strict but the non-discrimination is at present no longer as onerous as it once was. As a result, group plans may now often be worked out for selected groups of employees and may yield pensions or retirement benefits of up to one-third of salaries, and sometimes more, without too great a cost to the company.

In addition to these group plans, individual deferred compensation contracts have been developed over the past few years. One of the best known recent examples is the Chrysler contract with K. T. Keller, under which Mr. Keller receives a $300,000 salary until his retirement, and thereafter receives $75,000 a year for life, contingent, however, upon his not taking employment or rendering services to others at that time, and upon his rendering advice and consulting services to Chrysler. The tax consequences of such contracts are not entirely free from doubt. Treasury rules relating to the subject were expected in May, but their issuance has been postponed.

While the purpose of the supplemental forms of compensation which have been worked out in the last 10 years or so is primarily to offer tax advantages to executives and sometimes also to the company, these arrangements often have additional advantages. For example, I recently talked with a motion picture executive who had received an offer from another company at a substantially higher salary. After consideration, he decided to turn down the offer and to remain with his present company because of an option to buy that company's stock which he had received and which he felt offered him important advantages which he would not have with another company. This is likewise true of pension and deferred compensation arrangements. The benefits under these plans are usually contingent upon the executive remaining with the company a designated number of years, and such plans thus serve to retain his services against competitive offers.

As you will undoubtedly recognize, however, the freezing of personnel through such plans may be far from an unmixed blessing. The plans are in no sense a panacea and often have disadvantages which must be recognized. Take for example, the expense account. A Cleveland executive recently told me that his company had agreed to pay his dues at a club which he used solely for business purposes. He said that his father, who had been with the company before him, would "turn over in his grave" if he knew of such an arrangement. His father considered club due and expenses something that should be paid out of salary and would have frowned upon the payment of such expenses by the company as a paternalistic innovation inconsistent with the whole concept of a proper corporate-executive relationship.

The expense account and its blood relative, the perquisite, have led to serious abuse in England, where companies sometimes go so far as to pay the tailor bills of their executives. This trend in England was the subject of a study by John Knox Jessup, now editor of "Life" magazine, and was believed by him to be associated with a deterioration in the standards of public morals. Perhaps this is pretty strong, but the increasing use of expense accounts and perquisites can lead to serious abuses. A stricter attitude on the part of the Bureau of Internal Revenue toward the expense account may be anticipated as the result of a recent instruction by the Bureau to its field agents for a more thorough investigation of expenses paid by a company for its employees and claimed as a deduction.

The stock option similarly has drawbacks. It derives its effectiveness only in times of a rising market. When the market falls, the executive has no inducement to exercise his option and finds that any stock he has acquired under the plan in the past is no longer as substantial an incentive as it once seemed. This type of situation does not create goodwill for the company. Take the case of the motion picture executive who turned down a higher salary for his stock option. If that option turns out to be worthless he is not going to be very happy.

The point is that all such plans must be used with circumspection. The tax and business services and books on the subject should not be relied upon when a plan of this nature is adopted—and that applies to our book. Services and books are useful in suggesting ideas, methods and alternatives, but it is of the greatest importance that experts be consulted, experts familiar with the intricate developments in the field, before a specific plan is adopted. There is no such thing as a standard plan. Each plan should be tailor-made to the needs of the particular company.

Let me end on a note of optimism based upon this absence of standardization. There is no fixed pattern of compensation for executives. If I had any doubts upon that subject those doubts were removed once and for all as a result of my experience in Washington. One would think that with a statute like the 1950 Revenue Act describing the terms under which stock options receive tax advantages, the plans of companies adopting stock options would follow somewhat similar patterns. The contrary is the case. I did not find any two plans that were exactly alike. They differed as to option price, ranging from 85% of market to 100% and higher; as to length of time during which options could be exercised—from five or ten years to lifetime or thereafter by an estate; as to the manner of payment for the stock upon exercise of the option, and in many other respects.

I think this is enormously healthy—this absence of standardization. The ingenuity which companies have used in devising appropriate plans for their particular needs, the great variety of forms which these plans take, prove that we still have a vital free enterprise society. As long as that ingenuity and vitality are present, I am confident that ways and means can continue to be found adequately to compensate the executive.

Toronto Analysts Elect Officers

TORONTO, Canada — At the Annual Meeting on July 8, the Security Analysts' Association of Toronto elected the following officers for the coming season:

E. M. Henderson (A. E. Ames & Co.)—President.

R. A. Daly Jr. (R. A. Daly & Co.)—Vice-President.

P. J. Chadsey (Wood, Gundy & Co.)—Secretary.

E. S. Miles (Burns Bros. & Co.) —Treasurer.

W. A. Lofft (Equitable Securities of Canada, Ltd.)—Director of Membership.

Founded 16 years ago this association had a record membership last year—a sign of the increasing interest in investment research on the part of Canadian investment firms.

Joins Clayton Secs.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Harold D. O'Brien has become associated with Clayton Securities Corporation, 82 Devonshire Street, members of the Midwest Stock Exchange. He was previously with J. Arthur Warner & Co.

FIC Banks Place Debs.

A successful offering of $111,705,000 of debentures of Federal Intermediate Credit Banks was made on June 19 by MacDonald G. Newcomb, New York fiscal agent for the banks. This consisted of $29,680,000 1.90% consolidated debentures dated July 1, 1952, and due Oct. 1, 1952, and an offering of $82,025,000 consolidated debentures dated July 1, 1952, and due April 1, 1953. Of the proceeds, $77,650,000 was used to retire a like amount of debentures maturing July 1, 1952, and $34,055,000 is "new money."

On May 21, a successful offering of $85,065,000 2% consolidated debentures dated June 2, 1952, and due March 2, 1953, was made, the proceeds of which were used as follows: $68,700,000 to refund a like amount of debentures due June 2, 1952, and $16,365,000 for "new money."

As of the close of business on July 1, 1952, the total amount of debentures outstanding amounted to $881,655,000.

Two With Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Charles H. Gallagher and Ralph D. Joslin have become associated with Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges.

With Blyth & Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Bill Goodan is now connected with Blyth & Co., Inc., 234 East Colorado Street.

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Low Interest Rate Policy— A Hindrance to Savings Banks

that is, the obligor defaults and the creditors come into a new set of rights and privileges. A good many savings banks have never had to give any thought to the rules and principles they should follow in using the voting power that goes with stock proxies. This is a question that deserves careful study by all institutional holders of stocks so that questions that owners must face from time to time can be decided on something other than an opportunistic or an *ad hoc* basis. Mutual institutions are under a special obligation, it seems to me, to use their stockholders' voting rights with the greatest circumspection so that stock ownership does not come to a sort of dead end, cut off from all requirements of accountability to individuals comprising the stockholding public.

The leap from a creditor position to an equity position is a long one. It is often anything but an easy one to take overnight. Sometimes the leap is one that is not successfully taken until after years of effort. It takes a nice sense of responsibility for an institutional holder to know when it should use its voting power to overrule the judgment of the management of a concern in which stock is held. This responsibility is one that should be exercised in full awareness of the wide-reaching consequences.

Instances have come to my attention of savings banks in other states buying commercial bank stocks, not, it would appear, because of the dividend return plus the prospect of long-term growth, but because a cash sale of the institution to some other commercial bank was rumored to be in the offing. You may well ask what is wrong with that. Certainly everybody should agree that commercial bank stocks could do with a readier and broader market. It seems to me, though, that savings banks should buy stocks, if at all, primarily for yield. It does not seem to me that they should ever go in for the quick turn, in other words, for an overnight flyer in capital gains. Buying of this sort by savings banks is all the more out of order if they should vote their stock or stand ready to vote their stock in a corporation for the sole purpose of promoting a quick turn. This is definitely not the sort of thing that savings banks should go in for as institutional holders. Yet it has been going on.

If you believe as I do, you would like to see an institutional stockholders' code which would rule out that sort of thing by common consent. I have hopes that New York State's savings banks will soon receive authority from the Legislature to buy bank stocks. But I would not relish the thought of their looking on this power primarily as an opportunity to seize or force short-term capital gains arising out of particular types of commercial bank mergers. We surely wouldn't want to see the shape of our commercial banking structure determined by the quest of savings banks, or, indeed, of other institutional holders, for the quick capital appreciation that goes with aggressive action looking toward selling out stocks at book value that were only just bought for a good deal less at market.

Any decision that you may make on the investment powers of savings banks in your state, I think, should grow out of things inside of and not outside of the problem. What other states and other types of institutions are doing about the matter may be interesting, but it should only be incidental and not controlling. One of the priceless advantages of states' rights in banking is the opportunity that is given to each state to adopt the policy in such things as investment powers as may seem appropriate to it in the light of its traditions and present circumstances and needs. States can become testing grounds for different approaches and principles, all falling within the range of soundness and safety.

The public has believed for decades that savings banking combines absolute safety of principal with a satisfactory return. Those who have gone before us, on the management, supervisory and legislative sides, have left us this heritage. They considered the facts before them and worked out solutions for savings banking appropriate to their times. Let us analyze the facts and changed circumstances before us and shape our policies accordingly. Let us match their wisdom if we can. We cannot do less than match their courage.

Douglass, Hill V-Ps. of Dillon, Read Co.

Kingman Douglass William R. Hill, Jr.

Dillon, Read & Co. Inc., 46 William Street, New York City, has announced the election of Kingman Douglass and William R. Hill, Jr., as Vice-Presidents of the investment firm.

Mr. Douglass, who graduated from Yale University, was an Air Force Colonel during World War II on the staff of Gen. Carl Spaatz in both the European and Pacific Theaters. After the war he was connected with Dillon, Read for several years prior to becoming Assistant Director of Central Intelligence Agency in Washington, D. C., from which post he resigned on July 14, 1952.

Mr. Hill, who graduated from Princeton University and attended Harvard Business School, has been associated with Dillon, Read since 1926 except for about three years during World War II when he was a member of the Navy Price Adjustment Board.

Seaboard Finance Co. Pfd. Stock Offered

Public offering of a new issue of 150,000 shares of Seaboard Finance Company $2.12 convertible preferred stock (no par value—stated value $35 per share) was made on July 16 by The First Boston Corporation and associates. The stock was priced at $37.50 per share and is convertible into 1.72 shares of the corporation's common stock. Prior to the issue of the stock the company will call for redemption the unconverted portion of its $1.35 convertible preferred stock, Series B.

Proceeds from the present financing will be applied to the reduction of current indebtedness to the company's line-of-credit banks in order to make available to Seaboard additional funds from these sources. Increased funds for lending and purchasing receivables have been required due to growth of the company's business through expansion and development of its own operations and the acquisition of additional offices. One of the larger companies engaged in the small loan business, Seaboard operates 153 offices located in 24 states. For the six months ended March 31, 1952, gross receivables totaled $84,363,529 compared with $53,627,116 for the similar period of 1951. For the first half of the current year, 75% of dollar volume consisted of small loans and the balance of retail installment sales contracts and loans to automobile dealers.

R. M. Holihan Joins Hulburd, Warren Firm

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Raymond M. Holihan has become associated with Hulburd, Warren & Chandler, 208 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Holihan was formerly cashier for Dayton & Gernon and prior thereto served in a similar capacity for Swift, Henke & Co.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

With the general stock market showing considerable strength and the share averages at or near the highest point in the past 22 years, the question arises as to how insurance stocks have been acting recently.

From the standpoint of the averages the answer seems to be that insurance stocks have done very well so far this year.

The Dow-Jones Industrial Average of 30 stocks started the year at 270.38. After reaching a high of 275.40 in January, the average declined 19 points reaching a low for the period May 1. Since that time it has been moving upward and on Tuesday, July 15, closed at 276.76. Thus, the gain for the year to date is 6.38 points or approximately 2.36%.

"Barron's" insurance group average, on the other hand, started the year at 146.30. The group moved irregularly higher for the next 2½ months and then declined until the end of April in response to the action of the general market.

From this point it has moved upward in line with the stock market and on July 10 was 164.07 as compared with a high of 164.28 reached June 19. Strength in the various insurance issues during the past week has almost surely pushed the average to a new high.

Nevertheless, the gain in the group so far this year amounts to 17.77 points or 12.15%. Thus, on a comparative basis, the insurance group from January up to the present has done considerably better than the general market.

Of course, within the insurance group all stocks have not moved uniformly but with one or two exceptions all issues are higher than at the beginning of the year. A number of stocks show sizable gains and are now close to their highs.

In the table below we present the market prices of 24 major insurance companies including the current bid price, the price as of Jan. 2, 1952, the change between these dates and the price range so far this year.

	Market Bid Price Jan. 2 1952	July 16 1952	Change	1952 Price Range High	Low
Aetna Fire	54½	56½	+ 2	57	51½
Agricultural Insurance	67½	73½	+ 6	73½	67½
American Insurance	22	24⅞	+ 2⅞	25⅜	22
American Surety	51½	49¾	— 1¾	52¾	47¾
Boston Insurance	62¾	68	+ 5¼	68	62¾
Continental Casualty	63½	84¼	+20¾	84¼	63½
Continental Insurance	72¼	78	+ 5¾	78¾	68⅝
Federal Insurance	87	92½	+ 5½	92½	87
Fidelity-Phenix	70	78¾	+ 8¾	79¼	68¾
Fire Association Philadelphia	56¼	63¼	+ 7	63¼	55½
Fireman's Fund	55¾	58¼	+ 2½	58¼	51¾
Firemen's (Newark)	23	26¾	+ 3¾	26¾	22⅞
Glens Falls Insurance	53	57¾	+ 4¾	59	53
Great American Insurance	34	37	+ 3	38½	33
Hanover Fire	32½	36¾	+ 4¼	36¾	32
Hartford Fire	132	149	+17	149	131
Home Insurance	35¼	38½	+ 3¼	39½	34⅜
Insurance Co. of North America	70	84	+14	87	70
Phoenix Insurance	84½	94½	+10	94½	81
St. Paul Fire & Marine	32	34¼	+ 2¼	34½	30½
Security Insurance	31¼	38½	+ 7¼	38¾	31¼
Springfield Fire & Marine	44	49¾	+ 5¾	49¾	44
United States Fire	41¼	44½	+ 3¼	46¼	38
Westchester Fire	21¼	23	+ 1¾	23¾	21¼

One of the best acting stocks in the above list is that of Continental Casualty. Writing primarily accident and health insurance, the company was not affected very much by the unfavorable conditions existing in the fire and casualty fields. Then, too, the company is aggressive and recently acquired the controlling stock interest in the United States Life Insurance Company of New York. Although United States Life is not a large company, having only $51,085,395 in admitted assets, this move by Continental Casualty offers a new field of growth.

Of the companies listed only American Surety is lower than at the beginning of the year. The poor underwriting results last year in the automobile liability lines still appears to be influencing the stock.

All of the others, which are primarily fire companies, have shown a much better market action with gains of over 10% common.

Over the next several weeks, the six months' operating statements will be issued. They will be watched to give an indication of just what the operating trends are in the various underwriting lines. The action of the stocks indicates that some improvement is taking place.

Louis B. Field Opens

SOMERVILLE, N. J.—Louis B. Field is engaging in the securities business under the firm name of Louis B. Field & Co. from offices at 68 Eastern Avenue. Mr. Field has recently been with Dreyfus & Co.

Thomas A. Kramer Opens

HOUSTON, Tex. — Thomas A. Kramer is engaging in the securities business from offices in the Second National Bank Building under the firm name of Kramer & Co. He was formerly with Harris, Upham & Co.

Continued from first page

As We See It

"We shall always measure our foreign commitments so that they can be borne without endangering the economic health or sound finances of the United States. Stalin said that 'the moment for the decisive blow' would be when the free nations were isolated and were in a state of 'practical bankruptcy.' We shall not allow ourselves to be isolated and economically strangled, and we shall not let ourselves go bankrupt.

"Sums available by this test, if competently used, will be more effective than vastly larger sums incompetently spent for vague and endless purposes. We shall not try to buy goodwill. We shall earn it by sound, constructive, self-respecting policies and actions."

Of course, mere lip service to these ideas is a possibility, but faithful observance and effective action would, so we think, take us a long way toward liberation from the morass in which we now flounder.

And if only this promise is kept:

"We shall review our entire preparedness program and we shall strip it clean of waste, lack of coordination, inertia, and conflict between the services. We shall see that our fighting men in Korea, or wherever they may be, shall not lack the best of weapons or other supplies or services needed for their welfare."

Certainly no one should know better how to proceed than the Republican candidate for the Presidency. If he can not or will not undertake it, and undertake it with a will, we are in very real fact in shackles which could well in the end ruin us.

Take the plank having to do with monetary and related policies. Doubtless, it could have been better, but bona fide adherence to it as it is written would do more to restore a salutary business climate and really serviceable financial facilities than has been done since the debacle of 1933—and probably more than has been promised since that fateful year! We think it worth reproduction here in full:

"Only with a sound economy can we properly carry out both the domestic and foreign policies which we advocate. The wanton extravagance and inflationary policies of the Administration in power have cut the value of the dollar in half and imposed the most confiscatory taxes in our history. These policies have made the effective control of Government expenditures impossible. If this Administration is left in power, it will further cheapen the dollar, rob the wage-earner, impoverish the farmer and reduce the true value of the savings, pensions, insurance and investments of millions of our people. Further inflation must be and can be prevented. Sound tax and monetary policies are essential to this end. We advocate the following tax policies:

"(1) Reduction of expenditures by the elimination of waste and extravagance so that the budget will be balanced and a general tax reduction can be made.

"(2) An immediate study directed toward reallocation of fields of taxation between the Federal, State and municipal governments so as to allow greater fiscal freedom to the states and municipalities, thus minimizing double taxation and enabling the various divisions of government to meet their obligations more efficiently.

"(3) A thorough revision and codification of the present hodge-podge of internal revenue laws.

"(4) Administration of the tax laws free from politics, favoritism and corruption.

"We advocate the following monetary policies:

"(1) A Federal Reserve system exercising its functions in the money and credit system without pressure for political purposes from the Treasury or the White House.

"(2) To restore a domestic economy, and to use our influence for a world economy, of such stability as will permit the realization of our aim of a dollar on a fully convertible gold basis."

What strikes us as particularly heartening in this passage is the apparent understanding and awareness of some of the things often overlooked which are essential prerequisites to financial soundness. We hope the candidates will give us further assurances on this point as the campaign progresses.

There are other passages which are heartening. Here are a number of them covering various aspects of public policy:

"We are opposed to Federal compulsory health insurance with its crushing cost, wasteful inefficiency, bureaucratic dead weight, and debased standards of medical care. We shall support those health activities by government which stimulate the development of adequate hospital services without Federal interference in local administration."

* * *

"The tradition of popular education, tax-supported and free to all, is strong with our people. The responsibility for sustaining this system of popular education has always rested upon the local communities and the states. We subscribe fully to this principle."

* * *

"We pledge a thorough reorganization of the Federal Government in accordance with principles set forth in the report of the Hoover Commission, which was established by the Republican Eightieth Congress.

"We denounce the duplicity in submitting to Congress for approval reorganization plans which were represented as being in accordance with the principles of the Hoover Commission recommendations but which in fact were actually intended to further partisan political purposes of the Administration in power."

* * *

"Under public pressure, the Administration took reluctant steps to clean house. But it was so eager to cover up and block more revelations that its clean-up drive launched with much fanfare ended in a farce.

"The Republican party pledges to put an end to corruption, to oust the crooks and grafters, to administer tax laws fairly and impartially and to restore honest government to the people."

The Republican candidate has chosen so far to speak in generalities for the most part. He has been frank to say that his long absences from the country and his preoccupation with military matters have left him out of close touch with many specific issues. However, he doubtless has been doing a good deal of intensive study during the past weeks, and will be obliged to continue such "home work" in the months ahead. May he as the weeks pass give all thoughtful people as much ground to admire his basic commonsense as they now have to like him personally.

Dow Chemical Deb. Offer Oversubscribed

Public offering of $100,000,000 Dow Chemical Co. 3% convertible subordinate debentures dated July 1, 1952 and due July 1, 1982 was made on July 15 by a nation-wide group of 233 underwriters headed by Smith, Barney & Co. The debentures were priced at 101.50% and accrued interest, to yield 2.925%. This offering was quickly oversubscribed and the books closed.

Net proceeds from the offering will be added to the cash funds of Dow Chemical and used, among other things, for the construction of additional facilities required in the manufacture of new products and to meet the increased demand for presently manufactured products. Capital expenditures during the current fiscal year ending May 31, 1953 will approximate $100,000,000 and, depending upon business conditions, a similar amount in the fiscal year ending May 31, 1954, the company estimates. During the fiscal years ended May 31, 1947-1952, inclusive, capital expenditures of the company and its subsidiaries aggregated approximately $441,000,000. Consolidated sales increased from $130,427,000 in the fiscal year ended May 31, 1947 to over $400,000,000 in the fiscal year ended May 31, 1952. For the first 10 months of the fiscal year ended May 31, 1952 consolidated sales were $336,668,000 and net income was $29,868,000.

The debentures are convertible into common stock at any time prior to maturity or redemption at the following conversion prices: $150 per share on or before July 1, 1962; $165 after July 1, 1962 to and including July 1, 1967; $180 after July 1, 1967 to and including July 1, 1972; at $195 after July 1, 1972 to and including July 1, 1977; and at $210 thereafter.

The debentures are redeemable at the option of the company at prices ranging from 104½% to 100%, depending upon the date of redemption.

Dow Chemical and subsidiaries manufacture a diversified line of organic and inorganic chemicals, plastics and magnesium. The products of the company and its subsidiaries are grouped into five major classifications: Industrial chemicals, plastics, agricultural chemicals, magnesium and fine chemicals.

Commonwealth Edison 3¼% Bonds Offered

Kuhn, Loeb & Co., Lehman Brothers and American Securities Corp. yesterday (July 16) offered $40,000,000 Commonwealth Edison Co. first mortgage 3¼% bonds, series O, due July 1, 1982 at 101.93% and accrued interest. These firms won award of the bonds at competitive sale on Tuesday on its bid of 101.689%.

Net proceeds from the sale of the Series O Bonds will be added to working capital and ultimately applied toward the cost of gross additions to the utility properties of the company and its subsidiaries during the four-year period 1952-1955. The construction program of the companies for this period, as now scheduled, calls for the expenditure of approximately $500,000,000 for such property additions. Of this total, it is expected that approximately $115,000,000 will be spent in 1952; $135,000,000 in 1953; $140,000,000 in 1954; and $110,000,000 in 1955.

Optional redemption of the bonds may be made at receding prices from 104.93% to par.

Commonwealth Edison Co. and subsidiaries serve an area covering approximately 11,000 square miles and an estimated population of 5,600,000, including Chicago. At Dec. 31, 1951, the companies had approximately 1,664,600 electric customers and 399,700 gas customers.

Canadian Securities

By WILLIAM J. McKAY

On July 7, Independence Day, the Canadian dollar was quoted in terms of the U. S. dollar above $1.04 1/16, a record peak since 1933, when for a brief period following the U. S. abandonment of U. S. gold standard, the rate went to $1.05⅝. The exchange rate has since fallen, but the trend still seems upward. There appears to be considerable concern on the part of the Canadian Government and banks at this time that unless curbed, this upward surge of the value of Canadian currency will have an adverse effect on Canadian tourist trade and Canadian exports. In fact, Finance Minister Abbot has already told the Canadian Parliament that the time may come again when the exchange value of the Dominion dollar may again be controlled.

Mr. Abbot's statement was by way of a comment upon the purposes of a bill which has been given final approval by the House of Commons and which re-establishes the Canadian Government's right to issue gold coinage under the conditions of a controlled Canadian dollar.

The bill, which repeals the now inoperative Foreign Exchange Control Board Act, re-enacts the essential provisions of the Exchange Fund Act of 1935, which is on the lines of the United States Gold Reserve Act of 1934.

The unusual demand for Canadian dollars has resulted from two sources; namely, the heavy investments by Americans and other foreigners in Canadian industries, and the speed up of Canadian exports.

That U. S. investors are buying Canadian securities heavily is demonstrated by the recent formation of new investment companies, operating in Canadian securities, called the Canadian Fund and the Canada General Fund. Calvin Bullock, sponsor of the Canadian Fund, has reported that in the short period since its organization, subscriptions have been received from more than 7,000 registered shareholders. The 1,100,000 shares of the Canada General Fund were offered by Bache & Co. and associates to the U. S. public on July 15.

The continued increase in Canadian exports is revealed in the recent publication of the May figures of Canada's foreign trade. The report showed a sharp expansion in Canadian export shipments which carried the total up to a new all-time high of $385,200,000, bringing the trade balance to the first import surplus in nine months.

Imports during May rose to $387,900,000, according to the estimate, thus exceeding exports by $2,600,000. The four preceding months had all shown an export surplus.

The sharp rise in Canadian exports is attributed largely to an increase in shipments to the United Kingdom and other overseas countries, sales of $202,900,000 to the United States falling below the May, 1951, figure of $211,300,000.

As a result of this change in the geographical distribution of Canadian exports, the proportion absorbed by the United States dropped to 52.2% as compared with 64.5% a year earlier.

In spite of the United Kingdom's tight dollar position, Canadian exports rose to $86,000,000 in May, almost double last May's figure of $47,300,000.

The trend toward industrial expansion on enlarged exports is expected to continue in the coming months and may be accelerated. According to a mid-year survey of the Canadian Trade Department, it is predicted:

(1) The price of industrial machinery and equipment and other capital goods will average higher this year than in 1951. Wholesale prices have been declining in recent months, but officials said that industrial wages and the price of steel, backbone of the industry, likely will climb.

(2) Public and private capital investment, the money spent by industry and government on expansion of services and production facilities, will reach a peak $5,181,000,000 despite declines in the development of new housing, wholesale and retail trade, forestry and commercial services.

(3) Spending on maintenance and repair of buildings and equipment will reach a record $2,014,000,000, making total spending on investment and maintenance of $7,195,000,000, up about $700,000,000 from last year.

The investment trend is one of the keynotes to Canadian prosperity and an indication of the fast economic pace being maintained in Canada.

D. C. Holmes Appointed By Mutual Fund Assoc.

SAN FRANCISCO, Calif.—Mutual Fund Associates, 127 Montgomery Street, announce the appointment of Donald C. Holmes as Regional Manager of the Sacramento Valley Area for Mutual Fund Associates. Mr. Holmes has for several years been manager of the Sacramento Valley district for King Merritt & Co., Inc.

Continued from page 11

Foreign Entanglements

only hope of constructive accomplishment, either at the peace conference when held or during the reconstruction period, appeared to lie in such firm prior acceptance of sound policies by as many nations as possible."

"Entangling alliances!" Before Pearl Harbor we were not only violating the rules of international law in furnishing munitions of war, including destroyers, to one of the belligerents, but we, as a supposed neutral, were as busy as we could be in carrying on diplomatic negotiations with other neutral nations concerning the peace conference which was then not even in sight.

The UN Charter

As my time is limited I can not go into all of the details. Many of them are in this State Department book which you may obtain from the Superintendent of Documents in Washington. Suffice to state at this point, by way of summary, that a draft of a United Nations Charter was prepared, in our State Department, in collaboration with the English and Soviet Governments, and possibly others, and presented for discussions at various international conferences, including those of Roosevelt, Stalin, Chuchill and last, but not least, Alger Hiss. There finally emerged on June 26, 1945, in San Francisco the redrafted document, later ratified by the United States Senate as a treaty, which is known as the United Nations Charter. It is the same United Nations Charter which President Truman on May 22, 1950, described in his annual report to the Congress as follows:

"We support the United Nations and keep this contract because the Charter expresses our fundamental aims in the modern world. We know the fulfilment of the Charter will best advance our vital interests — to attain peace with justice, to assure freedom, and to bring about economic and social progress, for ourselves and all our peoples. It is for this reason that support of the United Nations is and must be Point I of our foreign policy."

It is the same United Nations Charter referred to by John Foster Dulles in an address of Dec. 29, 1950, to the American Association for the United Nations in New York City, wherein he parroted Karl Marx, the father of Communism, in the statement that:

"Through graduated income and estates taxes, and social security and pension plans, our capitalistic society has come to approach more nearly than the Communist World, the ideal of production according to ability and distribution according to need."

Also Dulles stated in reference to the Korean War that:

"Whatever now may be the disappointments, we can know that the sons of the United Nations who in Korea lay down their lives, do so for the noblest cause for which men ever died in battle."

This bureaucratic outfit of one-worlders, of union now, and of international super-governments were far more astute in connection with the United Nations Charter than were Woodrow Wilson and his advisers in connection with the ill-fated League of Nations. Listed in the index of this State Department volume, "Post-war Foreign Policy Preparation," are the names of numerous members of the Senate and House of Representatives who were members, advisory or otherwise, of the various Committees of the State Department which conducted the studies and prepared the drafts resulting in the Charter of the United Nations. How many of these members of the Congress were "taken in" on the postwar foreign policy preparation, by bouquets and pats-on-the-back or by entertainments at the English and Soviet Embassies is, of course, unknown to us. But it is a fact that the Charter was ratified as a treaty by the United States Senate. No wonder Congress has done little or nothing constructive about the Charter and its repeated violations by Soviet Russia and her satellites. Too many of the members of the Congress were committed to the scheme in advance of the ratification of the Charter. Those were the days, I remind you, when there prevailed the so-called non-partisan policy in foreign affairs—when the minority party abdicated its excuse for existence in not preserving to itself independence of action to criticize and expose any administration proposal which such minority might reasonably believe to be harmful to the people of the United States. The great value of a minority party in any legislative assembly is that of a public critic of majority measures and proposals.

UN Charter Fails to Preserve Peace

As an instrument for preserving, or attaining, world peace the Charter of the United Nations has dismally failed; it has equally failed in securing unity of action by the member nations. How and why it has failed is a long story which I do not have time to discuss on this occasion.

In a word, to borrow a phrase of a great sociologist, there is no "like-mindedness" among the peoples of the world, save among the English and Americans and among the Spanish-Speaking nations, and not too much even in these instances. The diversities in languages, traditions, governments, which have made a cockpit of Europe since the Middle Ages, and even before, have resulted in dissentions and lack of unity in the so-called United Nations. No charter, no paper document can remove these causes of dissention and lack of "like-mindedness" in Europe and Asia. The American people had little knowledge of the charter or its origins at the time it was ratified by the Senate and I venture the assertion that the American people would not approve it today if it were submitted to them for approval.

I pass on to Chapter I, Article 2, Section 7 of the Charter which states, in pertinent part, that:

"Nothing contained in the present Charter shall authorize the United Nations to intervene in matters which are essentially within the domestic jurisdiction of any state or shall require the Members to submit such matters to settlement under the present Charter; * * *."

According to my best information there have been organized some 13 separate and different agencies under the Charter. However, there is much uncertainty as to the exact number of such agencies. In Senate Report No. 90, 82nd Congress, issued on Feb. 12, 1951, by the Senate Committee on Expenditures in the Executive Departments, it is stated (page 34) that the Senate subcommittee investigating United States Relations with International Organizations had found that during 1949 the United Nations and its specialized agencies undertook a total of 739 economic and social projects and that in 1950 they had underway 723 such projects. The Senate subcommittee quotes the Secretary General of the United Nations as formally reporting that "It is impossible to devise a list of categories for the classification of so vast an array of activities which will be satisfactory."

It is further stated in this same Senate subcommittee report that:

"(b) *Nature of projects* — The subcommittee is neither equipped nor inclined to enter into a detailed analysis of the 723 economic and social projects undertaken by the United Nations and the specialized agencies during 1950. Nor is it in a position to assess the relative value or urgency of these projects. A large number of titles were examined, however, and it is believed worth while to cite a few as illustrative of the nature of these undertakings:

"Comparison of costs of construction of power plants; Building Industry; Promotion of tourist travel; The effect of the Chewing of the Cocoa Leaf; French Iron and Steel Industry; Problems of Agricultural Credit in South America; Technical Conference on Flood Control; Immigration to Latin America; Methods of Social Welfare; Administration; Development of National Fisheries Programs; United States Market for Uraguayan Wool; Popularization of Science; Application of Penal Law to Women; Study of Legal Status and Treatment of Women; Influencing public opinion to improve the status of Women; Educational Promotion and study of coal production; Taxation of Company Profits and Dividends; Promotion and Study of Coal Production; Comparison of the costs of transmission of electric power and coal; transport; a comparative study of civilizations; Translations of Great Books; Public Assistance to the Needy; Rural Social Centers; Assistance to indigent aliens; and Economic and Social aspects of the production and use of chemical fertilizers."

Bear in mind that these projects named by the Senate subcommittee are but a dozen or so out of a total of 723 studies and investigations being carried on by the United Nations and its agencies. There were actually some 1,898 separate projects in the economic, social, and general fields being carried on by the United Nations and its agencies in 1951. What possible bearing could any or all of these studies have on the legitimate functions of the United Nations under its Charter? It is an obvious fact that practically all of the projects named by the Senate subcommittee pertain to the internal and domestic affairs of the respective member nations. The Senate subcommittee pertinently comments that, based on its studies:

"* * * it appears that a considerable number of projects are academic rather than practical, and might have been left more properly to national governments, research agencies, and to non-governmental international organizations."

Further, the subcommittee reports that:

"Matters which should receive immediate attention have often been left undone, while funds and personnel are devoted to matters of little or no importance."

We have not forgotten, nor shall we soon forget that an agency of this the United Nations drafted a document against Genocide and it was submitted for ratification to the United States Senate. There is floating around somewhere another such document, grandiosely referred to as a "Covenant of Human Rights." Each of these documents if it should become the law of this country, would subvert liberties sought to be preserved by our Bill of Rights. Happily to date these documents have not been ratified by the Senate and there seems little likelihood of the Senate doing so provided the American people stand on guard. Furthermore, we Americans utterly and completely deny that any treaty ratified by the Senate can change our Constitution and its Bill of Rights. We may be heading for one of the greatest constitutional struggles in this country as to whether both the Charter and the North Atlantic Pact may not be contrary to the terms of our Constitution in a number of respects and thus invalid. In this connection I invite your attention to a little known Senate Document, No. 13, 67th Congress, issued May 20, 1921 on the treaty-making power, presented by the late New Englander, Senator Brandegee of Connecticut, wherein it was stated that no treaty could:

"* * * change the Constitution itself, nor * * * divest the States of powers reserved to each by the tenth amendment to the Constitution, nor * * * deny the essential rights of liberty secured by its express terms to its people, as in respect of the *habeas corpus*, bills of attainder, and the like. It can not be held with any show of reason that these limitations upon legislative power, these duties imposed on the United States as a governmental corporate being, can be set at naught by a treaty of peace. Such a construction of the Constitution, besides being a *reductio ad absurdum*, is contrary to the whole frame-work of the system, and to its plainly expressed purposes."

Many Rights to Local Self Government Lost

Notwithstanding the terms of our Constitution and its Bill of Rights, and the fears of our forefathers that the Federal Government would infringe upon the rights of the States of the Union and the peoples thereof, and notwithstanding the many restrictions contained in that Constitution and its Bill of Rights, designed to protect both the States and the people, we know that in our day—primarily and principally since 1932 with the advent of the administration of F. D. Roosevelt—both the States and the people have lost many of their rights to local self-government. Some of these have been purchased from the States and the people by means of subsidies paid out of the Federal treasury and collected in taxes from all the people and some have been usurped powers. On this day, in Washington, there came on for argument before the Supreme Court of the United States the famous Steel Case wherein the President of the United States, in order to satisfy a great CIO union of steel workers, seized the steel mills, as we claim, without any authority whatever. The legality of that seizure was under debate today before that court.

If our own people will do that to each other, then, I ask you, how can we expect that the government of the United Nations will do less? The trend of that organization has been made manifest by the studies and projects, 723 in number for 1949 and many more in 1951, whereby it is plainly evident that this supergovernment organization has already invaded the areas of government in the respective member nations. This invasion will grow worse as time advances, particularly when we are paying more than 57% of the entire costs of this super-government, the United Nations and its agencies, aggregating nearly half a billion dollars for the period from 1946 to 1950.

Our entangling alliances with foreign governments, principally because of the United Nations Charter, are even now such that we can but feel the strangle hold on our resources, our lives, and our liberties. It is the nature of all government to grow and grow in power until the individual is as nothing compared with the power of the government itself.

In conclusion I remind you of the words of the philosopher that "Every country has the government it deserves." I leave with you the question as to what you are going to do, and will do, commencing at once, to make this country receive and deserve a government at least the equal of that in peace, prosperity, and probity which we had under your fellow New Englander, Calvin Coolidge. The vote, the power, and the opportunity, are all in the hands of the women of America. The men are responsible for the present conditions; eager beavers among them actively sought to bring the conditions about; they are interested in preserving and extending the present situation but the women of America could, if they would, sweep all this aside as a house of cards and help us in reestablishing a government by the people, of the people, and for the people of America—to paraphrase the words of Abraham Lincoln, a grandson of the Commonwealth of Virginia.

Union Oil Secondary Offer Oversubscribed

The offering of 200,000 shares of Union Oil Co. of California common stock (par $25), which was made after the close of the market on July 14 as a secondary distribution by Dillon, Read & Co. Inc., was quickly oversubscribed and the books closed. The stock was priced at $42.75 per share, with a dealer's discount of 90 cents per share.

It was reported that the 200,000 shares came from the Doheny Trust holdings, which sold a similar amount last year and continues to hold 200,000 shares.

Harry Faath, Jr. Now Major of Marines

Harry W. Faath, Jr., on military leave from his position as assistant manager of the bond department of Aubrey G. Lanston & Co. (New York City), has been promoted to the rank of Major in the Marine Corps and has been placed in command of a newly commissioned Marine Air Group of the Third Marine Aircraft Wing at Miami, Fla. Major Faath, a Marine Reservist who served in the Pacific during World War II, was recalled to active duty recently.

With Investment Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Roland D. Johnson and Bernard R. Hitpas are now affiliated with Investment Service Corporation, 444 Sherman Street.

Miller & George Admit

PROVIDENCE, R. I.—Miller & George, Hospital Trust Building, have admitted R. Henry Field to partnership in their firm.

First Ft. Worth Securities

FT. WORTH, Tex. — First Fort Worth Securities Company has been formed with offices in the W. T. Waggoner Building to engage in the securities business. Pierre Mirc is a principal in the firm.

Edwin I. Hilson

Edwin I. Hilson, partner in Wertheim & Co., New York City, passed away at his country home of a heart attack at the age of 57.

Joins First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William E. Eckholdt is with First California Company, Inc., 647 South Spring Street.

Continued from page 3

More Comments on "UN—Why It Is Doomed to Fail"

W. C. MULLENDORE
President,
Southern California Edison Co.

I heartily approve of and agree with Mr. Robertson's article, "The United Nations — Why It Is Doomed to Fail."

Wm. C. Mullendore

I have long been convinced that the United States is far more useful and helpful to the world as an independent power than one harnessed into any worldwide organization. I feel certain that we have weakened and not helped other nations since we have been assuming their burdens, and I am even more certain that we have jeopardized the solvency and hence the strength of the United States. Furthermore, we have built up a vested interest on the part of our own citizens in the continuance of this international program through which we have fed our "inflation prosperity."

ANDREW FLETCHER
President, St. Joseph Lead Co.

I have read Mr. Robertson's article on the United Nations with deep interest and, I must confess, with great sympathy for his point of view. I hesitate to condemn the United Nations outright, however, feeling that it does offer one hope for the future, particularly if some of the defects so vividly exposed by Mr. Robertson are corrected.

Beyond the political imperfections described, is the tendency of the United Nations to adopt a collectivist approach to world problems, to adopt government coercion as an instrumentality to correct economic injustices, or economic maladjustments. I seriously question whether this is a correct approach. I am moved in my criticism by a study of a United Nations report I have just recently read, entitled "Measures for Economic Stability," which is a plea for international cartels which would represent the very antithesis of the freedom of the market place we cherish so much in this country.

The emphasis of the United Nations on the currently common European view that government can cure anything of an economic nature, is to me fallacious.

ROGER W. BABSON
Babson Park, Mass.

I seriously disagree with Mr. Robertson's article of June 19. The only hope for the world is through some United Nations. The first principle of success is to build on foundations already constructed. Mr. Robertson is in too great hurry. He should read history which shows all great movements came about slowly.

Roger W. Babson

If America is to become a world power we all must have more patience and take time to educate other nations, including Russia.

Time, not force, is the solution of all problems.

MRS. GEORGE B. MARTIN
Summit, N. J.

Quite frankly I do not agree with Mr. Robertson's thesis. In fact, it may be that our whole concepts of the purpose and meaning of life are at such variance that our approach to the subject from such opposite viewpoints precludes any large area of agreement.

Very simply stated, I hold that, created by God, mankind owes its highest allegiance to Him, that we are all our brothers' keepers no matter how different our ways of life. This belief naturally creates tremendous problems for a world which is rapidly shrinking into a small and somewhat crowded neighborhood. But Christians must face the problem in the light of present conditions and learn to live and work with our neighbors, always conscious of the fact that they have a right to their way of life, just as we have to ours, so long as we both abide by the law. And how can we hope to have law and order in the world if we do not have some such organization as the United Nations to build up, though at great length and haltingly, such a body of international law?

Moreover, the principle of international police action and collective security, though fraught with problems on such a large scale, seems to me sound. Surely, Mr. Robertson will concede that it is no longer possible to make the United States militarily secure, rocked in the cradle of its own geographic area, since large percentages of our strategic materials come from outside our own borders and cannot be stockpiled in sufficient quantities to assure us safety in any prolonged war. I feel that Russia's strategy for the United States is identical to Mr. Robertson's in this respect —divide and conquer.

Finally — although one could proceed at length—Mr. Robertson fails to mention the really significant work of the Specialized Agencies and the UN Technical Assistance program. This failure to take account of real progress in the field of international cooperation where it meets the needs of the peoples of the world is shortsighted if not dishonest. True, the United States pays a large percentage of the bills for these agencies. I for one do not begrudge the less than 75 cents I paid as a tax payer last year for the support of the UN and our own U. S. delegates to it.

The world has been searching—not too diligently—for peace for centuries. Is it realistic to discard our first real attempt at international cooperation before its seventh birthday? Although the UN may not be a brilliant success at preventing all military outbreaks—and who expected it to work miracles?—it has contained the various armed conflicts. Democratic organizations are never smooth working, fast moving nor predictable, but we prefer them in spite of their deficiencies. The very organizational set-up of the UN was a victory for democratic beliefs—an opportunity for the peoples of the world to have their say through their governments. Let's give it time and cooperation so that it may prove itself.

Mutual Funds

By ROBERT R. RICH

Mutual Fund Assets at Record Peak

Total assets of 103 American mutual funds crossed the three-and-one-half billion dollar mark during the second quarter of this year and on June 30 registered a new high record of $3,510,593,000, while industry leaders predicted the industry may reach four billion dollars by the year-end, and as close students of the nation's financial sector prophesied that "when total assets of the open-end investment companies reach five billion dollars there will be few who will doubt their permanence on the American scene and virtually none who will not recognize in them a brilliant revolution for capitalism whose tonic effects may last well into the next century."

Gross sales for the second quarter were slightly below those of the first quarter as repurchases rose slightly. However, the sales of mutual fund shares during the first six months of this year, at $378,371,000, were substantially above the $313,271,000 of the first six months of 1951, and the net sales of $279,811,000 during the first six months of 1952 were much above the first six months of last year when they stood at $137,539,000.

Repurchases for the second quarter of this year were $49,765,000—slightly higher than the previous quarter's $48,795,000. During the six months of this year, repurchases totaled $98,560,000 as compared with $175,732,000 during the first six months of 1951.

Consequently, at present, two important factors are contributing to the mutual funds' rapid growth—higher sales and lower repurchases.

Mutual Funds' Repurchases as Percent of Assets

by quarters

April 1, 1950 to June 30, 1952

Total Repurchases as Percent of Total Assets

	No. of Funds in Group	2nd Qtr. 1952	1st Qtr. 1952	4th Qtr. 1951	3rd Qtr. 1951	2nd Qtr. 1951	1st Qtr. 1951	4th Qtr. 1950	3rd Qtr. 1950	2nd Qtr. 1950
All Funds	103	1.42%	1.45%	1.99%	2.75%	2.62%	3.92%	3.27%	2.70%	3.71%
Fund Group Repurchases as Percent of Group Assets										
Common Stock	46	1.20%	1.18%	1.92%	2.84%	2.03%	2.77%	2.32%	2.16%	3.54%
Balanced Fund	32	1.17	1.10	1.24	1.76	1.59	1.93	1.82	1.44	2.26
Bond & Specialty	25	2.43	2.80	3.34	3.99	5.56	9.20	7.09	5.30	5.76

Mutual Funds' Repurchases as Percent of Gross Sales

by quarters

April 1, 1950 to June 30, 1952

Fund Group:	Number of Funds	2nd Qtr. 1952	1st Qtr. 1952	4th Qtr. 1951	3rd Qtr. 1951	2nd Qtr. 1951	1st Qtr. 1951	4th Qtr. 1950	3rd Qtr. 1950	2nd Qtr. 1950
All Funds	103	28%	25%	32%	50%	53%	59%	61%	53%	64%
Common Stock	46	25	22	29	52	49	48	50	47	75
Balanced	32	22	16	19	28	26	26	27	23	32
Bond & Specialty	25	44	46	67	86	108	121	141	112	91

Mutual Fund Notes

A NEW MUTUAL fund, whose portfolio will consist exclusively of common stocks legal for trust fund investment in the District of Columbia, had 400,000 shares in registration process with the Securities and Exchange Commission this week.

The open-end investment company, which will be known as the Washington Mutual Investors Fund, has contracted for the Capital Research and Management Company to be its investment adviser. Capital Research is also the portfolio manager of the Investment Company of America, American Mutual Fund and Pacific-American Investors, and thus this company is already supervising the investment of over $40,000,000 in assets.

Washington Mutual is providing for the administration of its affairs through the use of existing facilities rather than by establishing separate organizations for that purpose.

The fund has entered into a contract with the investment banking firm of Johnston, Lemon & Co. to be its business manager, to furnish office space, accounting and stenographic facilities and other services including the supplying of executive personnel to the fund. Johnston, Lemon & Co. will also be the selling agent and principal underwriter for the fund.

Initially, the diversification policy of the fund will be to hold not less than 40 nor more than 80 different issues in not less than 15 industries.

On unit sales of less than $10,000, the sales charge will be 6¾%. On sales exceeding $10,000, but less than $25,000, the commission will be 4% of the public offering price, and on sales between $25,000 and $50,000, the sales charge will be 3%.

Charitable, religious, educational and other corporations and employees' trusts exempt from taxation will be permitted to buy the fund's shares at net asset value plus 3% for the first $50,000 purchased and 2% on that portion exceeding $50,000.

Washington Mutual has pointed out that although all of its holdings will be selected from the legal list and therefore are legal investments for trust funds in the District of Columbia, the shares of the fund itself are not eligible for inclusion in the legal list since no provision of this kind has been made in the Court Rules for open-end investment companies.

The Riggs National Bank of Washington, D. C., has been appointed custodian.

Officers and directors of the fund will be:

JAMES M. JOHNSTON
Chairman of the Board, President and Director. He is also senior partner, Johnston, Lemon & Co. Director: Julius Garfinkel & Co., Incorporated, Brooks Brothers, Inc., Southern Oxygen Company, State Loan and Finance Corporation, Lawyers Title Insurance Company, Federal Storage Company, Lincoln Service Corporation, Gordon Foods, Inc.

JAMES H. LEMON
Vice-President and Director. He is also partner, Johnston, Lemon & Co. Director: Washington Properties, Inc., District Theatres Corporation.

BERNARD J. NEES
Executives Secretary. Partner, Johnston, Lemon & Co.

HARVEY B. GRAM, JR.
Treasurer. Also a partner, Johnston, Lemon & Co. Director: Government Employees Insurance Company, Government Employees Life Insurance Company, Government Employees Corporation.

GEORGE E. ALLEN
Director. He is also attorney, Alvord & Alvord. Trustee, Penn Mutual Life Insurance Co. Director: Republic Steel Corporation, Occidental Life Insurance Co., Duquesne Light Co., Philadelphia Company, Standard Gas & Electric Co., Steep Rock Iron Mines, Ltd., Avco Manufacturing Corporation, Washington Properties, Inc.

JAMES F. CUMMINS
Director. Also an Assistant Treasurer, General Conference of Seventh-Day Adventists. Director, International Insurance Co. of Maryland, Vice-President, Director, CARE (Cooperative for American Remittances to Europe, Inc.).

JONATHAN B. LOVELACE
Director. President and Director: Capital Research and Management Co., The Investment Company of America, American Mutual Fund, Inc. Director: Pacific American Investors, Inc., Rayonier Incorporated, Pacific Finance Corp., Barker Bros. Corporation.

JO V. MORGAN
Director. Member Sole, District of Columbia Board of Tax Appeals.

DAVIS WEIR
Director. President and Director, State Loan and Finance Corporation.

A DEFICIT of $8 billion in the government budget for the fiscal year ending June 30, 1953 was predicted Monday by the investment staff of National Securities & Research Corporation in a staff study. This conclusion was reached at a meeting of the investment management staff which was held to review the corporation's viewpoint as to the general trend of business, security prices, corporate earnings and dividends for the remainder of 1952.

The staff commented that new appropriations to be made during the 1953 fiscal year are expected to total about $76 billion, and as of July 1, 1953 unexpended balances from appropriations made in prior fiscal years are expected to total about $78 billion.

Business activity is expected to continue at a high level during the remainder of 1952, in the opinion of National's staff. Corporate net earnings and corporate dividends for 1952 are estimated at about $18 billion and $9 billion, respectively, which is approximately what they were for 1951.

OPEN-END REPORTS

WITH INDICATIONS that a trend toward creative peacetime applications of atomic energy may already have commenced, Chemical Fund is continuing its studies in this field with a view toward including, in its portfolio, chemical companies that appear best situated to benefit from profitable peacetime applications, stockholders were told in the company's 56th quarterly report issued Tuesday.

Two of the portfolio companies, duPont and Union Carbide, the report points out, are making major contributions to the atomic energy program through the design and operation of vast plants.

Two others, Monsanto and Dow, are involved in research projects concerning the application of atomic energy to production of electric power and certain others are participating through furnishing various chemicals and services. "It is hoped that, as time goes on, the emphasis will change from production of weapons of war to creative peacetime applications," the report states.

Total net assets of the Fund on June 30, 1952, were $52,123,849 represented by 2,439,742 outstanding shares, as compared with $51,781,818 on March 31, 1952, represented by 2,393,357 shares. Net asset value was $21.36 per share on June 30, 1952, as compared with $21.88 per share a year earlier and $21.63 on March 31, 1952. Unrealized appreciation on investments at June 30, 1952, amounted to $17,533,735.

INSTITUTIONAL SHARES, LTD., reports that on May 31, 1952, its Aviation Group Shares had net assets of $1,803,296. The company's Bank Group Shares had assets of $1,349,835, while Insurance Group Shares reported net assets of $3,318,373 and Stock & Bond Group Shares reported assets of $2,335,342.

NEW ENGLAND Fund on June 30, 1952, reported net assets of $5,711,165 compared with $4,196,000 a year earlier. During the same period, net asset value increased from $17.62 to $18.25 per share. The fund currently has about 32% of its holdings in cash, short-term governments and other high-grade securities.

NET ASSET value per share of Pell, de Vegh Mutual Fund increased from $33.62 on March 31, 1952, to $34.50 on June 30, 1952, according to a statement by Imrie de Vegh, President.

PERSONAL PROGRESS

HARE'S LTD., New York securities dealers, announces the appointment of Hobart Nixon Hare as General Sales Manager. Mr. Hare is Vice-President and director of Hare's Ltd. and also of Institutional Shares, Ltd., which posts he has held since 1945 when he returned from service as a pilot in the Naval Air Force. Mr. Hare is a graduate of Pomfret School and Princeton University.

Lt. Hobart N. Hare

OPEN-END INVESTMENT COMPANY STATISTICS

For the period ending June 30, 1952

103 Open-End Funds
(000's omitted)

Total Net Assets

	June 30,'52	Mar. 31,'52	Dec. 31,'51	June 30,'51
46 Common Stock Funds	$1,795,968	$1,715,170	$1,591,515	$1,363,899
32 Balanced Funds	1,070,427	1,016,644	942,087	806,972
25 Bond & Specialty Funds	644,198	625,762	596,027	554,440
103 Total	$3,510,593	$3,357,576	$3,129,629	$2,725,311

Sales

	2nd Qtr. 1952	1st Qtr. 1952	1st 6 Mos. '52	1st 6 Mos. '51
46 Common Stock Funds	$87,562	$91,551	$179,113	$132,534
32 Balanced Funds	56,635	68,943	125,578	107.615
25 Bond & Specialty Funds	35,940	37,740	73,680	73,122
103 Total	$180,137	$198,234	$378,371	$313,271

Repurchases

	2nd Qtr. 1952	1st Qtr. 1952	1st 6 Mos. '52	1st 6 Mos. '51
46 Common Stock Funds	$21,594	$20,155	$41,749	$63.735
32 Balanced Funds	12,536	11,143	23.679	27,880
25 Bond & Specialty Funds	15,635	17,497	33,132	84,117
103 Total	$49,765	$48,795	$98,560	$175,732

Net Sales

	2nd Qtr. 1952	1st Qtr. 1952	1st 6 Mos. '52	1st 6 Mos. '51
46 Common Stock Funds	$65,968	$71,396	$137,364	$68.799
32 Balanced Funds	44,099	57,800	101,899	79,735
25 Bond & Specialty Funds	20,305	20,243	40,548	—10,995
103 Total	$130,372	$149,439	$279,811	$137,539
New York Stock Exchange Volume (No. of shares—not dollars; 000's omitted)	78,065	93,849	171,914	247,189

Source: National Association of Investment Companies

Continued from first page

How Near Is Business to the Crest?

business will turn down about the middle of 1953.

(1) The outlook for the remainder of 1952 seems bullish. Military spenders are pouring an excess over receipts of six to ten billion into the money supply. More on that subject later.

Private investment in plant and equipment stimulated by "quickie write-offs" is at an all-time high and is likely to remain there until some of the major defense projects are completed in 1953. Residential construction is already near the record levels of 1951. It now faces the easing off of materials controls and of Regulation X, the virtual cessation of rent controls on Sept. 30 in all but a few areas, and an additional $1.4 billion from Congress for Fannie Mae. United States exports in response to our military aid to Europe program were running at an unprecedented 17.8 billion rate in May.

Retail sales are picking up rapidly. In May they reached a high of $13.5 billion, 2% over April and 6% over May, 1951. Consumers are back in the market, especially for non-durables. Checking accounts outside New York are turning over at the fastest rate in 11 months.

In addition the Congress has been generous to voters, a special characteristic of years divisible by four. Consumers who feel they must buy on time were handed a suspension of installment controls under Regulation W. Farmers were voted top price supports. Pensions were increased for the aged. Korean veterans were given extended benefits. Bankers were granted release from the Voluntary Credit Restraint Program. Price controls were eviscerated, with the implied promise of burial by April 30, 1953. In addition, complete removal of excess profits taxes in 1953 and reduction of income levies on high bracket incomes was dangled before campaign contributors. Moreover, the conservative Taft-Byrd coalition that has in fact governed this country and determined most of its legislation since 1940 may be even firmer in the saddle next year. The political influence of organized labor is dwindling.

Business, therefore, ought to be good in 1952—in fact, reach an all-time high.

(2) Barring all-out war, etc., Government expenditures in 1953 will taper off.

The $80 billion Congress that just adjourned clipped about $10 billion off of the appropriations and contract authorizations asked by the President. The new Congress will undoubtedly continue the good work. My hunch is that the new President will demand and the Congress will put through a balanced budget for fiscal 1954. The voters are informed and alarmed about inflation and deficit financing. They are determined that performance next year shall match promise.

In fiscal '52 budgeted expenditures were $66.1 billion and receipts $62.1 billion, the deficit $4 billion. On a cash basis due to accumulations in Social Security and other funds, the Government took in slightly more cash than it paid out. In 1953 it will pay out some $6 billion more cash than it will receive.

We are singularly fortunate in having highly authoritative quantitative estimates of Government receipts and expenditures during the next 12 months. The able staff of the Joint Committee on the Economic Report in a press release on July 7, made available the accompanying table:

With a deficit of six billion dollars in fiscal '53, some observers feel that further boosts in the level of business activity for 1954 are assured. They assume that deficits and prosperity always occur together. The evidence does not wholly point that way. There were huge deficits in the 1930's, none in the prosperous 20's. There was a large budget surplus in 1947, 1948 and 1950, which were years of rapidly rising prices. There were deficits in 1949 and 1951, both of them years when prices sagged and business suffered a lull. In short, a deficit in 1953 is no insurance against business decline.

Comparison of Budget Receipts and Expenditures
Actual: Fiscal Years 1951 and 1952
Estimate: Fiscal Year 1953

(Billions of Dollars)

ADMINISTRATIVE BUDGET

CLASSIFICATION	1951	*1952	†1953
Receipts:			
Direct taxes on individuals	$24.1	$30.1	$33.0
Direct taxes on corporations	14.4	21.6	26.5
Excise taxes	8.7	9.0	9.6
Employment taxes (net)	0.8	1.3	1.1
Customs	0.6	0.6	0.6
Miscellaneous receipts	1.6	1.8	1.7
Less: Refunds	—2.1	—2.3	—2.5
Total administrative budget receipts	$48.1	$62.1	$70.0
Expenditures:			
Major defense—			
Military functions, Dept. of Defense	19.8	38.7	61.0
International security	4.7	5.0	
Atomic energy	0.9	1.6	
Other	1.0	1.3	
	24.4	46.4	
Major war-connected—			
Interest	5.6	5.9	6.2
Veterans' services and benefits	5.3	4.9	4.1
Total defense and war-connected	$37.3	$57.4	$71.3
Normal civilian functions	7.3	8.7	8.7
Total administrative budget expenditures	$44.6	$66.1	$80.0
Administrative budget: surplus (+) def. (—)	+3.5	—4.0	—10.0

CONSOLIDATED CASH BUDGET SUMMARY

CLASSIFICATION	1951	*1952	†1953
Cash receipts from the public	$53.4	$68.0	$75.8
Cash payments to the public	45.8	67.9	81.8
Cash budget: surplus (+) deficit (—)	+7.6	+0.1	—3.0

*Functional classifications of Daily Treasury Statement data. †Based upon latest Congressional action on appropriations and inherent lags in defense programs as presently apparent. Expenditures could easily be larger.

II
Does Defense Make Deficit Financing Necessary?

To that question my answer is briefly, no, not under present conditions. I consider the uncritical faith which some seem to have in the efficacy of deficit financing as almost pathological. No one disputes its effectiveness in providing the government with a larger share of real output during a period of slack. But how can total output be increased when the economy is already producing to capacity?

Yet even Director of Defense Mobilization, Charles E. Wilson, seems to have felt in January of this year that more deficit would buy more armament. In testifying before the Joint Committee on the Economic Reports, he was asked by Congressman Herter:

"If the economists are right that $5 billion one way or the other is going to determine whether there is unnecessary, excessive inflation in our system, would it be better from your point of view to slow down our expenditures by $5 billion, rather than do nothing, if we cannot get additional taxes?"

"Mr. Wilson: I do not think I would slow down. Having in mind first and foremost the security of the country, I do not think I would slow down."

"Senator O'Mahoney: If I understand your answer, it is that you would rather have the production, and lacking the taxes to pay for it you would choose a deficit rather than not get the production which we hope can be purchased by the $5 billion."

"Mr. Wilson: You stated it most succinctly and exactly."

The President's Economic Report this year is equally explicit. Castigating as "false economy" the Joint Economic Committee's recommendation last year that "the defense garment be cut to the revenue cloth," it makes a plea for increased public saving and states "if the only choice is either to run a deficit of limited size and duration in the Federal budget, or to run a deficit in our national security effort, by far the lesser hazard now is to run a deficit in the budget."

To which Senator Douglas appropriately replied: "How can we expect the public to heed such a plea for private saving when nothing is advanced but reasons for **not** reducing government spending? With constant reference to defense needs, the Report implies that the only way to retrench is to weaken our national security."

The validity of the dilemma: deficit either in the budget or in defense, stands or falls on the assumption that **under present conditions** the government can command more real military and other goods if it incurs a deficit than if it balances the cash budget by reducing military expenditures. But can it? Or are there basic conditions necessary to the success of such deficit financing? Are these conditions prevalent in 1952 and in 1953?

At least three such seem requisite to the effectiveness of deficit financing. (1) There must be a margin of slack in available resources of labor and capital, either actual or created by physical controls. (2) No offsetting change in the business sector must be induced in reaction to deficit policies. (3) No increase must be generated in consumer buying. Under such conditions the governmnet by skillful handling of deficit financing may put unemployed resources to work or bid a moderate quantity away from business and consumers. On occasion the government may succeed not only in enlarging its own take but even in stimulating an increase in total national output so that business and consumers also have more. This is what happened during the first part of World War II.

But these are not the conditions obtaining or likely to obtain in 1952 and 1953. Even if military expenditures for fiscal 1953 were not to increase at all over 1952, the level of business expenditures is sufficiently high to generate substantial inflationary pressures in the economy. A $48.5 billion level of gross private domestic investment is in itself high enough to sustain a very high level of business activity. Indeed, it is roughly three times as high as the total private investment that occurred in 1929, two-and-a-half times as high as that in 1941 and over 50% higher than the total in 1948.

Military expenditures and business investment expenditures in the short-run both result in payments for the services of labor and raw materials that are chewed up in producing durable equipment and construction. Both add to the stream of money available for consumer buying. Neither adds anything immediately to the physical flow of enjoyable goods. The great difference betwen the two types is that purely military outlays add almost nothing in the long run either, while ultimately the plant and equipment produced by wise business investment does increase the flow of enjoyable goods, thus tending to counteract the inflationary pressures generated during the investment boom.

Any analysis of inflationary pressures in fiscal 1953 necessarily has to lump together both the new high level of defense expenditures, $61 billion, and that of business investment, $48.5 billion. Either of these sums is almost sufficient to make it highly probable that existing equipment and labor force will be producing at near capacity levels.

Inasmuch as the share which the government will take for defense purposes represents the real burden of defense, and is determined as a resultant of a variety of interacting direct controls together with the relative amounts of funds that each sector—government, business and consumer—throws into the market, the real point at issue emerges clearly: If the Congress in order to preserve a maximum of economic freedom wisely imposes a basic minimum of direct controls, can the government by deficit financing limited in amount to $5 or $10 billion, expect to outbid either business or consumers or both? On balance I do not believe so.

In the business and consumer sectors the possibilities for adding billions of dollars to current outlays are not only faster, they are much greater. Business can enlarge its outlays for inventory, for example, merely by drawing more on bank or supplier credit or by increasing the velocity of circulation of its bank deposits. On more than one occasion it has increased its rate of gross private domestic investment by more than $10 billion in less than 90 days.

Consumers can increase their expenditures with even greater ease. They need merely refrain from saving at the present extraordinarily high rate. A let-down would funnel additional billions into the spending stream. Consumers have unusually large holdings of liquid assets. They are being urged by extensive advertising not only to buy but to buy on credit. They, too, can and are rapidly stepping up the velocity of circulation of money.

Moreover, a 1% shift in the present average rate of consumer expenditures (roughly $210 billion) amounts to more than a 3% change in projected governmental

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How Near Is Business to the Crest?

outlays for defense ($61.0 billion). For the government to succeed in increasing the physical volume of defense goods by outbidding business and consumers seems, therefore, dubious.

In fact, such government action, in the absence of tighter physical controls on business investment and consumption, instead of providing more defense goods, may so impair confidence in the maintenance of price stability, so frighten savers, and stimulate buying as to cause the government's bidding in the market to be rapidly outdistanced. Then higher deficits would result in less armament, not more.

Per contra, a diminution of expenditures to the total of the revenues raised strengthens consumer incentives to save, makes business less ready to go into debt, less eager to accumulate plant and inventory, and exerts so stabilizing or even mildly depressing an influence on the price level as to increase the mileage of the government's procurement and tax dollars, thereby increasing the actual quantity of defense goods acquired.

In sum, the exact effect of a government deficit this year on business and consumer spending will probably neither be infinite nor infinitesimal. While equally good judgments obviously vary, the balance of probabilities (other controls being what they are) may well be in the direction of a deficit being more than matched by increases in consumer and business buying rather than less so. Even the Council of Economic Advisors recognizes that the balance is "precarious."

Under these circumstances, particularly since this economy may be but at the beginning a long era of economic warfare or of part war-part peace, considerations of economic strength and survival in the cold war seem to favor the pay-as-we-go policy marked out by the Joint Committee on the Economic Report last year and again this year. To tailor defense outlays to the revenues received is doubly smart under conditions such that the larger the deficit the less our national security.

The Congress, it seems to me, deserves warm commendation for cutting down military and other appropriations with a view toward approximating a balanced cash budget in fiscal 1954. I doubt that a single physical item necessary for national defense will be sacrificed. In the absence of considerably tighter controls (allocations, rationing, etc.), which it seems to me Congress wisely rejected in the interest of preserving a maximum of economic freedom, more money in the hands of the military would primarily have meant higher prices and more waste. It is to be hoped that the new Congress will be even more independent and skeptical toward the military. It might well take the program of the Committee for Economic Development as its initial blueprint for cutting the military budget, e.g., by rigorous screening, unified procurement, use of cheaper materials and sources of supply, elimination of budgets, etc.

III

What Will Consumers Do Next?

(1) *Will They Spend More?*— In the not-so-good old days when this country was less prosperous, it was thought that consumers in general spent about all they had. Consumption was considered a definite function of income.

But now that consumer plant and equipment exceeds the value of business plant and equipment by over 30%, and they spend almost as much for automobiles as for food, Madame and Monsieur consumer begin to show about as much temperament as the investor or entrepreneur and about as frequently throw monkey wrenches into the most plausible of forecasts. The growing margin in recent years of disposable income over requirements for necessities, the widening opportunities to vary the proportion and amounts saved, and the multiplication of forces that play on consumer plans for spending and saving have made the consumer an ever more important factor in business ups and downs.

In 1949 widespread inventory jitters on the part of purchasing agents failed to bring about a tailspin, when government and consumers enlarged their spending. In 1950 consumers really upset the applecart. Waves of buying brought sharp inflation despite a large surplus in the governmental budget. In 1951 consumers (with minor assistance) brought on a price "lull" and helped stave off a widely heralded price boom. No wonder the President's Economic Report this winter stated that "consumer spending is the most uncertain factor determining the general inflationary outlook for 1952."

Merchants and advertising men in 1951 found themselves for the first time in 10 years in a buyer's market. They are still debating, sometimes with an undercurrent of hurt feelings, why the arts of mass psychology so proudly practiced in mass selling and advertising lacked potency and magic. Despite larger incomes, consumers spent less and saved more.

In vain one searches for answers in the highly valuable Annual Surveys of Consumer Finances conducted for the Board of Governors of the Federal Reserve System by the Survey Research Center of the University of Michigan. Their reports on Consumer Plans for Spending and Saving are invaluable pioneer studies.

But they require considerable expansion if the forecaster is to be able to measure the many forces affecting consumer spending. Economists frankly don't know in how far family spending depends on current income, in how far on the nest egg of liquid assets laid by for a rainy day, on consumer expectations concerning future income and prices, on the availability of goods and services, on replacement needs for their holdings of consumer durables, on what and how much the neighbors buy, on gains or losses in the stockmarket or elsewhere, on the terms of Regulation W, on the amount of their contractual obligations including contractual savings, on advertising appeals and expenditures, on population increases and family formation, homeownership, religion, education, occupation, or what have you. As Professor Arthur Burns of the National Bureau of Economic Research has pointed out in his pamphlet on "The Instability of Consumer Spending," we do not know.

(2) *Will Consumers Save More?* —A generation ago savings were regarded as dependent primarily on the practice of thrift, stimulated or discouraged by the rate of interest. If there were no change in morality or thrift, other things being equal, the higher the rate of interest, the larger the volume of savings and vice versa.

Later it was felt that the volume of savings depended on the level of national income and the relative inequality of its distribution. Definite patterns of consumption were traced, sometimes attributed to the German economist Engel, purporting to show that as a nation or an individual attained higher average income brackets, a smaller percentage of income (though a larger amount), was spent on food, about the same percentage on clothing and shelter, increasingly larger percentages for education, recreation and savings. Savings in essence represented a residual which fortunate nations or individuals had left over. The rich did the saving, not so much because of superior ethical qualities such as providence and thrift, but because even the grossest of appetites becomes satiated and pleasures piled on each other yield diminishing utility.

Today, however, empirical studies have carried economic thought somewhat beyond previous moralistic and scholastic arguments. In the distinguished Conference on Savings, Inflation, and Economic Progress recently held at the University of Minnesota, the fact became crystal clear that savings, far from being a residual or leftover from consumption, were substantially an independent variable, an autonomous factor. Large savings do not automatically represent buying power for carpets or other surpluses of merchandise.

Dr. Raymond Goldsmith in presenting some of the findings of his monumental study on savings from 1897 to 1949, stated, "No change among the forms of personal saving has been more spectacular than the rise in the share of contractual savings, i.e. saving in the form of insurance and pension contracts, or of amortization payments on mortgages and installment debt. Before 1914 the share of contractual saving kept below one-tenth. In the twenties it rose to about one-fifth. After World War II it reached approximately one-half of total personal savings."

This view found general support at this highly successful conference. Indeed, consumer spending under certain conditions, at least for some types of goods, may itself be in the nature of what is left over after an individual has met his contractual savings obligations such as the mortgage payment on the house, installments due on appliances, insurance and pension premiums. The implications for institutional investors and managers are obvious as are those for the maintenance of consumption in the next depression, especially by those in the lower income groups who may have committed their incomes to the hilt.

In short, insofar as savings are a left-over they are affected by all the influences that help determine the what, when and how much of consumption. Insofar as savings are not a cushion, they may increase the amplitude of consumer spending. How then, is one to forecast consumption?

Where indisputable data do not exist for irrefutably proving a single answer, there are always likely to be many answers.

Thus an eminent Congressional Committee recently forecast a 1% to 3% rise in price level in the next six months despite the fact that business and consumers plainly see less than a year away a probable decline both in government spending and in business investment. Its reason: "During most of 1951 consumer expenditures did not increase in line with disposable personal income and a return toward the post-war relation between consumer incomes and expenditures seems probable." One is tempted to ask where the back-logs of demand for consumer durables now are that existed "post-war." Furthermore, can one still rely so heavily on a Keynesian, long-run consumption function?

On the other hand, a well-known business service confidently states that 1953 will be down. Its reasons: Consumer hard goods are being sold on a replacement basis; The basic demand for housing is declining because of fewer marriages due to the inordinately low birth rates in the early '30s; Corporation profits are being squeezed by higher wage, freight, and materials costs, also by lopsided tax collection during the first half of 1953 (under the Mills Plan, 80% must be paid by June 30); Business spending for plant and equipment is admittedly now at a peak; Inventory accumulations for defense purposes are being chewed up in defense hard goods; Military aid to Europe, that is, exports, are also at a peak. This business service concedes that defense spending, government payrolls, consumer spending for rents, utilities, services and non-durables will be up. But it warns that there may be burdensome inventories, possibly some excess capacity, in short a buyer's market, and urges its business clients to streamline their products, and research.

Where so little is quantitatively known, each observer will make, and is entitled to make, his own guesses. Mine are summarized in the table below. In a nutshell, business as measured by gross national product may go 3% higher in the near future but fall thereafter to lower levels. If consumer expenditures for housing remain high, and their outlays for nondurables increase, the slacking off of defense expenditures and business investment may have little adverse affect. But if consumer confidence should be shaken by adverse political or economic developments, consumers can readily pull the rug out from under this economy on stilts.

Will consumers do so? Frankly I don't know. But certainly a large fraction, possibly a third of those dependent on incomes from the construction and producer's goods industries, have reason to expect to be out of jobs during the next four years. Organized labor as a whole can not be censured if it face the new temper of the country and the new Administration with something less than booming confidence. They may even have to endure a manufacturer's sales tax while excess profits taxes are being removed. They surely have a somewhat rainy day ahead.

These anticipations, together with those of lower business profits and lower farm prices (as the props and foreign aid programs are diminished) have influenced the somewhat bearish forecast implied in the table below. It is designed to be purely illustrative, useful for purposes of making more concrete the reasoning to which I have subjected you during the course of this speech. The actual figures will in actual fact undoubtedly prove wrong even though the underlying analysis be substantially sound.

I should add that for the longer period I am unshakeably optimistic. Nothing in my judgment can stop this great political and business system of ours nor our progress toward greater freedom and income for the common man. I agree heartily with the findings of the distinguished government Committee on Raw Materials Policy headed by Mr. Paley. Its members have sketched business goals for this economy in 1975 which are worth most attentive study. I believe that the amazing strides towards international leadership and domestic prosperity which we have made during the last 20 years will be continued until 1975, no matter who's elected this fall.

Estimated Levels of Business at the Midpoint of the years 1951-1955

(Annual Rates, in Billions of Average 1951 Dollars)

	1951	1952	1953	1954	1955
Gross National Product	$328.2	$344.0	$353.0	$345.0	$326.0
Consumption:					
Durables	$27.0	$25.0	$27.0	$27.0	$24.0
Nondurables	112.0	116.0	118.0	117.0	117.0
Services	67.0	70.0	72.0	73.0	74.0
	$206.0	$211.0	$217.0	$217.0	$205.0
Domestic Investment:					
Housing Construction	10.9	11.0	10.0	9.0	8.0
Other Construction	11.3	12.0	10.0	9.0	9.0
Producers' Goods	27.3	31.0	28.0	23.0	20.0
Inventories	9.7	---	—1.0	—1.0	—2.0
	$59.2	$54.0	$47.0	$40.0	$35.0
Government Purchases:					
Defense	37.3	51.0	60.0	57.0	53.0
Other	4.5	5.0	6.0	7.0	8.0
State and Local	21.2	23.0	23.0	24.0	25.0
	$63.0	$79.0	$89.0	$88.0	$86.0

Bailey Selburn Oil & Gas Ltd. Stock Offered

Offering of 700,000 class "A" shares of Bailey Selburn Oil & Gas Ltd. is being made today (July 17). Of the total amount, 250,000 shares are being offered in the United States by an underwriting group headed by Reynolds & Co. at $8 per share, and the balance of 450,000 shares will be offered in Canada by a group of Canadian underwriters.

Proceeds from the sale of the class "A" shares will be added to the general funds of the company. It is presently anticipated that the proceeds will be used for exploration and development of oil and gas acreage, and for the acquisition, exploration and development of additional acreage.

After giving effect to this financing, the outstanding capitalization of the company will consist of 2,429,669 class "A" shares and 450,000 class "B" shares.

Bailey Selburn Oil & Gas Ltd. and its affiliates participate in oil and gas developments. The company intends to participate in the drilling of approximately 20 wildcat wells during 1952. These wells may be drilled on the company's own properties or on properties acquired from major companies or acquired by direct purchase. While it is anticipated that the company will be the operator in each of these projects, other oil companies may take varying interests.

Associated with Reynolds & Co. in the United States offering are: Paine, Webber, Jackson & Curtis; Dempsey-Tegeler & Co.; Hallgarten & Co.; Laurence M. Marks & Co.; McLeod, Young, Weir, Inc.; Burns Bros. & Denton, Inc.; Davies & Co.; Hill, Richards & Co., and Kidder, Peabody & Co.

Breen Offers Trans-Canada Pet. Shares

Offering of 500,000 common shares of Trans-Canada Petroleums Ltd. was made on July 15 by George F. Breen at $1.50 per share.

Proceeds from the sale of these shares will be added to the general funds of the company to be used primarily for the development of the properties now held by the company and for acquiring and holding reservations and leases, for exploration and drilling and for such other operations and expenses of the company as and when required.

Incorporated on Nov. 7, 1951, the company was organized to engage in the exploration, acquisition and development of oil and natural gas lands. It is the intention of the company, as funds become available, to diversify its operations as widely as possible by participating with other companies in drilling operations or by acquiring acreages from time to time for the purposes of either farming out the development, retaining gross royalty interests, or assisting in the development with other companies on an interest basis.

Sooner State Oil Stk. Offering Completed

The recent offering "as a speculation" of 300,000 shares of Sooner Oil Co., Inc., common stock at $1 per share has been completed, all of these shares having been publicly sold. The financing was arranged through Israel & Co., members of the NASD.

The Sooner Oil Co., which was organized May 29, 1952, in Delaware, intends to use the net proceeds to pay the cost of drilling a test well in the Chandler area in Lincoln County, Okla., to equip a test well and for working capital.

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The State of Trade and Industry

Ward's. It estimates that only 150,000 cars and 35,000 trucks will be built this month, or only 35% of the total of 498,000 trucks and cars made in June.

Steel Industry Continues for Seventh Consecutive Week to Operate at Sharply Curtailed Output Due to Strike

The steel strike may not make it as difficult to get steel as you may think, says "Steel," the weekly magazine of metalworking, the current week.

Sounds contradictory, doesn't it, to the assumption of many people, including Defense Production Administrator Henry H. Fowler, that the strike is only rebuilding a steel shortage?

What they're assuming is that a strike is inflationary, it points out. They're perhaps basing their assumption on what has happened in the last 10 years. In most cases during that period of heavy demand for goods and services it has appeared that a short strike merely delayed the fulfillment of demand.

But this steel strike has been a long one. It rounded out six weeks today. That's about as long as any general strike has run in the steel industry. At least $2.4 billion has already been lost from the strike. This amount will rise as effects of the strike fan out through industry. Is a loss like that inflationary? Looks to be just the opposite, "Steel" adds.

Those who think a big steel demand is being piled up awaiting the end of the steel strike, assume that everyone will continue to be in the market for all that they would have been had there been no steel strike. But will they? Take the case of the millwright at a Cleveland steel mill. He planned to buy a new automobile and go away for a summer vacation. Because he already has lost six weeks' pay he can't do either. And he isn't in as bad a position economically as many steelworkers. His wife is working and they have no children to support. What about the steelworker with four kids? It looks as though a lot of automobiles, refrigerators and loads of other goods made from steel will be lacking customers. That deflationary influence could take considerable pressure off the demand for steel. Watch it! The long steel strike in 1937 appeared at first to have bolstered business, but shortly thereafter the 1938 recession swept in. The deflationary effects of the 1937 strike got a big share of the blame for it, continues the trade weekly.

Before the current steel strike started, business in general had subsided somewhat and steel supply and demand were getting closely enough in balance that the government was easing up on controls over materials. This suggests that some of the buoyant characteristics that might have otherwise attended this strike are not present, this trade paper asserts.

Despite the seriousness of the strike, panicky demands for deliveries before the strike and for preference in shipments after the strike have been notably absent.

Looking ahead to fulfillment of their steel needs in the rush right after steel production resumes, some automotive manufacturers and an occasional appliance maker are inquiring for conversion steel. It may be hard to get.

As the steelworkers' strike wore on, the loss in steel production from the three stoppages this year climbed to 12.7 million net tons of steel for ingots and castings. Another week would make the loss almost as great as the total output of steel in the depression year of 1932. Production then was 15.3 million tons, concludes "Steel."

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at 15.1% of capacity for the week beginning July 14, 1952, equivalent to 314,000 tons of ingots and steel for castings. In the week starting July 7, the rate was 14.2% of capacity (revised) and output totaled 295,000 tons. A month ago output stood at 12.1%, or 252,000 tons.

Car Loadings Decline due to July 4th Holiday, Coal Miners' Vacations and Steel Strike

Loadings of revenue freight for the week ended July 5, 1952, which were affected by the steel strike, totaled 447,396 cars, according to the Association of American Railroads, representing a decrease of 201,776, or 31.1% below the preceding week, due to the July 4 holiday, the coal miners' annual vacation and the steel strike.

The week's total represented a decrease of 140,763 cars, or 23.9% below the corresponding week a year ago, and a decrease of 106,514 cars, or 19.2% below the comparable period in 1950.

Electric Output Gains in Post-Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended July 12, 1952, was estimated at 6,987,796,000 kwh., according to the Edison Electric Institute.

The current total was 509,345,000 kwh. above that of the preceding week when output amounted to 6,478,451,000 (revised) kwh. It was 248,923,000 kwh., or 3.7% above the total output for the week ended July 14, 1951, and 981,451,000 kwh. in excess of the output reported for the corresponding period two years ago.

United States Auto Output Continues to Lag as a Result of Steel Shortages

Passenger car production in the United States the past week, according to "Ward's Automotive Reports," totaled 52,767 units, or a decrease of 17.7%, compared with the previous week's total of 64,129 (revised) units, and 83,637 units in the like week a year ago.

Total output for the past week was made up of 52,767 cars and 11,580 trucks built in the United States against 64,129 cars and 15,857 trucks (revised) last week and 86,637 cars and 23,490 trucks in the comparable period a year ago.

Canadian output last week was placed at 7,115 cars and 2,280 trucks. In the preceding week 4,230 cars and 1,820 trucks were built. In the like week last year 5,441 cars and 2,179 trucks were built.

Business Failures Rise Moderately

Commercial and industrial failures rose to 156 in the week ended July 10 from 131 in the preceding week, Dun & Bradstreet, Inc., discloses. Although heavier, casualties did not reach the 1951 level of 173; they remained 43% below the prewar total of 272 in the similar week of 1939.

Liabilities of $5,000 or more were involved in 128 of the week's failures. The number of concerns failing in this size group increased from 111 in the previous week, but did not equal last year's total of 136.

Wholesale Food Price Index Rises to Highest Level Since March 18, Last

Rising sharply for the second consecutive week, the wholesale food price index compiled by Dun & Bradstreet, Inc., reached $6.51 on July 8, the highest level since last March 18 when it stood at $6.54. The week's rise amounted to 0.9% from the $6.45 of July 1. The index was down 5.9% from the $6.92 of a year ago.

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

Wholesale Commodity Price Level Holds Generally Unchanged From Week Ago

The recent decline in wholesale commodity prices was halted the past week as the Dun & Bradstreet daily wholesale commodity price index rose to 290.43, compared with 290.21 of a week ago and 308.72 a year earlier. During the week the index touched the lowest level in nearly 21 months.

The long holiday weekend reduced trading sharply in many markets.

Grain prices moved within a narrow range last week, but were generally softened under the weight of anticipated record crops. Heavy receipts of wheat and favorable weather conditions added to the weakness in the price structure. It was expected that the amount of wheat under government loans would soon surpass all previous totals since the beginning of the program in 1938. The substantial influx of wheat continued in the Southwestern markets. While the weather in recent weeks was quite beneficial to the growth and garnering of wheat, it had rather adverse effects on the development of oats and corn in many sections.

The prices of oats and rye continued to gain some firmness and unlike most commodities were well above the levels of a year ago.

The rye crop was estimated as being the smallest in nearly 20 years. The export demand for wheat and corn subsided after a slight rise in the middle of the week.

Livestock prices continued to weaken at Chicago as accumulations of cattle entered the market after the holiday. As heavy supplies were received hog prices broke noticeably, but soon recovered. Lambs were steady and rather scanty.

Trading was unsettled in the cotton markets last week as buyers awaited the first government announcement of the estimate of the cotton acreage planted.

Prices continued to slip downward and were well below a year past.

It was estimated on the basis of the acreage announcement that the current cotton crop would amount to nearly 16 million bales which would be about 25% higher than the average crop during the postwar period. Expectations were that at least three million bales would be under price support loans this year if present indications were realized. The exports of cotton continued to be perceptibly larger than a year ago. The cotton fabric trade slackened notably after the wide gains of recent weeks.

Trade Volume Sustained at Previous Week's Level

Although many stores were closed for the long holiday weekend, the volume of retail trade in the period ended on Wednesday of last week held at about the level of the prior week. Post-holiday clearance sales of currently seasonal merchandise helped to sustain shoppers' interest.

Retailers relied heavily on reduced price promotions and extended shopping hours to better the sales figures of a year ago.

Retail dollar volume in the week was estimated by Dun & Bradstreet to be from 1% below to 3% above that of a year ago. Regional estimates varied from the levels of a year earlier by the following percentages: New England and East −2 to +2; Midwest −3 to +1; Northwest −1 to +3; South +1 to +5; Southwest and Pacific Coast 0 to +4. The lessening of the year-to-year gain was mainly attributable to the fact that the holiday did not occur in the corresponding week a year ago.

The long holiday week-end and widespread vacations were instrumental in reducing trading activity slightly in many wholesale markets in the week. Buyers were generally much less reluctant to place long-term orders than in recent months. The aggregate dollar volume of wholesale trade was about on a par with a year earlier and approximately 10% below the all-time high attained in the first few months of 1951.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended July 5, 1952, rose 4% above the like period of last year. In the preceding week a gain of 1% was registered from the like period a year ago. For the four weeks ended July 5, 1952, sales rose 5%. For the period Jan. 1 to July 5, 1952, department store sales registered a decline of 3% below the like period of the preceding year.

Retail trade volume in New York last week dropped 20% under the like period of 1951. Comparison with a year ago shows up unfavorably as a consequence of a special large scale promotion sale held in that period by a Manhattan store.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended July 5, 1952, decreased 6% below the like period of last year. In the preceding week a decline of 14% was recorded from that of the similar week of 1951, while for the four weeks ended July 5, 1952, a decrease of 9% was registered below the level of a year ago. For the period Jan. 1 to July 5, 1952, volume declined 10% under the like period of the preceding year.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	July 20	15.1	14.2	12.1	101.9
Equivalent to—					
Steel ingots and castings (net tons)	July 20	314,000	295,000	252,000	2,037,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 5	6,102,450	6,153,050	6,080,700	6,168,800
Crude runs to stills—daily average (bbls.)	July 5	‡6,753,000	6,949,000	6,598,000	6,601,000
Gasoline output (bbls.)	July 5	22,557,000	22,772,000	21,716,000	21,837,000
Kerosene output (bbls.)	July 5	2,440,000	2,409,000	2,206,000	2,276,000
Distillate fuel oil output (bbls.)	July 5	9,629,000	10,066,000	9,606,000	9,014,000
Residual fuel oil output (bbls.)	July 5	8,674,000	8,987,000	8,355,000	9,308,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 5	119,553,000	120,902,000	123,456,000	136,118,000
Kerosene (bbls.) at	July 5	23,312,000	22,338,000	20,382,000	27,540,000
Distillate fuel oil (bbls.) at	July 5	67,542,000	64,143,000	53,668,000	74,072,000
Residual fuel oil (bbls.) at	July 5	46,172,000	44,972,000	39,088,000	43,761,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 5	447,396	649,172	684,243	588,159
Revenue freight received from connections (no. of cars)	July 5	488,349	576,503	591,412	588,787
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 10	$381,742,000	$223,205,000	$243,893,000	$361,028,000
Private construction	July 10	176,645,000	83,968,000	117,405,000	65,535,000
Public construction	July 10	205,097,000	139,237,000	126,488,000	295,493,000
State and municipal	July 10	73,180,000	96,127,000	70,671,000	145,532,000
Federal	July 10	131,917,000	43,110,000	55,817,000	149,961,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 5	1,120,000	*8,385,000	7,585,000	1,496,000
Pennsylvania anthracite (tons)	July 5	53,000	867,000	739,000	99,000
Beehive coke (tons)	July 5	6,600	*20,900	42,600	56,900
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	July 5	79	91	111	75
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 12	6,987,796	*6,478,451	7,126,404	6,738,873
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 10	156	131	175	173
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 8	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	July 8	$52.77	$52.77	$52.77	$52.69
Scrap steel (per gross ton)	July 8	$39.50	$39.17	$42.00	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 9	24.200c	24.200c	24.200c	24.200c
Export refinery at	July 9	34.850c	35.975c	35.950c	27.425c
Straits tin (New York) at	July 9	121.500c	121.500c	121.500c	106.000c
Lead (New York) at	July 9	16.000c	16.000c	15.000c	17.000c
Lead (St. Louis) at	July 9	15.800c	15.800c	14.800c	16.800c
Zinc (East St. Louis) at	July 9	15.000c	15.000c	16.000c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 15	98.56	98.20	98.55	97.67
Average corporate	July 15	109.97	109.97	109.97	109.97
Aaa	July 15	114.08	104.08	114.46	114.27
Aa	July 15	112.37	112.56	112.56	113.31
A	July 15	109.60	109.79	109.42	108.88
Baa	July 15	104.14	104.14	104.14	103.64
Railroad Group	July 15	107.09	107.27	107.27	106.56
Public Utilities Group	July 15	109.42	109.60	109.60	109.42
Industrials Group	July 15	113.50	113.50	113.31	113.70
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 15	2.60	2.62	2.60	2.65
Average corporate	July 15	3.17	3.17	3.17	3.17
Aaa	July 15	2.95	2.95	2.93	2.94
Aa	July 15	3.04	3.03	3.03	2.99
A	July 15	3.19	3.18	3.20	3.23
Baa	July 15	3.50	3.50	3.50	3.53
Railroad Group	July 15	3.33	3.32	3.32	3.36
Public Utilities Group	July 15	3.20	3.19	3.19	3.20
Industrials Group	July 15	2.98	2.98	2.99	2.97
MOODY'S COMMODITY INDEX	July 15	439.2	437.3	434.7	478.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 5	204,886	180,413	244,912	267,786
Production (tons)	July 5	141,384	200,421	185,107	157,089
Percentage of activity	July 5	56	82	75	62
Unfilled orders (tons) at end of period	July 5	413,405	352,864	412,083	657,277
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	July 11	110.45	110.57	108.42	116.53
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	June 28	23,174	22,041	18,915	34,654
Number of shares	June 28	681,417	642,683	514,350	989,523
Dollar value	June 28	$31,472,824	$30,043,027	$23,875,189	$41,495,139
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	June 28	22,078	20,045	15,897	26,332
Customers' short sales	June 28	99	85	72	571
Customers' other sales	June 28	21,979	19,960	15,825	25,761
Number of shares—Total sales	June 28	623,186	556,715	424,334	763,210
Customers' short sales	June 28	4,970	3,259	2,605	22,307
Customers' other sales	June 28	618,216	553,456	421,729	740,903
Dollar value	June 28	$26,575,032	$23,403,151	$17,566,739	$30,934,737
Round-lot sales by dealers—					
Number of shares—Total sales	June 28	184,210	157,230	126,740	201,880
Short sales	June 28	------	------	------	------
Other sales	June 28	184,210	157,230	126,740	201,880
Round-lot purchases by dealers—					
Number of shares	June 28	252,750	238,520	211,510	417,780
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	June 21	177,700	198,080	217,330	259,780
Other sales	June 21	6,026,100	6,714,090	6,302,280	6,237,550
Total sales	June 21	6,203,800	6,912,170	6,519,610	6,497,330
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	June 21	549,570	615,180	613,240	588,880
Short sales	June 21	103,040	109,120	104,570	139,340
Other sales	June 21	462,530	506,460	505,970	457,850
Total sales	June 21	565,570	615,580	610,540	597,190
Other transactions initiated on the floor—					
Total purchases	June 21	114,000	126,100	129,370	107,800
Short sales	June 21	4,400	3,400	8,750	18,400
Other sales	June 21	135,380	195,750	174,060	145,620
Total sales	June 21	139,780	199,150	182,810	164,020
Other transactions initiated off the floor—					
Total purchases	June 21	259,055	260,698	223,050	231,472
Short sales	June 21	27,850	32,060	60,820	47,970
Other sales	June 21	288,990	366,866	286,506	318,215
Total sales	June 21	316,840	398,926	347,326	366,185
Total round-lot transactions for account of members—					
Total purchases	June 21	922,625	1,001,978	965,660	928,152
Short sales	June 21	135,290	144,580	174,140	205,710
Other sales	June 21	886,900	1,069,076	966,536	921,685
Total sales	June 21	1,022,190	1,213,656	1,140,676	1,127,395
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	July 8	110.7	110.7	111.7	------
Farm products	July 8	107.8	107.7	111.0	------
Processed foods	July 8	108.3	108.0	109.3	------
Meats	July 8	110.4	110.1	115.5	------
All commodities other than farm and foods	July 8	111.8	111.9	112.4	------

*Revised. ‡Includes 560,000 barrels of foreign crude runs. †Was not available due to oil strike.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR — Month of June (in millions):			
Total new construction	$2,981	$2,775	$2,810
Private construction	1,906	1,807	1,933
Residential building (nonfarm)	965	918	957
New dwellings	845	810	853
Additions and alterations	104	95	88
Nonhousekeeping	16	13	16
Nonresidential building (nonfarm)	403	392	465
Industrial	180	188	180
Commercial	93	82	131
Warehouses, office and loft buildings	37	34	48
Stores, restaurants, and garages	56	48	83
Other nonresidential building	130	122	154
Religious	32	29	41
Educational	29	27	29
Social and recreational	10	9	15
Hospital and institutional	34	33	38
Miscellaneous	25	24	31
Farm construction	171	157	180
Public utilities	359	333	326
Railroad	36	33	36
Telephone and telegraph	47	46	42
Other public utilities	276	254	248
All other private	8	7	5
Public construction	1,075	968	877
Residential building	55	55	47
Nonresidential building	368	351	310
Industrial	164	151	83
Educational	133	132	130
Hospital and institutional	41	40	46
Other nonresidential building	30	28	51
Military and naval facilities	163	150	77
Highways	320	250	265
Sewer and water	62	60	65
Miscellaneous public-service enterprises	18	17	23
Conservation and development	83	79	82
All other public	6	6	8
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of April (millions of dollars):			
Manufacturing	$42,572	*$42,332	$36,908
Wholesale	9,684	*9,753	10,107
Retail	18,133	*17,887	20,346
Total	$70,390	*$69,972	$67,361
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES— 1935-39 = 100 — Adjusted as of April 15:			
All items	188.7	188.0	184.6
All foods	230.0	227.6	225.7
Cereals and bakery products	191.1	191.2	188.3
Meats	268.1	268.8	272.5
Dairy products	212.6	215.7	204.1
Eggs	165.9	161.3	191.2
Fruits and vegetables	247.2	232.1	214.8
Beverages	347.3	347.1	343.5
Fats and Oils	143.1	145.6	178.3
Sugar and sweets	186.2	184.3	185.9
Clothing	202.7	203.5	203.6
Rent	140.8	140.5	135.1
Fuel, electricity and refrigerators	145.3	145.3	144.0
Gas and electricity	98.0	97.9	96.9
Other fuels	206.1	206.8	205.0
Ice	156.5	156.5	154.4
House furnishings	206.2	207.6	211.8
Miscellaneous	171.1	170.7	164.6
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—Estimates as of July 1:			
Production 500-lb. gross bales	14,500,000	------	15,212,000
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of May:			
Cotton Seed—			
Received at mills (tons)	14,373	22,325	15,139
Crushed (tons)	217,667	305,597	113,426
Stocks (tons) May 31	315,186	518,480	141,761
Crude Oil—			
Stocks (pounds) May 31	96,556,000	129,093,000	30,018,000
Produced (pounds)	72,082,000	106,633,000	38,305,000
Shipped (pounds)	106,787,000	134,840,000	58,752,000
Refined Oil—			
Stocks (pounds) May 31	417,865,000	434,758,000	226,997,000
Produced (pounds)	99,118,000	123,723,000	54,149,000
Consumption (pounds)	109,369,000	106,108,000	63,388,000
Cake and Meal—			
Stocks (tons) May 31	57,870	46,396	94,795
Produced (tons)	101,133	146,191	48,437
Shipped (tons)	89,659	147,131	59,591
Hulls—			
Stocks (tons) May 31	29,148	28,820	34,413
Produced (tons)	48,234	70,456	27,301
Shipped (tons)	47,906	77,961	33,047
Linters (running bales)—			
Stocks May 31	200,387	233,682	43,824
Produced	69,847	99,405	36,099
Shipped	103,142	121,984	45,142
Hull Fiber (1,000-lb. bales)—			
Stocks May 31	984	1,100	38
Produced	138	242	a
Shipped	254	366	144
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks May 31	6,803	7,552	4,997
Produced	1,526	2,022	620
Shipped	2,275	3,049	387
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of April:			
All manufacturing (production workers)	12,712,000	*12,807,000	13,108,000
Durable goods	7,314,000	*7,310,000	7,445,000
Nondurable goods	5,398,000	*5,497,000	5,663,000
Employment Indexes (1947-49 Avge. = 100)—			
All manufacturing	102.8	*103.5	106.0
Payroll Indexes (1947-1949 Average = 100)—			
All manufacturing	127.8	*131.4	129.5
Estimated number of employees in manufacturing industries—			
All manufacturing	15,769,000	*15,858,000	15,955,000
Durable goods	9,036,000	*9,025,000	9,003,000
Nondurable goods	6,733,000	*6,833,000	6,952,000
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of April:			
Death benefits	$149,388,000	$155,851,000	$146,005,000
Matured endowments	38,111,000	41,738,000	43,726,000
Disability payments	8,666,000	8,351,000	8,831,000
Annuity payments	30,671,000	30,826,000	27,771,000
Surrender values	58,473,000	57,169,000	52,253,000
Policy dividends	58,952,000	72,489,000	57,811,000
Total	$344,261,000	$366,424,000	$336,397,000

a Not shown to avoid disclosures of individual operations.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Admiral Corp., Chicago, Ill.
June 2 filed 41,669 shares of capital stock (par $1) being offered in exchange for common stock of Canadian Admiral Corp., Ltd., at rate of one share of Admiral stock for each two shares of Canadian Admiral stock held. This exchange offer will expire on Aug. 30. **Dealer-Manager**—Dempsey & Co., Chicago, Ill. Statement effective June 19.

Aegis Casualty Insurance Co., Denver, Colo.
June 4 (letter of notification) 75,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To expand insurance business. **Office**—Suite 702, E. & C. Building, 930 17th Street, Denver 2, Colo. **Underwriter**—Aegis Corp., Denver, Colo.

★ **Air Lifts, Inc., Washington, D. C.**
July 7 (letter of notification) 30,000 shares of senior stock (par $1). **Price**—$10 per share. **Proceeds**—To establish corporation, with facilities for the manufacture of cargo aircraft. Additional credits will be required later for plant production. **Office** — 1835 K St., N. W., Washington, D. C. **Underwriter**—None.

Ameranium Mines, Ltd., Toronto, Canada
May 28 filed 2,079,871 shares of capital stock (par $1), of which 908,845 shares are to be offered to public by company, 108,847 shares by underwriter and 666,171 shares to be reoffered under rescission offer. **Price**—70 cents per share. **Proceeds**—For prospecting, drilling expenses, etc. **Underwriter**—I. Nelson Dennis & Co., Toronto, Canada.

American Mercury Insurance Co.
June 26 (letter of notification) 99,000 shares of common stock (par $1), to be offered for subscription by stockholders of record about July 3. **Price**—$2 per share. **Proceeds**—For working capital. **Office** — 4220 Connecticut Ave., N. W., Washington, D. C. **Underwriter** — For not exceeding 35,000 shares, Hettleman Corp., New York, N. Y.

American Telephone & Telegraph Co.
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), being 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. **Price**—At par. **Proceeds**—For advances to subsidiary and associated companies. **Underwriter**—None. Statement effective June 9.

Ampal-American Palestine Trading Corp., N. Y.
June 16 filed $5,000,000 of 15-year 4% sinking fund debentures due 1967 and $497,000 of 15-year 4% sinking fund debentures due 1966. **Price**—At par (in denominations of $100 each). **Proceeds**—To purchase equipment and machinery. **Business**—Development of agriculture and commerce in Israel. **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.

★ **Armed Forces Distributing Corp., Washington, D. C.**
July 2 (letter of notification) 5,000 shares of class A non-voting capital stock (no par). **Price**—$2 per share. **Proceeds**—For extending operations to new localities and to stimulate purchase of merchandise. **Office**—1122 Vermont Ave., N. W., Washington, D. C. **Underwriter**—None.

● **Atlantic Refining Co.**
June 25 filed 1,000,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures. **Underwriter**—Smith, Barney & Co., New York. **Offering**—Postponed indefinitely; statement to be withdrawn.

● **Bailey Selburn Oil & Gas Ltd.**
June 13 filed 1,000,000 shares of class A stock (par $1-Canadian). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—Calgary, Alberta, Canada. **Underwriter** — Reynolds & Co., New York, will underwrite 600,000 of the shares in the United States; and McLeod, Young, Weir & Co., Ltd., 40,000 shares in Canada. **Offering**—Now being made.

★ **Bank Building & Equipment Corp. of America**
July 8 (letter of notification) 4,000 shares of common stock (par $2). **Price**—To underwriters, $5.25 per share, for reoffering at an estimated $5.75 per share. **Proceeds**—To two selling stockholders. **Underwriter** — Scherck, Richter Co., St. Louis, Mo.

NEW ISSUE CALENDAR

July 21, 1952

Pubco Development, Inc. — Common
(Allen & Co.)

July 22, 1952

Bryn Mawr Trust Co. — Common
(Laird, Bissell & Meeds)

Decca Records, Inc. — Common
(Reynolds & Co. and Laurence M. Marks & Co.)

Gulf States Utilities Co. — Preference
(Bids noon EDT)

Hammacher, Schlemmer & Co. — Common
(Bids 3:00 p.m. EDT)

July 23, 1952

Byrd Oil Co. — Common
(Dallas Rupe & Son; Carl M. Loeb, Rhoades & Co.; Straus, Blosser & McDowell)

Deere & Co. — Debentures
(Harriman Ripley & Co., Inc.)

Leitz (E.), Inc. — Common
(Bids 3 p.m. EDT)

July 24, 1952

Blue Ridge Natural Gas & Oil Corp. — Common
(Whitney-Phoenix Co., Inc.)

Sunshine Packing Corp. of Pa. — Debs. & Common
(Weber-Millican Co.)

July 28, 1952

Duquesne Natural Gas Co. — Common
(Bioren & Co.; Hourwich & Co.; and C. T. Williams & Co., Inc.)

July 29, 1952

Pennsylvania Power & Light Co. — Preferred
The First Boston and Drexel & Co.)

Russell (F. C.) Co. — Common
(McDonald & Co.)

July 30, 1952

Flying Tiger Line, Inc. — Debentures
(Merrill, Lynch, Pierce, Fenner & Beane)

McCarthy (Glenn), Inc. — Common
(B. V. Christie & Co.)

Toklan Royalty Corp. — Debentures
(Granbery, Marache & Co. and Burnham & Co.)

August 4, 1952

Delta Air Lines, Inc. — Common
(Courts & Co.)

August 5, 1952

Chesapeake & Ohio Ry. — Equip. Trust Ctfs.
(Bids to be invited)

Pennsylvania Electric Co. — Bonds & Preferred
(Bids noon EDT)

August 11, 1952

Mountain States Power Co. — Common
(Bids to be received)

September 8, 1952

Tennessee Gas Transmission Co. — Debentures
(Bids to be received)

September 9, 1952

Arkansas Power & Light Co. — Bonds
(Bids to be invited)

★ **Beaver Lodge Corp., Dallas, Tex.**
July 9 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$3.50 per share. **Proceeds**—To develop gas holdings in San Juan Basin, N. M. **Office**—310 Mercantile Commerce Bldg., Dallas 1, Tex. **Underwriters**—Harold S. Stewart & Co., El Paso, Tex., and Garrett & Co., Dallas, Tex.

Blue Ridge Natural Gas & Oil Corp. (7/24)
June 23 (letter of notification) 1,175,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For acquisition of additional leaseholds, for exploration and drilling expenses and working capital. **Office** — Waynesburg, Pa. **Underwriter** — Whitney-Phoenix Co., Inc., New York.

Byrd Oil Co., Dallas, Texas (7/23)
June 24 filed 180,000 shares of common stock (par 25 cents) of which 100,000 shares will be for company's account and 80,000 sold for account of certain stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York, and Straus, Blosser & McDowell, Chicago, Ill.

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.

★ **Central Airlines, Inc., Fort Worth, Tex.**
July 11 (letter of notification) 15,250 shares of common stock (par $1) to be offered for subscription by stockholders at rate of 29/100ths of a share for each share held. **Price**—$5 per share. **Proceeds**—To retire indebtedness and for other corporate purposes. **Office**—Meacham Field, Fort Worth, Tex. **Underwriter**—None.

Chase Chemical Co.
June 23 (letter of notification) 291,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—Newark, N. J. **Underwriters**—Aigeltinger & Co. and Vickers Brothers, both of New York.

★ **Chestertown Mills, Inc., New York**
July 9 (letter of notification) $150,000 of 10-year 6% debentures and 75,000 shares of capital stock (par $1) to be offered in units of $2,000 of debentures and 1,000 shares of stock. **Price**—$3,000 per unit. **Proceeds**—To purchase machinery and equipment and for working capital. **Office**—24 West 40th St., New York 18, N. Y. Underwriter—None.

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.

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.

Colorado Fuel & Iron Corp.
June 11 filed 39,475 shares of common stock (no par). **Price**—At market. **Proceeds**—To Mt. Oliver & Staunton Coal Co., the selling stockholder. **Underwriter** — None, shares to be sold from time to time on the New York Stock Exchange.

★ **Conlon-Moore Corp., Chicago, Ill.**
July 3 (letter of notification) not more than $300,000 of presently outstanding 4¾% first mortgage bonds due Oct. 1, 1957, to be extended to mature Oct. 1, 1962, and bear interest at 5¾%. Illinois Securities Co., Joliet, Ill., and Mullaney, Wells & Co., Chicago, Ill., have been employed to obtain extension agreements from present stockholders. **Office**—1806-1828 S. 52nd Ave., Chicago 50, Ill.

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.

★ **Convertawnings, Inc., Amityville, N. Y.**
July 9 (letter of notification) 10,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 31, 1952, at rate of two new shares for each share held; rights to expire Aug. 15. **Price**—To stockholders, $8 per share; to public, $10 per share. **Proceeds**—For working capital. **Office**—Zahn's Airport, Amityville, N. Y. **Underwriter**—None.

Dean Co., Chicago, Ill.
April 10 (letter of notification) 4,000 shares of common stock (par $10). **Price**—$16.50 per share. **Proceeds**—To T. A. Dean, trustee under the will of J. R. Dean. **Office**—666 Lake Shore Drive, Chicago 11, Ill. **Underwriter**—Boettcher & Co., Denver, Colo.

Deardorf Oil Corp., Oklahoma City, Okla.
April 14 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For working capital. **Office**—219 Fidelity Bldg., Oklahoma City, Okla. **Underwriter**—None.

Decca Records, Inc. (7/22)
July 2 filed 258,883 shares of capital stock (par 50 cents) to be offered for subscription by stockholders of record July 22 at rate of one new share for each three shares held; rights to expire on Aug. 8. **Price**—To be supplied by amendment. **Proceeds**—To increase stock interest in Universal Pictures Co., Inc. **Underwriters**—Reynolds & Co. and Laurence M. Marks & Co., both of New York.

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Continued from page 29

Deere & Co., Moline, III. (7/23)
June 25 filed $50,000,000 of 25-year sinking fund debentures due July 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program. **Underwriter**—Harriman Ripley & Co. Inc., New York.

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.

★ **Delta Air Lines, Inc., Atlanta, Ga. (8/4)**
July 14 filed 100,000 shares of common stock (par $3). **Price**—To be supplied by amendment (may be about $25 per share). **Proceeds** — For acquisition of aircraft and facilities and for other corporate purposes. **Underwriter**—Courts & Co., Atlanta, Ga.

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.
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.

★ **Drug Products Co., Inc.**
July 14 (letter of notification) 226,000 shares of common stock to be offered for subscription by stockholders of record July 9 in an amount equal to 50% of their holdings. **Price**—At par (10 cents per share). **Proceeds**—For working capital. **Office**—360 Glenwood Ave., East Orange, N. J. **Underwriter**—None.

● **Duquesne Natural Gas Co. (7/28-8/1)**
May 28 (letter of notification) a maximum of 92,783 shares of common stock (par one cent) to be offered for subscription by stockholders at rate of one new common share for each five common shares held, two new common shares for each preferred share held and six new shares of common stock for each share of preference stock held (with an oversubscription privilege). The offering is expected to be made between July 28 and Aug. 1, with rights to expire in four to six weeks. **Price**—$1 per share. **Proceeds**—For working capital. **Underwriters**—Bioren & Co., Philadelphia, Pa.; Hourwich & Co., New York; and C. T. Williams & Co., Inc., Baltimore, Md. Unsubscribed shares, (not exceeding 75,000 shares), will be publicly offered at $1.25 per share.

Eastern Stainless Steel Corp., Baltimore, Md.
April 7 (letter of notification) 4,000 shares of common stock (par $5). **Price**—At market (approximately $15 per share). **Proceeds**—To J. M. Curley, the selling stockholder. **Underwriter**—Hornblower & Weeks, New York.

★ **Electric Furnace Co., Salem, Ohio**
July 8 (letter of notification) 4,000 shares of common stock (par $1) to be offered in exchange for outstanding class A stock on the basis of 1½ common shares for each class A share.

★ **Excalibur Uranium Corp., Denver, Colo.**
July 10 (letter of notification) 28,350 shares of class B capital stock to be offered first to stockholders for subscription. **Price**—$3 per share. **Proceeds**—For full-scale production on mining claims on the Green River in Utah and for exploration and development. **Address**—c/o Holland & Hart, 350 Equitable Bldg., Denver 2, Colo. **Underwriter**—None.

★ **Falk Realty Co., Boise, Ida.**
July 9 (letter of notification) $90,000 of first mortgage real estate bonds to be sold in $1,000 units. **Price**—At par. **Proceeds**—To finance purchase of real estate. **Underwriter**—None.

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.

Flying Tiger Line Inc. (Del.) (7/30)
July 10 filed $2,750,000 debentures due July 1, 1967 (subordinate). **Price**—To be supplied by amendment. **Proceeds** — For purchase of seven aircraft. **Underwriter**—Merril Lynch, Pierce, Fenner & Beane, New York.

Front Range Uranium, Inc., Denver, Colo.
June 2 (letter of notification) 500,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—Vickers Brothers, New York.

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. Statement effective June 13.

● **General Acceptance Corp., Allentown, Pa.**
June 24 filed $3,000,000 of 15-year 5% convertible subordinated debentures due July 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—To redeem balance of 15-year 4% convertible subordinated debentures amounting to approximately $753,000 and for working capital. **Underwriter**—Paine, Webber, Jackson & Curtis, New York. **Offering**—Expected today.

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 5% cumulative convertible preferred stock (par $100) and 50,000 shares of 5% cumulative convertible preferred stock (par $20) to be offered in exchange for stock of Securities Investment Co. of St. Louis at rate of 1 1/10 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. Statement effective July 8.

General Public Utilities Corp.
June 4 filed 531,949 shares of common stock (par $5) being offered for subscription by common stockholders of record July 1 on the basis of one new share for each 15 shares held; rights to expire on July 23. Fractional shares will not be issued, but holders will be paid in cash. **Price**—$21 per share. **Proceeds**—To repay notes, invest in common stocks of domestic subsidiaries and for other corporate purposes. **Underwriter**—None. Company to act as its own dealer-manager, with Merrill Lynch, Pierce, Fenner & Beane as clearing agent.

Gulf Coast Western Oil Co.
July 2 (letter of notification) 12,326.799 shares of common stock (par $1). **Price** — At market (estimated at $1.25 per share. **Proceeds**—To C. M. Neilson, a director, who is the selling stockholder. **Underwriter**—H. I. Josey & Co., Oklahoma City, Okla.

Gulf States Utilities Co. (7/22)
June 17 filed 50,000 shares of cumulative preference stock (par $100). **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Blyth & Co., Inc.; Lehman Brothers and Equitable Securities Corp. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly). **Bids**—To be received at noon (EDT) on July 22 at Irving Trust Co., One Wall Street, New York, N. Y.

★ **Haydock Fund, Inc., Cincinnati, Ohio**
July 10 filed 30,000 shares of capital stock. **Price** — At market. **Proceeds**—For investment. **Underwriter**—None.

Hecla Mining Co., Wallace, Ida.
Jan. 17 (letter of notification) 3,000 shares of capital stock (par 25 cents). **Price**—At market (approximately $18 per share). **Proceeds**—To Mrs. M. K. Pollard, the selling stockholder. **Underwriter**—Thomson & McKinnon, New York.

Hixon Placers, Inc., Seattle, Wash.
June 9 filed 787,736 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining development, etc. **Underwriter**—None, sales to be made through agents, including officers and directors, who will receive a commission of 10 cents per share sold.

★ **Hutzler Brothers Co., Baltimore, Md.**
July 3 (letter of notification) $300,000 of 5% 25-year notes dated Aug. 1, 1952, to be offered for subscription by common stockholders. **Price**—At par (in various units as determined by the directors). **Proceeds**—For additional working capital. **Office**—212 N. Howard St., Baltimore 1, Md. **Underwriter**—None.

Huyck (F. C.) & Sons
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. **Offering**—Postponed indefinitely.

Idaho Maryland Mines Corp.
June 6 filed 200,000 shares of common stock (par $1). **Price**—At market (on the San Francisco Stock Exchange). **Proceeds**—To selling stockholder (Gwendolyn MacBoyle Betchtold, as executrix of the last will and testament of Errol Bechtold, deceased). **Office**—San Francisco. Calif. **Underwriter**—None.

Inland Oil Co. (Nev.), Newark, N. J.
Feb. 26 (letter of notification) 599,700 shares of class A common stock (par 25 cents). **Price**—50 cents per share **Proceeds**—For drilling and equipping well and for working capital. **Office**—11 Commerce St., Newark, N. J **Underwriter**—Weber-Millican Co., New York.

Instant Beverage, Inc., Omaha, Neb.
May 6 (letter of notification) 30,000 shares of common stock (no par). **Price** — $5 per share. **Proceeds** — For working capital. **Office**—2716 Country Club Avenue, Omaha, Neb. **Underwriter**—None.

International Technical Aero Services, Inc.
Feb. 15 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—International Terminal, Washington National Airport, Washington, D. C. **Underwriter**—James T. DeWitt & Co., Washington, D. C.

Jersey Yukon Mines Ltd., Toronto, Canada
March 20 filed 200,000 shares of common stock (par $1). **Price**—$1 per share (Canadian funds). **Proceeds**—For capital payments on property account and option agreements, purchase of machinery and operating expenses **Underwriter**—None.

Johnston Adding Machine Co., Carson City, Nev.
March 5 (letter of notification) 150,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—To purchase tools and materials and office equipment. **Underwriter**—None.

Junction City (Kansas) Telephone Co.
Feb. 29 (letter of notification) $294,000 of first mortgage 4½% bonds, series A, due Feb. 1, 1977 (in denominations of $1,000 each). **Proceeds**—To retire bank loans. **Underwriter**—Wachob-Bender Corp., Omaha, Neb.

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.

LaPointe-Plascomold Corp.
May 29 filed 230,485 shares of common stock (par $1), of which 190,485 shares are to be offered for subscription by stockholders of record June 18 at rate of one share for each share held, and 40,000 shares are to be issued upon exercise of stock options by officers and employees. **Price**—$2.75 per share. **Business**—Manufacture of television accessories. **Underwriter**—None.

★ **LaPointe-Plascomold Corp.**
July 3 (letter of notification) 92,194 shares of common stock (par $1). **Price**—$2.75 per share. **Proceeds**—To reduce accounts payable and for working capital. **Office**—155 W. Main St., Rockville, Conn. **Underwriter**—None.

Lawton Oil Corp., Magnolia, Ark.
June 9 (letter of notification) 100,000 shares of common stock (no par). **Price**—$2.25 per share. **Proceeds**—For exploration work. **Underwriter**—W. R. Stephens Investment Co., Inc., Little Rock, Ark.

★ **Lithium Corp. of America, Inc., Minneapolis, Minn.**
July 7 (letter of notification) 2,000 shares of common stock (par $1). **Price**—At market (estimated at $6.25 per share). **Proceeds** — To W. W. Osborne, Vice-President, who is the selling stockholder. **Underwriter** — Bache & Co., New York.

Loven Chemical of California, Newhall, Calif.
June 24 (letter of notification) 100,000 shares of capital stock to be offered for subscription by present stockholders at rate of one new share for each 7½ shares held. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—244 S. Pine St., Newhall, Calif. **Underwriter**—None.

★ **Lucky Lead Mines, Inc., Missoula, Mont.**
June 27 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—To develop lode mining claims. **Office**—219 Radio Central Bldg., Missoula, Mont. **Underwriter**—None.

● **M J M & M Oil Co., San Francisco, Calif.**
June 25 (letter of notification) 364,695 shares of capital stock (par 10 cents) being offered for subscriptions to stockholders of record July 2 at rate of one share for each seven shares held; rights to expire July 21. **Price**—78 cents per share. **Proceeds**—To acquire new properties and for development work in the Mountain States area, including the Williston Basin and the vicinity of the Santa Clara Valley. **Office**—15 Sansome St., San Francisco 4, Calif. **Underwriter**—None.

★ **Marine Aircraft Corp., N. Y.**
July 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Underwriter**—Securities National Corp.

Martin (Glenn L.) Co.
May 29 filed 761,859 shares of common stock (par $1) being offered for subscription by stockholders of record on June 30 (other than Glenn L. Martin) at the rate of nine shares for each 10 shares held; rights to expire on July 22. **Price**—$6 per share. **Proceeds**—For partial repayment of 4% convertible notes. **Underwriter**—None. Statement effective June 23.

● **McCarthy (Glenn), Inc., Houston, Tex. (7/30)**
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds** — For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. Telephone WHitehall 3-2181. See also "Chronicle" of June 26, p. 6.

Metals & Chemicals Corp., Dallas, Tex.
June 13 filed 200,000 shares of capital stock (par 10 cents) of which 190,000 shares will be offered to the public. **Price**—$3 per share. **Proceeds**—To repay debt and for development of mine properties. **Business**—Mining in Costa Rica. **Underwriter**—Beer & Co., Dallas, Tex.

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.

● **Mountain States Power Co. (8/11)**
July 7 filed 200,000 shares of common stock (par $7.25). **Proceeds** — To repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Dean Witter & Co. (jointly); Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane; A. C. Allyn & Co., Inc. and Bear, Stearns & Co. (jointly); Lehman Brothers; Blair, Rollins & Co. Inc. **Bids**—Expected to be opened Aug. 11.

Mullins Manufacturing Corp., Salem, Ohio
June 9 filed 82,000 shares of common stock (par $1), to be issued to certain supervisory employees under a stock option plan **Underwriter**—None.

Munising Wood Products Co., Inc., Chicago, III.
June 30 (letter of notification) 5,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—To M. W. Nunemaker, Vice-President. **Office** — 666 Lake Shore Drive, Chicago. Ill. **Underwriter**—None, but Paine, Webber, Jackson & Curtis will act as agent.

★ Muter Co., Chicago, Ill.
July 11 (letter of notification) 10,625 shares of common stock (par 50 cents) to be first issued to Earl W. Moore in full payment of stock of Enderes Co., Guttenberg, Iowa, and thereafter offered on the New York Stock Exchange and Midwest Stock Exchange. **Price**—At market (approximately $8 per share). **Office**—1255 S. Michigan Ave., Chicago 5, Ill. **Underwriter**—None.

★ National Loan & Finance Co., Cleveland, Ohio
July 2 (letter of notification) $250,000 of 5% 10-year subordinated debentures. **Price**—At par (in units of $100 to $1,000 each). **Proceeds**—For secured small loans and purchase of small loans at discount. **Office**—12400 Superior, Cleveland, O. **Underwriter**—None.

Nev-Tah Oil & Mining Co., Salt Lake City, Utah
June 12 (letter of notification) 600,000 shares of common stock (par 5 cents). **Price**—10 cents per share. **Proceeds**—For expansion of operations. **Underwriter**—Cromer Brokerage Co., Salt Lake City, Utah.

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.

★ New York Observer Corp.
July 9 (letter of notification) 1,500 shares of class A stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—35 Crown St., Kingston, N. Y. **Underwriter**—None.

• Peerless Casualty Co., Keene, N. H.
June 20 filed 100,000 shares of common stock (par $5) being offered for subscription by common stockholders of record July 1 at the rate of 5/12ths of a share for each share held; rights to expire July 25. **Price**—$16.50 per share. **Proceeds**—For working capital. **Underwriter**—Geyer & Co., Inc., New York.

Pennsylvania Electric Co., Johnstown, Pa. (8/5)
June 25 filed $9,500,000 of first mortgage bonds due 1982 and 45,000 shares of preferred stock series F (par $100). **Proceeds**—For new construction and to repay bank loans. **Underwriters**—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., The First Boston Corp., Shields & Co. and R. W. Pressprich & Co. (jointly); Smith, Barney & Co. (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.; Union Securities Corp.; The First Boston Corp. **Bids**—To be received by company at 61 Broad St., New York 4, N. Y. up to noon (EDT) on Aug. 5.

Pennsylvania Power & Light Co. (7/29)
July 8 filed 100,000 shares of preferred stock (par $100). **Price** — To be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—The First Boston Corp., New York, and Drexel & Co., Philadelphia, Pa.

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.

★ Phillips Packing Co., Inc., Cambridge, Md.
July 7 (letter of notification) 3,000 shares of common stock (no par). **Price**—At the market (estimated a $7 per share). **Proceeds**—To Levi B. Phillips, Jr., Vice-President, the selling stockholder. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

★ Pitney-Bowes, Inc., Stamford, Conn.
July 8 (letter of notification) up to 9,226 shares of common stock (par $2), to be offered for subscription by employees under the "Employees' Stock Purchase Plan." **Price**—$14 per share. **Proceeds**—For working capital. **Office**—757 Pacific St., Stamford, Conn. **Underwriter**—None.

★ Potomac Electric Power Co.
July 14 filed $1,000,000 aggregate amount of Potomac Plans for the Systematic Accumulation of Common Stock of Company to be sold over a period of five years. **Sponsor**—Capital Reserve Corp., Washington, D. C.

Pubco Development, Inc. (7/21)
June 25 filed subscription warrants for 605,978 shares of common stock (par $1) to be issued to holders of presently outstanding stock purchase warrants at rate of one new warrant for one additional share for each share of common stock owned on the record date. The new warrants are exercisable at $1 per share between Jan. 1, 1955 and March 31, 1955. **Price** — To be supplied by amendment. **Proceeds**—To retire existing indebtedness and purchase additional oil and gas leases. **Underwriter**—Allen & Co., New York.

Pyramid Oil & Gas Corp.
June 5 (letter of notification) 162,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For development of oil and gas holdings. **Office**—825 First St., West Palm Beach, Fla. **Underwriter**—Willis E Burnside & Co., Inc., New York.

★ Quinby Plan, Rochester, N. Y.
July 14 filed $2,000,000 aggregate amount of Quinby Plans for Accumulation of Individual Stocks. **Sponsor**—Quinby & Co., Inc., Rochester, N. Y.

★ Raymond Corp., Greene, N. Y.
July 8 (letter of notification) not to exceed $250,000 of 10-year 5½% debenture bonds of which $120,100 principal amount are offered in exchange for outstanding 5% debenture bonds, par for par. **Price**—At par (in denominations of $50, $100, $500 and $1,000). **Proceeds**—For expansion and working capital. **Underwriter**—None.

• Reflexite Corp., New York
July 3 (letter of notification) 158,350 shares of capital stock (par 50 cents) being offered first to stockholders at rate of two new shares for each three shares held as of July 11; rights to expire on July 31. **Price**—$1 per share. **Proceeds**—To repay notes and accounts payable and for working capital. **Office**—Room 1415, 63 Wall St., New York. **Underwriter**—Henry Mann Securities Corp., New York.

★ Rosedale Industries, Inc., Hicksville, N. Y.
July 10 (letter of notification) 2,500 shares of common stock (no par). **Price**—$100 per share. **Proceeds**—For expansion, etc. **Office**—West John St., Hicksville, N. Y. **Underwriter**—None.

Russell (F. C.) Co., Cleveland, O. (7/29)
July 9 filed 83,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To Frank C. Russell, President, and four other selling stockholders. **Business**—Metal combination doors, metal combination screen and storm windows, and steel windows. **Underwriter**—McDonald & Co., Cleveland, O.

Sapphire Petroleums, Ltd., Toronto, Canada
July 3 filed $2,000,000 of 10-year 5% convertible sinking fund debentures due July 1, 1962. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for exploration, acquisition of interests in and development of prospective and proven oil and gas lands and the development of existing properties. **Underwriters**—Frame McFayden & Co., Toronto, in Canada; U. S. underwriters to be named later.

★ Signal Mines, Ltd., Toronto, Canada
July 14 filed 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration, development, and mining expenses, and to reimburse Maurice Schack, Secretary-Treasurer. **Business**—Quartzite mining. **Underwriter** — Northeastern Securities Co., New York.

Southeastern Telephone Co., Tallahassee, Fla.
July 2 filed 64,000 shares of common stock (par $10). **Price**—$11 per share. **Proceeds**—To repay bank loans. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va.

Southern Discount Co., Atlanta, Ga.
June 17 (letter of notification) $100,000 of 5% debentures, series F. **Price**—At par. **Proceeds**—For working capital. **Office**—220 Healy Bldg., Atlanta, Ga.

Southwestern Porcelain Steel Corp., Sand Springs, Okla.
June 11 (letter of notification) 6,000 shares of capital stock (par $10). **Price**—$12 per share. **Proceeds**—For expansion. **Underwriter**—Walter F. Hurt, Tulsa, Okla.

Storer Broadcasting Co.
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. Dooly & Co., Miami, Fla. **Offering**—Temporarily postponed.

Sunshine Packing Corp. of Pennsylvania (7/24)
July 3 filed $1,000,000 of 6% convertible debentures due 1972 (subordinate) and 450,000 shares of common stock (par 50 cents) of which the debentures and 400,000 shares of stock are to be offered in units of $50 of debentures and 20 shares of stock. **Price**—$100 per unit. **Proceeds**—To increase capacity of plant and for working capital. **Underwriter**—Weber-Millican Co., New York.

Technicraft Laboratories, Inc., Thomaston, Conn.
July 1 (letter of notification) 15,000 shares of class B non-voting stock (par $5). **Price**—$11.50 per share. **Proceeds**—To retire loans and increase inventories. **Underwriter**—Cooley & Co., Hartford, Conn.

• Texas Gas Transmission Corp.
June 19 filed 350,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—Temporarily postponed. May come in a week or 10 days.

Texas General Production Co.
June 4 filed 2,500,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To buy property for oil prospecting. **Office**—Houston, Tex. **Underwriter**—To be named by amendment (probably Hemphill, Noyes, Graham, Parsons & Co., New York. **Offering**—Tentatively postponed.

• Toklan Royalty Corp., Tulsa, Okla. (7/30)
July 9 filed $1,500,000 5% sinking fund debentures due July 1, 1962, with common stock purchase warrants attached, and 150,000 shares of common stock (par 70 cents), each $1,000 debenture carrying a warrant to purchase 100 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for general corporate purposes. **Business**—Realty and leasehold interests in oil producing property. **Underwriters**—Granbery, Marache & Co. and Burnham & Co., both of New York.

U. S. Airlines, Inc., Ft. Lauderdale, Fla.
June 30 (letter of notification) 200,000 shares of common stock (par 5 cents) of which 100,000 shares each will be offered in behalf of the company and in behalf of J. A. Wooten, President. **Price**—60 cents per share. **Proceeds**—For working capital. **Address**—P. O. Box 2247, Ft. Lauderdale, Fla. **Underwriter**—None.

Washington Gas Light Co.
June 12 filed 105,033 shares of common stock (no par), being offered for subscription by common stockholders of record July 1 at rate of one share for each seven shares held; rights to expire on July 18. **Price**—$29 per share. **Proceeds**—For new construction. **Underwriters**—The First Boston Corp., New York, and Johnston, Lemon & Co., Washington, D. C.

★ Watson Standard Co., Pittsburgh, Pa.
July 9 (letter of notification) 1,500 shares of 5% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—225 Galveston Ave., Pittsburgh, Pa. **Underwriter**—None.

★ West America Tungsten Corp.
July 7 (letter of notification) 100,000 shares of common stock. **Price**—$1 per share. **Proceeds**—To exercise option to purchase mill for processing gold and tungsten and for other corporate purposes. **Office**—626 First National Bank Bldg., Albuquerque, N. M. **Underwriter**—None.

• Whitehead Brothers Rubber Co., Trenton, N. J.
July 2 (letter of notification) 4,540 shares of common stock (par $10) being offered to minority stockholders of record July 15 at rate of one share for each five shares held; rights to expire on Aug. 15. Goodall Rubber Co., parent, will subscribe for an additional 7,490 shares and for any shares not subscribed for by other stockholders. **Price**—$14 per share. **Proceeds**—To modernize plant. **Office**—Whitehead Road, Trenton 4, N. J. **Underwriter**—None.

Willingham Finance Co., Inc., Augusta, Ga.
July 1 (letter of notification) $150,000 of 6½% subordinate debentures due July 1, 1967, and 30,000 shares of class A common stock. **Price**—Of debentures, at par, in denominations of $1,000 each; and of class A stock, at $1 per share. **Proceeds**—For working capital. **Office**—139-8th St., Augusta, Ga. **Underwriter**—Johnston, Lane, Space & Co., Inc., Savannah, Ga.

★ Wisdom Magazine, Inc., Los Angeles, Calif.
July 14 filed 6,600 shares of 5% cumulative preferred stock (par $100) and 6,600 shares of common stock (par $10) to be offered in units of one share of preferred and one share of common stock. **Price**—$110 per unit. **Proceeds**—For working capital. **Underwriter**—None.

Zeigler Coal & Coke Co., Chicago, Ill.
June 19 (letter of notification) 7,000 shares of common stock (par $10). **Price**—$13.25 per share. **Proceeds**—To R. M. Rogers, trustee for Nancy Leiter Clagett and Thomas Leiter. **Office**—21 East Van Buren St., Chicago, Ill. **Underwriter**—Farwell, Chapman & Co., Chicago, Ill.

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.

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American President Lines, Ltd.
June 12 it was announced Riggs National Bank, Washington, D. C., will advertise for bids within 90 days for the sale of the stock of this company at an upset price of $13,000,000. **Proceeds**—To be divided equally between the government and the Dollar interests. If stock is not sold for $14,000,000 or more, the stock would be divided equally between the two parties, the Government to then dispose of its holdings. **Registration**—Expected within the next two months.

Arkansas Power & Light Co. (9/9)
June 20 it was reported company plans issue and sale of $15,000,000 first mortgage bonds due 1982. **Proceeds**—For new construction. **Bids**—Tentatively scheduled to be received on Sept. 9. **Registration**—Planned for Aug. 4. **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.

Associated Telephone Co., Ltd. (Calif.)
June 9 it was reported company may issue and sell in October about $8,000,000 to $9,000,000 of first mortgage bonds, series H, due 1982. **Proceeds**—For repayment of bank loans and construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Paine, Webber, Jackson & Curtis; White, Weld & Co.

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.

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 in near future. **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.

Carolina Natural Gas Corp.
May 19 company sought FPC authority to a new 40-mile transmission line estimated to cost $3,150,000, to be financed by the issuance of $1,600,000 first mortgage bonds, $750,000 15-year debentures and $800,000 common stock. **Traditional Underwriter** — R. S. Dickson & Co., Charlotte, N. C.

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.

Century Food Stores, Inc., Youngstown, O.
June 30 it was reported company may issue and sell approximately $300,000 of convertible debentures. **Proceeds** — For expansion program. **Underwriter** — H. M. Byllesby & Co., Chicago, Ill.

Chesapeake & Ohio Ry. (8/5)
July 2 company announced company plans to issue and sell about $6,000,000 equipment trust certificates to be dated Sept. 1, 1952. Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co.

Cincinnati Enquirer, Inc.
June 5 this corporation was formed to take over the Cincinnati Enquirer for the sum of $7,600,000, of which $6,000,000 will be raised through the sale of bonds and by issue of capital stock of which the purchase of about $1,900,000 has been pledged. **Underwriter**—For bonds: Halsey, Stuart & Co. Inc., Chicago and New York.

Citizens Utilities Co.
June 16, Richard L. Rosenthal announced that company anticipated doing some permanent financing in 1952, and it was planned that this would be in the form of mortgage bonds and debentures. No common stock financing is presently contemplated.

Columbus & Southern Ohio Electric Co.
April 26 it was announced company expects to enter the permanent financing market about the middle of 1952 with not less than 200,000 shares of new common stock. **Proceeds** — For construction program. **Underwriter** — Dillon Read & Co., Inc., New York.

Connecticut Light & Power Co.
March 1 it was announced that it is presently estimated that approximately $11,000,000 of additional capital will be required during the latter half of 1952.

Consolidated Gas, Electric Light & Power Co. of Baltimore
Dec. 24 it was stated that company plans to issue and sell both stocks and bonds during 1952 to an amount sufficient to raise approximately $22,000,000. **Underwriters**—For bonds to be determined by competitive bidding Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co., Inc. and Alex. Brown & Sons (jointly). The First Boston Corp., Alex. Brown & Sons and John C Legg & Co (jointly) handled latest common stock financing, while White, Weld & Co. handled last preferred stock sale. **Proceeds**—For new construction.

Copperweld Steel Co.
April 30 stockholders approved a proposal to increase the authorized indebtedness from $5,000,000 to $15,000,000 (none presently outstanding) and the authorized preferred stock (par $50) to 137,727 shares from 37,727 shares, which are all outstanding. **Traditional Underwriter**—Riter & Co., New York.

Creameries of America, Inc.
April 14, G. S. McKenzie, President, stated that the company may do some long-term borrowing in about two months to finance expansion program. **Traditional Underwriters** — Kidder, Peabody & Co. and Mitchum, Tully & Co.

European American Airlines, Inc.
June 11 it was reported company plans to raise an additional $400,000 of equity capital. An issue of $200,000 of capital stock was just recently placed privately at $7.50 per share. **Underwriter** — Gearhart, Kinnard & Otis, Inc., New York.

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.

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.

Haloid Co.
June 18 it was reported company may sell this Fall an issue of convertible preferred stock. **Traditional Underwriter**—The First Boston Corp., New York.

Hammacher, Schlemmer & Co., Inc. (7/22)
Bids are to be received up to 3 p.m. (EDT) on July 22 for the purchase from the Attorney General of the United States of 660 shares of $7 prior stock (no par), 660 shares of $7 preferred stock (no par) and 440 shares of common stock (no par), representing about 15% of the issued and outstanding capital stock of the company.

★ **Harnischfeger Corp.**
June 30 stockholders approved proposal to increase authorized common stock from 500,000 shares (285,219 shares outstanding) to 1,000,000 shares (par $10) and to pay a 100% stock dividend on July 25 to common stockholders of record July 18. They also voted to waive their preemptive rights to the remaining authorized but unissued stock.

Honolulu (City and County of)
May 20 it was announced it is planned to issue and sell $6,000,000 bonds for construction of the Kalihi tunnel, $5,000,000 bonds for public school program, $1,600,000 bonds for public improvements and $1,000,000 for flood control.

★ **Houston Natural Gas Corp.**
July 16 it was announced that stockholders will vote July 29 on approving a proposal to issue 120,000 shares of 5% preferred stock (par $25). The company also seeks authorization to issue an additional 120,000 shares of common stock (no par).

● **Huntington National Bank of Columbus**
July 9 Bank offered common stockholders of record July 9 the right to subscribe on or before July 24 for 50,000 additional shares of common stock at rate of one new share for each three shares held; with rights to expire July 24. **Price**—$36 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Paine, Webber, Jackson & Curtis; McDonald & Co.; Merrill Lynch, Pierce, Fenner & Beane; Sweney, Cartwright & Co.; Bache & Co.; Hayden Miller & Co.; John B. Joyce & Co., and Vercoe & Co.

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.

★ **Industrial Research, Inc., Miami, Fla.**
July 15 stockholders were scheduled to approve an offering of 225,000 additional shares of common stock (par $1). **Underwriter** — Barham & Cleveland, Coral Gables, Fla.

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.

Lake Shore Gas Co., Ashtabula, Ohio
June 11 company received permission of the Ohio P. U. Commission to issue and sell 10,000 shares of common stock (par $10) $1,450,000 of bonds and $300,000 of promissory notes. **Proceeds**—For expansion program.

Leitz (E.), Inc., New York (7/23)
Bids will again be received at Office of Alien Property, 346 Broadway, New York 13, N. Y., up to 3 p.m. (EDT) on July 23 for the purchase from The Attorney General of the United States of the corporation's 400 shares of no par common stock (the total issue outstanding). Previous bids received on June 12 (including the high bid of $677,779.75) have been rejected. **Business**—Manufactures and distributes photographic equipment and supplies.

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.

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.

Mississippi Power & Light Co.
March 14 it was reported company plans to issue and sell in November an issue of $8,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probably bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); Equitable Securities Corp. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.

● **Motorola, Inc.**
July 1 it was announced stockholders will vote July 29 on increasing the authorized common stock from 1,000,000 shares (879,605 shares outstanding) to 3,000,000 shares. The company plans to distribute a 100% stock dividend and sell initially to stockholders of record July 22 about 150,000 shares on a 1-for-12 basis. **Underwriter**—Hickey & Co., Inc., Chicago, Ill.

New England Power Co.
June 26 it was announced company now contemplates an additional issue of first mortgage bonds and common stock in equal amounts, either late in 1952 or early in 1953. **Underwriters**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kuhn, Loeb & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Proceeds**—To repay bank loans (estimated to be $11,500,000 at Dec. 31, 1952).

Northern Natural Gas Co.
June 24 it was announced that company is considering a possible offering, first to stockholders, of $20,000,000 to $25,000,000 in convertible preferred stock, which may be sold on a negotiated basis. It is also planned to issue and sell $40,000,000 of 20-year sinking fund debentures through competitive sale in October or November, with probable bidders including: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly).

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.

Pillsbury Mills, Inc.
June 30 stockholders approved a proposal to issue and sell from $4,500,000 to $5,000,000 of common stock and to increase indebtedness of the company by $5,000,000. **Proceeds** — For expansion. **Underwriters** — Goldman, Sachs & Co., New York, and Piper, Jaffray & Hopwood, Minneapolis, Minn. **Offering**—Publicly expected in July or August.

Potomac Electric Power Co.
April 16, R. R. Dunn, President, announced company plans to raise about $40,000,000 of new money in connection with its $62,000,000 construction program in the years 1952, 1953 and 1954. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Stone & Webster Securities Corp. and Union Securities Corp. (jointly); First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co. and Blyth & Co. Inc. (jointly); Dillon, Read & Co. Inc.; Harriman Ripley & Co., Inc.

Pressed Steel Car Co., Inc.
April 17 stockholders approved a proposal to increase the authorized common stock from 1,280,000 shares to 3,280,000 shares (1,045,500 shares presently outstanding). The new shares would be issued when directors decide, in connection with diversification program. No immediate financing is planned. **Traditional Underwriter**—Kuhn, Loeb & Co., New York.

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 Ry.
July 3 company applied to the Interstate Commerce Commission for authority to issue and sell $46,000,000 of mortgage bonds, without competitive bidding, over a period of about four years. **Proceeds**—For retirement in part of certain outstanding mortgage bonds.

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.

★ Tennessee Gas Transmission Co. (9/8)
July 9 it was reported that the company plans sale of about $40,000,000 debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp., and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received on or about Sept. 8.

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.
June 3 it was reported that company may issue and sell in September about $10,000,000 of first mortgage bonds and 150,000 shares of common stock. **Proceeds**—To repay bank loans and for new construction. **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.

Virginia Electric & Power Co.
May 26 it was reported company plans issuance and sale later this year of $20,000,000 first and refunding mortgage bonds. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly); Stone & Webster Securities Corp. and Harriman, Ripley & Co., Inc. (jointly); Union Securities Corp.; Salomon Bros. & Hutzler.

Washington Water Power Co.
June 30 it was reported company plans issue and sale of $25,000,000 first mortgage bonds this fall. **Proceeds**—To retire part of outstanding bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Blyth & Co., Inc., Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly).

★ West Coast Pipe Line Co., Dallas, Tex.
July 14, L. M. Glasco, President, announced this company plans to build a 24-inch 953-mile crude oil pipeline between Wink, Tex., and Norwalk, Calif., with construction scheduled to begin in the fourth quarter of this year. The financing, totaling about $101,000,000, is being arranged by White, Weld & Co. and Union Securities Corp., both of New York.

Westcoast Transmission Co., Ltd.
June 14 the Canadian Board of Transport Commissioners conditionally authorized this company, an affiliate of Sunray Oil Corp. and Pacific Petroleums, Ltd., to build a $111,240,000 natural gas pipeline on the Pacific Coast, providing gas reserves were found sufficient to maintain such a line. It was stated that $88,000,000 of first mortgage bonds have been conditionally subscribed for by The First National Bank of New York, The Prudential Insurance Co. of America, The Mutual Life Insurance Co. of New York and the New York Life Insurance Co. and another $28,000,000 is to be provided by the issue and sale of $28,000,000 of junior securities. **Underwriter**—Dillon, Read & Co. Inc., New York.

Wilhead Royalty Co.-Texhead Royalty Co.
June 20 it was reported sale of an issue of 3% income notes and stock is planned in an amount sufficient to raise $300,000. The notes and stock would be sold in units. **Price**—$20 per unit. **Underwriter**—Rotan, Mosle & Moreland, Houston, Tex.

Public Utility Securities

By OWEN ELY

Central Public Utility Corp.

Central Public Utility Corp. is one of the few utility holding companies of the old promotional era remaining to be reorganized. The company was incorporated in 1932 in connection with the readjustment of Central Public Service Corp., but while it remained heavily over-capitalized it has remained out of bankruptcy because all its securities are on an "income" basis. There are two other holding companies in the system, each wholly-owned—Consolidated Electric & Gas and Islands Gas & Electric—both of which will shortly be eliminated.

A long-pending plan to simplify the capital structure of CPU was recently approved by the SEC. Hearings on the plan will be held before a Federal Court July 29. Under the plan Central Public Utility will issue new common stock in exchange for its $42,101,000 5½% income bonds, which come due Aug. 1, this year, (it appears unlikely that maturity of the bonds will disturb the plan, since in effect they retain their claim to all assets). The company's remaining securities, the noncumulative preferred and class A stocks and the common stock, will all be wiped out.

Earnings of operating subsidiaries (exclusive of small Philippine and Spanish subsidiaries) applicable to the parent company were as follows in the 12 months ended March 30, 1952:

Central Indiana Gas	*$774,000
Carolina Coach	†562,000
Southern Cities Ice	†28,000
‡Santo Domingo Electric	1,274,000
‡Haiti Electric	196,000
Puerto Rico Gas & Coke	100,000
	$2,934,000

*On pro forma tax basis. Net income as reported was $1,860,000, but tax savings due to filing a consolidated system return were estimated at $1,086,220. †Pro forma figures are not available. ‡The names are simplified.

The management has indicated that after the plan is in effect the common stock of the principal domestic subsidiary, Central Indiana Gas Company, will be distributed to holders of new common stock. Central Natural Gas Corp., a very small affiliate of Central Indiana, will be eliminated from the system in connection with the distribution. Thus ultimately the Central Public system will consist of a single holding company controlling utility companies operating entirely outside the United States, plus nonutility companies (a bus company and an ice company) in the United States. Under these circumstances the management expects to file an application for an exemption from the Holding Company Act.

In the opinion of counsel for CPU, after the recapitalization plan is in effect a substantial earnings and profits deficit will continue to exist for the purposes of Section 115 of the Internal Revenue Code, so that it may be possible for Central Public to distribute to its stockholders in and after 1953 amounts that in part will not be taxable as dividend income.

What will be the value of Central Indiana Gas Co. stock? There are 400,000 shares outstanding (all owned by Central) with recent pro forma share earnings of $1.94. Presumably it might be appraised on about the same basis as Indiana Gas & Water, or at about 12 times earnings. At an estimated price of 23 the stock of Central Indiana Gas would be worth about $9.2 million or nearly $22 for each $100 CPU debenture.

The debentures have been recently quoted around 46. Deducting the estimated value of Central Indiana Gas would leave 24 points per bond for the value of remaining holdings, or a total valuation of about $10.1 million. This would reflect a valuation of only 4.7 times the system earnings excluding Central Indiana. While, of course, the earnings of foreign companies are usually not accorded very high price-earnings multiples (as for example Brazilian Light & Traction, American & Foreign Power, and International Telephone) the 4.7 multiple seems on the low side, perhaps. The earnings of the Santo Domingo Co. make up nearly 60% of system profits excluding Central Indiana. All the securities of this company are owned by the parent company so that it is practically on a 100% equity basis. Revenues and net earnings have been increasing and the present economy of the Dominican Republic appears sound under the benevolent Trujillo dictatorship. It is impossible to appraise the other companies in this short review but in general there would seem to be room for some appreciation in the estimated price-earnings multiple of 4.7, particularly if the payment of partially tax-free dividends is successfully developed as the management hopes to do.

In the above figures, the earnings of Carolina Coach and Southern Cities Ice have not been adjusted for tax savings resulting from filing a consolidated return. It seems probable that part or all of these savings could be retained under the new holding company setup. Up-to-date figures for tax savings are not available but in 1950 Carolina saved about $206,000 and Southern Cities $11,000.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York will hold their annual outing on Sept. 5 at the Richmond County Country Club, Dongan Hills, Staten Island. All the sports (golf, etc.) are right at the club. Tariff is $8.50 per person.

Arrangements are in charge of Thomas Greenberg, C. E. Unterberg & Co., and Bernard Weissman, Siegel & Co.

du Pont, Homsey Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John A. Hines has become affiliated with du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges.

Joins Baker, Simonds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Harry E. Buell has become affiliated with Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange.

COMING EVENTS

In Investment Field

July 22, 1952 (Des Moines, Iowa)
Iowa Investment Bankers Association Annual Field Day at the Wakonda Club (with headquarters at the Savery Hotel).

Aug. 22, 1952 (Denver, Colo.)
Bond Club of Denver - Rocky Mountain Group of IBA Summer Frolic at the Park Hill Country Club.

Sept. 5, 1952 (New York City)
Security Traders Association of New York Outing at Richmond Country Club, Dongan Hills, Staten Island.

Sept. 19, 1952 (Chicago, Ill.)
Municipal Bond Club of Chicago annual field day at the Knollwood Country Club.

Sept. 26, 1952 (Philadelphia, Pa.)
Bond Club of Philadelphia annual field day at the Huntingdon Valley Country Club, Abington, Pennsylvania.

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

Oct. 5-7, 1952 (San Francisco, Calif.)
Association of Stock Exchange Firms Board of Governors Fall meeting at the Mark Hopkins Hotel.

Oct. 8-10, 1952 (Los Angeles, Calif.)
Association of Stock Exchange Firms Board of Governors Fall meeting at the Ambassador Hotel.

Oct. 19, 1952 (Miami, Fla.)
National Security Traders Association Convention at the Roney Plaza Hotel.

Nov. 30-Dec. 5, 1952 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

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Dealer-Broker Investment Recommendations & Literature

Lincoln Park Industries—Card memorandum—Baker, Simonds & Co., Buhl Building, Detroit 26, Mich. Also available is a card memorandum on **Snyder Tool & Engineering Company.**

Louisville & Nashville Railroad Company—Bulletin (No. 99)—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Aso available is a bulletin on **Texas & Pacific Railway Company** (Bulletin No. 101) and on **Kansas City Southern Railway Co.** (Bulletin No. 100).

Max Factor & Co.—Memorandum—Dempsey-Tegeler & Co., 210 West Seventh Street, Los Angeles 14, Calif.

W. L. Maxson Corporation—Analysis—Stieglitz & Co., 40 Wall Street, New York 5, N. Y.

Moore Corporation Limited — Review — James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Man., Canada, and Royal Bank Building, Toronto, Ont., Canada.

Morris Paper Mills — Analysis — First Securities Company of Chicago, 134 South La Salle Street, Chicago 3, Ill.

Murray Co. of Texas — Memorandum — Dallas Rupe & Son, Kirby Building, Dallas 1, Tex. Also available are memoranda on **Shakespeare Co.** and **Southern Union Gas.**

Nuclear Instrument & Chemical Co.—Analysis—Republic Investment Co., 231 South La Salle Street, Chicago 4, Ill.

Ohio Oil—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Reo Motors, Inc.—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

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

Rubberoid Company—Analysis—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same bulletin is a suggested list of issues favored for portfolio.

South Jersey Gas Company—Analysis—Golkin & Co., 61 Broadway, New York 6, N. Y.

Stanwood Oil Corporation—Analysis—Kaye-Real & Company, 72 Wall Street, New York 5, N. Y.

Texas Gulf Producing—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a brief review of **Texas Pacific Coal & Oil** and a bulletin on the portfolio changes in the **Lehman Corporation.**

Trinity Universal Insurance Company—Analysis—Sanders & Newsom, Republic Bank Building, Dallas 1, Tex.

Webb & Knapp, Inc.—Descriptive circular—Hettleman & Co., 1 Wall Street, New York 5, N. Y.

Continued from page 8

We Have Drifted Too Long

cepted generally: namely, that a balanced budget would eliminate the inflationary impact of Federal Government spending.

This is contrary to the experience of history, and in my judgment it is contrary to logical, unbiased thinking. Past experience of other countries has indicated that whenever taxes absorb more than about 25% of national income over a period of years they "become an engine of inflation, partly through pushing up wages and other costs and thus pushing up prices to the point where the tax burden, in real terms, has been brought back within the limits of tolerance, and even more through undermining incentives to produce (prospect for a profit) and to save."

Total local, state, and Federal taxes now exceed 30% of national income. They have passed the danger point. No longer will a balanced budget put our financial house in order. To accomplish this, we must have a reduction in governmental expenditures and in tax rates. The only alternative will be a further ultimate loss in the value of the dollar or a serious weakening in our economy or both. You can render a great service by making people aware of this situation. If only the people learn the truth, I have confidence they will aid in preserving their freedom.

Importance of Savings to the Individual

It is with some feelings of fear and uneasiness that I discuss with you the importance of savings to the individual. I know that this shouldn't be, but it is.

You know that a man with a family and no savings is almost an economic prisoner, while a man with only moderate savings and reasonable ability has golden opportunities. The Empire Builder, James J. Hill, spoke the truth when he said: "Do you want to know whether you will be a success? If so, ask yourself this question: Can you save money? If you cannot, you may as well drop out, for the seed of success is not in you." We urge you to be aggressive in teaching that philosophy to the youth that comes your way. Help him to understand that "a young man may have many friends, but he will find none so steadfast, so consistent, so ready to respond to his wants, as a little leather-covered book, with the name of a bank on the cover," as Sir Thomas Lipton used to counsel. This will bring a triple blessing—one to the individual, one to the economy as a whole, and one to you, the banker.

But be conscious of how hard it has become for most people to accumulate adequate savings. To maintain the same relative income in 1952 as in 1939, as is well known, requires an annual salary increase from $3,000 to about $6,000; from $5,000 to a little over $10,000; from $10,000 to about $22,500; and from $25,000 to about $75,000. The worker in the factory has had this relative increase in income and even more on the average. However, important groups of people in the middle and higher income brackets have failed to hold their own. The effect of increased Federal income taxes upon the ability of people to save is almost shocking when we look at it from the investment basis. The average married man with a net income currently of $3,000 is required to pay about $161 in income taxes as against no taxes prior to the outbreak of World War II. If, starting at the age of 40, he could retain these added taxes and invest them on a compound interest basis of 5%, he would accumulate almost $8,000 by the age of 65. The married man with a net income of $5,000 would have an increased tax burden of about $391. If this amount could be invested on a compound interest basis of 5%, it would accumulate to almost $19,000 by the age of 65. The increased taxes on a net income of $10,000 would accumulate to $108,000 in the 25 years, and for one with a net income of $25,000 the total would be almost $325,000.

While it has become harder to save adequate amounts, the need of savings has become greater due to the increase in cost of living and over a longer period the decline in the prevailing rate of interest. This makes even more important the wise investment of these precious savings.

I can understand many developments, even the action of the union members in the steel situation, considering the doctrine preached to them and the laws permitting such trouble-breeding labor monopolies. But, frankly, I find it difficult to justify the advice often given by bankers to their friends and customers regarding the investing of their savings.

I recently received a letter from a good friend who is a school teacher approaching retirement age. He had accumulated $10,000 and went to his banker for advice regarding the investment of his life savings. He was concerned over the loss in the value of the dollar over a period of years. He was anxious to obtain protection against this inflationary trend and the maximum yield he could without unreasonable risk of the principal. His banker suggested that the best thing for him to do was to invest all his savings in U. S. Government savings bonds.

Billions of dollars of U. S. savings bonds have been sold by bankers under the slogan, "The Safest Investment in All the World." Were the investors told the truth? $75 invested in U. S. savings bonds, series E, in 1942, have now matured with a dollar value of $100. No interest has been received on the investment, and the buying power of the matured bond is now substantially less than the buying power of the funds originally invested. In effect, the bond is worth less than what it cost, and there has been no income during the 10 years. How different would be the description of a bad investment?

The Bankers' Patriotic Duty

Some of you may say: "We had no choice. We were under pressure, and it was our patriotic duty to sell all the bonds we could to every person. And it still is." But let me ask: To whom is your greatest duty? Your local friend and customer — Mr. James, the owner of the Super Market, and Mrs. Jones, who operates the boarding house—or some group of policy makers in Washington when the latter are following unsound policies? Should the steel companies have accepted the unconstitutional order of the President seizing their properties and thus opening the way for such unlawful seizures of other properties whenever it was expedient, or fight back and help reestablish the principle of a government by law?

George Washington, whose wisdom played an important part in preparing the Constitution, showed the way for courageous men to follow. "If, to please the people [and we, may now add, the government] we offer what we ourselves disapprove, how can we afterwards defend our works? Let us raise a standard to which the wise and honest can repair."

The fact that during 1951 while new sales of all savings bonds totaled $3,961 million, redemptions totaled $5,651 million, and that during recent months new sales have been averaging about $345 million and redemptions $420 million, suggests that along with other influences many people are learning the truth. The savings bonds have a place in the average man's program. They are quite ideal for emergency reserves. But the government must change many of its policies before they can appropriately be described as "The Safest Investment in All the World."

I share with you a deep love for my country. I also want to help preserve its greatness for my children and generations yet unborn. In that spirit, I believe there is virtue in the following program that I recommend for your consideration:

(1) The gold standard had one great virtue in placing certain restraints upon the government. If fiscal policies impaired confidence, there was trouble and the government was usually forced to put its house in order. The automatic regulatory influence of the gold standard is gone, but the need of checks and balances is as great as ever. If the government wants investors to have confidence in its securities, shouldn't it be required to follow policies that will make its bonds the "safest investment in all the world"? Shouldn't you demand those policies before selling government securities to your customers under that slogan?

(2) More nations have been destroyed through unsound fiscal policies than by conquests of foreign armies. This is probably our greatest threat. You bankers as a group are our strongest bulwark against this creeping enemy. You should be courageous in opposing policies that are unsound. We have all been too willing to follow the Washington attitude that "Mother knows best," even when we have recognized error. If you can't actively oppose, then at least don't actively support policies and practices that are harmful.

(3) During recent months the government has become increasingly concerned over the moderate over-all letdown in business. It is only human to expect this may be influenced by the political interests of an election year. This has led to a cancellation of all instalment credit controls. It is expected that Regulation X will be revised soon. This is being done to make credit easier to obtain, to encourage you to be more liberal in your loaning policies. But may I suggest that you not relax your credit terms? We continue in a defense boom, and you probably render your greatest service in encouraging caution and a reduction in debt.

(4) Following the outbreak of the Korean War and the launching of our defense program, the government adopted a domestic policy that is fraught with great danger. The objective was to expand productive capacity so that we could concurrently produce all of the desired "guns and butter." The steel industry, for example, between mid-1950 and early 1953 will have increased its annual productive capacity by an amount in excess of the largest anticipated requirements for the defense program. Industry in general is expanding its capacity to where it will require concurrently a defense boom and a business boom to operate at a satisfactory level. Even among our Western Allies there is developing fear that greater confusion might come from peace or a curtailment of the defense program than from war. This situation calls for restraint have the courage to stand up and be counted. The time has come when we must give secondary consideration to doing what is expedient or immediately most profitable as against wielding our power and influence for what is right. Let's conduct ourselves so that all can sing with more hope and determination, "God Bless America."

We have drifted too long. Let's and encouragement of accounts to put their financial house in order.

L. Deschere Now With American Secs.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Lawrence Deschere has become associated with American Securities Corporation, 111 West Monroe Street. Mr. Deschere was formerly with Eastman, Dillon & Co. and Bache & Co.

With Mutual Fund Assoc.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Dwight Gray has become associated with Mutual Fund Associates, 127 Montgomery Street. He was formerly with First California Company and prior thereto was Mill Valley representative for Paul C. Rudolph & Co.

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Mrs. Pearl Vanatta and Ralph K. Wines, Jr., are now affiliated with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Rejoins F. C. Adams

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William V. Garland has rejoined Frederick C. Adams & Co., 30 Federal Street. Mr. Garland has recently been associated with J. Arthur Warner & Co.

Henry Hagelstein Co.

HARRISON, Ark. — Henry Hagelstein is engaging in the investment business from offices at 721 West Spring Avenue under the firm name of Henry Hagelstein Company.

E. J. Sampter Opens

BEVERLY HILLS, Calif.—Edmund J. Sampter is engaging in the securities business from offices at 312½ South Spalding Drive. Mr. Sampter was formerly for a number of years with Bingham, Walter & Hurry.

New Branch Office

DETROIT, Mich.—Baxter, Williams & Co. have opened a branch office in the Penobscot Building under the direction of Robert D. Savage. Mr. Savage was previously with Crouse & Company.

E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Fred J. Sullivan has been added to the staff of E. F. Hutton & Company, 160 Montgomery Street. He was previously with Davies & Co.

Curtis Lipton Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William H. Ogden has been added to the staff of Curtis Lipton Co., 338 South Western Avenue.

Joins Mitchum, Tully

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Roland Seidler, Jr., has joined the staff of Mitchum, Tully & Co., 650 South Spring Street.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Horace W. Smith, Jr., is now connected with Shearson, Hammill & Co., 520 South Grand Avenue.

Continued from first page

Will Ike Substitute Smiles for Issues?

the delegates' palaver even more than is usual confined to personalities in lieu of issues.

This issue soft-pedalling was already highlighted in the platform-constructing out here, particularly in dealing with economic matters. This is even more marked than it was in 1948, when these items occupied but small fractional proportions of the platforms of both parties. And the temporizing had less excuse for it this time in view of the narrowing down of the leading rival nomination candidates to be reconciled, to two individuals. In other words, this year the platform had to be only broad enough to fit two people, in lieu of a crowd of potential nominees. The skimping and temporizing of the platform are to a considerable extent due to Resolutions Committee Chairman Milliken's desire to forestall fruitless controversy, which he and his colleagues have been encountering in their Senate deliberations—controversy which is particularly unsatisfactory, because its interest is confined to such a numerically minor segment of the electorate. The party's stand on such hot potatoes as civil rights, Taft-Hartley, and farm-aid will affect voters in the millions, from whom a stand is demanded. On the other hand, gold and currency matters are *cold* potatoes which actively interest only the few, and can, it is assumed, be glossed over with platitude. Additionally, the taking of a stand on public power and trade barriers, although the desirable course is clear, are political poison in their offense to important interests.

Sins of Omission

Taxation is a typical sphere where the platform commits woeful omission. There is nothing included at all about the confiscation inflicted by the present rates, the principle of progressivism or the excess profits levy. Only the following four points: (1) Reduction of expenditure by the elimination of waste (not really ax meat); (2) Elimination of overlapping between the Federal Government and the States and municipalities—a pet of New Jersey's Walter Edge, which he had carried over from the 1948 platform; (3) revision and recodification of the present legal hodge-podge of laws (unobjectionable and not fundamental); (4) Reform of administration, eliminating corruption; and a three-word reference in the Small Business plank to "a cut in taxes."

In fact, many of the important issues of general concern, peculiarly enough were thrown into the "Small Business in a Free Economy" section; presumably in reliance on the sacrosanctity of small business to legitimize whatever may be included. Thus, the entire pressing question of price and other controls is confined to the single sentence: "We shall remove tax abuses and *injurious* (italics mine) price and wage controls." Criticism of anti-monopoly activities is limited to this catch-all small business section; and likewise the defense free enterprise is confined to this safe haven from the potential anti-business charges.

Chronic Double-Talk on Money

The new GOP instrument confines its entire advocacy of "monetary policies" to two items, the first-stated being a freeing of the Federal Reserve System from *political* pressuring (really a matter of mechanics), and the following statement on gold, arrived at after considerable intra-committee amending: "To restore a domestic economy, and to use our influence for a world economy, of such stability as well permit the realization of our aim of a dollar on a fully convertible gold basis."

On their mentioning "gold," this plank formally goes further than previous ones in opening the door.

The GOP's 1948 platform's reference (in its mere 127-word economics plank) to the currency confined itself to the mere statement that a "sound currency" (without even the Rooseveltian "at all hazards" addendum) is one of the measures for attacking inflation.

In 1944, the Republicans merely promised to "maintain the value of the American dollar" and to restore currency control to the Congress. The Democrats in 1948 said only that, "We shall curb the Republican inflation," and in 1944 confined this part of the platform to advocacy of properly reduced postwar taxation.

But, although the present plank appears to represent an advance, it really only represents clever platform-making including the appearance of an appropriately pious obeisance to gold, but with an accompanying safe proviso about prior putting-of-the-house-in-order. The assertion that the return to a gold convertible basis must be delayed until the arrival of a sound stable economy throughout the world puts the cart before the horse. Actually, the adoption of a gold-convertible currency is the first and surest step to usher in stability, and the medium of self-discipline for preserving it.

The prerequisites advanced seem to be merely attempted excuses for temporization. This seems particularly applicable to the theory advanced that there must be stability abroad before we can resume redemption here. In the words of Dr. Walter E. Spahr, Executive Vice-President of The Economists' National Committee on Monetary Policy: "The notion that we cannot resume until conditions are stable or proper abroad, is as indefensible as would be a contention that we cannot have constitutional government and morality here until they are established abroad."

Actually, when the ratio of a nation's gold stock to its non-gold money and deposits is adequate to support redeemability, the way to resume is simply to resume!

It is noteworthy that the steps required for the prescribed prior restoration of stability, such as reduction of trade barriers and the abolition of planning and controls, were not even deemed worthy of mention.

The tendency to regard currency matters as too-hot and not worthwhile to handle, is evidenced in the attitudes of the candidates. Even Senator Taft, here as well as in 1948, at the most, chose to manifest "a hankering" for gold. Candidate Stassen, it will be remembered, during the pre-Convention period vigorously advocated a return to a "modern" gold standard. ". . . The people should insist that the government keep the money anchored to something solid, and the best anchor for many centuries has been a gold anchor. . . . A gold standard for the money of a country requires a good standard for the government of a country," he wisely stated in an address at Willimantic, Jan. 26 last. But midst the political heat of Convention time, Mr. Stassen, too, cooled off on this nasty issue. In fact, he declined an invitation from the Resolutions Committee here a fortnight ago to appear before it in defense of his proposal.

Mr. Eisenhower must of course decide for himself whether he will "come clean" on the important issues. Apart from the public interest, he must prepare himself for at least some smoking-out by the Fair Deal standard-bearers. This is certain to include renewed haranguing, in popular terms, about the Republicans' so-called sabotaging of Hig-Cost-of-Living preventives.

In foreign policy Mr. Eisenhower and the Administration's candidate will be particularly "cousinly" (this prompting the conviction held by many observers here that President Truman, despite his phychological warfare rooting for Taft, really feared him more than Eisenhower as a prospective opponent. Hence clear definite argument will be particularly important on the domestic front, where any real differences between the nominees will exist.

In any event, Mr. Eisenhower must promptly make up his mind whether he "will talk" or just keep smiling.

Business Man's Bookshelf

Blueprint for Industry—Industrial Development Division, Ministry of Commerce, Northern Ireland — Magazine Section. British Information Services, 30 Rockefeller Plaza, New York 20, N. Y.—paper.

British Exports and Exchange Restrictions Abroad (June, 1952) — Swiss Bank Corporation, 99 Gresham Street, London, E. C. 2, England—paper.

Joins White, Noble

(Special to The Financial Chronicle)

GRAND RAPIDS, Mich.—Thomas Speake is with White, Noble & Company, Michigan Trust Building, members of the Detroit and Midwest Stock Exchanges.

J. G. Kinnard Adds

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Arthur R. Anderson is now affiliated with John G. Kinnard & Co., 133 South Seventh Street.

Renyx Field Adds

(Special to The Financial Chronicle)

DENVER, Colo.—Fred C. Head has been added to the staff of Renyx, Field & Co., Inc., 810 East Colfax Avenue.

Joins Waddell & Reed

(Special to The Financial Chronicle)

DENVER, Colo. — Marshall E. Becker has been added to the staff of Waddell & Reed, Inc., U. S. National Bank Building.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—That the delirium of Fair Deal commentators and columnists is fact, or that the left-wing has captured the Republican party and ousted the conservatives, is a proposition which the sober minds in this town will be a long time in accepting.

The happiness of the Fair Dealers is beyond bounds. The Truman Administration has for all its worth built up General Eisenhower. Its present reaction is not like that of a vast party of office-holders, all of whom know they are going to be bounced from their jobs because the opposition has selected an unbeatable presidential candidate.

* * *

Tip-off on how Mr. Truman really feels about the effectiveness of the Eisenhower candidacy will come when the Democratic national convention opens next Monday—or maybe sooner. Correct or otherwise, the smart boys here dope it out that Truman has not yet definitely given the mantle to Gov. Adlai Stevenson or anyone.

So far the President has kept things Democratic-wise in sufficient chaos to assure a deadlock. He may end the deadlock by helping to bestow the legacy of the nomination on one of the known candidates, or by allowing the deadlock to proceed to a point where only his candidacy can end it.

If the President feels that Eisenhower is unbeatable, the majority expect Vice-President Barkley to get the award of the nomination.

If the Democrats are to be removed from office by the unbeatable Eisenhower, then nothing would be more natural than that they should settle upon the elderly Barkley, who as a life-long professional, would work to hold the party organization together.

On the other hand, if Mr. Truman gives it to Stevenson or takes the "draft" himself when it is built up after a deadlock, then one can figure he actually thinks General Eisenhower is a push-over, regardless of what he said in public.

In this connection, incidentally, one outstanding Fair Dealer whose name is a by-word throughout the land, told a private group "off the record" that he regarded Taft as simply unbeatable in November, "but he will be beaten in the convention." This remark was made some three weeks before the convention.

* * *

The ecstasy of the left-wing crowd is that they have, in their phrase, "broken the Old Guard" of the Republican party.

Actually the General's victory was a compound of three things: (1) left-wing support; (2) a very heavy conservative support so that "we can win with" Eisenhower; and (3) finally, at the crucial stage, the brilliant convention strategy of Eisenhower's political brains, Gov. Tom Dewey, whose dislike of Taft is notorious.

As one wag put it, the salesmanship of putting across the idea that most of Taft's contests were "steals" and further, that traditional convention power politics should be abandoned "for fair play" so as to overcome the initial disadvantage of Eisenhower, is not without meaning.

Such salesmanship ought to be able to sell the Russians on giving over to NATO about 85 of their Army divisions in being, since NATO has only 12 inadequately organized and equipped divisions, in order that in the interests of fair play both sides should start even.

* * *

Until the return of General Eisenhower, many politicians regarded the General as possibly an able cynic. They founded this appraisal upon the fact that, talking under the protecting cloak of his military position in complete secrecy, the General managed to convince the most ardent lefties and the most vehement conservatives among the thousands who ended at SHAPE headquarters after government junkets, that he was severally just their man.

When the General returned and started talking, many changed their minds in this respect completely. They came to realize that the General was simply incurably sincere and well-meaning, but simply didn't understand much of the subject matter about which he talked. After the General began to look a little contradictory, Dewey got him put under wraps until the convention was over.

The General's generous and impulsive offer of friendship to Senator Taft did not look like Dewey to any one. It is pretty well accepted that after the 1948 convention, Taft offered his services to Dewey and was told he wasn't wanted. For that reason Mr. and Mrs. Taft took a trip to Europe.

* * *

As to such burning questions as these:

(1) How much has the Left taken over the Republican party?

(2) Is Eisenhower conservative, leftish, or middle of the road?

(3) Will there be real unity within the Republican party for the coming campaign?

Careful observers simply will suspend judgment until evidence, now almost wholly lacking, comes in.

Senator Taft appears willing to help the Eisenhower candidacy. But can that intention prevail if Senator Wayne Morse, an intellectual twin of Phil Murray, becomes the adviser of General Eisenhower on labor and social legislation?

Will Tom Dewey let Taft play a part in running and planning the campaign? From whom will Eisenhower draw his campaign ideas? Old Guard? The Saltonstalls, Ives, Morses, or Margaret Chase Smith?

So far as the General's personal campaign entourage is concerned, preliminary indications are that it will be heavily staffed if not dominated by Dewey men, a circumstance which will not augur for harmony with anti-Dewey elements of the party.

There still remains to be seen, however, what kind of men the General will select and listen to for advice on controversial issues of the day.

* * *

The things to bear in mind about the Patman report, with its not too oblique attack upon the Federal Reserve:

(1) The Patman committee is actually a subcommittee of the Congressional Joint Economic Committee. The JEC has no power to initiate legislation, and scarcely a one of its legislative recommendations as such has ever been passed. It is a super-duper study and propaganda committee.

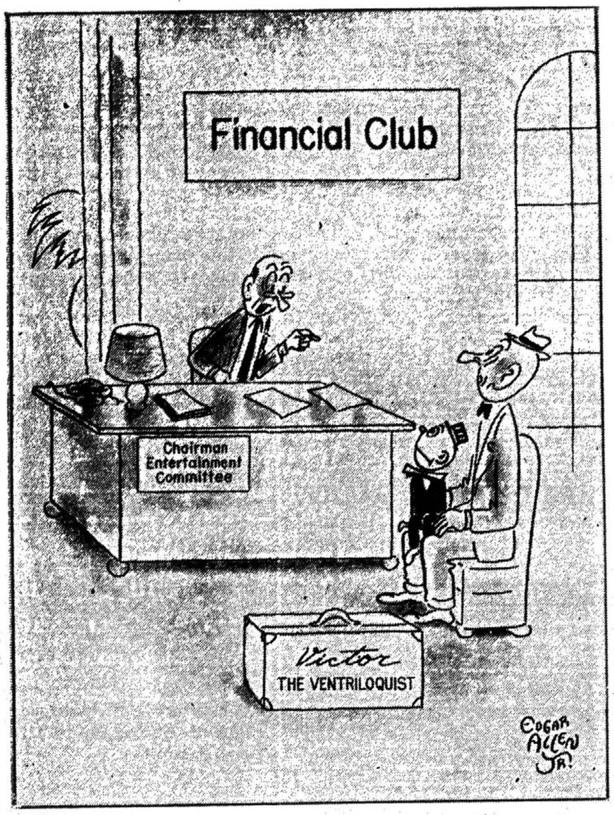
In fact, two members of the Patman subcommittee dissented from the main tenor of the report. These two were Senator Paul H. Douglas (D., Ill.), an almost but not just quite quantitative money and credit theorist, and Rep. Jesse P. Wolcott (R., Mich.) who is no quantity money crank but figures that it is politically smart to say that the Federal Reserve all by itself could have stopped inflation if Truman had let it.

So in the net the "Patman committee" report consists substantively only of the personal opinions of Representatives Wright Patman of Texas and Richard Bolling of Missouri, Democrats, and Senator Ralph E. Flanders, Republican of Vermont.

And the three disagree among themselves on important points.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ



"—But can't you offer someone else besides HIM as a reference?"

Elected Director

Maurice Meyer, Jr., has been elected a director of Daitch Crystal Dairies, Inc. Mr. Meyer is a partner of Hirsch & Co., New York City, members of the New York Stock Exchange.

With J. Arthur Warner

J. Arthur Warner & Co., Inc., 120 Broadway, New York City, announces that N. Sims Organ has become associated with the firm in its sales department.