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EDITORIAL

As We See It

Following the example of the master politician he succeeded in office, President Truman at intervals ever since his first inaugural has been trying (and not infrequently succeeding) to make capital out of guessing about the future. President Roosevelt was fond of "setting goals" from which the rank and file were supposed to get inspiration—and confidence in their leader. The fact that these goals were not always reached, or that they were but a sort of projection of the past into the future, did not appear to detract very much from their political effectiveness, as strange as that fact may seem. Perhaps such pseudo optimism was helpful as an offset to the earlier New Deal gloomy doctrines of a mature economy and the like.

But it would appear that President Truman now is undertaking to outdo both himself and his predecessor in making use of this technique of "talking big" about the future of this country. He has recently obtained liberal space in the press with a prediction that in 1960 we "can" have "a total annual output" of some $440 billion (dollars, that is, of 1952 purchasing power), which is, of course, about one hundred billion greater than at present. "We can do this," the President continues, "not by any ventures that would be strange to our economic or political institutions, but by conserving what is best in responsible free enterprise and responsible free government.

"Our free enterprise system has undergone a transformation in outlook within a generation. We have come to recognize that depressions are avoidable; that a steadily expanding economy is attainable; that investment opportunity and consumer markets can grow simultaneously through

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Prosperity Under the Democratic Party Regime

By HON. PAUL A. DEVER*
Governor of Massachusetts

In keynote speech at Democratic Party National Convention, Massachusetts Governor urges his party adhere to the New Deal and the Fair Deal programs. Has praise for current prosperity, which he claims was achieved under Democratic Party rule, and scores Republican Party platform as "antediluvian" and "the voice of the fossil." Advocates repeal of Taft-Hartley Act and characterizes Gen. Eisenhower as "untrained in the art of civil government."

It is with a sense of genuine humility that I assume the task of keynoter to this Democratic Convention.

A little more than a week ago, we listened long and carefully to our Republican friends from this very rostrum.

In vain we waited for a hopeful program for this challenging atomic age. We heard only the voice of the fossil.

Paul A. Dever

I emerged from the experience with one great consolation—the consolation that wise parents, an environment of struggle for survival, and my own choice led me into the Democratic Party.

For in the course of their Convention, our opponents brought forth in this building a shopworn declaration, conceived in malice, and dedicated to the proposition that all the great achievements of the last 20 years should be swept away.

They opened their proceedings on a note that "the present global struggle can be ended victoriously with lower taxes, fewer soldiers, and no Allies."

Our opponents next proceeded to the sordid business of accrediting delegates—of picking one set of shoestring

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*Keynote Address delivered by Gov. Dever at the Democratic Party National Convention, Chicago, Ill., July 21, 1952.

SEC Plans Study of Utilities Integration

By DONALD C. COOK*
Chairman, Securities and Exchange Commission

SEC Chairman calls attention to section of Public Utility Holding Company Act which requires SEC to make studies of regional integrations of operating companies. Reviews developments along these lines and says there is a wide field for improving various operating systems, either through acquisitions, exchange of properties, or contractual arrangements. Holds utilities are "big business," and can operate at lower costs than small independent concerns. Looks for progress in regional utility integration from SEC studies.

I want to speak today about that part of Section 30 of the Public Utility Holding Company Act which directs the Commission to make studies and investigations of public utility systems for the purpose of recommending in public reports the "type and size of geographically and economically integrated . . . systems which having regard for the nature and character of the locality served, can best promote and harmonize the interests of the public, the investors, and the consumer."

Donald C. Cook

Section 30 is the obverse of Section 11. Section 11 directed the Commission to reduce uneconomical holding company systems to integrated systems. Section 30, on the other hand, directs the Commission to report on how the utility facilities of our country may be more economically combined.

While the Commission to date has not had occasion to issue a comprehensive Section 30 study, labeled as such, it has in connection with the reorganization and simplification of holding companies taken up many questions which would

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*An address by Commissioner Cook before the Public Utility Executive Program, at the University of Michigan School of Business Administration, Ann Arbor, Mich., July 17, 1952.

PICTURES IN THIS ISSUE—Candid shots taken at the recent outing of the Security Traders Association of Los Angeles appear on pages 22 and 23.

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

Chrysler Corporation — George Garfield, Partner, Garfield & Co., New York City. (Page 2)

The Plastic Wire and Cable Corp. —Stephen J. Sanford, Manager, Investors Research Dept., Amott, Baker & Co., Inc., New York City. (Page 2)

GEORGE GARFIELD

Partner, Garfield & Co., New York City

Chrysler Corporation

Chrysler is the Johnny Come Lately among the Bigs in a world that revolves around its own axis, revolves about the Sun, and revolves on rubber tired wheels. Out of retirement the late almost legendary "Walter P." took an old Maxwell, waved his magic wand and out came the "floating power" Plymouth. From that seemingly inauspicious germ, in an industry which has a distinguished and fascinating cemetery of its own, there has grown a small industrial dynasty: "Chrysler." Overshadowed but by no means overwhelmed by the Gulliver of the field, General Motors, Chrysler has within 26 years grown to a point where it is, in the writer's humble opinion, "the" outstanding leverage issue among all the automotives.


George Garfield

The very contrast with General Motors invites analysis. General Motors' almost 87½ million shares versus Chrysler 8,700,000. Motors' close to three million preferreds against none for Chrysler. Motors' $6.88 per share in cash versus Chrysler's $22.46. Motors' $25 per share current assets versus Chrysler's $60. Both firms have about an even balance between cash and current liabilities. Productive capacity and sales capacity contrast in the auto field alone shows Chrysler off to a large edge. Motors has distinctly greater diversificational advantage. However, Chrysler is not without potential in its other-than-car lines, which are at present not impressive, i. e., proportionately.

Chrysler seems to be a most interesting admixture of conservatism in managemental policies and radicalism in mechanical policies. They have chalked up a glamorous list of "firsts." The cumulative effect of the rugged quality of their product plus the recently perceptible progressively hospitable attitude toward eye-values, is steadily gaining buyer loyalty and addiction. Such imponderable public acceptance factors do not always show up quickly on balance sheets. I have personally, out of sheer curiosity of a broker interested in the products of the companies whose securities we trade, chat-checked hundreds of cab drivers handling Plymouths, for example, and discovered an amazing unanimity of positive opinion. A "plug" of this kind would seem hardly cricket in a commentary upon a security; it is, however, totally disinterested, and though perhaps unconventional, to my mind arises out of the kind of inquiry I have oft found important in "understanding" a stock.

The liberal and inconstant dividend policy of the company, has, by that peculiar irony of investment rating philosophy which sanctifies certainty, redounded to the somewhat deprecatory classification of the stock. Had Chrysler, instead of paying out at one time $7.50, at another $9.75, at another $6.00, regularly paid $4.00 or $5.00, I should be tempted to hazard the guess that it would now be selling at a higher price. But the highly money sensitized mind which makes a fetish of regularity heavily penalizes all financial quixotries, regardless of what is behind them. In a nation which but little more than a decade ago had a gross business total of about $75 billion, and which as of the first quarter of 1952 has burgeoned to over (at the rate of) $339 billion, we must have a dynamic and not a static concept of evaluations.

The price fluctuations of this security have over a period of years been quite reasonable and, if you examine them, not at all temperamental, in contrast to General Motors. The dividend yields have been generous. Capitalized with but one issue, common, with no long-term debt, with increasingly strong trade position, with highly competent management, with plenty of brains and eyes that rove the future, with formidable capacity for war work, for peace work, with an established name that would accrue to the advantage of additional product were management policy to add diversificational items, I am of the opinion that Chrysler is still a growth company, and a security that contains a leverage factor for its common stockholders which has glamour plus conservative safety.

STEPHEN J. SANFORD

Manager, Investors Research Dept., Amott, Baker & Co., Incorporated, New York City

The Plastic Wire & Cable Corp.

The present high level of personal income taxes has placed a premium on capital gains. Therefore, analysts are constantly being asked to uncover overlooked market situations with reasonably good prospects of price appreciation over the coming months even though such stocks are not paying dividends currently.

The Plastic Wire & Cable Corp. appears to qualify as such a situation.

As companies go, this one is neither old nor large. As a matter of fact it came into existence as recently as 1943 at Jewett City, Conn.

An idle textile plant was acquired for a very reasonable figure. Under the impetus of war orders a good volume of business developed almost immediately, even though the margin of profit on this work was abnormally low.

At the end of the war the company found itself without adequate working capital. Consequently, in 1947, 49,500 shares of capital stock were sold to the public at $6 per share. While this underwriting solved the company's financial problems, it did not resolve certain differences of opinion that had cropped up within its own managerial ranks.

Finally, in 1949, the dissatisfied group withdrew from the company and profitable operations started a few months later. They have remained so ever since.

The company buys copper and chemicals and manufactures plastic-covered building wires and cables; radio, instrument, hookup and apparatus wires; lamp cords; flexible electric cords, cord sets, and wires and cables for special applications such as coaxial and broadcast cables. The field of cables for independent telephone companies has been left untouched largely because of copper shortages. Now that imports of foreign copper are permitted by this government, it is believed that the worst of the shortage of this metal is over.

Naturally, this company operates in a competitive field, but its products have met with such excellent reception that its customers compose an impressive list of "Tiffany" accounts including many well-known industrial giants such as General Electric, Westinghouse Electric, Remington Rand, Minneapolis-Honeywell Regulator, Servel, Bullard Company, Ford Motor Company, and Landers, Frary & Clark.

The company's fiscal year ends Sept. 30.

Sales rose from $2.9 million in 1950 to $6 million last year and net per share increased from $0.68 to $2.71.

A large part of this impressive increase was due to a sizable contract received from the Signal Corps. Plant capacity was inadequate to take care of this greater volume of business so that in May, 1951, the Reconstruction Finance Corporation furnished the funds for an addition. This loan was subsequently paid off.

Indications are that sales for the current year will rise still further to a new record high of approximately $9,000,000. This can be accomplished by running the production department 24 hours per day six days per week. Net should rise to about $345,000, or about $3.20 per share on the 108,667 shares of capital stock outstanding which represents the company's sole capitalization. Management and underwriters exercised options to purchase 9,167 shares of stock at $6 per share on July 1, 1952. There are no further options outstanding.

While present indications are that the work for the Signal Corps will not extend beyond 1953, the company is not dependent on such government contracts for its prosperity. As a matter of fact, profit margins are extremely low on such contracts and even these figures are subject to renegotiation. Thus, it would appear probable that the company could show substantial earnings on a civilian volume of around only $5,000,000.

The stock up to the present time has never paid a dividend. However, the improvement of the financial condition of the company has been so rapid in recent months that it is believed that directors will give serious consideration to formulating a dividend policy before the end of this year and possibly as soon as September.

Selling below book value, and at approximately only three times current annual earnings, and with an early prospect of dividends the capital stock appears to offer unusual prospects for price enhancement over the near term. It is therefore my favorite low-priced speculation at this time.

The Outlook for Government Bond Market and Interest Rates

By LEROY M. PISER*
Vice-President of Aubrey G. Lanston and Co., Inc.

Government Bond expert, on premise market will depend on course of business and Federal Reserve policy, looks for no large increase in government security holdings, nor large-scale support purchases. Cites probability of seasonally tight money market during balance of year, and supplying of bank reserves through borrowing.

In this talk I want to consider some of the more important factors that have influenced the Government security market in the recent past and that may influence it in the future. As far as the future is concerned, I shall not try to forecast a precise trend, because precise forecasts have a disconcerting habit of turning out to be wrong. Rather I shall try to present to you a range of possibilities, with this range narrowed as much as I can, and to call your attention to various factors that I believe you will find it helpful to watch over the coming months.

Leroy M. Piser

These include both the natural forces and the policies that are followed by the Treasury Department and by the Federal Reserve System. By natural forces I mean the direct influence that business conditions have on the market through their effect on savings and on the amount of loans and of new security issues that are available. Business conditions also influence the market indirectly by their effect on the policies that are followed by the Treasury and the Federal Reserve System. These are matters that are vital to all of us who are interested in the bond market.

Recent Market History

I should like to start the discussion by reviewing the recent history of the market. This is background with which you are no doubt familiar. My purpose in presenting this background to you is to point out certain developments that seem to me to be of the greatest significance. These include developments in the money market, in short-term securities, and in Federal Reserve policy. Perhaps some of you may feel that these are matters that should be of interest only to commercial bankers and not to a group whose principal function is the making of mortgage loans. These are matters, however, that are important to the bond market and to mortgage rates. They may also have an effect on the volume of mortgages that becomes available to you in the future.

The lowest point in the market, since the unpegging, was reached around the end of last year. Restricted Treasury bonds were in supply in the market, but the amounts offered were moderate. Between the end of August and the end of December, insurance companies and mutual savings banks sold about $200 million of restricted bonds. The offsetting purchases were about evenly divided between Treasury trust funds and various pension and retirement funds. These rather moderate offerings, however, dropped the price of the longest-term restricted bonds by two points between early September and mid-December. This was a rather rapid decline, but was accomplished in an orderly manner and with only a negligible scattering of purchases by the Federal Reserve. The market was virtually on its own.

During the last half of December, however, matters got a little out of hand. This was a period when the money market was extremely tight. Funds were drawn out of the market in large volume by a combination of factors. The Treasury bill rate went through the discount rate for the first time, and restricted bonds dropped another point. There were widespread rumors that the discount rate would be raised, and the Federal Reserve made no effort to scotch these rumors. The Federal Reserve did not intervene until prices had dropped sharply in pretty much of a vacuum. It seems to me that the lesson of this period is that Federal Reserve policy, at least at that time, was to leave both the money market and the Government security market substantially alone unless and until conditions were close to disorderly.

High Peak in May

Subsequently, the market turned and had a sustained rally that carried it to a peak early in May. This was a result of a number of factors. Sales of restricted bonds by life insurance companies and mutual savings banks continued, but the demand from pension and retirement funds seemed to be larger and more aggressive.

In addition business loans at weekly reporting member banks actually declined, after showing a large increase during the second half of 1951. This represented a slackening in the demand for loans rather than reduced willingness of banks to lend. It was only seasonal in nature, in fact, less than seasonal. The decline in itself, however, resulted in some uneasiness on the part of bankers that

*An address by Mr. Piser before the Michigan Savings and Loan League, Charlevoix, Michigan, July 22, 1952.

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Food Chains Forge Ahead

By IRA U. COBLEIGH

Author of "Expanding Your Income"

In this age of Superman, Supersonic speed and super carriers, a discussion of the chain reactions of supermarkets on the board, and the board rooms, of America seems not amiss.

As per capita incomes, especially in the lower brackets, have lifted steadily in America in the past decade, there has been a visible tendency for Joe Taxpayer to live "higher on the hog." Raises in pay have almost always been immediately reflected in higher family food outlay, and the selection and consumption of the choicer meats and viands. But, since the price of food (up 100% since 1941) has risen far faster than any other basic living costs, such as clothing, rent or electricity, the American housewife has become acutely price conscious, and has become a chronic food bargain hunter. And because supermarkets were born, and waxed great, by virtue of their ability to offer the lowest competitive retail prices, the chains which operate them are now doing roughly 42% of the retail grocery volume in the U. S.; and this percentage appears to be on the increase.

Ira U. Cobleigh

In 1941 the chains had 41% of the market but during the war, whether because of better incomes, making buyers less price conscious, or the means to afford deliveries, the extension of credit, more personalized service, nearness to customers (remember gas rationing) or because of a more flexible observance of rationing, local independent grocers and meat markets pushed the chains back to about 31% of the grocery gross in 1945.

Since 1946, however, the native advantages of the chains—central buying, often rubbing out the middleman, volume sales, all for cash, low labor costs, splendid locations with ample parking facilities, palatial supermarkets with fabulously wide selections of food and meat, plus, in some cases, ownership of baking and processing companies — all these factors have built for the chains new high levels of gross revenue, and a more incisive attack than ever on the independent grocer.

All this growth in volume has not, however, been uniformly translated into net earnings for the chains. 1950 was the top post-war year in per share net, for nearly every major company; but the imposition of Federal price controls and complicated regulations in 1951 loused up the stockholders take, by reducing net, industry-wide, about 24%. Least disturbed was First National Stores with a net 1951 decline (from 1950) of only 9%; and hardest hit was Safeway with a 48% dip.

Traditional Profit Margins in 1952

With the big chains, meat divisions supply about 27% of gross revenue; and it was red meat sales that dented 1951 earnings the most. Ceiling prices, and high wholesale meat costs eroded net revenues; and created a clamor in the trade for fairer OPS treatment, more like the Capehart Amendment for manufacturers which allowed price increases to offset higher costs. Well, apparently the protest was heard for price relaxations on a broad list of items have now been granted; and meanwhile nearly the whole range of meat prices has recently dipped below the OPS ceilings. Thus, 1952 should be more normal; and traditional profit margins seem likely to be restored. Not only that, but some chains have so broadened as to include high profit margin items usually found on drug store counters. They generally, however, draw the line at lipsticks, razor blades, small compacts, etc., because of the temptation these wares offer to the light-fingered.

Leading Companies

With this brisk historic background, we are now ready to look at some of the leading individual companies which operate the 15,200 supermarkets, with indicated 1952 sales of \$12.4 billion. These should give us plenty of food for thought!

Almost every trade seems to boast a Big Three. Well in food chains it's easy to pick those out: (1) **A & P** with 1951 sales of about \$3.4 billion, (2) **Safeway** with \$1.45 billion and (3) **Kroger** selling \$997 million last year. A & P with its common selling at 134 and paying a \$7 dividend is the premier equity in the business. Kroger has been a stable earner, while Safeway appears at the moment just a little vulnerable, falling 10c short in net earnings, of the \$2.40 dividend paid in 1951.

Down the line in point of size, **First National**, fifth in the industry, ranks in operating and sales efficiency among the best; and its stock appears to have attained considerable investment stature. It is the only major company with no senior security, capitalization consisting merely of shares of common boasting an uninterrupted dividend record going back to 1914. At around 39¾ FST paying \$2 yields 5%.

Grand Union has a progressive management, excellent growth record, fine labor relations, good leverage in its common, and unlike the rest, is selling on the Stock Exchange well below its 1951 high. Paying out less than 40% of net in cash indicates some prospect of further stock dividends in the future. Only this week, an additional king size Grand Union supermarket was announced for Paterson, New Jersey, thanks to an easing in building restrictions which handicapped chain growth, shortly after Korea. On the record, GUX selling currently at 31 and paying \$1 should not be neglected merely because, on a cash dividend basis, it yields a meager 3.2%.

The fourth largest chain, **American Stores**, with common currently quoted at 38 has increased its sales 400% over 1940. It runs, today, over 1,400 stores, principally in New Jersey and Pennsylvania, and is a classic example of the profitability of switching from small outlets to big supermarkets. More than half of its stores are now self-service. A strike in 1951 hammered down earnings to a meek \$3.88 on each of the 1,301,000 common shares in existence. 1952 projections suggest perhaps \$5 or more in net, and give substance to the thought that the present \$2 dividend may be hiked before snow flies. Selling at below 10 times 1951 earnings, ASC is scarcely to be described as an inflated equity. It belongs on any representative shopping list of food chain shares.

National Tea common, although quoted at about its all time high should not be snubbed for that reason. It is, with the probable exception of **Food Fair**, the fastest growing food chain outfit and at its present price of 26¾ yields 5.9%. \$4.6 million of bonds and \$12 million preferred provide substantial leverage for the 1,542,000 common shares. The 624 stores now operated in the Middle West, are the flowering of a policy of sloughing off small, feeble earning outlets and replacing them with bigger more profit-laden self-service units. A competent management here can definitely be said to have upgraded this enterprise.

Among the newer companies, and undoubtedly the fastest growing company in this industry, is **Food Fair Stores.** For its fiscal year ended April 26, 1952, this enterprise advanced from the 20th to the 18th largest food retailer with sales of \$260 million. 151 stores mostly supermarkets are operated in Pennsylvania (50), Maryland (19), New Jersey (42), New York (18), two in Delaware and one in Virginia. Per store sales are believed to be largest in the industry. For the eight weeks ended June 21, 1952 sales were 23% higher than for the same period last year and suggest some improvement over \$1.62 a share net earnings just reported. Common was split 4-for-1 in 1946. Policy has been conservative respecting cash dividends but from 1946, in each year except 1949, there were stock dividends. Food Fair common looks considerably better than a fair investment.

Some mention should surely be made of **Jewel Tea**, which handles its merchandising assignment along quite different lines. This company is the top direct-to-buyer distributor of groceries, having 2,089 home service routes spread over 42 of the 48 states. Its operations are rounded out by 157 self-service marts around Chicago; and it also does a lot of business with its 124-page Shopping Service Catalog listing some 800 non-food items including house furnishings. Dividends have been faithfully paid since 1928 and last year were \$3.50. At 68 the yield is 5%, and Jewel, next in altitude marketwise to A & P has been mentioned as a possible candidate for a split.

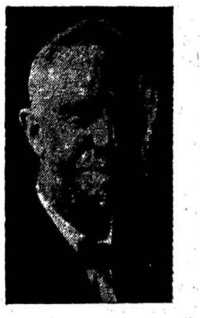
The current search for so-called "defensive" stocks has led some analysts to these food companies on the theory that grocery expenditures will continue, even under most adverse economic conditions; and these chains have proved their ability to earn so long as they have the sales volume. When the buying of minks and Cadillacs has subsided, people will still be eating with gusto, and buying an increasing percentage from the food chains. So you may want to get the complete facts about the chains I've rattled on about, above. They're definitely forging ahead.

Farm Possibilities

By ROGER W. BABSON

Noting that since 1880 population increase has far outstripped that of farm land, Mr. Babson warns regarding future food supply of U. S. Comments on long-range planning to increase acreage and output, and gives practical suggestions to farmers.

Although the present Real-Estate Boom is ending, I don't want my readers to sell "sustenance" farms held as insurance. When we gaze upon our bountiful dinner tables, it hardly seems possible that our grandchildren may have to face semi-starvation. In spite of the fact that the U. S. is rated the best-fed nation, there are signs of "starvation"; that is, certain diseases even now are due to a deterioration in our diet.



Roger W. Babson

Since 1880 the population of the U. S. has increased threefold —from about 50 million to about 155 million in 1951. Available crop land, on the other hand, has increased less than two and one-quarter times—from 188 million acres in 1880 to about 408 million acres in 1951. Furthermore, the net production of available crop land is both lagging the growth in population, and comparatively has been leveling off since 1920.

The increase in crop land from the late 1800's to its peak in the early 1930's came primarily from the release of grazing land for horses and mules. This source of increase in farm land, however, is passing out of existence. With the trend towards greater use of livestock and dairy products, more crop land will have to be used for raising cattle, sheep and poultry. This will further reduce available crop land.

Outlook for the Future Crop Land

Moreover, since 1930 long-range government planning has provided new sources of crop land. The draining of swampland, together with new irrigation projects, to reclaim desert wastes, has already added 38 million acres of crop land to our economy. Looking ahead another 25 years, 45 million more acres may be added.

Thus, in 1975 we should have a total of 500 million acres of crop land. At the present rate of population growth, however, many more millions of acres will be needed to feed our nation on present-day diet standards. This means that certain farm and pasture land may be the safest investment in which to have our money even if acreage prices decline.

The Role of Research

Fortunately, agricultural research has brought forth fertilizers, insecticides, improved farming machinery and techniques, such as crop rotation. This has enabled farm output to continue to rise even after the increase in available crop land has leveled off. Continuing research should do much to help reduce the anticipated deficit in crop land; and, in addition, it should make our available crop land even more valuable, especially in case of World War III.

Unfortunately, many farmers fail to realize that fertilizers and insecticides will not provide a solution to the problem. They are merely supplements, the same as vitamin tablets are only supplements to human diet. Despite improved fertilizers and insecticides, and despite improved agricultural techniques, the fertility of our crop land is declining, in some sections as much as 1% a year, or perhaps 15% in 20 years. Farmers have not been able to completely neutralize the damage caused by floods, soil erosion, and soil deterioration resulting from the abnormally high crop production during the past decade. The effect of this "mining" of crop land is a very serious factor.

Farmers Beware!

Here are some practical suggestions:

(1) Urge your children to stay in a farming community instead of settling in some city which will be bombed in World War III.

(2) Temper demands upon the soil and conserve what crop land you already have, and at the same time nurse the depleted soil back to normal. Our foreign aid program should point more to making other nations self-supporting as to food.

(3) It is important to cut our waste of food. The "Johnny-clean-your-plate" attitude must return to every household. This is a job for the parents; and it is just as important as the "Three R's."

(4) Don't sell good pasture or timber land to take a profit in paper dollars. Such land should further increase in value; while paper dollars and many bonds and stocks will become less valuable.

Robert F. de Coppet

Robert F. de Coppet, member of the New York Stock Exchange, passed away July 20 at the age of 43.

The State of Trade and Industry

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

A slight advance occurred the past week in total industrial output for the nation, following the vacation closings of the preceding week, but this was tempered by the effects of the growing shortage of steel which became more deeply felt.

Assembly lines in automobiles and many electric products plants were brought to a halt by the dearth of steel. As a consequence, total manufacturing output remained moderately less than that of a year before and about 10% under the all-time peak attained during World War II.

Industrial expansion which received United States assistance in the form of fast tax amortization allowances was completed to the tune of an estimated $9.5 billion by June 30, according to the Defense Production Administration. The above figure amounted to 54% of the dollar value of such government-assisted projects to that date, the foregoing source noted. However, the last official report by the D. P. A. was for the first quarter ended March 31, when about $8 billion of facilities was in place. This represented only 45% of the dollar value authorized. Shortages of construction materials, production equipment and machinery and bad weather were blamed by the agency for the delays in the program.

Deep gloom settled over the steel market this week as the industry found itself in the eighth week of strike without a ray of hope that it could be settled quickly, "The Iron Age," national metalworking weekly reports. Differences between the companies and the United Steelworkers were paper-thin. But the position of each was so deeply entrenched as to make consumers despair of relief from the stranglehold on their source of supply.

The strike issue is union security or union shop. Stripped to barest principle the industry and union positions shape up like this: The union wants compulsory union membership. The companies do not, this trade weekly notes.

For several years steel wage contracts have provided for union security with a "maintenance of membership" clause which allows a 15-day period when workers can get out of the union if they so desire. The union would like to eliminate this "escape" period. The companies say this would mean union membership forever, that it would perpetuate the union monopoly. Union membership now totals more than 90% of workers in major steel companies, "The Iron Age" points out.

Economic matters have been resolved at a cost of about 25¢ per hour per employee. So have prices, to the tune of $5.20 per ton. Still on this fine line of union security was based the longest and costliest strike in history. It was not until Monday afternoon when the Union Wage Policy Committee, despite a dramatic personal appearance plea by three industry leaders, voted to abolish all negotiated understandings with industry and revert to full WSB recommendations. Thus, the only visible means of restoring production continues to be the Taft-Hartley Law, which President Truman has made it rather apparent he doesn't intend to use, declares this trade journal.

If the White House decides to again seize some steel companies under provisions of the Selective Service Act it will be an indication that it has failed in its efforts to end the strike, this trade authority asserts.

The real motive of another seizure attempt is viewed as a means of taking the union off the hook. It will be recalled that one week after the strike started union chief Philip Murray and industry representatives pledged to reopen selected steel plants to produce military and atomic energy orders. This has not been done, although steel companies have repeated their offer, despite the sure knowledge that cost of such limited operation would be sky high, this trade magazine observes.

Consumers are getting ready for one of the worst steel scrambles in history when the strike ends. Even while the strike continues some manufacturers are scouting conversion possibilities. Their anxiety is evidenced by their willingness to snap up anything available. Other steel users are displaying equal ingenuity in keeping their plants operating. In order to piece out unbalanced inventories some companies are cutting stock to desired sizes. Some

Continued on page 31

THE PEOPLE'S CHOICE —In the U. S. and USSR

By A. WILFRED MAY

CHICAGO — Whatever annoyances one feels with a party convention, whether it be with its mechanics or final choice of nominee, it is indisputably *the* great American institution. Despite its appurtenances of klieg lights of the hippodrome, the professional cheerleaders with their cohorts of noise-making "mercenaries," the numerous TV antics, the grotesque oratorical bombast and other weird trappings, the proceedings do represent a basic, if imperfect, cog in our democratic process.

A. Wilfred May

Incidentally, it must not be forgotten that despite the politicians' delegate deals, and the hard-boiled ward politicking of the Hagues, Kelleys, Prendergasts, Deweys, and Arveys, they have always—with their ears attuned to the electorate's wishes—come through with worthy nominees, including FDR, HST, Ike, and Adlai(?).

Sitting here in Chicago, in the Convention arena, I frequently wonder what the Kremlin's reaction would be to some of the particularly bizarre incidents. But the real answer is that our seemingly helter-skelter voting system is indeed part and parcel of our over all "muddling-through" superiority over the monolithic state.

USSR's Single-Candidate Election System

Soon after my arrival in the Soviet Union last April, the Mayor of Moscow quite proudly reminded me that he had been elected unanimously and "without any of the corruption and other nonsense that goes on in the States."

But this single-candidacy, far from being the rule governing only the choice of municipal officers, is the basic gospel in all Russian "elections."

Here is the way this monolithic technique works out in establishing the Supreme Soviet once every four years—in February, 1946, 1950, 1954.

The single candidate in each district represents the so-called "Bloc of the Communist Party and the non-Partisans," the latter term, although technically comprising non-party members, being a fiction to give the illusion of the existence of an independent body of voters.

A few months before the date set for the "election" the Party's heads in Moscow, via the Central Committee's Election Commission, ask the local sectional committees for suggested nominees to be their representative, with second and third choices. With its deliberations conducted absolutely in secret (far from the land of Convention-TV) the Moscow Central Committee makes up an overall slate. It makes certain that in addition to, or instead of, the local representatives, the slate includes a number of prominent people, including the 13 Politburo members, 14 MVD and MGB police officials, collective-farm presidents, scientists, artists and writers. Thus a suggested local political veteran seeking to represent the Kirsanov district might well be "bumped" off the slate by a ballerina from Moscow's Bolshoi Theatre.

A few non-Communists ("enlightened" ones), as we have indicated, are added in for window-dressing. The number of Communist holders, however, is stepped minutely up from election to election, to prove the Party's "growing popularity," and they now comprise 77% of the Supreme Soviet's membership (versus but 5% of the population).

The Election Returns Are a Month Ahead

With the completion of this selection of the slate in Moscow, the "election" is to all intents and purposes a *fait accompli*. The Central Office sends out telegrams to all the districts, apprising them of the respective simon-pure candidate whom it has designated. Then a month is devoted to a feverish show of "campaigning" on behalf of the "candidate," with the aim of getting out an enthusiastic vote.

Issues are even scarcer than candidates in the Soviet Union. Our exhibitions of bitter warfare over civil rights, as well as the keynote speechifying and other castigations of the party in power, have no semblance of a counterpart in a state where the right and the effective policy are what the police state say they are.

Remarkable to Americans should be the *size* of the popular vote (that is, the dropping of the checked "secret(?)" ballot into an urn). In the Soviet Union 99.98% of the eligible voters cast their vote for "the" candidate. In Siberia, voting frequently entails a full day's journeying through the snow. (As a matter of fact he who doesn't vote in Moscow, will soon learn this at first hand in Siberia.) The United States, where 55% of the eligible voters stay at home rather than freely choose between issues and candidates, assuredly presents a sad contrast in scorning appreciation of democratic privileges.

In the case of the local Soviets, the system is similar. Candidate selection is directed by the local party officials, under effective supervision from Moscow.

The Politburo—Top Level Self Perpetuation

Even more authoritarian is the set-up of the intriguing ruling body of the Party, and hence of the country, namely, the all-powerful Politburo. Technically it is chosen by the Central Committee of the Communist Party. This Central Committee is by law supposed to be chosen by the Party Congress, at a meeting akin to our U. S. Conventions. But the last meeting was held 13 years ago, in 1939, so that this ruling body is strictly self-perpetuating. It is likely that a Party Congress will be deferred until Stalin's demise—if not longer.

Incidentally, Stalin's title is General Secretary of the Party; this "Gen. Sec." office being consistent with the traditional strategic position of power of the CP leaders, as Browder here and Thorez in France. In any event, it is impossible to imagine Stalin or any other candidate shaking a defeated opponent's hand, per Ike's recent post-nomination visit to Bob. Shooting is so much more apropos than hand-shaking!

NSTA Notes

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

The annual spring outing of the Security Traders Association of Los Angeles, held June 27-29 at the Hotel Del Coronado, was a great success, with 66 in attendance including Harry Arnold, Goldman, Sachs & Co., New York City; Phillip J. Clark, Amos C. Sudler & Co., Denver; and C. Arnold Taylor, Wm. P. Harper & Son & Co., Seattle.

Members and guests were entertained at a cocktail party given by the San Diego Gas & Electric Co., with E. D. Sherwin, President and Ray Cavell, secretary, hosts.

Pictures taken at the outing appear on pages 22 and 23.

NATIONAL SECURITY TRADERS ASSOCIATION

The National Security Traders Association Convention will leave New York and Chicago on the afternoon or evening of Oct. 18. The Convention Special trains will meet in Washington on Oct. 19. Members will leave Washington on the afternoon of Oct. 19 and arrive in Miami on the afternoon of Oct. 20. The Convention itself will run from Oct. 20 to Oct. 23 (four days).

On Oct. 24, the Convention will go to Havana by boat, returning to Miami on Oct. 27. It will leave for home and be back in New York and Chicago on Oct. 29. Those not desiring to make the Havana trip can leave Miami on Oct. 24 and be back at their respective offices the following day.

Economic Impact of Military Spending and Foreign Aid

By DR. MAX WINKLER*
Bernard, Winkler & Co.
Members of the New York Stock Exchange

After reviewing views and forecasts on the effects of heavy government "war spending" and the future impact on the economy of its curtailment, Dr. Winkler holds that "while huge defense orders may stimulate business activity, they create nothing of lasting value." Reveals waste in foreign aid program

"The United States is now so geared to a war economy that if an angel appeared from heaven and told the American people that they would have everlasting peace starting now, there would be an immediate financial panic."—Statement by former U. S. Presidential candidate.

Opinions and views such as the above were effectively contradicted by Henry J. Simonson, President of National Securities and Research Corporation, in a nationwide address broadcast over the Mutual Network on May 18, 1952. In an answer to the question whether, upon completion of the big governmental defense spending program, the United States would have a depression, Mr. Simonson said:

Dr. Max Winkler

"No—I don't think there will be a depression then, although a moderate decline in business seems likely. However, I feel that as military expenditures decline, there will be an increase in our expenditures for highways, schools and public buildings—also in foreign-aid spending and in the extension of foreign credits in an effort to help friendly foreign nations raise their standard of living and become more self-supporting through the development of American business techniques."

Similar views are held by A. Wilfred May of the "Commercial and Financial Chronicle," Professor J. K. Galbraith of Harvard, and other economists of repute. It is essential to lay emphasis on the thesis that the United States *can* enjoy a high level of business activity and economic well-being in time of peace, thereby depriving the Kremlin of its distressingly frequent reminder that "Wall Street" desires war in order to safeguard its profits. Hence Professor Galbraith's complaint that "the most damaging charge made against the United States in recent years is that we cannot afford real peace."

Stressing the fact that prosperity is possible after eliminating or reducing huge military expenditures, he points out that "In housing alone, there are enormous shortages to be made up. In the field of public enterprise, there are schools, roads, hospitals and slums requiring attention. Peace would not quell the ambitions of dam builders and land reclaimers—and the Missouri is still untamed. . . . for an endless period ahead, whatever resources we can spare, will be needed and wanted by the less fortunate masses of Asia, Africa, South America and Europe."

Dr. Lubin argues in a somewhat similar vein:

"We have good reason for confidence in our ability to meet the post-defense readjustment without serious or prolonged disturbance to our economy. The reduction in defense expenditures will be only a fraction of the cut that was made after World War II. This time the probable cut will range from $15 to $25 billion, related to a gross national product of about $350 billion. This compares with a $119 billion curtailment in spending related to a gross national product of about $275 billion. . . . If it should prove necessary, there are a variety of measures available to the government to counteract recessionary tendencies. One is to lower taxes. The possibilities of freeing purchasing power by tax reductions are very great."

There is considerable merit to the views expressed above. However, the chief difficulty stems from the fact that it is extremely hard to persuade legislators to vote huge appropriations for constructive projects at home, and especially abroad. On the other hand, it is relatively easy to frighten legislators into spending vast sums to guard against aggression, threatened or believed to be threatened by Moscow, or any other aggressor. To what extent education and constructive propaganda can bring about a change in this direction, cannot be stated with definiteness.

No one outside the circle of professional demagogues will regard war as constructive or look upon continued hostilities as beneficial to the country and the American people. While huge defense orders and armaments programs may stimulate business activity, they create nothing and produce nothing of lasting value. The high economic level is at best, of a transitory nature, and discontinuance or drastic curtailment of such expenditure is bound adversely to affect the nation's economy, unless it is in a position to replace nonconstructive spending with revenue-producing programs at home and abroad.

That America's foreign programs, political or economic, should encounter serious criticism or outright objection, is not surprising: When the Economic Cooperation Administration (ECA) was inaugurated early in 1948, its principal aim was to rebuild the economies of war-torn countries, check inflation, increase production and contain Communism. The extent to which some of American taxpayers' funds have gone into distinctly non-productive channels, is perhaps best evident from what has happened in Italy. According to "Economic Intelligence," official publication of the Chamber of Commerce of the United States:

". . . a good modern railway station, a mile long, has been built in Rome in which you could put Pennsylvania Station, Grand Central Station, and all the railroad stations of Chicago and have a few acres left over.

"In another town of 40,000, a railway station that would dwarf our stations in Albany, Rochester, and Syracuse, was built. On the Isle of Capri, a new luxurious hotel was erected, while many other older but perfectly suitable hotels are empty.

"On the outskirts of Milan, Rome and Naples are literally hundreds of new apartment houses that would put Park Avenue to shame. Since the average Italian cannot afford to live in these, they have become the source of considerable discontent among the populace."

With the above in mind, it may be of interest to examine the status of Italy as a whole: The economy of the country—and this is true of most of the Western World—is to a large degree, dependent upon American generosity which in turn stems from a desire on the part of Washington, desire on the part of Washington create alliances against the threat of Communism. The return on the vast amounts expended by U. S. taxpayers can hardly be regarded as commensurate. Since the country's liberation, almost $3½ billion have been given or "loaned" to Italy and the Italian people. Those responsible for the spending have endeavored to persuade the American people, who in the final analysis, supply the funds, that the policy is justified, because the money goes a long way toward saving the country from Communism.

The above sums are distributed as follows (in million dollars):

Allied Control Committee in Italy	376
Foreign Economic Administration	136
UN Relief & Rehabilitation (UNRRA)	500
Direct U. S. Aid	121
Interim Assistance	200
U. S. Loan, to purchase surplus supplies	178
Id., to purchase 123 cargo vessels	62
Export-Import Bank loan to Italian business	131
U. S. payment for Am. lire issue	312
European Recovery Program (ERP)—assigned	1,390

What has been the return on this vast expenditure which entailed considerable sacrifices by the U. S. taxpayer? The latest election results show that the pro-West, i.e. pro-U. S., Christian Democrats have lost 1,413,000 votes compared with 1948, while the Communists have gained 207,000. The advocates of past, present and future spending are trying to console themselves, and presumably the U. S. taxpayer, by stating that the Communist gain is "less than most people expected." An American observer on the scene, had this to say: "Had the Christian Democrats by themselves opposed the left-wing groups in the latest Italian elections, they would have lost almost everywhere. In Rome, and most other places in fact, it was the votes for the three small allied parties, added to those of the Christian Democrats that allowed the center parties to win, usually by a small margin."

Thus it is seen that in the case of Italy, American billions have neither accomplished impressive gains in the realm of economics, nor have they effectively eliminated the threat of Communism.

In other parts of the Western World into which American billions have flowed, the situation is not much more encouraging. In France, Frenchmen were paying for food in 1952 more than 26½ times the 1937 prices; in 1950, prices were almost 22¼ times higher. These figures may be somewhat misleading, because the value of the French franc has declined during the same period from 3.978c (U. S.) in 1937 to .286c in 1950 and .2857c in 1952. If these figures are taken into account, the advance in the cost of living is not quite so sharp as the above statistics suggest, but it is marked enough to cause alarm.

The French picture, on the whole, is not a pretty one; nor is it a healthy one. The principal reason: expenditure beyond the nation's capacity, aggravated by the war in Indo-China and the defense against Russian aggression in Europe. The former began late in 1946 as a revolt against all colonial empire in the Orient. Launched by the French as a "negligent and not carefully thought-out police operation," it now rages over a 1,000 mile front of jungle, forest and swamp, and has already cost France 18,000 men and close to a billion dollars. While the U. S. has apparently been willing to supply financial and material aid, so far, at least, no American soldiers have yet been sent. As to the future course, the following is of interest: The French statutes prohibit the sending of draftees and reserve officers to any overseas area in time of peace. Will the U. S., under these circumstances, dispatch her sons to where the French refuse to send theirs? To be sure, the loss of Indo-China would be a most serious blow to the Free World.

What most Americans are concerned with is the possibility that Indo-China might become another Greece. France, like Britain, might decide to drop the whole issue into the lap of the Americans as did the British in Greece. Whether this can be attempted successfully during a Presidential campaign, may be doubted.

France's problems are also those of many other members of the "Western" community. How should or could these be resolved? Huge military expenditures, gigantic budgets, currency manipulations, exchange restrictions, export and import quotas, are not the answer or the solution. They afford temporary relief, at best. Elimination or reduction of prevailing fear over a new holocaust is the only solution. Then, and only then, could capitalism achieve its objectives: trade in place of aid; and Point IV in place of war. This is a challenge which the Free World should be able to meet without another conflagration.

It is hoped and expected that the United States as the acknowledged leader of and spokesman for the Free World, may be able to meet this challenge.

However, in extending aid, it is fallacious to convey the idea that our actions are prompted primarily, nay exclusively, by our abhorrence of Communism and our consequent willingness to incur all sorts of expenditure to further our anti-Moscow campaigns. This, of course, will never stop recipients of American dollars from accepting them, but they would be far more impressed, if they felt that American aid and American foreign policy are dominated "not by armies, nor yet by economics, but by ideals of our heritage applied to the future." To act otherwise, is to invite the charge that our actions are, while perhaps strategically expedient, economically unsound, morally and ethically unwise, and politically undependable.

Through a change in our method of dealing with our less fortunate neighbors, we shall be able to restore to a sorely stricken world, peace and security, so vital to the creation of such economic prosperity, and the energy and industry of peoples everywhere, and, particularly, in the United States of America.

*An address by Dr. Winkler before the National Securities & Research Corporation, New York City, July 21, 1952.

LETTER TO THE EDITOR:

Republican Party Gold Plank Termed Unsatisfactory

Frederick G. Shull, of New Haven, Conn., holds it fails to fix price of gold at present value of $35 per ounce.

When The New York "Times" of July 6 carried a news report stating that there would be a plank in the Republican platform expressed in these words: "It (the Party) also advocates an early return to the gold standard domestically and internationally," it gave great encouragement to the thousands of people who have, for years, been trying to get our political leaders to pursue the wise move of restoring the currency of the U. S. to the honesty and integrity of the Gold Standard. But that "encouragement" was short-lived; for in the space of four days, for some reason difficult to understand, that July 6 version of a monetary plank had shrunk to the following meaningless monstrosity: the Party's merely undertaking to restore "such stability as will permit the realization of our aim of a dollar on a fully convertible gold basis"—a far cry from a return of this nation to a true gold standard.

Frederick G. Shull

This question seems an entirely reasonable one: Who was responsible for this sudden last-minute change from the earlier forthright monetary plank? If I were to hazard a guess, it would be somewhat as follows: There are strong gold-producing interests operating in Washington, under the high-sounding name "United States Gold Committee, Inc.," that have recently distributed a four-page printed circular calling for a rise in the official price of gold to $75 a fine ounce—meaning the dropping of the "value" of the dollar to 1/75th of an ounce, and amounting to a 53.3% further "devaluation" of the dollar. Incidentally, such a devaluation would rob all holders of government bonds, bank deposits, and life insurance benefits already paid for with current dollars, to the extent of about $270 billion—for the people now own on the order of $500 billion of those three classes of dollar-assets.

But to get back to my story, who was responsible for this sudden change in the Platform? Colorado being a gold-producing state, and the Chairman of the Republican Resolutions Committee being from that state, it could be that the interests of the comparatively few gold-producers were considered to be of greater importance than those of our 160 million people as a whole.

Anyway, if the Democrats overlook this opportunity, they will be unwise in the extreme; for they have a fine chance to gain many Republican votes by including an honest sound-money plank in their platform, reading somewhat as follows: **"We advocate the prompt return of the United States to the Gold Standard, with the value of the dollar firmly fixed at $35 a fine ounce of gold, and made redeemable, on demand, at that fixed value."**

Prominent Democrats have already been given this helpful suggestion in the interests of the American people; and it remains to be seen what they will do about it.

Very truly yours,
FREDERICK G. SHULL,
Chairman, Connecticut Gold Standard League,

July 20, 1952.

Kimball & Co. Formed

Joseph C. Kimball has formed Kimball & Co. with offices at 7 West 96th Street, New York City, to engage in the securities business.

From Washington Ahead of the News

By CARLISLE BARGERON

CHICAGO—For years the Democrats have been talking about how they have given expression and articulation to the underdog, the great mass of people who just went along day after day in their humdrum existence. The accomplishment with which they are prepared to go down in history and which their acts of corruption can't erase, they claim, is that they have made the masses feel good inside.


Carlisle Bargeron

But you can't escape the impression at this Convention that they have also done these things for the multi-millionaires, certainly a large group of them. Somehow or another, as I have pursued my studies, I never knew this was a neglected group. On many occasions my heart has gone out to the wife of the mill-worker doing her chores with a passel of barefoot kids hanging onto her apron strings. But it is a little startling to learn that I should have bestowed some of my pity on multi-millionaires who, it develops, have been about as lonesome and downtrodden as any other group of our citizenry.

It is heartening to see how the 20 years of the Deals—New and Fair—have lifted the spirits of such men as Averell Harriman, Bob Kerr, Senators Lehman of New York, Green of Rhode Island and Murray of Montana. It has filled a void within their beings, given them companionship and a purpose in life.

For some time I had been considering what made such men as these tick, why men of their wealth had become such workers in the vineyard fashioned by that conglomeration of Leftists, Pinkoes, labor leaders and, in some instances, Communists. A syndicated columnist friend of Harriman's explained recently what motivated Harriman. His tremendous affection for minorities, it was explained, his going all the way on racial issues—"civil rights"—was due to the fact that he is a member of a persecuted minority himself, that minority of multi-millionaires.

This explanation apparently applies also to the others who have become such bleeding hearts, whom we Conservatives have considered were leading us straight down the road to Socialism: Green, Lehman, Murray of Montana, Bob Kerr et al. They have been lonesome, it seems, ignored in the councils of their fellow men. In the sweating mobocracy of the Democrats they have found themselves.

To appreciate just what the last 20 years have meant to these fellows you have only to contemplate Kerr and Harriman as they mill gaily among the sweating crowds of paid teen-agers marching and chanting in their behalf; their happy countenances as they are jostled and pushed around and asked insulting questions by the press.

I had always thought that one of the prerequisites of great wealth would be to retire to a walled-in estate and tell the mob to go to hell. But it appears that these multi-millionaires have, in fact, been problem children in our society, excluded from playing with the rest of us, ignored and that their development has been retarded as a result, the same as a youngster who could never go to school.

The revolution has liberated these men, transformed them from introverts to extraverts. They are as happy as they can be when they are accepted by Phil Murray, when they can lock arms with the drivers of beer trucks and together sing the revolutionary songs.

When the Democrats shout about how they have lifted the dignity of the masses they should also tell about what they have done for these men.

It is really hard to describe the glow of happiness that comes over the two multi-millionaire Presidential candidates—Kerr and Harriman—as they march, the perspiration streaming down their faces, with the hired demonstrators which all the candidates employ. You get the impression that they are manual laborers at heart; that they figure the years they spent in the seclusion of their wealth were lost. It would have been much more fun had they all these years been working out on the car tracks in the blazing sun, shirtless and greasy and with a bucket of beer. Certainly they have been such manual laborers in their quest of the Presidency here.

My first picture of great wealth was that of the individual being protected from the herd by bodyguards and barricades. Not so with these men who have been liberated by the revolution. They have always wanted, it seems, to go to the ball game, munch peanuts and hurl imprecations at the umpire.

IBA Sponsors Movie: "Opportunity, U.S.A."

How the savings of the millions of American citizens are channelled into productive use by private industry and by state and local governments is dramatically portrayed in the new sound motion picture sponsored by the Investment Bankers Association of America, "Opportunity, U. S. A.," shown at a press review July 17. Joseph T. Johnson, The Milwaukee Company, Milwaukee, Wisconsin, President of the Investment Bankers Association, presented the film at the meeting which was arranged by the New York Group of the Association through the Group Chairman, Walter F. Blaine, Goldman, Sachs & Co. On the same day, preview screenings for the press were conducted by I. B. A. groups and member firms in leading cities throughout the country.


Joseph T. Johnson

Mr. Johnson pointed out that "Opportunity, U. S. A." 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.

"Keep in mind the audiences for which the picture is intended and try to see it through their eyes," Mr. Johnson suggested to the press representatives, "and I think you will agree that 'Opportunity, U. S. A.' clearly tells the story of our industry and its essential role in the economy, and should prove an effective educational tool."

This motion picture develops the saving-investing theme, and in narrative form sketches the role of the investment banker in that process. It shows how the savings of the nation provide more jobs and the constant flow of modern tools and services so essential to our steadily rising standard of living.

The viewer learns how he may share in the future growth of the country; how he may become part of American enterprise and receive dividends through the purchase of shares of stock; and how he may lend his savings and receive interest through the purchase of bonds.

Norman Smith, Merrill Lynch, Pierce, Fenner & Beane, New York, Chairman of the I. B. A. Education Committee, which is responsible for distribution of the movie, presided at the preview. In introducing President Johnson, he stated that "Opportunity, U. S. A." was initiated by President Johnson to round out the I. B. A. educational program and represents the Association's contribution to the growing number of films depicting the work of the financial community—motion pictures which are serving to reduce financial illiteracy and to improve public understanding of our economy.

"Opportunity, U. S. A." was produced for the Association by Wilding Picture Productions, Inc. Prints may be purchased by I. B. A. members and are also available to them on a loan basis through the 27 film exchanges of Modern Talking Picture Service, Inc., located in cities throughout the country. After Sept. 1, prints will be available through Modern Talking Picture Service for general circulation to adult groups, colleges and senior high schools.

Additional information about any phase of this film project may be obtained from Erwin W. Boehmler, Educational Director, Investment Bankers Association of America, 33 South Clark Street, Chicago 3, Illinois.

F. P. Breckinridge Joins Bear, Stearns

CHICAGO, Ill.—Frank Prevost Breckinridge has become associated with Bear, Stearns & Co., 135 South La Salle Street. Mr. Breckinridge has been President of his own investment advisory firm, Breckinridge and Company, for many years.

John C. Marshall Opens Office in Chicago

CHICAGO, Ill. — John C. Marshall has opened offices at 231 South La Salle Street to engage in the securities business. Mr. Marshall in the past was a partner in Kebbon, McCormick & Co.

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.

Base Metal Companies—Analysis with special reference to **Consolidated Mining & Smelting Co., International Nickel Co. of Canada, Ltd., Noranda Mines, Ltd.,** and **Golden Manitou Mines, Limited**—Ross, Knowles & Co., 330 Bay Street, Toronto 1, Ont., Canada.

Candidates for Stock Splits—Bulletin—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Foreign Investments in Japanese Securities—Detailed discussion of the law—Nomura Securities Co., Ltd., 1, 1-chome, Kabutocho, Nihonbashi, Chuo-ku, Tokyo, Japan.

Investment Guide—Monthly bulletin—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Leading Banks & Trust Companies of Northern New Jersey—Semi-annual study—Parker & Weissenborn, Incorporated, 24 Commerce Street, Newark 2, N. J.

Natural Gas—Analysis—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif. Also available is an analysis of the **Cement Industry** and of **Allis-Chalmers Manufacturing Co.**

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

New York City Bank Stocks—Comparative figures as of June 30, 1952—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

Oil Stocks—48-page issue of Value Line Ratings & Reports covering 42 Petroleum and Paper Industry stocks showing prospective earnings and dividends in relation to normal capitalization—Oil Stock Issue and four weekly editions of Ratings and Reports, Special Situations Recommendations, Supervised Account Report, two Fortnightly letters and four weekly supplements—$5.00 to new subscribers only—Dept. CF-6, Value Line Investment Survey, 5 East 44th Street, New York 17, N. Y.

Retail Food Field—Analysis in current issue of Trusts & Estates, 50 East 42nd Street, New York 17, N. Y.

Second Grade Stocks—Discussion—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

* * *

Allied Control Co.—Memorandum—DePasquale Co., 57 William Street, New York 5, N. Y. Also available is a memorandum on **Haskelite Manufacturing Corp.**

Anderson-Prichard Oil Corp.—Memorandum—White, Weld & Co., 40 Wall Street, New York 5, N. Y.

Chicago, Milwaukee, St. Paul & Pacific—Memorandum—Sincere & Co., 231 South La Salle Street, Chicago 4, Ill.

Drayer-Hanson Incorporated—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

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

Equitable Credit Corporation—Detailed circular—Equitable Credit Corporation, 112 State Street, Albany 7, N. Y.

Good Humor Co. of California—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

Gulf, Mobile & Ohio Railroad Co.—Brief analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y. Also available is a brief analysis of **Western Pacific Railroad Co.**

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

Kewanee Oil Co.—Memorandum—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Kuhlman Electric Co.—Memorandum—White, Noble & Company, Michigan Trust Building, Grand Rapids 2, Mich.

Massey-Harris Co.—Memorandum—Charles King & Co., 61 Broadway, New York 6, N. Y.

Morris Plan Corporation of America—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y. Also available is an analysis of **Radio Corporation of America.**

Oil Finance Corp.—Memorandum—West & Co., 26 Journal Square, Jersey City, N. J.

Phillips Petroleum Company—Analysis—Freehling, Meyerhoff & Co., 120 South La Salle Street, Chicago 3, Ill.

Plastic Wire and Cable Corp.—Analysis—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y.

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

Simmons Company—Analysis—Lober Brothers & Co., 30 Broad Street, New York 4, N. Y.

Struthers Wells—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Teleprompter Corporation—Analysis—L. H. Rothchild & Co., 52 Wall Street, New York 5, N. Y. Also available is an analysis of **West End Chemical Company.**

Texas Illinois Natural Gas Pipeline Co.—Detailed report—Langill & Co., 134 South La Salle Street, Chicago 3, Ill.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

The televised Convention proceedings of the Democratic Party out at Chicago are undoubtedly more interesting than the draggy performance of the Translux tape. Second in conversational importance is the weather and the guesses of what the air conditioning outfits are making out of the present heat wave. All in all it adds up to a so-what week with interest in market activities at a low ebb.

* * *

But if the stock market's fast asleep, or at least gives every such appearance, the fact remains that it is during just such markets that new long positions are acquired which may later turn to be profitable. This is not an invitation to jump in and hock the family jewels. I might add that I think you'll see lower prices before you see higher ones. However, nobody buys at the bottom, though everybody hopes it'll turn out that way. Buying, what is sometimes characterized as "good" buying, is accomplished on the dullness and usually on the way down. Such buying requires perception, independent action and guts, or if you like, intestinal fortitude.

* * *

I might point out that the same qualities are required to sell on the way up.

* * *

It doesn't take any great tape's active; or sell them because they're breaking and imagination to buy them because they're going up and the the rumors of doom are accepted as basic truths.

* * *

Once the Democratic Convention is out of the way and a Presidential candidate is chosen the mud will fly from all directions. That there'll be market repercussions is a f o r e g o n e conclusion. Basically, however, the party still in power will do everything it can to keep the economic train on the tracks. Pump priming of one sort or another will be stepped up. The chief danger is the slow strangulation of businesses dependent on steel production. How this will work out is still in the realm of guess work. The market refuses to give any specific clues; or it keeps saying there's little to worry about.

* * *

What to do in such a market poses a number of problems, of which patience is one. A few weeks ago I wrote in this space that averages would react to about 270 (they were then about 285), followed by dullness. The next move gave indications of going to about 300 or better. Nothing has happened since that was written to change the opinion. Getting aboard at the 270 figure in all stocks is obviously an impossibility. Better try for them within five points of that figure and then hold on.

[*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.*]

New Member of Council Of Economic Advisers

President appoints Prof. Robt. C. Turner to fill vacancy caused by resignation of Dr. Roy Blough.

President Truman on July 22 appointed Robert C. Turner, Professor of Business Administration at Indiana University, and a longtime associate of Presidential Assistant, John R. Steelman, as a member of the Council of Economic Advisers. Prof. Turner fills the vacancy caused by the resignation of Dr. Roy Blough, who becomes economic director for the United Nations.

Prof. Turner, who is 44 years old, in addition to teaching at Indiana University, has been serving as an economic adviser to Mr. Steelman in the latter's capacity as Acting Director of the Office of Defense Mobilization.

Stanley Pelz Opens Branch in Denver

DENVER, Colo.—Stanley Pelz & Co., Inc., of New York City, announced the opening of a new office at 1717 East Colfax Avenue under the management of Joseph W. Hicks. Mr. Hicks was formerly a partner in Shelley-Hicks & Co. and was an officer of Robert D. Bowers & Co.

The firm will maintain a private teletype wire between New York and Denver.

Edgar, Ricker to Distribute Fund

MILWAUKEE, Wis.—Announcement is made that Edgar, Ricker & Co., a wholly owned subsidiary of The Milwaukee Company, 207 East Michigan Street, is now the distributor for the Wisconsin Investment Company, a mutual fund

R. E. Evans Adds

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—E. M. Ernst has joined the staff of R. E. Evans & Co., 202 Broadway.

COMING EVENTS

In Investment Field

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 County 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. 20-23, 1952 (Miami, Fla.)
National Security Traders Association Convention at the Roney Plaza Hotel.

Oct. 24-27, 1952 (Havana, Cuba)
National Security Traders Association Convention tour.

Nov. 30-Dec. 5, 1952 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

R. Victor Reid With Eisele, King, Libaire

Eisele & King, Libaire, Stout & Co., 50 Broadway, New York City, members of the New York Stock Exchange, announce that R. Victor Reid is now associated with them in their unlisted trading department. Mr. Reid was formerly manager of the trading department for the New York office of York Affiliates, Inc.

Two with Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—S. G. Lippitt, Jr. and Hubert J. Quinn have become connected with Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchanges. Mr. Quinn was previously with Harris, Upham & Co.

J. M. Robinson Opens

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — John Moore Robinson has opened offices at 650 South Spring Street to engage in the investment business. Russell W. Brazelton and Jack W. Speer are associated with him.

Joins Eaton & Howard

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Louis Nicoud, Jr. has joined the staff of Eaton & Howard, Incorporated, 333 Montgomery Street. Mr. Nicoud was previously with J. Barth & Co.

Financing School Improvements Through "Special Authorities"

By DAVID M. ELLINWOOD*

Manager, Municipal Department, Moody's Investors Service

After reviewing history of devices by municipalities to exceed legal debt limits in financing school structures, Mr. Ellinwood sees no advantages from financial viewpoint in creating school improvement authorities having debt creating powers. Lists as disadvantages: (1) higher interest charges; and (2) higher financing costs. Opposes creation of tax-supported authorities on grounds: (1) they conceal true status of public debt; (2) they lead to excessive creation of debt; (3) they weaken general credit structure of local government; and (4) deny voters privilege of reviewing proposed capital expenditures.

School building authorities — here is something fairly new in school finance—at least, it is not generally well known. My assignment is to show you how, as if by magic, you can conjure up an "authority" through which you may obtain all the classroom space you need. I hope to show you how this is being done, but my parting advice will be: Don't do it. There are better ways.

David M. Ellinwood

The governmental authority was originated in England as an agency to administer the port facilities of London and the Thames estuary wherein a number of local governments as well as the Crown had interests. The idea was first used in this country when New Jersey and New York, by joint action, created the Port of New York Authority to act in matters of common interest which could not be performed by either state acting alone. Political boundaries and economic areas do not always coincide. The authority has been found to be an efficient means of conducting certain limited governmental functions, and occasionally proprietary activities as well, which cannot be performed within the existing framework of government. A little later, we will see how the original governmental principles involved in the authority have come to be distorted to the point of financing school buildings.

By way of a further preamble, it is necessary to recall that, in most of our states, the borrowing powers of local government are limited by law. Thus in California, a school system may borrow up to 5% of the assessed valuation (legally one-half of full market values) for elementary schools, 5% for high school purposes, and 5% for junior college purposes. In New York, a school district may borrow up to 10% of valuations as equalized by the State Tax Commission; in theory, equalized values are full market values. Until recent changes in provisions, schools in Connecticut were required to share with sewers, streets and all other municipal purposes in an over-all, all inclusive 5% limit. In Indiana, schools are limited to 2%.

Let us not forget that debt limits came into being to protect taxpayers from themselves, during those moments when enthusiasm outstrips caution, and from ambitious officials. A century or so ago, debt limits were deemed necessary so that abuses, which had occurred, could never happen again. It is now commonly possible for the governing body of a municipality to incur debt of the municipality to a very small extent. Debt commonly may be incurred to a greater, but still limited extent, subject to referendum.

Devices for Exceeding Debt Limits

Chapter one in the history of financing school structures outside the debt limit began, according to available evidence, in Kentucky about 1912 and came into common use in that state in the 1920s. Kentucky limits school districts to a debt of 2% of valuations which were themselves very low on a per capita or a per pupil basis. Moreover, a referendum is required and the temper of the taxpayers commonly is such that approval of bonds and the taxes to retire them is difficult to obtain. As a consequence, school people in Kentucky developed the device of creating a school building corporation or holding company which sold its bonds and built the school structure. This was leased to the Board of Education at a rental sufficient to pay interest and amortize the debt of the holding company. But the Kentucky courts would not allow the Board of Education to enter into a long term lease; to do so would create a debt in violation of the debt limit. On the other hand, if the lease period was only one year, the courts considered the rental obligation as a current expense. The explanation for this distinction is not significant to our present study. The purchasers of the long term bonds of the holding company were required to rely on the moral obligation of succeeding Boards of Education to renew the lease from year to year on terms adequate to maintain the bonds in good standing. The bonds were secured by mortgage on the school building. Threat of foreclosure may have coerced school boards on occasion, but as a general rule, investors placed little reliance on this security factor.

In the mid 1930s, some question arose as to whether holding company bonds were tax-exempt. Also, the PWA was reluctant to enter into loan and grant arrangements except with a bona fide political subdivision; the holding company did not clearly qualify. Kentucky got around both of these obstacles by a special Act of the Legislature which authorized cities and counties to issue, without referendum, school revenue bonds. These are not chargeable against the debt limit of the civil jurisdiction or that of the school district. Like the holding company bonds, they are used to build a school facility which is leased on a year-to-year basis to the school district. They differ from holding company bonds in that they are not secured by mortgage on the premises.

During the past 25 years, the largest part of all school construction in Kentucky has been financed by holding company bonds, or by the rental revenue bonds of cities and counties. The actual payment record of these bonds in Kentucky has been just about as good as that of the unlimited tax, direct obligation bonds of cities and school districts, and greatly superior to the payment record of the limited tax debts of Kentucky counties. However, the nature of the holding company or rental revenue obligation is such that the bonds hold little attraction to investors generally. Their market is confined pretty much to their own immediate area with the consequence that interest costs are believed unnecessarily high.

For Chapter Two in the history of school building authorities, we turn to Pennsylvania. Here governmental needs have not been as acute as has been the case in Kentucky, but the legal background has been roughly similar. Incorporated municipalities and school districts in Pennsylvania (except the City of Philadelphia and its school district) may incur indebtedness without referendum in an amount not exceeding 2% of the tax base, plus an additional 5% if the electorate approves. This produces a total debt limit of 7% for the civil jurisdiction and another 7% for the school system.

In most states, debt incurred in connection with the acquisition, construction, development, extension or improvement of a water supply and distribution system is excluded from the debt limit of a municipality. Not so in Pennsylvania, except as the debt is proven, to the satisfaction of the District Court, to have been actually self-sustaining within the years immediately prior to the judicial review. Thus, a city may be able to have existing water debt placed outside its debt limit, but it can incur new debt for water purposes only within its debt limit. This is one of the reasons why, until recent years, relatively few municipalities in Pennsylvania owned their utilities.

To enable its municipalities to finance for utility purposes without regard for legal debt limits, the Legislature in 1935 authorized the creation of municipal authorities, so-called. These may be created by resolution or ordinance of any city, borough, township, county, or combination, and may be authorized by their incorporators to engage in a wide variety of revenue-producing enterprises. No referendum is necessary. Authority bonds are payable solely from the earnings of the authority; they are not charged against the debt limit of the sponsoring government. The debt-incurring powers of an authority are limited only by its ability to find buyers for its bonds.

Frequently, municipal authorities are created as actual operating entities, engaging in the conduct of a water utility operation, for example, virtually independent of the municipal government which created it. It was not long before the legal ability of an authority to sell bonds, without referendum and outside the debt limit, was used to finance improvements but not to operate them. Thus there came into being in Pennsylvania the lease-back device. For example, the City of Bethlehem, then owning its waterworks system, but unable to borrow for its enlargement, transferred title outright to the authority which promptly sold authority bonds for extensive improvements, leasing the enlarged utility back to the city to operate. Rentals paid by the city, out of earnings of the water department, take care of principal and interest requirements on the bonds issued by the authority.

Under the same legal background, municipal authorities may be authorized to construct public school buildings and to lease these structures to school systems. The school districts enter into long leases for the school buildings, leases running at least as long as the life of the authority bonds. On the surface, Pennsylvania is more advanced than Kentucky where, you will recall, leases are on a year-to-year basis. The right of school districts to enter into such long-term leases has been upheld by the Pennsylvania State Supreme Court, which found that such an arrangement does not create a debt of the school district. The legal reasoning involved defies comprehension by the lay mind, but is derived from the premise that tax revenues and other funds available for current expenses, from which lease rentals are payable, are somehow different from taxes levied for the payment of debt.

Pennsylvania has not been content merely to allow school financing outside the debt limit. Actually, it is fostering school construction by authorities. In addition to regular state aid allowances for teachers' salaries, transportation, etc., an extra state subsidy may be granted to assist a school district in meeting lease rental payments to an authority. To qualify for this extra subsidy, of course, the building must meet state requirements and the whole plan of financing requires State Board of Education approval. The amount of the subsidy is determined by formula, which takes a number of factors into acount. In my experience, the subsidy has ranged from as low as 10% to as high as 50% of the rental obligation.

The stated reason for turning to authorities in Pennsylvania, as in Kentucky, is the belief that in instances where valuations are low, a district may be unable to build an adequate school plant within its legally available borrowing power. The appeal of the extra subsidy, however, has impelled a number of wealthy districts to turn to the authority despite room

Continued on page 37

*A paper read before the Municipal Finance Officers Association of the United States and Canada, Boston, Mass., June 17, 1952.

The "Odd Lot" Securities Business

By HOWARD C. SMITH*

Partner, De Coppet & Doremus
Members, New York Stock Exchange

Mr. Smith, after reviewing history of executing "odd lot" transactions in securities, describes present-day system under which odd lot orders to buy or sell stocks are carried out on floor of the New York Stock Exchange. Points out Stock Exchange members specializing in "odd lots" are dealers and not brokers, and must operate in a special way, as well as maintaining personnel and equipment for the business.

At the outset, I shall ask you to bear in mind one thing. We are not brokers as the word is generally used. We are principals, or in the common phraseology, we are odd lot dealers.

If you go into your brokerage office, give them an order to buy 100 shares of any stock, that order eventually finds its way to the floor of the Stock Exchange where the partner or representative of your brokerage firm receives it. He goes to the post where that stock is traded and executes your order for which you are charged a fixed commission. This is not at all the manner in which an odd lot order is handled as you will see later.

History of "Odd Lot" Business

Now, a word about the history of the odd lot system. In the early days, all transactions on the Exchange were affected in what was known as the "call market." The presiding officer of the Exchange called one stock and all members interested or holding orders in the stock would gather around to execute as many orders as possible. When they were finished, the presiding officer called the next stock and so on down the line. There was no unit of trading as we have today and there was no odd lot system. Orders for any number of shares were executed.

After some time, the auction market procedure was adopted; that is, there was trading in all stocks simultaneously. There was, however, still no separation of the odd lot orders. There gradually developed a system corresponding somewhat to present-day over-the-counter market by which odd lots were executed in the offices of member firms. Prices for odd lots were the result of negotiation and they were not directly tied to the round lot sales.

Gradually a few members decided that odd lots could be handled more effectively on the floor of the Exchange and so a few of these people moved down to the floor and began specializing so to speak in odd lots. Prices were still determined by negotiation. As volume and activity grew, the present-day odd lot system evolved. The important feature of this system is that odd lot prices are directly tied to round lot prices.

Present-Day "Odd Lot" System

There are presently two large odd lot firms who do the bulk of the odd lot business and they are not engaged in any other branch of the business. They have no dealings with the public. They deal only with stock exchange firms.

I think it will help if we trace an odd lot order from its inception to its execution. Let us assume that one of you gentlemen lives in Chicago and you want to buy 50 shares of Steel at the market. You visit your brokerage office, Jones & Co., and talk with that person who handles your account and give him an order to buy 50 shares of Steel at the market. He will turn this order over to his order room or wire room. The order is transmitted to that firm's New York office, or in case they do not have such an office, to their correspondent in New York. From the wire room in the New York office, this order is telephoned by direct wire to the firm's telephone clerk on the floor of the Stock Exchange. Let us assume that your brokerage firm is doing its odd lot business with my firm, De Coppet & Doremus. The telephone clerk has in front of him printed order pads for both buy and sell. In this example which we are using, he writes on his buy pad 50 shares Steel at the market. This order is dropped at the nearest pneumatic tube station where an employee of the Exchange puts it in the carrier, inserts it in the proper tube which delivers it to the post where Steel is traded.

Here another employee of the Exchange takes the order from the carrier and by means of an electric clock stamps the time of arrival at the post. This is an extremely important item. This same attendant puts this order on a metal hook at the front of the post which is reserved for De Coppet & Doremus, odd lot broker at that position.

You can see through how many hands this order has already passed before it reaches the odd lot broker. Up to this point, we, the odd lot firm, have had no responsibility whatsoever. It also is apparent that in any one of these steps a delay may occur.

Now then, I will explain briefly our organization on the floor of the Exchange. We have approximately 42 odd lot brokers. These men are all members of the New York Stock Exchange. They are not, however, partners in the firm of De Coppet & Doremus. Their entire time is devoted to the handling of odd lot orders and certain offsetting transactions in round lots. They are not permitted to engage in any other activity. They are paid a fixed commission and have no interest in the profits or losses of the firm. Generally speaking, there are two brokers at each post on the floor and each broker handles roughly one-half of the stocks traded at that post.

Now, to return to our order to buy 50 shares of Steel at the market, which we saw had been placed on the odd lot broker's hook at the post. Our broker who is stationed there takes this order from the hook and sees that it is a market order in Steel. This order is entitled to an execution on the next round lot sale which takes place after this order has reached the post. Let us assume that the next round lot transaction of Steel takes place at 41. Our broker takes another printed form called a "report" and addresses it to your brokerage firm's booth on the floor of the Exchange. This report says that De Coppet & Doremus sold to Jones & Co. 50 shares of Steel at 41¼; this being the price of the round lot sale plus the odd lot differential of ¼. Had your order been to sell 50 shares of Steel at the market, your report would have said that De Coppet & Doremus bought from Jones & Co. 50 shares of Steel at 40¾; this being obviously the price of the round lot sale less the odd lot differential of ¼.

The Price Differential

A word about the differential—as I pointed out earlier, the odd lot dealer charges no commission. His primary source of profit is this odd lot differential. For many years this had been ⅛ on all stocks. As of Aug. 1, 1951, the differential was changed so that now on all stocks selling at 40 or more a share, the differential is ¼. It remains at ⅛ on all stocks selling below 40. This change was brought about by increased costs of operation all along the line the same as all commission firms have experienced. There have been several increases in commissions in recent years but there had been no change in the odd lot differential in about 19 years.

Your order as we have seen has now been executed and a report sent from the odd lot firm to Jones & Co.'s telephone clerk on the floor of the Exchange. This report now re-traces its course as described in the entering of the order so if you have stayed in your brokerage office in Chicago, you may have the report back in a matter of minutes.

Now you have seen how many possibilities there are for delays in the handling of your order before it becomes our responsibility. You may have watched several sales of Steel take place after you entered your order. When your report arrives saying that you bought 50 shares of Steel at 41¼, you may think that it should have been executed on a previous sale of 40¾. You will ask your brokerage firm to check the price of this. He will go over the wire to his New York office or his correspondent who in turn will call the odd lot firm giving all the details of the order.

Let me digress for a moment to explain our order room. One of the principal activities of this order room is the recording of every round lot sale in every stock (except those at post 30) and the minute at which the sale took place. We have in this order room a series of tables at which are seated girls who are known as range table operators. Each girl is assigned two books; that is, she has lists of all stocks handled by two of our odd lot brokers on the floor. Right beside her is a ticker and the tape passes across her table by means of an electric puller which maintains a uniform speed. This ticker tape passes through an automatic electric clock which stamps every minute. The girl's job is to write down on printed forms every sale of each of her stocks and the minute at which it took place. You will see from this that at the end of the day, we have a complete record of every round lot sale in every stock and the minute the sale occurs. Incidentally, these are the only such records made. The Stock Exchange does not list such things.

Let us return to your request that the price of your order be checked. We will look at the back of your order and see exactly when it reached the post which, as I said before, is the point where our responsibility begins. We will then check the sales which took place at approximately that time from the above mentioned sales sheets. Usually it is quite simple to determine on what round lot sale your order should have been executed. To be sure, there are times when it is difficult to determine with exactitude just which is the proper sale, bearing in mind, the chances for delay. If it appears that your order should have gone on the 40¾ sale, we will make the correction and send you a new report. If the execution at 41¼ appears to be correct, we will tell you so and give you proper sales information.

The Reporting System

At this point, let me say a word about the reporting system on the floor. The Exchange has employees stationed at all posts who are called reporters. It is the obligation of the seller of a round lot to see that the reporter is notified of each sale. The reporter writes this on a slip of paper which is sent up to the fifth floor where the ticker tape itself is made. As you saw from your visit to the Exchange, this main or master tape is made from three component parts which operate in rotation. Here again, I believe you would see possibility of delay in the reporting of the round lot sale. You will also see that there can be no uniform elapse of time between the actual sale on the floor of the Exchange and the appearance of that sale on the ticker tape.

Each of our odd lot brokers has a booth adjacent to the post where he is stationed. He also has a telephone clerk to assist him. This clerk keeps what we call a bible in which are filed all buy and sell orders in his stocks which are away from the current market. The broker at the post as he pulls the various orders from his hook will sort out those not likely to be executed in the near future and send them in to his clerk for filing. This clerk is connected by direct telephone wire to one of the aforementioned range table girls so that he has immediately available all sales information regarding his stocks. It is quite easy for the broker to miss a round lot sale in an inactive stock. There may well be an extended period of time between sales in some dull stocks. As a protection against missing such a sale, the clerk will tell his range table girl to notify him of the next sale in a particular stock or perhaps he will request all sales.

Completing the Transaction

So much for the handling and executing of your order. There remains, of course, the completion of the transaction. If you have bought 50 shares of Steel, we must deliver this to your broker and pick up his check in payment. If you have sold it, we must pick up the stock from your broker and deliver our check. As a matter of fact, with thousands of transactions daily, this is all done in a rather simple way. At the end of the day, your brokerage firm submits a list of transactions which is compared with our own list. Any necessary corrections or adjustments are made. Usually one settlement check is exchanged; this, representing the net amount of money due.

Present-day odd lot system has been in existence for a number of years without any major changes. To be sure, we are constantly making refinements in order to speed and simplify the procedures. It takes a sizable clerical force to handle even present-day modest volume.

I dare say you have been wondering what the odd lot broker does about his positions. As emphasized before, we are principals in every transaction so that in executing your odd lot orders, we are both buying and selling at all times. Some of the buy and sell orders naturally will pair off but we are always left with a net position long or short. We must offset these positions by buying or selling round lots. Each broker is allowed a long or short position of a fixed amount in each stock. As soon as his position reaches the limit, he must either buy or sell 100's to stay within his limit. We have several partners of the firm who are on the floor of the Exchange at all times. It is their responsibility to supervise these positions and they have power to act as their judgment dictates. To a marked degree, the success of the whole operation depends upon their judgment. I may say at this point that our positions in the various stocks are always the result of the action of the odd lot orders. In other words, we do not attempt to guess the market and buy or sell round lots arbitrarily.

*An address by Mr. Smith before the Second Annual Forum on the "Economics of the American Securities Business," sponsored by the Association of Stock Exchange Firms, Investment Bankers Association of America, National Association of Securities Dealers, the N. Y. Stock Exchange and the Curb Exchange, at New York University, New York, July 15, 1952.

Harriman, Ripley Group Offer Deere & Co. Debs.

Harriman Ripley & Co. Inc. and associates yesterday (July 23) offered $50,000,000 Deere & Co. 25 year 3⅛% debentures, due July 1, 1977, at 99% and accrued interest.

A sinking fund has been set up sufficient to retire 75% of the debentures prior to maturity. Sinking fund redemptions may be made at par, while optional redemptions may be made at receding prices from 102% to par.

Deere & Co. and its subsidiaries are engaged principally in the manufacture and distribution of agricultural implements and farm tractors. The agricultural implements consist of tillage tools, seeding machinery, harvesting machinery, soil improvement tools, portable elevators, grinding and roughage mills, and other incidental equipment required for farm operations.

Proceeds aggregating about $69,700,000 from the sale of the debentures and from the sale last week of 691,276 shares of $10 par value common stock will be used to repay short-term bank loans, to build, equip and provide initial working capital for a new chemical plant for the production of nitrogen fertilizer materials, and more than $15,000,000 will be added to the general funds of the company.

With Daniel Reeves Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Mark W. Kosterman has been added to the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges. He was previously with Jackson-Anderson, Incorporated and Shearson, Hammill & Co.

Patrick J. Sheedy Joins Conrad, Bruce & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Patrick H. Sheedy has become associated with Conrad, Bruce & Co. of Los Angeles, 530 West Sixth Street. Mr. Sheedy was formerly head of the trading department for Edgerton, Wykoff & Co. and prior thereto was with Dean Witter & Co.

Franklin, Stettner Co.

Franklin, Stettner & Co. has been formed with offices at 1440 Broadway, New York City, to engage in a securities business. Partners are Donald R. L. Franklin, Max H. Stettner, and William M. Landau.

Gardner & Co. in N. Y. C.

Gardner and Company is now doing business from offices at 50 Broad Street, New York City. Partners are Lawrence F. Gardner and H. A. Gardner.

Markell & Co. Formed

Morton C. Markell is engaging in the securities business from offices at 150 Broadway, New York City under the firm name of Markell & Co.

With Waddell & Reed, Inc.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Frank A. Cleveland is now affiliated with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Who Owns What in the Corporation?

By DR. LEWIS H. HANEY*
Professor of Economics,
Graduate School of Business Administration,
New York University

Dr. Haney, asserting there is need of clarification and separation of powers and responsibilities in business organizations, discusses the status and functions of enterprisers, managers and stockowners. Says situation is confused, and suggests a number of remedies. Holds important distinction between investment capital and venture capital should be made effective in business organization and advocates separation as far as possible of functions, costs and rewards of labor, management, enterprisers and investors.

In our business organizations today, powers and responsibilities are all mixed up and there is a very real and present need of clarification and separation of *function* in order to be able to assign power where it will do best and to locate responsibility accordingly.[1]

Lewis H. Haney

Our "managements" act as if they owned our invested capital. They don't. We investors act as if we owned nothing. But we do own the invested capital.

Who Are the Real Owners?

The corporation problem today centers in the confusion between "owners" and "management": Who are the owners? What are the responsibilities of the management? (Echo answers.)

The ownership title may be "legal"; that is, the ultimate claim to tangible assets. Or it may be equitable; that is, a mere immediate claim to a share in net earnings.

If the former, the owner is relatively secure, and he expects a secure and limited return in the shape of interest. He may be a bondholder. He may be an investor.

If, however, the "owner" has a so-called "equity," his property varies with net earnings, and rises and falls in value over a wide range between zero and infinity. He may be a holder of common stock. He may be a speculator, not an investor. Certainly he is not a provider of investment capital, but of "venture capital."

This difference appears in the fact that the investor, as a bondholder, usually has no voice in directing the company. But the more speculative stockholder, or share owner, is expected to act on corporation business policies. (At least he receives proxies!)

Management

In "management," again, we find a difference. One manager may make the ultimate decisions as to broad policies. He may get a compensation that depends on profits. Another manager may exercise only delegated authority to carry out those policies, and may get only a stipulated salary and retirement benefit. The one may be a responsible enterpriser. The other may be a managerial worker.

The Enterprise Factor

And so, finally, we come to enterprise as a factor in production.

First, I would emphasize that "enterprise" is not the same as ownership. The enterpriser is not necessarily an owner. The enterpriser organizes and directs the business in a responsible way, in order to make it productive. This is a "function," requiring initiative, skill, and bearing noninsurable business hazards. (Mere *ownership* does not require any such functioning, and is not even necessarily associated with productivity.)

Again, the ownership of capital goods (plant, equipment, working capital) is not the same as owning "the business." The *investor* may own the capital. The *enterpriser* owns the business, and uses the investor's capital in it. The enterpriser is to be thought of as having a claim on net earnings, after wages and interest, which are "his profits" on that business.

But the only capital the enterpriser (as such) owns is "venture capital," which has value according to the value of the business as a going concern. The enterpriser puts together land, labor, and capital goods. He organizes and directs them, so that their combination gives, or may give, a value greater than the sum of the parts. This going-concern value is the enterpriser's.

The Confused Situation Today

Many corporations today issue nothing but common stock. Therefore, you can't know what a "stockholder" really is, because in this case his "common stock" combines and conceals three different things:

(1) Almost complete safety of a part of the principal and income, at a low regular interest, that might be represented by mortgage bonds based on fixed tangible assets.

(2) Reasonable long-run safety of another part of the principal and income, at a moderate but possibly irregular rate of yield, that might be represented by cumulative convertible preferred stock based on more uncertain assets and a right to share in growth.

(3) Speculative chances, that might be represented by a very "junior" common stock, based on a mere "equity" in profits and a chance of appreciation.

Suggested Remedies

My proposals are as follows:

(1) Recognize three basic interests in each business concern: (1) Labor, (a) ordinary and (b) managerial; (2) Enterprise, including such share owners as supply speculative "venture capital"; (3) Investors who supply capital goods.

In view of these functionally different interests, rearrange corporation organization and financial set-up, as follows:

(2) Recognize two classes of labor: "Ordinary labor" should be freed from the noninsurable hazards of business. To this end, (a) labor would be supplied with all available data to serve as a basis for collective bargaining with each individual employer concerning wages, hours, and working conditions. (b) Labor would receive fair provision for funded retirement and disability benefits. (c) Labor would be given incentive by encouragement to buy special nonvoting stock at a reasonably low average price.

"Managerial labor" should differ in that it would be appointed, directly or indirectly, by the Board of Directors and receive salary and bonus arrangements as compensation.

(3) Recognize two levels of management: (a) "Top management" to be appointed directly by the Board, representing share owners. The top echelons would be required to become share owners. They would usually have profit-sharing participation of some sort. (b) The vice-president and general manager level would then be appointed by top management, and would generally be compensated by straight salary and contributory retirement arrangements.

Note well that the executive group would not, as now, be put in the position of running the business as enterprisers. They would neither make *major* business policy decisions, nor assume powers without responsibilities. They would not be self-appointing or self-renewing.

Management should be made dependent upon, and subordinate to, enterprise.

(4) Combine and concentrate the enterprise function in the Board of Directors, which would be over and independent of the management. The Board would appoint the top management and determine its compensation. It would advise the management, audit the results, and report to the share owners.

Probably there should be two classes of directors. One class would represent the investors as owners of capital goods, to the extent that such ownership is mixed with the holding of shares or stocks that are partly equities in the profits. (Their functions might be limited.) The other class of directors, which would be the main one, would *represent the pure enterprise function* and would be hired as experts by the common share owners. They would *represent the owners of the business and their equities in the profits of enterprise.*

(5) The important distinction between investment capital and venture capital (between investment and speculation) should be made effective in a practical way. Investment capital should be carefully figured at cost, requiring a fuller accounting for all capital goods: plant, buildings, equipment, materials and supplies, goods in process, finished goods, and necessary cash reserves. It would be well to distinguish "fixed" and "working" capital. On all this tangible capital investment and cash, provision should be made for *interest* payment to the investors as owners of the tangible capital assets.

In figuring interest, the growth factor would be allowed for in figuring the effective life and certainty of the investment and the yield.

(6) All capital charges, or total interest, should be the *gross* figure including maintenance, repairs, replacements, additions and betterments, carrying charges, and necessary reserves. Interest is to be charged on inventories.

Such gross interest charges should come ahead of profits.

Conclusion

Money "invested" by share owners is in reality *borrowed* by the enterprise. Investors should, therefore, see to it that the enterprise and management set up an item that represents their total investment, and which may be called "capital contributed by share owners." On this item, interest on invested capital would be charged, and be paid or accrue to investors.

Only after direct operating expenses, and this charge for gross interest, would there be any balance of net earnings available for dividends on venture capital. These would be "profits" proper—the profits of true enterprise.

In order to preserve the benefits of the free enterprise system, we should keep as separate as possible the functions, costs, and rewards of (1) the *management* as executives, (2) the *enterprisers* as owners of the business, and (3) the *investors* as owners of the capital invested.

Thus, as already suggested, the contributors of venture capital would earn anything over and above (1) wages and salaries (including management compensation), (2) interest paid as operating expenses, and (3) interest charges on all invested capital used. "Interest" can and should be separated much more clearly and fully from "profits" than is now the case. Then the share of enterprise will be made clear, and the enterpriser will not have to apologize for his profits.

This would, for the first time in the long evolution of business and of economic thought, put capital in its place and show investors to be what they really are, owners of capital goods used in business. It would explain and justify profits as the reward of enterprise.

It would mark the end of 19th century capitalism and the establishment of 20th century private enterprise. This is the age of credit and the enterpriser.

Capitalism is dead. Long live the capitalist—the individual investor.

*This article is based on an address by Mr. Haney entitled "The Investor's Stake in Free Enterprise" before the Investors League, Inc., New York City, June 17, 1952.

1 For more complete discussion see L. H. Haney, *"How You Really Earn Your Living,"* N. Y., 1952.

B. G. Phillips Partners

Andrew Kanischak and Feurnand Geyer have been admitted to limited partnership in B. G. Phillips and Company, 44 Wall Street, New York City. Other partners in the firm are Benjamin G. Phillips and Arthur Root.

Dow Chemical Officials Accept Payment for Recent Issue

One of the largest offerings of securities of a chemical company ever made to the public was completed on July 22 when Earl W. Bennett, (seated, right) Chairman of the Board of The Dow Chemical Company received from Charles W. Kennard, (seated, left) partner in the investment banking firm of Smith, Barney & Co., a check for $100,425,000. The check represented the net proceeds from the sale last week of $100,000,000 principal amount of Dow Chemical 3% Convertible Subordinate Debentures due 1982, the biggest financing on record to be effected by means of this particular type of security. The check was handed to Mr. Bennett at the New York City offices of Smith, Barney & Co., head of a nationwide group of securities dealers which underwrote the offering of the issue to the public. Observing completion of the transaction are (above, left to right) Calvin A. Campbell, Vice-President and General Counsel, Dow Chemical; Carl A. Gerstacker, Treasurer, Dow Chemical; and Leland I. Doan, President, Dow Chemical.

Securities Salesman's Corner

By JOHN DUTTON

"Getting to the Prospect"

The source of the material presented in this week's column has been obtained from a bulletin prepared by the Sales Institute of America, Norwalk, Conn. Those interested in obtaining the complete material may write for a copy.—J. D.

Many salesmen work almost exclusively in larger cities where they often wish to make "cold calls." At times it is convenient to do this when appointments are spaced so that time can be used that otherwise would be wasted. There is a method and a set of rules that can be helpful in obtaining interviews under such circumstances.

The Receptionist

The young ladies who hold down receptionist jobs have certain responsibilities. They are usually smart. That's why they are there. They are also there to be helpful whenever they can . . . and more so, whenever they want to be.

How long would the receptionist last, who lets everyone "get through" without finding out certain facts about the call? Also, how long would she last if she refused admittance to the salesman whose call really meant profit to her employer? She can either call your prospect on the inter-office telephone and announce you with a bored "There's another salesman out here," tone in her voice, or, she can, by the tone of her voice, almost recommend that your prospect see you.

Likes and Dislikes of Receptionists

The receptionist does not like:

(1) To be leaned over and breathed at.

(2) To have brief cases planted on their desks.

(3) To be treated as an inconsequential human being, or as the salesman's enemy.

(4) They do not like long and difficult messages given for transmission to the prospect.

(5) Or deceitful tricks used by some salesmen to get past them.

(6) Or the kind of compliment they know the salesman decided to play them while he was still "three blocks away from here."

The receptionist likes:

(1) A smile and a cheerful hello.

(2) To have difficult names spelled out and clearly pronounced.

(3) To have visitor books signed legibly and with all information.

(4) A pleasant word or two when they are not busy with other callers.

(5) To have their name remembered by men who call frequently.

(6) To have a salesman say "Good-bye and thank you" after he has seen his prospect.

The Reception Room Presentation

It is always best to give the impression that there is no question of "if" you'll be seen by the prospect. Your voice and actions must demonstrate confidence. If your voice seems to express some doubt the young lady will catch the doubt and may be reluctant to do all she can to help. Her own voice will express doubt when she announces you.

Use a sincere "hello" and—"Would you please tell your Mr. Jones that Mr. Thompson of the XYZ Company is here." The logical assumption is that you are "here" by appointment—particularly if **you move away from the receptionist's desk immediately after you make your request.**

By standing at her elbow while she puts the message through, you signal her that you are waiting to see "if" he'll see you. You also give her the opportunity to ask if you have an appointment if you remain by her side. Moving away helps create the idea you are expected.

A great many salesmen acknowledge they don't have an appointment **before being asked.** They ask a favor—the old rule of human relations that gets people on your side!

"Miss, I wonder if you could do me a real favor? My name is Thompson. I'm with the XYZ Company and I'd like to see your Mr. Jones. I don't get by here often, so I wonder if you could get me in? I'd certainly appreciate it. My boss made a particular point of asking me to see Mr. Jones."

The foregoing is taken almost verbatim from the bulletin of "The Sales Institute." There is a wealth of additional material contained in it. How to get to your man by using the inter-office telephone. How to avoid the "Wasted Wait." How to handle the difficult "What do you wish to see me about?" And some excellent suggestions for setting up appointments by letter. If you are interested in some excellent sales helps write "The Sales Institute" for a copy of this bulletin, "Getting to the Prospect."

CIO Economists See Danger Ahead in '53-'54

In June issue of publication, prepared by its department of education and research, weak spots in the economy are pointed out and prediction made business spending is destined to drop.

Under the caption "Danger Ahead in '53 and '54," the June issue of "Economic Outlook," published by the Department of Education and Research of the CIO, attention is called to "weak spots in the economy," and a warning is given that consumer spending may not be great enough to buy the increasing output of civilian goods next year and in 1954, after government defenses pending levels off.

According to the text of the article:

"The national economy has expanded sharply since the outbreak of the Korean War. Our capacity to produce has grown—with the addition of new plant and equipment. Productivity — output per man-hour — has shot upward. There has been an outpouring of goods and services—for both defense and civilian needs.

"Despite this showing of strength, there are also signs of weakness. Soft spots in the consumer goods industries — textiles, clothing and many electrical appliances — persisted for many months after the spring of 1951. Consumer buying power and consumer spending have not grown as rapidly as our ability to produce civilian goods.

"The total output of goods and services rose from an annual rate of $275 billion in the pre-Korean quarter of 1950 to an annual rate of $339.7 billion in the first three months of this year—a real increase of about 11% if we eliminate the effect of price changes. Government defense expenditures —for military goods, payrolls and upkeep of the armed forces, foreign military and economic aid, and atomic energy — increased in that same period from an annual rate of $17.1 billion to a rate of $47 billion.

"The amount of goods and services left for the civilian economy —after deducting defense expenditures from total output — rose from an annual rate of $257.9 billion in the second quarter of 1950 to a $291.4 billion rate in the first three months of 1952. Our expanding economy had been able to produce enough for defense—and yet allow for a rise in the output available for civilian needs.

"Defense expenditures will rise to a peak level, according to present plans, in about a year. It is estimated that they will be at annual rate of $55-$60 billion at that time. From that point on, defense expenditures are expected to level off and, then, to decline.

"The continued expansion of total output will further increase the volume of goods and services left for the civilian economy. By next year, a greater volume of goods and services will be available for civilian use than at present.

"There have been weak spots in the economy despite rising defense expenditures. Will consumer spending be great enough to buy the increasing output of civilian goods next year and 1954 after government defense spending levels off? . . ."

Buying Power of Wages Fails to Grow

"High prices have cut into the buying power of consumer income.

"The buying power of average weekly earnings—after taxes—of manufacturing workers with three dependents was only 1% greater in the first quarter of 1952 than it had been in the pre-Korean second quarter of 1950. But it was below the level reached in the last three months of 1950.

"In constant first quarter 1952 dollars (adjusted for price changes), the average weekly earnings—after taxes—of manufacturing workers with three dependents rose from $62.22 in the pre-Korean period to $63.63 in the last three months of 1950. Continued price rises, the decline in the work-week and increased tax rates, effective Nov. 1, kept down the buying power of workers' weekly earnings during 1951. Average weekly earnings—after taxes—of manufacturing workers with three dependents were $62.86 in the first three months of 1952.

"These average figures indicate that some workers — organized workers, for the most part—had been able to keep ahead of rising prices, while many workers had seen the buying power of their weekly wages, after taxes, decline in the period since the Korean outbreak. The buying power of workers' earnings, after taxes, had failed to grow with the expansion of the civilian economy.

Consumer Spending Below Peak

"The buying power of total personal income, after taxes, rose from the pre-Korean quarter of 1950 through the last three months of that year. But it has been at lower levels since then.

"Rises in cash personal incomes have been eaten away by inflationary price rises. The buying power of the annual rate of total personal income, after taxes, in the first three months of 1952 was somewhat greater than in the second quarter of 1950. But it was below the level achieved in the last three months of that year.

"It is not surprising then, to find that total consumer expenditures —in constant first quarter 1950 dollars—have not held up. The annual rate of total consumer spending — in constant dollars — rose from the pre-Korean quarter of 1950 through the first three months of 1951. It declined during the rest of 1951. And in the first quarter of this year, was no greater than it had been in the period just before Korea.

"Consumers began to readjust their expenditures in the spring of 1951. Many of them had stocked up on goods—if they could afford to do so—in the nine months after the Korean outbreak. A large number of consumers had liquidated their savings. There have been debts and financial obligations to pay. High prices had forced many families out of the markets.

Weakness in Consumer Goods

"The index of total industrial production indicates the weak spots in the national economy. The index rose from the pre-Korean quarter up to the spring of 1951. Since then, it declined and, then, started to creep upward.

"The durable goods production index moved up after Korea and has remained at high levels. This reflects, to a large degree, government defense expenditures. For it is in this area that most defense production lies — planes, tanks, guns and similar military heavy goods. High level durable goods production also reflects the rise in defense-related output—such as machine tools and machinery for the production of military equipment. And it reflects, too, the increase in business expenditures for new plant and equipment—the expansion of the economy's productive capacity.

"But it is in the index of nondurable goods production—textiles, apparel, shoes—that weakness is revealed. These are the goods that are bought mostly by consumers. And this index reflects the decline in consumer spending since the spring of 1951. The index rose steadily after Korea through the first three months of 1951. Since

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Individual Portfolio Management

By KINGSLEY KUNHARDT*

Vice-President, Guaranty Trust Company of New York

Mr. Kunhardt describes methods, procedures and principles followed in his bank's handling of individual investment accounts. Says these principles have been developed over period of more than 30 years, and decisions are made by committee of the Board of Directors, known as the Trust Investment Committee. Stresses value of investment research and use of essential statistical data. Notes need for careful study of trends of security prices in handling investment portfolios.

The subject of this afternoon's discussion is the method of investing individual accounts. It does not make much difference if they are accounts owned by individuals as such, or by corporations, or by pension funds, or by trust funds; as far as we are concerned, the system is the same.

Of course, there are lots of ways to invest accounts. One fellow I know of invested his—and made himself a million dollars by the way — by taking a pencil and sticking it through a news paper, and then opening the paper to see what stock he marked. He started around 1932, and about 1940 he came to the bank and wanted to make us his executor. He had a million dollars, so we were glad to act. But in the next year he lost all his money, and we never heard much more about him.

That is one trouble all investment advisers face. Luck pure and unadulterated can be so much more successful than care and diligence for a period of years when all goes well. Another trouble is that 90% of the people who have made some money in business, consider themselves quite competent to handle investments. The surprising thing about it is a good many of them are at least as long as the market advances. There is a greater difficulty, though, in handling investments over a long period of time, during various cycles.

How successful a person or an organization is in investing depends on their ability to judge public reaction to economic developments. We can have some very excellent business, and the public may react unfavorably to it. That occurred in 1946. This was just after the war, when business was booming, but the public decided it was not going to boom, and the stock market went down, despite the fact that business was good. The interpretation of public reaction to economic developments is very much of an art, rather than a science.

It is something like golf. The Ben Hogans are able, with old worn out clubs, to play extremely good golf, while the Kingsley Kunhardts cannot play good golf, with any kind of clubs. But we both are better with good ones.

I am not going to try to tell you how to judge whether stocks are high or low, or whether bonds are high or low, but I can tell you something about the tools that you need. So, as I know most about my own set, I am going to tell you about these — the Guaranty Trust Company has for investing other people's money.

Operating Principles

The operating principles of our Investment Department are based on certain fundamental ideas developed over a period of more than thirty years. They provide a practical working basis on which the responsibility for our investment operations is placed, jointly upon our investment organization and a committee of our Board of Directors known as the Trust Investment Committee.

In every organization someone eventually must decide the important policy questions. Those decisions are made in our case by a committee of the Board of Directors. That probably sounds pretty dressy to you, to go to the Board of Directors to decide whether we are going to buy a few shares of stock in one account or another, but we have a greater responsibility than the ordinary investor in that some day we may be required to appear in court and explain what we have done and why. That perhaps is not of any great interest to you, but it is the reason why our methods are a little more buttoned up than you would find them to be at an investment counselor, a life insurance company, or some organization of that kind.

The directors' committee meets twice a week with senior investment and executive officers of the Trust Department and takes a very active part in the conduct of our investment work. Together with the Executive Committee of the Board of Directors, who review the action of the Investment Committee, it determines all general investment policies, after giving consideration to information and suggestions submitted by the officers. In advance of each meeting it receives from the Investment Department statistical reports dealing with some of the more important industries and companies in whose security issues we have invested or may wish to invest. After reviewing these reports at its meetings, the committee passes upon the purchase, retention or sales of the investments under review. It also reviews individual trust accounts with the officers and considers any questions referred to it by the officers in conection with investments or any questions which the committee members themselves may raise.

Six members of the board of directors make up the Investment Committee. Most of the things considered just fly through the meetings — you know, the way they do in your universities or your fraternities—but important things really get discussed. Before these problems go to our Investment Committee, however, they are thoroughly thrashed out among ourselves so that it isn't just each member of the department going off on his own hook and doing as he thinks best. I or one of the other officers will see every suggestion and will consider the changes or the action to be taken.

The investment department itself is made up of 103 people, including 18 officers. This organization is headed by two vice-presidents. The one in charge is 54 years of age, has been in the division 29 years, and has played a major part in developing and training the organization. The other is 49 years of age, has been with us 26 years. Prior to his assignment to supervisory duties, he was head of the Statistical Division. The other 16 officers with three exceptions, have had 20 years or more of service.

Under the close supervision of this experienced official staff, the department carries on its work of continuous investment research and the administration of accounts in keeping with the policies and decisions of the Trust Investment Committee and the provisions of the wills, trusts or agency agreements under which we act.

It is the responsibility of the vice-presidents in charge of the division to transmit to the Trust Investment Committee the views and data developed by the organization as a result of its research. They also interpret the committee's views and decisions to the investment division, and see that the policies decided upon are carried out with careful regard for the circumstances of each account.

Investment Research

Investment research is handled by the Statistical Division which is divided into groups, most of them headed by officers. These groups have assigned to them specific industries, and it is their duty to be intimately acquainted with and follow developments in these industries and the affairs of individual companies assigned to them.

No amount of research can present a well-rounded picture unless sources are authoritative and coverage is thorough. We make an intensive study of the past and present record of a company to determine, among other things, the following:

(1) Changes in its financial condition; (2) Its earnings record over the years; (3) The probable impact of taxes or other influences on its future earnings; (4) Its relative showing in the industry of which it is a part; (5) Its gross potential; (6) The market action of its securities in good times and bad; and (7) Most important of all, in the light of any significant changes in its financial condition, earnings and competitive position, we appraise the resourcefulness and ability of its management.

We go a lot further than that, really. For example, our automobile man spends quite a few weekends driving new cars, testing out new kinds of tires, and if you were to ask him about almost any car or accessory you would find he knows about its advantages and disadvantages.

Joe Katrausky, who will talk to you later, has been through a good proportion of the copper mines of the country, and quite a few of the coal mines, and a lot of the steel mills, and I think light reading for him is "Iron Age" and other trade papers. All the statisticians get wrapped up in their industries, and know an immense amount about them.

In the course of our investigations the senior men travel extensively to call upon the officials of companies in which we have an investment interest and frequently go through their plants, mines and other properties. To assist the statisticians in their work, we subscribe to various statistical services and maintain a large financial library where a great mass of data is readily available under the supervision of three librarians.

Based on their intimate knowledge of the industries assigned to them, the heads of the groups prepare statistical reports on these industries and the companies in whose securities we have invested and on companies in which we think we might advantageously invest. That latter are the difficult ones, as we may do quite a lot of work only to find that none of the securities studied are attractive for our requirements.

These reports, after being prepared in considerable detail, are summarized and submitted at the rate of three or four a meeting to our Trust Investment Committee. The committee members receive copies well in advance of the meeting so that they may have an opportunity to study them. During this period, the department formulates its own views at meetings of the statisticians, the senior investment correspondents and the executive officers so that specific recommendations may be made to the committee.

Studying Security Price Trends

That is the way we study industries and companies, but if we knew that the stock market was going up, or that the bond market was going down, we could do a lot better than is possible merely by studying the individual companies. Fred Simmons, the bank's economist, who is going to talk to you for a few minutes later, spends his time wondering about the broader question of the general trends of the security prices. He concerns himself with such matters as the broad trends of commodity prices, industrial production, and government finance, which exert so great an influence upon the course of security markets. In his studies he tries to evaluate the factors that are likely to influence the future trends over both the short and longer term, and to interpret these influences in their relation to stock and bond prices. Some longer range research work has been done which has disclosed some relatively unemphasized longer term influences on both stock and commodity prices. The continual appraisal of the economic outlook from a broad point of view has been of real value as a complement to the more detailed work of the Statistical Division.

Fred has a great cross and difficulty under which he acts, because he not only has to study these things, but then he has to make people like Joe Katrausky and myself understand what it is that he has figured out, and that, I think he would be willing to admit, is much more difficult than the original study. For that purpose, he draws immense quantities of charts, seven of which you see on these walls, and there is a whole cabinet of them there against the wall. Quite a few of them are fascinating. Some of them are important, and others are meaningless, at least to me.

In order to supply the knowledge developed by our statistical division and our economist, we have a group of investment account supervisors who are responsible for following individual accounts. It is their duty to see that the policies decided upon are applied with careful regard for the circumstances of each estate, trust or investment agency account involved.

The investment account supervisors, who include six officers and twelve correspondents, are for the most part men who, after training in the Statistical Division, were considered especially qualified to advise with customers regarding their investment programs.

Each account is assigned to two men, who continually review the accounts under their supervision to see that, if any, investment action should be considered in order to apply the policies decided

Continued on page 27

*An address by Mr. Kunhardt before the Second Annual Forum of the "Economics of the American Securities Business" sponsored by a Joint Committee representing the Association of Stock Exchange Firms, Investment Bankers Association of America, National Association of America, National Association of Securities Dealers, the New York Stock Exchange, and the New York Curb Exchange, New York City, July 17, 1952.

acf

AMERICAN CAR AND FOUNDRY COMPANY

and Consolidated Subsidiaries

FIFTY-THIRD ANNUAL REPORT — YEAR ENDED APRIL 30, 1952

Consolidated Balance Sheet as at April 30, 1952

ASSETS

CURRENT ASSETS:			
Cash in Banks and on Hand		$19,601,707.00	
Marketable Securities, less reserve (Market Value $1,521,441.50)		1,349,856.00	
U. S. Government Securities at Cost		500,000.00	
Notes and Accounts Receivable, less reserve (See Note 2)		22,130,259.37	
Accrued Unbilled Escalation Charges		1,250,976.50	
Inventories at cost or less, and not in excess of present market prices (See Note 2)		45,005,227.88	$ 89,838,026.75
PREPAID AND DEFERRED ITEMS			1,014,290.94
NOTES RECEIVABLE—MATURING SUBSEQUENT TO ONE YEAR			511,607.09
MISCELLANEOUS SECURITIES, LESS RESERVE			19,646.90
DEPOSITS OF CASH AND SECURITIES			267,158.45
CAR PURCHASE OPTIONS—UNCONSOLIDATED SUBSIDIARY (See Note 1)			559,000.00
INVESTMENT IN UNCONSOLIDATED SUBSIDIARY (See Note 1)			15,000.00
PLANT AND PROPERTY (See Note 3):			
Land and Improvements		$5,974,067.10	
Buildings, Machinery and Equipment	$108,246,117.34		
Less: Amortization and Reserve for Depreciation	56,978,414.21	51,267,703.13	
Patents, Trademarks, etc.		19,958.81	57,261,729.04
			$149,486,459.17

The accompanying Notes to Financial Statements are an integral part of this statement.

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:			
Notes Payable to Banks		$15,000,000.00	
Accounts Payable and Accrued Expenses		10,125,892.93	
Accrued Federal, State and Local Taxes		9,957,366.71	
Advance Payments received on Sales Contracts		1,305,187.02	
Sinking Fund requirements due within one year under indentures securing debenture issues of Shippers' Car Line Corporation		685,000.00	$37,073,446.66
SINKING FUND DEBENTURES OF SHIPPERS' CAR LINE CORPORATION, A CONSOLIDATED SUBSIDIARY:			
3% DUE APRIL 1, 1961		$3,175,000.00	
3% DUE JULY 1, 1962		2,500,000.00	
3¼% DUE APRIL 1, 1963		1,700,000.00	7,375,000.00
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY			11,361.67
DUE TO UNCONSOLIDATED SUBSIDIARIES (NET)			414,621.95
RESERVE FOR EMPLOYEES' WELFARE PLAN (See Note 4)			4,129,377.63
CAPITAL STOCK:			
Preferred:			
Authorized and issued 300,000 shares—par value $100.00 per share		$30,000,000.00	
Less: 10,550 shares of Treasury Stock		1,055,000.00	28,945,000.00
Common:			
Authorized and issued 600,000 shares—no par value		$30,000,000.00	
Less: 600 shares of Treasury Stock		30,000.00	29,970,000.00
CAPITAL SURPLUS:			
Excess of acquired equities over cost of investment in consolidated subsidiary		$2,397,790.63	
Excess of par (or stated) value of Treasury Stock over cost of acquisition		551,600.25	2,949,390.88
EARNED SURPLUS, See Statement			31,319,891.48
RESERVE FOR CONTINGENCIES			7,298,368.90
			$149,486,459.17

STATEMENT OF CONSOLIDATED INCOME

Gross Sales and Car Rentals, less discounts and allowances			$173,964,755.48
Cost of Operations, including Administrative, Selling and General Expense, but before Depreciation			152,399,530.27
			$ 21,565,225.21
Depreciation—Operating Properties			3,929,204.91
Earnings from Operations			$ 17,636,020.30
Other Income:			
Dividends		$ 112,362.09	
Interest		41,796.91	
Royalties		49,300.39	
Cash Discounts		458,017.51	
Miscellaneous		79,174.94	740,651.84
			$ 18,376,672.14
Other Charges:			
Interest and Discount		$ 905,077.06	
Royalties		241,422.49	
Loss on Property Retirements		1,483,179.73	
Non-Operating Property Expense—Net (Including Depreciation of $382,407.98)		731,532.94	
Miscellaneous		218,285.34	3,579,497.56
Net Earnings before Provision for Federal Income Taxes			$ 14,797,174.58
Deduct—Provision for Federal Income Taxes—Including $175,943.84 Excess Profits Taxes (See Note 5)			7,595,009.84
Net Earnings Carried to Surplus			$ 7,202,164.74

STATEMENT OF CONSOLIDATED EARNED SURPLUS

Balance, May 1, 1951			$ 26,606,932.00
Add: Net Earnings for Year			7,202,164.74
			$ 33,809,096.74
Deduct: Dividends paid during the year on Capital Stock publicly held, viz:			
On Preferred, $7.00 per share from earnings for year ended April 30, 1951		$2,026,150.00	
On Common, $2.00 per share	$1,198,800.00		
Less: Reserve provided for this purpose	735,744.74	463,055.26	2,489,205.26
Balance, April 30, 1952			$ 31,319,891.48

The accompanying Notes to Financial Statements are an integral part of this statement.

SHPX FIRST CORPORATION

and Subsidiaries

Consolidated Balance Sheet as at April 30, 1952

ASSETS

CURRENT ASSETS:		
Cash in Banks and on Hand	$ 561,384.98	
U. S. Government Securities at cost	70,036.23	
Notes and Accounts Receivable	315,204.77	$ 946,625.98
INTEREST IN CAR LEASE PAYMENTS DUE AFTER ONE YEAR		880,109.40
DUE FROM AFFILIATED COMPANIES (NET)		414,621.95
DEPOSITS OF CASH AND SECURITIES		240,339.67
PREPAID ITEMS		208.32
PLANT AND PROPERTY:		
Railroad Cars	$5,992,170.03	
Less: Amortization and Reserve for Depreciation	214,085.73	5,778,084.30
		$8,259,989.62

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:		
Notes Payable	$ 788,594.36	
Accounts Payable and Accrued Expenses	22,967.15	
Accrued Federal, State and Local Taxes	31,557.50	$ 843,119.01
SECURED LONG TERM NOTES PAYABLE		6,786,328.36
FUTURE DELIVERIES UNDER CAR PURCHASE OPTIONS —AFFILIATED COMPANY		559,000.00
CAPITAL STOCK:		
Common:		
Authorized 250 shares par value $100.00 per share		
Issued 150 shares par value $100.00 per share		15,000.00
EARNED SURPLUS, See Statement		56,542.25
See Note 1 of accompanying Notes to Financial Statements.		$8,259,989.62

STATEMENT OF CONSOLIDATED INCOME

Gross Car Rentals and Mileage	$514,497.20
Cost of Operations, including Administrative and General Expense, but before Depreciation	145,763.31
	$368,733.89
Depreciation	214,085.73
Earnings from Operations	$154,648.16
Other Income:	
Interest	35,978.62
	$190,626.78
Other Charges:	
Interest	98,194.53
Net earnings before Provision for Federal Income Taxes	$ 92,432.25
Deduct—Provision for Federal Income Taxes (including $3,000.00 Excess Profits Taxes)	35,890.00
Net Earnings Carried to Surplus	$ 56,542.25

STATEMENT OF CONSOLIDATED EARNED SURPLUS

Net Earnings for year	$ 56,542.25
Balance—April 30, 1952	$ 56,542.25

Notes to Financial Statements

NOTE 1—The consolidated financial statements of American Car and Foundry Company and Consolidated Subsidiaries include all subsidiaries except SHPX First Corporation and its subsidiary companies.

During the fiscal year, certain subsidiary companies were organized for the purpose of financing specific car purchase, rental and sales transactions. Any obligations incurred by such financial subsidiaries are secured by cars and leases thereon, and are without recourse to American Car and Foundry Company or its operating subsidiaries—Carter Carburetor Corporation and Shippers' Car Line Corporation.

Inasmuch as the function and purpose of such subsidiaries relate to financing, and their balance sheet characteristics differ materially from those of the operating companies, these companies are excluded from the parent company consolidation and a separate consolidation under the heading SHPX First Corporation is provided herein. This consolidation also includes a subsidiary which had been organized in the prior fiscal year for the purpose of acquiring the interest of the parent company in certain car lease rental payments on cars sold by it to an insurance company to be leased to a railroad company. The parent company's investment in SHPX First Corporation is carried at $15,000, being the amount of the said corporation's outstanding capital stock.

The obligations of these unconsolidated subsidiaries are payable on a monthly or quarterly basis, and the maturities due within one year are shown as notes payable under current liabilities. The balance is shown as secured long term notes payable and is due at various maturities to May 1, 1964.

With respect to certain cars owned by the unconsolidated subsidiaries, Shippers' Car Line Corporation has paid a total of $559,000 for options to purchase these cars at any time at their net depreciated book value, with the privilege of applying this amount to the purchase price thereof. This item is shown as an asset in the parent company consolidation as "Car Purchase Options" and as a liability in the unconsolidated subsidiaries' consolidation as "Future deliveries under Car Purchase Options."

NOTE 2—Inventories and accounts receivable which relate to U. S. Government contracts are included in this balance sheet after deducting partial payments received in accordance with the regular provisions of such contracts.

NOTE 3—Plant and property of parent company included in valuations were inventoried and valued by Coverdale and Colpitts, Consulting Engineers, as of April 30, 1939, on the basis of values at March 1, 1913, with subsequent additions at cost. Plant and Property of subsidiary companies are included at cost.

NOTE 4—The Reserve for Employees' Welfare Plan (salaried employees) has, during the year, been charged with the net amount (after tax benefits) of $103,940.16 on account of employees' retirement cost applicable to past services. Based upon actuarial computation, the balance necessary to be funded to provide for the past service cost of the plan amounted to approximately $6,914,000.00 at April 30, 1952. The amount now reserved for this purpose is considered to be adequate by reason of income tax credits which will be realized over future years.

NOTE 5—Federal Taxes deducted from net earnings are shown before tax benefit of $112,601.84 as a result of charges made to the Reserve for Employees' Welfare Plan. This saving has been applied as a reduction in the charge to said reserve.

NOTE 6—Pensions and Disability Benefits for Employees Represented by Collective Bargaining Agents: The Company's labor union contracts contain certain provisions with respect to pension benefits as approved at the annual meeting of shareholders held August 31, 1950. The Company has not yet finalized these pension agreements as to funding arrangements, etc.

As at April 30, 1952, the Company has a liability of approximately $2,723,000 representing the present lump sum valuation of pensions payable to those employees who had been retired up to that date or who may retire during the term of the present labor agreements. The cost of providing for the foregoing liability over future years will be less than the amount shown by reason of income tax credits. Pending the formation of a definitive plan, the Company has charged all cost to operations on a cash basis. For the period ended April 30, 1952, such costs aggregated $102,657.75.

NOTE 7—Certain of the Company's business is subject to possible price adjustment under provisions of the Renegotiation Act of 1951. In the opinion of the Management, any such price adjustments as might become necessary should not be material.

ERNEST W. BELL AND COMPANY
Certified Public Accountants, 25 Beaver Street, New York

To the Shareholders of American Car and Foundry Company:

We have examined the Consolidated Balance Sheet of American Car and Foundry Company and Consolidated Subsidiaries and the Consolidated Balance Sheet of SHPX First Corporation and its subsidiaries (subsidiary companies not included in the consolidation with American Car and Foundry Company) both as of April 30, 1952, and the respective related Consolidated Statements of Income and Surplus for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. However, it was not practicable to obtain confirmation of certain accounts with United States Government Departments and Agencies, as to which accounts we satisfied ourselves by other auditing procedures.

In our opinion, the accompanying Balance Sheets and related Statements of Income and Surplus present fairly the financial position of American Car and Foundry Company and Consolidated Subsidiaries at April 30, 1952 and the consolidated results of their operations for the fiscal year then ended, and the financial position of SHPX First Corporation and its subsidiaries at April 30, 1952 and the consolidated results of operations for their first fiscal year then ended. Generally accepted accounting principles have been used on a basis consistent with that of the preceding year, recognizing the change in the extent of consolidation explained in Note 1 to the financial statements.

New York, June 25, 1952 ERNEST W. BELL AND COMPANY

Continued from preceding page

AMERICAN CAR AND FOUNDRY COMPANY

30 CHURCH STREET NEW YORK 8, N. Y.

acf

To Our Shareholders:

Your Company's business during the past year had its share of the troubles of the present era. There were strikes—there were shortages of materials—there were stoppages due to all sorts of manufacturing difficulties—there were rising costs of business, etc. Any one of these, in former years, would have been considered a major calamity, but these days we have come to look upon such troubles as simply another obstacle to be overcome.

Throughout the year we suffered from a shortage of materials—mainly steel—which became so acute in the second half of the year that we had to reduce our freight car production from five tracks to three and even these three were occasionally shut down for brief periods.

We, like all industry, suffered indirectly from the continual outburst of strikes in the plants of our suppliers—a natural result of labor having become an almost impregnable monopoly. In addition to these we had a six weeks' strike at our largest plant, Berwick. This strike was in flagrant violation of a written agreement which provided that all grievances which were not settled by negotiation between labor and management were to be submitted to arbitration. After a strike which cost our employees six weeks' wages and cost your Company a substantial sum the grievance was submitted to arbitrators (as it ought to have been in the beginning) and is in process of adjustment.

Our output of defense products was much smaller than had been anticipated, due to some extent to delays of our suppliers in the production of tools, but mainly to changes in specifications. There has been great progress in the improvement of the implements of war, and our Government commendably desires to place the very latest and best at the disposal of its armed forces. This necessitates changes in specifications which at times slow down our shop production but, after all, this is for the best interest of our country and we must bear it with fortitude as part of our contribution to the defense effort. Defense work did not add materially to our total earnings during the past year.

To offset these difficulties the utmost effort had to be made to obtain efficiency of production—the improvement of methods—the curtailment of waste. That our efforts were not in vain is shown by the fact that our sales increased in volume more than 40% over the previous year, reaching the satisfactory figure of approximately $174,000,000.

When we come to discussing profits we encounter the now well-known round of a continual rise in wages, costs of material and last (and greatest) the colossal rise in taxes. It is impossible to determine the total taxes paid by our Company as many of them are indirect or difficult to trace but the direct taxes total over $10,300,000—a sum equal to 143% of our net earnings. In comparing the Company's earnings with former years we must always bear in mind that management now has this vast tax burden to bear, consequently net earnings today are that much more difficult to attain than in former years. It is to be hoped that shareholders will do their share as citizens and voters in an effort to bring taxes within reasonable bounds.

Our consolidated earnings for the year, after income taxes, amounted to $7,202,164.74 compared to $2,675,913.69 last year. They would have been even larger had it not been for the necessity of writing off obsolete facilities at Madison, Chicago, and Detroit. On the other hand, it must be borne in mind that in calculating depreciation the present unrealistic Internal Revenue laws do not permit us to deduct from our current earnings a sum equal to the increasing (due to inflation) replacement cost of worn-out equipment. We are thus compelled to pay taxes on earnings in excess of what we really make and when we eventually replace worn-out equipment we shall have to dip into our capital resources.

In addition to the foregoing capital requirements, our inventories cost more, our accounts receivable are larger and in every way inflation results in increasing the amount of money which we need to do business.

It naturally follows that if we are to keep on doing a larger and larger volume of business and if we are to continue our efforts to stabilize earnings by diversifying our lines we must increase the amount of capital in our business. With this object in mind, the directors took several very constructive steps:

I. The preferred dividend of $7.00 per share was again made payable in four quarterly installments. This provides a more regular income to our shareholders and at the same time leaves the money in the business until it can be replaced, at least partially, by new earnings. However, in compliance with our charter, the amount of the total dividend has been irrevocably set aside and earmarked so that its payment to the shareholders is completely secured.

II. The common dividend was divided into two parts—four cash dividends totalling $3.00 and a stock dividend of 1/10 of one share (worth at current market approximately $4.00). The cash part was made payable in four quarterly installments for the same reasons as in the case of the preferred. The stock dividend part involving no cash outlay by the company was made payable as soon as possible after the shareholders' approval has been obtained.

III. The payment of the stock dividend necessitates that the shareholders authorize 60,000 shares additional Common Stock and the Board deems this an opportune time to also obtain the shareholders' approval for the authorization of 340,000 additional shares of common stock which could be used for the purchase of properties or companies in the course of our diversification program. On several occasions in the past we have found ourselves handicapped in negotiating for the purchase of desirable businesses by not having any of our stock available which we could have issued in payment.

The diversification program is of vital importance to both classes of stock. Due to the bulk of our business in the past being of the "feast and famine" nature, the preferred shareholders have on a number of occasions found that no dividend (or only a partial one) could be paid them and since the stock is non-cumulative, once a year passed without earnings, that year's dividend was lost forever. Consequently, diversification, which tends to make earnings *more steady* is particularly desirable from the preferred shareholders' viewpoint. Likewise, retaining part of the earnings in the business has a similar effect. Therefore all these steps are beneficial to the preferred shareholders.

The common shareholders — while they are not so directly and vitally affected by a fluctuating "feast and famine" business, are nevertheless equally interested in the increase and greater certainty of earnings. Money makes money and the more capital we retain in the business—the more we diversify by acquiring other lines, the greater the possibility of steady earnings. The Board, however, realized that there are great differences in the personal situations of shareholders—one may be perfectly willing (in fact, due to tax situations, may much prefer) to leave a part of the earnings in the business while another, being in need of current income, may prefer to receive immediately a larger cash income. The stock dividend plan solves this problem for both classes. The person who prefers to leave his money in the business takes the stock dividend (upon which he does not need to pay any tax until he sells it) and adds it to his holdings. The shareholder who needs additional income can sell his stock dividend and thus convert his stock into cash.

The Board, therefore, strongly urges *all* shareholders to cast their votes in favor of the propositions which are described in a more precise manner in the proxy material which is sent you herewith. Since the proposal requires a ⅔ vote of each class of shareholders, it is apparent that *all must use due diligence in promptly sending in their proxies.*

The Consolidated Balance Sheet, Statement of Consolidated Income, and Statement of Consolidated Earned Surplus are shown herein. The figures speak for themselves and require no explanation here. The Company's Consolidated Capital and Surplus and Reserves on April 30, 1952 amounted to $100,482,651 while the net working capital amounted to over 52 million dollars.

Large as these figures seem, our increasing volume of business (and large earnings can only be made on large business volume) requires at times an even greater amount of money than our own working capital and for this reason we have arranged with our banks a revolving credit expiring in 1957 amounting to forty million dollars. Of this credit, fifteen million was being used on statement date and greater or lesser amounts will be borrowed from time to time as the volume of inventories and receivables go up and down.

Our labor relations on the whole are relatively quite satisfactory. Of course, when in every corner the whole nation is continually being torn by strikes, it would be fatuous to expect that our Company would be a unique exception. It has always been our policy to be absolutely fair and considerate in our dealings with employees and in turn, on the whole, they are inclined to reciprocate. Nevertheless, there occasionally arise situations from which, due to the acts of their leaders or the trend of outside influences, misunderstandings and strikes result. Our Berwick strike was a glaring example of this—it cost both sides a lot of money and benefited no one. We hope to keep cases of this kind down to a minimum but we have no assurance that strikes or other stoppages may not at any time cause serious losses.

During the year our two main subsidiaries, Carter Carburetor Corporation and Shippers' Car Line Corporation, continued to maintain their record of excellent progress.

Carter Carburetor Corporation, in addition to a satisfactory volume of their main line — carburetors — made further headway in the new line of fuel pumps introduced in recent years and the success of this new source of profit can now be taken as assured. The Company maintains an excellent research department. Their latest development, the so-called "four-barrelled carburetor," was adopted this year as standard equipment by Cadillac, Buick and Oldsmobile and is expected to be on a number of other better-class cars in the near future. Its great superiority in performance has created quite a sensation in the automobile world. In addition to its regular lines the Company produces a large volume of fuses of various designs for the Government—a line in which they made an enviable record during the last war. The continued expansion in the volume of their work now taxes the capacity of their existing facilities and an additional plant may be necessary in the near future.

Shippers' Car Line Corporation (and other car-leasing subsidiaries) added 1,157 cars to their fleets at a cost of approximately $8,394,000. The fleets now total 11,692 cars and expanding business requires that further additions be made during the current year. In order to conserve the working capital and credit of the Company, a new method of financing was devised known as the "S.H.P.X. Plan." Under this plan the *total* cost of new cars is financed by leasing the cars in advance to highly responsible manufacturers and others and then obtaining a loan from insurance companies and banks upon the pledge of the cars and the lease. These loans are made by separate subsidiary corporations and are without recourse to the parent. Thus the Company is not required to tie up any of its capital or burden its credit in expanding its fleet. Because of the nature of the transactions and the essentially different balance sheet characteristics of these financing subsidiaries, they have been excluded from the consolidated statements of the American Car and Foundry Company and its operating subsidiaries, and separate financial statements are provided herein. The expansion of the Company's business necessitated the erection of a new service and repair shop at North Kansas City, Missouri, in addition to its existing shops at Milton, Pennsylvania; East St. Louis, Illinois; and Smackover, Arkansas. Its main shops at Milton, Pennsylvania, also had to be modernized and expanded.

We are happy to report that during the year we sold for cash at a satisfactory figure our entire Detroit plant; leasing back a portion which is at present used by our Valve Division. We have also made a contract of sale of the Wilmington plant which—as reported last year—was not necessary to our business. The proceeds of these sales are a welcome addition to our working capital.

Our policy of diversifying the business of the Company continues as indicated by various remarks in this report. We have several lines in prospect and when the shareholders furnish us the necessary means by voting for the increase of the Common Stock we hope to be able to report more progress in the near future. However, we shall continue our policy of careful conservatism, as stated in our last year's report: "always being mindful to explore carefully not only the possibility of profits but also the hazards of the new line before getting into it to any great depth. The outlook for profits is usually quite visible and alluring but the hazards are much more difficult to detect and appraise. When entering unknown territory, the prudent man proceeds with caution."

The lease on our present quarters at 30 Church Street expired this year and the question arose as to whether we should stay where we are or follow the tendency of moving into more modern quarters in the new buildings being erected uptown. While our present quarters are rather old-fashioned and do not compare with the modern luxurious appointments of the new buildings, we decided that our present offices are adequate for our needs and the substantially lower rental is to be preferred to the luxuries of new buildings. A dollar saved is as good as a dollar earned.

While we have dwelt at some length on the development and improvement of our plants and business, we ought to mention that perhaps an even greater development and improvement has been in progress for some years in our Management personnel. We are quite proud of the group of men who head the various departments of Management. They are an exceptionally capable, enthusiastic, hardworking group—all young men in their forties and fifties who know that their future is dependent upon the success and growth of our business, and the shareholders can feel sure that their interests are well taken care of. We want the shareholders to know them better and their pictures are included in the report.

Our present backlog amounts to approximately 383 million dollars which may be roughly divided into 125 millions of cars, carburetors, valves and miscellaneous products and 258 millions of defense work. Government regulations prohibit our giving any detailed description of the latter item.

If we had the assurance that there will be only the normal amount of strikes and other difficulties and that steel and other materials would be available even in the limited manner current last year, the outlook for earnings during the coming fiscal year would be indeed satisfactory. However—there has not been any period since the war containing as many uncertainties as the present. What will be the situation in steel and other material supply? What will be the repercussions in labor relations as the result of the steel strike? What will be the policy of the Government with respect to speeding or deferring defense work? All these and many other questions loom on the horizon and one cannot do more than say—we have successfully met all sorts of difficult situations in the past—we shall meet those of the future courageously, and depend upon our ability, experience and hard work to accomplish the best that can be done.

Your Management records its appreciation of the loyalty and devotion of each and every member of our organization; Executives, Division, Department and Section Heads and the salaried and hourly wage employees, as it was by their combined efforts and cooperation that the results of the past year have been obtained, and it is upon them that we depend for the success of the future.

For the Board of Directors:

Respectfully submitted,

JOHN E. ROVENSKY
Chairman of the Board

June 26, 1952.

Improvement in Sterling Exchange

By PAUL EINZIG

Commenting on improvement in recent sterling exchange, Dr. Einzig holds it was partly due to relatively favorable gold reserve figures at end of half year. Says, despite this, position of sterling is still unsatisfactory and drain of gold reserve has not been stopped.

LONDON, Eng.—Since the beginning of July there has been a distinct, if moderate, improvement in the tendency of sterling. Instead of having to be kept precariously in the vicinity of its declared lower limit of $2.78 with the aid of official support, it has developed a certain amount of strength. This was partly due to the relatively favorable gold reserve figures for the end of the second quarter, announced by Mr. Butler at the beginning of July. The moderate decline of unemployment and the increase of coal output also helped. Nevertheless, the position remained far from satisfactory, and the optimism that accompanied the slight improvement, was as exaggerated as had been the pessimism that had preceded it. The fundamental situation remains difficult. The drain on the gold reserve arising from Britain's commitments under the European Payments Union scheme continues unabated. The Trades Unions are pressing excessive wages claims and there is every likelihood of an epidemic of strikes after the holiday season.

Dr. Paul Einzig

However, the fact that even though the gold drain has not been stopped it has been brought under control, is in itself gratifying. Danger of a complete exhaustion of the gold reserve is no longer imminent. Britain has succeeded in achieving a respite until the autumn. What will happen then will depend on the outcome of the wages disputes. Should the employers concede the excessive claims, there is bound to be a considerable increase in the cost of production and in the volume of consumers' purchasing power; and the inflationary vicious spiral would resume its upward course. The higher costs would then impose an additional handicap on British exports, and the increase of purchasing power would both stimulate imports and reduce the volume of exportable surplus. Alternatively, should the wages claims lead to large-scale and prolonged strikes, the resulting decline in the output would inevitably widen the adverse balance of payments. Unless the Unions can be persuaded to moderate their claims, a deterioration of Britain's gold position during the autumn, will become inevitable. In any case the seasonal factor is against sterling during the autumn. For these reasons it would be premature to rejoice over the present recovery of sterling.

It is even more premature to speculate on an early return to convertibility. The improvement which is taking place at the time of writing is not nearly as distinct as that experienced in March and April. At that time there appeared to be reason for hoping that it represented a turn in the tide and it was understandable that many people should begin to think in terms of early convertibility. The present improvement is, however, too slender and unstable to justify any such speculation. Nevertheless, it gave rise to a revival of convertibility rumors, based on garbled Press reports about alleged negotiations for a large dollar loan with the purpose of enabling Britain to make sterling convertible.

In reality there is no question of a dollar loan but merely of some form of revolving dollar credit facilities, to be granted by the International Monetary Fund and by the Federal Reserve System with Canadian participation. The idea is that, with the aid of such facilities, the British authorities would be in a position to face the initial drain on their gold reserve that would follow a return to convertibility. The amount involved is suggested to be in the neighborhood of between $2,000 and $3,000 million. Exchanges of views have undoubtedly been taking place on such lines, but they have not reached a very advanced stage.

Apparently the main difficulty is that the United States authorities insist on full convertibility of sterling as a condition of the granting of such facilities. Following on the disastrous failure fo Dr. Dalton's convertibility experience in 1947, to British Chancellor of the Exchequer is likely to agree to this condition for some time to come. The danger is that, with sterling made convertible, Britain would become a happy dumping ground for the goods of all countries anxious to secure dollars. They would endeavor to achieve large export surpluses to Britain and the Sterling Area by fair means or by foul, through increasing their exports and cutting down their imports from the Sterling Area. They would take the earliest opportunity for converting their sterling balances into dollars, being fully conscious that the arrangement could not possibly last. This would mean that the dollar facilities granted to Britain would have to serve not only for meeting Britain's dollar gap but for meeting the grand total of the immense dollar gap of practically all non-dollar countries. Even if $3,000 million were enough for covering Britain's own requirements, it would be a mere drop in the ocean against the dollar requirements of the five continents.

Another difficulty is that the amount of unblocked sterling balances is abnormally large. The first step toward convertibility would be to fund them or to block them. In fact the government's policy seems to point into the opposite direction, judging by the fact that the sterling balance of Iraq, amounting to £23 million, has just been unblocked. There are also the sterling balances of the Crown colonies, totaling about £1,000 million. It would be impossible to block this money. Should it be made convertible the colonial governments would feel impelled to authorize very substantial imports from the dollar area, and this alone might practically exhaust the whole of the dollar facilities which are under negotiation.

The fact of the matter is that Britain's position will have to improve considerably before convertibility could be envisaged. For one thing, her capacity to export heavy equipment would have to be increased materially. Should British industries be able to deliver locomotives, tractors, hydro-electric plants, etc., in a matter of months instead of years, a very large part of the sterling holdings of overseas countries would be spent in Britain, even if sterling were made convertible, provided that British prices remained competitive. So long as delivery dates are as distant as they are now, it is inevitable that the convertibility of sterling would lead to an increase of orders in countries which are in a position to deliver the goods earlier.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

There is a widening interest developing in bank stocks outside of New York City.

For many years the size and dominance of New York as a financial center and the nature of banking itself, resulted in the shares of the large institutions located there providing practically the only nation-wide market in bank stocks. While there were markets for bank shares in other parts of the country, these were largely local in character.

Within the past 20 years there have been fundamental and permanent changes in the economic structure of the country including the banking system. Deposits have expanded rapidly with the West and Southwest sections of the country showing the greatest gains. This is, in part, a reflection of the industrial and population gains made by these different areas. Similarly, some of the rural and agricultural areas have been aided by the prosperity of the farmer.

As a result, the growth of the banks in the regional centers of these different sections has been phenomenal. Of course there has been a similar gain in operating results which in many cases was much better than that of the New York City banks.

These facts have served to attract an increasing amount of attention to banks in areas away from New York as possible outlets for investment funds. This has resulted in bank stocks in different areas receiving a greater amount of investor acceptance than would have been possible 10 or even five years ago. Thus, while New York banks still dominate the investment market, institutions in other areas are gaining a wider market for their shares. Investment trusts and pension funds have been adding some of the more popular bank stocks to their portfolios.

Earnings of a selected group of the more prominent banks in different cities ouside of New York are shown below. The period covered is the first six months of 1952 compared with that of 1951. Unless otherwise shown, per share results are the indicated earnings compiled by changes in book value and dividends paid.

	—Six Months to June 30— 1952	1951
Bank of America	$1.29*	$1.35*
Bank of California	1.72*	1.53*
Continental Illinois National	3.41	3.20
Cleveland Trust	22.08	17.38
First National Boston	1.79	2.04
First National Chicago	9.19	7.87
Mellon National (Pittsburgh)	11.14	9.92
National Bank of Detroit	2.01	2.02
Pennsylvania Co. for Banking & Trusts	1.60*	1.74*
Peoples First National (Pittsburgh)	1.76*	2.15*
Philadelphia National	3.86	3.61
Republic National (Dallas)	1.78*	2.14*
Security First (Los Angeles)	4.53	4.43

*Reported operating earnings.

Although there has been a trend among banks to publish operating earnings at six-month intervals, there are still a large number that only publish condition statements, making it necessary to figure the indicated earnings.

In reviewing the above list it is interesting to see the number which have either paid stock dividends or issued stock through the offering of rights. The First National Bank of Chicago paid a 20% stock dividend last year, Continental Illinois paid 25% and Cleveland Trust 16⅔%. All of the above earnings have been adjusted for these distributions.

Pennsylvania Company for Banking and Trusts, sold 200,000 shares to stockholders and issued 60,000 in a merger. Peoples First National of Pittsburgh sold 200,000 shares through rights and Republic National increased its outstanding stock by 150,000 shares. First National of Boston issued rights to stockholders covering 375,000 shares.

In each of the above instances per share earnings would have shown a more favorable comparison had it not been for the dilution affected by the new stock. Actually, total earnings showed gains for the period.

The forces at work with respect to earnings of these banks are, in general, the same as with the New York banks. Regional factors, of course, are important in determining the impact of the various influences.

Operating results are benefiting from the larger volume of loans currently outstanding and firmer interest rates have enabled the banks to show a better rate of return on loans as well as investments. Expenses including taxes are higher but net operating income continues to show gains.

As the different banks continue to show favorable operating results and as more stock becomes available for public ownership, interest in the shares of the more progressive regional banks should continue to broaden.

With Barrett, Fitch

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Walter W. Walton, Jr. has become connected with Barret, Fitch, North & Co., Inc., 1006 Baltimore Avenue, members of the Midwest Stock Exchange.

Uhlmann & Latshaw Add

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Anne Barnes has joined the staff of Uhlmann & Latshaw, 111 West 10th Street, members of the New York Stock Exchange and other leading exchanges.

Decca Records Stock Offering Underwritten

Decca Records Inc. is offering holders of its capital stock of record July 22, 1952 rights to subscribe at $7.62½ per share to 258,883 additional shares on the basis of one extra share for each three shares held. These rights will expire at 3 p.m. (EDT) an Aug. 8, 1952.

An underwriting group headed by Reynolds & Co. and Laurence M. Marks & Co. will purchase any unsubscribed shares.

Net proceeds to be received from the sale of these additional shares will be added to general corporate funds. The corporation's working capital has been reduced as a result of its purchases of securities of Universal Pictures Co., Inc. Its working capital and cash positions will be restored to proper levels by the application to them of the proceeds to be received from the present offering. The corporation has no present plans for devoting this increase in cash and working capital to any particular purpose other than for financing inventories and receivables and for current operations.

Decca Records Inc. and its subsidiaries are engaged principally in the recording, manufacture and distribution of phonograph records. Through one of its subsidiaries, Decca Distributing Corp., the corporation also engages in the distribution of phonograpns, radio-phonographs, needles and other accessories, all of which are manufactured by others. The corporation is one of the three largest phonograph record manufacturers in the country.

Joins Clement Evans

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Edward H. Lindsey is now associated with Clement A. Evans & Co., Inc., First National Bank Building. He was formerly with J. H. Hilsman & Co., Inc.

With Courts & Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — H. English Robinson has become associated with Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange.

Geyer & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Evelyn M. Speiser is now associated with Geyer & Co. Inc., 231 South La Salle Street. Miss Speiser was formerly with Glore, Forgan & Co.

Joins Blyth Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Dan R. Tubbs has become affiliated with Blyth & Co., Inc., 135 South La Salle Street. He was formerly with Kidder, Peabody & Co.

Blair, Rollins Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert A. Murphy has been added to the staff of Blair, Rollins & Co., Incorporated, 135 South La Salle Street.

N. Y. S. E. Extends Trading Hours

Beginning Sept. 29, floor trading will be lengthened to 3:30 P. M., with Saturday closing throughout year.

G. Keith Funston, President of the New York Stock Exchange, on July 17 announced that starting Monday, Sept. 29, 1952 trading hours will be extended to 3:30 o'clock from 3 o'clock (EST) on Monday through Friday and that the Exchange will be closed on Saturdays throughout the year.

G. Keith Funston

The decision, Mr. Funston said, was made by the Board of Governors at the current monthly policy meeting.

Trading hours of 10 to 3 o'clock were first established on the Exchange in 1873. In 1887 Saturday trading hours were changed to 10 o'clock to noon. A program for closing on Saturdays during the summer months was initiated in 1944.

"The decision to alter the Exchange's hours of business," Mr. Funston commented, "was based on the recently completed national survey of share ownership made by The Brookings Institution at our request.

"The survey has provided us with facts, never before available, which we need for the long-range planning of the Exchange's operations. We know, for instance, that the proportion of share-owning families to population is largest for the Far Western States and that the North Central States contain the largest number of share-owning families in the country.

"In the light of such information, we believe we should make the facilities of the Exchange available for a longer period to people in the North Central and Far Western time belts.

"The Board's decision to close the Exchange on Saturdays throughout the year was made to compensate for the additional half-hour work each day and to make employment in the Stock Exchange community more attractive to new personnel."

While the five-day work week is general practice among employees of member firms and the Exchange, it has been achieved by a program of staggered days off.

West Europe Economic Conditions Improved

Homer D. Wheaton, of Clayton & Wheaton, Investment advisors, reports on recent trip abroad.

Reporting on conditions in Western Europe, gained in his annual trip abroad, Homer D. Wheaton, partner of the investment advisory firm of Clayton & Wheaton, New York City, emphasized the fact that great progress has been made in the past twelve months. Mr. Wheaton stated that in France the Pinay Government is making a tremendous effort to avoid another devaluation of the franc; that the maintenance of a stable currency in France would be of great economic and psychological value in the next several years, and hope is spreading that this can be accomplished.

"It is not realized sufficiently in America," said Mr. Wheaton, "that the Schuman Plan will not only exert a profoundly beneficial effect on Western European economy, but, once in full operation will notably reduce the likelihood of future political friction between France and Germany. If friendly relations between those two countries could replace the distrust and enmity of recent decades, Europe's gain would be incalculable."

"The post - war problems of Europe are complicated by an unabated growth of population. This, one of the most important factors in the world today, is still not receiving the attention which must be devoted to it. However, in almost all other respects Western Europe by obtaining, from its own and from foreign sources, advice and assistance in surmounting its troubles has accomplished an amazing restoration as compared with the situation in 1945. There are, therefore, more reasons for being optimistic about the future than was the case a few years ago."

"The striking recovery in Western Europe would undoubtedly have been accompanied by greater investment of private capital on the part of Americans," said Mr. Wheaton, "if our tax laws were more progressive. Overseas investments are undeniably regarded in the United States as more risky than domestic. Therefore, to prevail upon money to fulfill its fundamental purpose under capitalism and to seek profitable outlets, thus raising the world's standard of living, the Federal tax laws must act as an inducement instead of, as at present, an obstacle to investors."

Allen & Co. Underwrite Pubco Stock Warrants

Pubco Development, Inc. all of whose 605,978 shares of common stock is owned by Public Service Co. of New Mexico which late in 1951 issued to its own stockholders warrants granting them the option to purchase its Pubco common shares, is issuing to holders of such outstanding stock purchase warrants, rights to subscribe for subscription warrants for 605,978 additional shares of Pubco common stock. The rights are being issued by Pubco in the ratio of a subscription warrant for one additional share for each share of Pubco's common stock that stock purchase warrant holders of record July 18, 1952 are entitled to purchase from Public Service Co. of New Mexico. The subscription price for the new warrants is $3 for each share a subscription warrant represents. The offer expires on Aug. 1, 1952.

The new subscription warrants for the additional shares of Pubco stock will be exercisable at $1 per share between Jan. 1, 1955 and March 31, 1955, or upon such earlier dates as the company may designate.

Allen & Co. is underwriting the subscription warrants. The firm will purchase all subscription warrants which are not subscribed for by the holders of currently outstanding Public Service of New Mexico warrants.

Pubco owns oil and gas leases in New Mexico, the development of which was begun late last year. Net proceeds from the sale of the new warrants will be used for repayment of loans of $500,000 from the parent company, Public Service Co. of New Mexico; acquisition of additional oil and gas leases, and their development; and operating expenses. At the time of the exercise of the new warrants the proceeds therefrom will be added to the general funds of the company.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market is again operating with considerable caution because of the tight money conditions and the added uncertainty as to whether or not interest rates might not be hardened still further by the monetary authorities. There appears to be no general agreement over the idea of higher interest rates being in store for the money markets. Some hold to the belief that the inflationary implications of the steel strike, and seasonal factors, such as increased demands for currency and loans as well as changes in the financing of new building expected around Oct. 1, means that money conditions will not only continue tight but there are possibilities that interest rates will be upped slightly by the monetary authorities. This group believes that somewhat tighter money rates would be brought about by an increase in the certificate rate to 2%.

On the other hand, there are those that do not look for any important changes in money rates and in particular no upping of the certificate rate. The small amount of one-year obligations due in the next two months might even be retired in part or in full, according to some of these money market followers. Thus it can be seen that the feeling in the money markets as to the immediate future trend of interest rates is mixed to say the least.

The money markets appear to be a bit on the confused side, due mainly to the tight money conditions that are being maintained by the monetary authorities. Such a condition has not been unusual in the past following a major financing operation by the Treasury. However, this time it looks as though the powers that be are going to keep the pressure on for a longer period of time.

There are many factors in the situation that could be considered as responsible for the hardening which has taken place in interest rates. Probably foremost among them is the steel strike, which could have inflationary effects upon the economy. Higher wages and higher prices are not unfamiliar inflationary forces which have plagued the economy in the past. When there have been inflationary implications that could have an influence upon economic conditions, the money managers have taken action which has kept the money markets on the tight side. A defensive money market may not be the complete or full answer to the new inflationary forces that might develop but it will certainly not help to fan the flames if a fire should be started again.

One-Year 2% Issue Forecast

The big question at the moment is whether money market conditions will continue tight as they have been or will they be tightened slightly from present levels. Federal has the answer as to what will take place, and it should not be too long before there is evidence of what will happen. It is believed in some quarters that there are possibilities the Aug. 15 or the Sept. 1 certificates will be refunded with a one-year 2% obligation. Others hold the opinion that the next maturity of certificates could also be refunded with a somewhat longer-term security, which would tend to have a further firming effect upon interest rates. It is being pointed out that Treasury bills are currently giving a yield that makes a higher rate for certificates a distinct possibility.

What would a higher certificate rate do to the rest of the government market especially the recently offered 2⅜% due 6/15/58? It is believed in certain quarters that a 2%, one-year obligation would bring about selling of the recently offered obligation, particularly among the not too permanent owners of this security. It is reported there are still quite a large amount of the 2⅜s held by this group. Since the commercial banks are the principal buyers of the new issue, it is believed there would be much less desire upon their part to acquire a six-year 2⅜% obligation, with a 2% certificate available for purchase by these institutions.

As to where the 2⅜s might go price-wise in event there should be a one-year 2% obligation, is anyone's guess, but not a few of the guessers believe they would go down close to, if not to the original offering price of 100. Whether the 2⅜% obligation would be as adversely affected marketwise, with a higher coupon rate for certificates, as some seem to believe might take place, is not shared by many other money market followers. While it is indicated that there would be some initial liquidation in the new bond, with an upping of the certificate rate, they hold to the opinion that, purchases by the commercial banks would keep quotations from going down very far from currently existing levels.

The Divergent View

On the other side of the ledger are those that, while they believe the money market will be kept tight for a time, do not expect an increase in the certificate rate to 2% will take place. Neither do they look for a refunding of the one-year obligation with a somewhat longer-term issue. The opinion is also expressed by some that all or part of the August and September certificates maturities might be paid off by the Treasury. This group still consider the 2⅜% bond an attractive obligation for investors and believe that times of price weakness should be used to build up holding in the recently offered security. It is felt that the period of tight money will not last too long, and with the passing of this pressure, the 2⅜% obligation will eventually go to the higher levels that have been predicted for it by many money market followers.

Market Briefs

Pension funds, both private, state and those of the Federal Government, according to reports, have been taking the restricted issues out of the market. Savings banks, private trust accounts, and pension funds have been rather sizable buyers of the recently offered corporate bonds. This has sopped up a fair amount of the funds these institutions have had around for investment.

Bache & Co. Admits Huycke as Partner

Bache & Co. which recently acquired membership on the Toronto Stock Exchange has announced that E. Douglas Huycke has become a general partner of the firm, resident in Toronto. Mr. Huycke has been manager of Bache's Toronto office, 36 Melinda Street, for the past 18 years.

E. Douglas Huycke

It was also announced that Francis K. M. Hunter, limited partner of Bache & Co., has been admitted to general partnership of the firm and will specialize in the development of the firm's department dealing in oil ventures.

Pruett and Company Is Formed in Atlanta

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Pruett and Company, Inc. has been formed with offices at 710 Peachtree Street, N. E. to engage in the securities business. Officers are Carl A. Pruett, President; Gertrude M. Pruett, executive Vice-President and secretary; William H. Brumbach; Vice-President; and Andrew H. Mote, treasurer. Also associated with the new firm are Sosebee F. Carter and Charles Roper. Mr. and Mrs. Pruett, Mr. Roper and Mr. Brumbach were previously associated with French & Crawford, Inc.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

ORTONVILLE, Minn.—Arthur K. Evans is connected with Waddell & Reed, Inc. of Kansas City.

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

ROLLA, Mo.—Dewey C. Hickman is with King Merritt & Co., Inc. of New York.

Joins Courts Co. Staff

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Vivan R. Core has been added to the staff of Courts & Co., Liberty Life Building.

Canadian Securities

By WILLIAM J. McKAY

The impact of the vastly increased new capital investment in Canada and its effects on the nation's future economy appears to be a topic of serious consideration in U. S. and Canadian political and economic circles. The Canadian Bank of Commerce, one of the Dominion's leading private banks, during the last three months has been running a series of articles relating to this subject in its monthly publication, "The Commercial Letter."

The May issue of the "Letter" dealt in some detail with the role of capital investment in the adjustments to the Canadian economy necessitated by the successive demands of war, reconstruction and, currently, defense. It was pointed out that past experience was an imperfect guide in assessing the desirable level of saving or investment at any given time. Moreover, an investment level which may be desirable from one point of view (increased production) may be undesirable from another (its inflationary effects). In the early postwar years, for instance, when great efforts were being put forth to increase output new capital investment was encouraged by official action in several directions, chief of which was the provision for special depreciation in the interest of the conversion, modernization, and expansion of industry. By the end of 1947 it was found advisable, in order to put some curb on the rise in prices, to issue formal notice that the reconversion period was over and to cease authorization of this special depreciation privilege, though the estimated accumulated demand for investment projects at the end of the war had by no means been satisfied.

In the current (July) issue of "The Commercial Letter," the Canadian Bank of Commerce discusses the estimates of new capital investment in Canada in 1952, and its immediate impact and the outlook beyond the present year. Concerning these matters, "The Commercial Letter" states:

"The mid-year estimate of new investment in 1952 at $5,181 million is $178 million higher than the first estimate, issued early this year, and $600 million above the previous high of $4,581 million invested in 1951. The earlier estimate forecasting an increase of about 9% in dollar value was predicated on approximately equal increases in volume and in price. The small increase then forecast for private investment (5%) seemed to preclude any increase in volume. Public investment (including government corporations) was, however, expected to rise about 21% in value, which would also indicate a substantial increase in volume. The primary industries, with the exception of mining and oil wells, seemed disposed to reduce the rate of their new investment, as did trade, finance and commercial services. The rise in manufacturing and utilities, however, continued unbroken. The prospects were that housing would decline again this year, following a sharp drop in new starts in 1951.

"The second estimate indicates increases over 1951 of $765 million, offset by decreases of $165 million, made up as follows:

INCREASES

	$ Million	%
Utilities	254	28
Manufacturing	251	33
Government Depts.	182	31
Mining	35	21
Institutional services	17	7
Agriculture	17	3
Construction	9	11
	765	

DECREASES

	$ Million	%
Housing	82	10
Commercial services	25	23
Trade	24	11
Finance, insurance and real estate	22	28
Forestry	12	18
	165	

"The increase in the mid-year estimate appears to be based on developments expected in the last half of the year rather than on those that have already occurred, some of which tended to cast some doubt on the fulfillment of even the first estimate. Chief of these were the decline from 1951 to 12% in the value of construction contracts awarded during the five months ending May, and a stable index of construction costs, despite a 4½% increase in wage rates since the first of the year. The further increases indicated in the mid-year estimate are for the most part in the categories in which increases were forecast early in the year; that is, the emphasis continues to be on the expansion of basic industrial capacity as represented by non-ferrous metals, chemical products and public utilities, chiefly central electric stations, steam railways and pipelines. The reasons given for the present upward revision are the initiation of new projects on which information was not previously available, more accurate estimates than were possible six months ago, greater availability of labor and materials, earlier delivery dates for some types of equipment, and the probability of an increase in costs, chiefly of industrial machinery and equipment, as a result of higher wage rates and a possible rise in the price of steel.

"All told, new capital investment in 1952 seems likely to establish new records again this year with a dollar value over seven times and a volume about three times that of the prewar average.

"The outlook for new capital investment beyond the present year is obscured by two all-important considerations, namely, the overhanging threat of a widening area of hostilities, and the extent to which our export trade continues to centre on the United States. In view of these uncertainties the direction into which new capital is channelled becomes as important a consideration as its over-all volume if we are to avoid certain errors in the way of over- or under-emphasis which are already showing up in our own economy and which are now evident in that of Australia and of New Zealand. While the fund available for capital investment shows no serious signs of drying up, the calls upon it have never been so demanding or so diversified, and their very diversity poses problems in allocation.

"The main calls upon capital are, first, repair and maintenance. It has been estimated that in the United States about two-thirds of gross capital formation over the long term is employed in maintaining existing capital investment and in offsetting depreciation and depletion, the balance being used to increase the stock of capital goods. While it would be unwise to apply this estimate too strictly to Canada, it would nevertheless seem to be the case that the heavy investment of recent years itself tends to generate further investment, and to become one of the most dynamic elements in an already strongly dynamic economy.

"Secondly, the heavier domestic needs arising out of the increase in population, now rising at a rate of 2⅓% a year compared with 1½% in the last two decades, demand that the means of production and housing keep pace. In the agricultural field, the decline in available labor can only be offset by an increase in labor-saving capital equipment.

"Thirdly, resource development is on a scale not previously experienced, and there is little in the present outlook to indicate any recession in this direction.

"Fourthly, capital expenditure by governments, which, as was pointed out in our previous issue, would normally be held in abeyance in view of the high level of private investment, is, by force of circumstance, likely to be high. Certain types of public works can be postponed, but others such as public utilities and highways must service the growing needs of expanded business if their lack is not actually to hamper its growth. And superimposed on all the foregoing demands on capital are those made by defense requirements and our participation in NATO.

"We are in a basically expansionist era, the economy is vigorous and opportunities for development are plentiful, but the circumstances of the times would suggest that the apportionment of new capital be made in the light of all the known factors rather than of any temporary sectional advantage."

Vietor, Common, Dann To Admit N. S. Howe

Nathaniel S. Howe, member of the New York Stock Exchange, on Aug. 1 will become a partner in Vietor, Common, Dann & Co. of Buffalo, members of the Exchange. Mr. Howe is a partner in Hallowell, Sulzberger & Co.

Joseph Hemmerle, member of the Exchange, will retire from partnership in Vietor, Common, Dann & Co. on July 31.

W. W. Culver Opens

SOUTH WEYMOUTH, Mass.—Wesley W. Culver has formed W. W. Culver & Co. with offices at 24 Elinor Road to engage in the securities business. Mr. Culver was formerly with Richard J. Buck & Co. and Boardman, Freeman & Co., Inc.

To Be Exchange Member

Charles H. Sulzberger, partner in Hallowell, Sulzberger & Co., New York City, will acquire the exchange membership of the late C. R. Coster Steers on July 31.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

S. Sloan Colt, President of the **Bankers Trust Company of New York,** announced that at a meeting of the board of directors Cyprian J. Bridge and F. Norland, formerly Deputy Managers, were elected Joint Managers of the London office, to succeed the late Roland H. Oxley, a Vice-President of the company and Manager of the London office since 1943. Mr. Bridge, born in London, was educated at Eton and New College, Oxford. He served with the British Army during the last war, and was demobilized in 1944 with the rank of Lieutenant Colonel. He joined Bankers Trust Company in 1951. Mr. Norland, born in London, was educated at University College School and Lausanne University. He served, with the rank of Captain, in the British Army in World War I and joined the staff of the London office of Bankers Trust Company in 1926. In 1929 he became Assistant Manager and has been Deputy Manager since 1938. At the same time, Richard Boyd was appointed Assistant Trust Officer, and will be assigned to the Pension Division of the Pension and Personal Trust Department, at the bank's Wall Street office.

* * *

Marvin L. Gosney, Executive Vice-President and director of the Sinclair Oil Corporation and the Sinclair Refining Company, has been elected a trustee of the **Emigrant Industrial Savings Bank of New York,** according to the announcement on July 21 by John T. Madden, President of the bank. Mr. Gosney, who has been associated with the oil industry for many years, is also a director of the Richfield Oil Corp.


Marvin Gosney

* * *

An Agency of the **International Banking Corporation,** affiliate of **The National City Bank of New York,** opened on July 21 at International Airport, Idlewild. This agency will provide for the purchase and sale of foreign currencies, customers' foreign drafts, travelers checks and letters of credit during regular week day hours and on Saturdays, Sundays and Holidays, whenever there is sufficient air traffic to warrant. This new agency will not conduct a general banking business at any time inasmuch as this service is already provided by the International Airport Branch of The National City Bank of New York during regular banking hours. Arthur W. Johnson has been appointed agent of The International Banking Corp. to conduct the new I. B. C. agency. National City's Branch at the Airport has been functioning since Sept. 10, 1948.

* * *

The New York agency, at 67 Wall Street of the **Standard Bank of South Africa Ltd.** announces receipt of advices from the Secretary of the bank of the annual general meeting in London on July 30 at which the following special resolutions will be laid before the stockholders:

"Ordinary Resolution: That each of the existing £20 shares of the company be divided into 10 shares of £2 each upon each of which the sum of £1 shall be credited as paid up. Special Resolution: That the capital of the company to the extent of £1 in respect of each of the issued £2 shares shall not be capable of being called up except in the event and for the purpose of the company being wound up. Ordinary Resolution: That the authorized capital of the company be increased to £15,000,000 by the creation of 5,000,000 new shares of £1 each, each ranking for dividend and in all other respects (save only in so far as there is a contingent liability attaching to the existing shares in the event of a deficiency on winding up) *pari passu* with the existing shares of the company. Such new shares shall be issued on such terms and at such time or times as the Board may deem expedient in the interest of the company." The latter resolution will have the effect of increasing this bank's authorized capital from the present figure of £10,000,000 to £15,000,000. It is intended that, as and when such new capital is issued, it shall be in the form of £1 shares, fully paid.

* * *

The First National Bank of Buffalo, N. Y., increased its capital as of June 26 from $750,000 to $900,000. $100,000 of the increase resulted from the sale of new stock, while the additional $50,000 represented a stock dividend.

* * *

The death on July 10 of Tasker G. Lowndes, Chairman of the **Second National Bank of Cumberland, Md.,** is announced by the directors of the bank. Mr. Lowndes, who was born in Cumberland in 1883, was the son of former Governor Lloyd Lowndes of Maryland. At the time of his death Mr. Lowndes was President of the Maryland State Board of Education. According to special advices from Cumberland, to the Baltimore "Sun" of July 11, Mr. Lowndes practiced law in his home city from 1909 until 1915, and, said the "Sun," "the same year his law practice opened, Mr. Lowndes was named a director of the Second National Bank of Cumberland, beginning a 43-year association with that institution. In 1928 he was named President of the bank and in 1948 resigned, assuming Chairmanship of the board." The "Sun" likewise stated in part: "He was also, at the time of his death, a director of the Chesapeake Potomac Telephone Company of Baltimore, Vice-President of the **Lowndes Savings Bank and Trust Company,** of Clarksburg, W. Va.; Vice-President of the Commercial Coal Company of West Virginia and President of the Cumberland Fair Association."

* * *

Five Portsmouth (Va.) citizens were elected members of the Advisory Board of **The Bank of Virginia in Portsmouth, Va.,** by action of the bank's General Board of Directors meeting in Richmond on July 11. Abner B. Hill, Chairman of the new group, was elected a member of the General Board. Advisory Board members are Abner B. Hill, President, Standard Hardware Corp.; Robert B. Beaton, attorney-at-law; T. Deale Blanchard, President, Blanchard's Inc.; George T. Ewell, Secretary-Treasurer, Planters Mfg. Co., Inc.; O. B. Wooldridge, Vice-President and in charge of The Bank of Virginia in Portsmouth. The five men have a record of outstanding service in religious, business, civic and community affairs in Virginia, it is stated, and the combined board holds ranking offices and memberships in practically every civic group in the City of Portsmouth.

Albert Charles Bartlett has been elected a Vice-President of **The Bank of Virginia** and began his new duties with that bank in **Portsmouth, Va.**, on July 16. Edwin E. Mathews, Assistant Cashier in the Portsmouth office, has been promoted to Assistant Vice-President. Mr. Bartlett began his banking career as a runner for the Citizens Trust Company in Portsmouth. Advancing to various posts, he was named Assistant Treasurer in 1937, as Treasurer in 1942 and became a Vice-President in 1950, a position he held until July 16. Mr. Mathews entered the banking profession in 1925 with the Bank of Tidewater, continuing with that bank when the assets were purchased in 1930 by the **American National Bank.** In 1931 Mr. Mathews became associated with The Morris Plan Bank of Portsmouth, a bank later to become the Commercial Exchange Bank in 1938, and, still later, in 1944 to be purchased by the then Morris Plan Bank of Virginia.

* * *

Action by the stockholders of **the Huntington National Bank of Columbus, Ohio,** toward raising $1,800,000 through the sale to them recommended by the directors of 50,000 shares of common stock (par $20) at $36 per share was taken by the stockholders on July 9. Under date of July 7, the bank in advices to the underwriters, Paine, Webber, Jackson & Curtis, said in part regarding the directors' recommendations:

"(1) To change the par value of the bank's common capital stock from its present par value of $100 per share to a par value of $20 per share. This will be accomplished by the issuance of 5 shares of common stock in exchange for each one share of common stock owned by the shareholders of record as of July 9, 1952. In so doing, the total number of shares of common capital stock authorized and outstanding will be increased from 30,000 shares to 150,000 shares.

"(2) To issue and sell 50,000 shares of new stock of $20 par value, which will be offered to all shareholders pro rata on the basis of one new share for each 3 shares of the par value of $20 per share held as of record at the close of business on July 9, 1952. Immediately after the July 9, 1952 meeting of the shareholders, warrants evidencing the subscription rights will be mailed to each shareholder; these rights will expire and become void after 12:00 noon, Eastern Standard Time, July 24, 1952. A subscription price of $36 per share for the new stock will be recommended to the shareholders for approval."

* * *

The election of Rudolph J. Albrecht as Assistant Trust Officer of **the Chicago City Bank & Trust Co. of Chicago, Ill.,** was noted in the Chicago edition of the "Wall Street Journal" of July 15.

* * *

The Federal Reserve Bank of St. Louis announced on July 10 the following new official appointments made by the Board of Directors of the bank, effective July 16: William J. Abbott, Jr., Manager, Research Department, appointed Director of Research, an official position. Mr. Abbott received his Ph.D. degree from Washington University in 1941 and entered the employ of the Federal Reserve Bank in 1948; George E. Kroner, appointed an officer of the bank with his present title of Chief Examiner. He joined the bank's staff in 1918 and has been associated with the Bank Examination Division since 1936; Willis L. Johns, Manager of the Personnel Department, was appointed Assistant Vice-President. He joined the bank's staff in 1924 and has been affiliated with personnel administration since 1941; Stephen Koptis has been appointed Assistant Vice-President. Mr. Koptis entered the employ of the bank in 1921 and served in various departments, having devoted approximately 12 years to the Credit-Discount function of the bank.

Woodrow W. Gilmore was appointed Assistant Vice-President. Mr. Gilmore joined the bank's staff in 1933. Both Mr. Koptis and Mr. Gilmore were graduated from the St. Louis University School of Commerce and Finance. The resignation of Assistant Vice-President J. H. Gales was accepted by the Directors to become effective July 15. Mr. Gales had been associated with the bank since 1943.

* * *

New stock to the amount of $60,000 increased the capital of the **Greeley National Bank of Greeley, Colo.** from $300,000 to $360,000 effective June 27.

Sen. Douglas Takes Issue With Patman Report On Monetary and Debt Management Policy

Illinois Senator takes issue with some of views of Subcommittee on Credit Control and Debt Management of the Joint Committee of the Economic Report, of which he is a member, and scores Federal Reserve for its confusion regarding its statutory responsibilities.

In a separate statement, contained in the "Report of the Subcommittee on General Credit control and Debt Management of the Joint Congressional Committee on the Economic Report," Sen. Paul H. Douglas (D.-Ill.), a former professor of Economics at the University of Chicago, takes issue with the majority of the Committee on two points, namely; (1) he criticizes the Administration for lack of a restraining monetary policy, and (2) he deplores lack of an independent and effective policy of the Federal Reserve to curb inflation and its "confusion" regarding its statutory responsibilities in regulating credit and money supply.

Sen. Paul H. Douglas

The text of Senator Douglas' statement follows:

The work of the Subcommittee on General Credit Control and Debt Management has made a valuable contribution to the understanding of problems in the fields of monetary policy and the national debt. I count it an honor to have been a member of the Subcommittee and wish to acknowledge the splendid accomplishment of its Chairman, Representative Wright Patman, and the highly competent services of its staff. Let me also acknowledge with a sense of appreciation the generous treatment that the Subcommittee's present report accords to the wrok of the Subcommittee on Monetary, Credit, and Fiscal policies, of which I served as Chairman, now somewhat more than two years ago.

There is much in the present report with which I am in cordial agreement. There is also much to which I take so little exception that special comment is not in point. However, there are at least two points in the analysis that seem to me to be erroneous in their implications, one point of suggested policy that seems to me certain to prove mischievous, and several recommendations that tend in a general direction contrary to my own point of view. There is sufficient difference of emphasis between the report and my own thinking that I believe my best contribution to the work of the Subcommittee can be made by this separate statement, in part reviewing and restating, and in part clarifying my own position.

Two Matters of Analysis

In the report's review of events since the outbreak of the North Korean attack, attention is drawn to the world-wide rise in the prices of certain volatile, internationally-traded raw materials.

Internal versus external factors after Korea: It is said that the intention is merely to indicate the magnitude of the inflation problem. But the effect of the emphasis appears to involve an implicit argument not so much about the magnitude as about the nature of the problem. It is assumed that some factor was operative *outside* the United States inevitably making for a rise of prices *within* the United States, and that our own monetary policy, therefore, probably had but a minor influence in producing the inflation. If I correctly appraise its implications, this emphasis minimizes the efficacy of the restraining monetary policy, which we might have adopted, and condones the unrestrained policy that we actually pursued.

There is doubtless some truth in the allegation that the outbreak of the Korean war necessarily created world-wide excitements and fears, which in a degree, were unrelated to the United States monetary policy of the moment. It must be remembered, however, that the United States is a dominant buyer in the world market for most internationally traded raw materials. A flight from the American dollar into goods and commodities, therefore, would have an extremely important causative influence on the world prices of these materials. An inflation of credit in the United States, which permitted and encouraged such a flight from the dollar, either domestically or internationally, would therefore seem to me to be a powerful contributing factor to the world-wide inflation noted in the report.

Short-run versus long-run considerations: The report concedes that changes in the money supply have a decisive influence on the price level, but it qualifies this by saying that this principle is true only in the long-run. The implication would thus be that monetary policy is relatively unimportant in the short run.

This implication, if I sense it correctly from the Subcommittee's report, is one that I cannot accept. The long run, after all, is made up of short runs. If it be assumed that monetary policy has *no* effect in each of a series of short runs, then it can have no effect in the long run.

Money supply and the willingness to save or spend: I would admit, of course, that the willingness of people to use or hold money is not entirely dependent on increases or decreases in the supply of it. A war scare, for instance, might well cause people to spend money that they would not spend in the absence of such an influence. However, even though such a factor might, if powerful enough, cause prices for a time actually to move contrary to changes in the supply of money, I am strongly of the opinion that increasing or decreasing the money supply would nevertheless materially affect the expectations of people with respect to the value of their money and, hence, would materially affect the magnitude, and usually the direction, of short-run price level oscillations.

The discussion of this point is important because of its bearing upon monetary policy. If the report's contention is true, that there is no direct relation between money supply and prices in the short run, then we would be precluded from ever using monetary policy to curb an inflation, for in practice we are always confronted, in fact, only with the short run.

Actually, at any particular point in time, we must act with respect to monetary policy on one of three possible assumptions. If it is assumed that there is *no* probable, direct, short-run relation between the money supply and prices, then we would be wasting time, when confronted with an immediate situation, in giving any consideration at all to the possible effects of changes in the money supply. On such an assumption, reliance would necessarily have to be placed on the direct control of the economic system rather than on general monetary and credit controls, which the report says should be the principal and primary means of achieving stability.

Or, it may be assumed that there is an *inverse* relationship between money and prices. If this were true as a general proposition, we would be led into such absurd policies as, on the one hand, contracting the money supply when prices are falling, in order to raise the price level, or, on the other hand, flooding the country with money when prices are rising, in order to prevent an inflation.

There remains, then, only one sensible assumption. This is the assumption that even in the short run the probabilities are overwhelmingly in favor of prices moving directly with changes in the money supply, although, perhaps, with some occasional time lag. If we thus act on a sensible assumption in each and every short run, I am sure we would also, as short runs inevitably succeed each other, make sense in the long run.

Flight from money after Korea influenced by previous monetary policy: In the situation immediately following the North Korean attack, I would willingly agree that restraint on the money supply alone might not have completely controlled the rise of prices. The memory of war shortages was everywhere in the minds of consumers and producers. The people of the United States, and the peoples of the world, had experienced more than a decade of inflationary finance. The American economy was awash with money, as a number of witnesses in the Hearings observed. In such a situation, I can agree with the Subcommittee report that a certain rise in the general price level, as people fled from money to goods, was probably inevitable. This circumstance, however, does not minimize but emphasizes the importance of monetary policy.

The readiness of the American people to fly frantically from their money was itself importantly conditioned by the preceding inflationary monetary policy—a policy that was in some measure necessary during the war years but was, to my mind, inexcusable in the postwar period. In large part the American people fled from their money after Korea because they had learned from many years' experience that nothing effective ever seemed to be done to protect the holders and savers of money by restraining an inordinate increase in its supply. Precisely because of the preceding lax, confused, and imprudent monetary record, the immediate post-Korean situation demanded prompt monetary restraints.

I believe that prompt and determined action, quite within the range of practical policy, would have materially altered people's expectations regarding the desirability of holding or saving money, even granting the preceding experience, and would thus have materially dampened down the inflationary oscillation that actually occurred. The failure to take restraining measures promptly, and the actual supplying of more than a billion dollars of additional bank reserves, which further encouraged the flight from money to goods, was in my judgment a gross blunder, which far outweighed any offsetting gains to the American economic system.

A Matter of Policy

The Subcommittee clearly stresses the fact that there are two attitudes of mind with regard to the government bond market—one being that the government should borrow at rates established by the market, submitting itself to the same disciplines as private borrowers; the other being that the government, in its borrowing activities, should have an insulated market. This problem goes to the very heart of many issues but receives less attention in the Subcommittee's report than it deserves.

We had, in fact, for many years been giving the government a protected market for its borrowings, a policy that was discontinued only recently. As a direct result, we produced a serious inflation. Indeed, it was the inflation growing out of this effort to insulate and protect the government's market that originally gave pertinence to this inquiry and to the deep public concern for the value of the dollar.

The word "insulation," as used in the Subcommittee's report, is soft, pleasant, and enticing, and the report is quick to point out that it wants the insulation to be reasonable. The word "rigging" would be harsh, brutal, and repulsive. Yet I think the truth is, if we are not very careful, that the principle of insulation will become the practice of rigging. We will have the creation of an artificial market by devices resolutely denied to private firms but eagerly adopted, in the future as they have been in the past, by the government itself.

The evils of a protected bond market: The principle of insulation presents the grave danger of evils that are catastrophic in their realization. One danger is that the government cannot, in the end, produce rigged markets for its own securities and then hold the private economy to a standard of financial morality that it refuses for itself. The end result of such a double standard of financial morality is simply the destruction of confidence in the integrity and purposes of government. A particular phase of this destruction of confidence relates to the government's credit: insulated and rigged markets do not in the long run maintain but rather destroy the credit of the government.

Another evil of an insulated and rigged market is that the Congress and the Executive in their financial planning, not merely with regard to the total of expenditures but especially in weighing the advantages of taxation versus those of borrowing, become deceived regarding the cost of borrowing. Another great evil, finally, is the one we have already experienced. In practice, the principle of insulation simply means that whenever the public is unwilling to surrender its money voluntarily on the terms and conditions that the government offers, the "insulation" comes to consist merely in the creation of new and additional supplies of money to take the government's securities off the market.

The process of bank credit expansion: Let us remember the

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Sen. Douglas Takes Issue With Patman Report On Monetary and Debt Management Policy

process by which this comes about. When the Federal Reserve System feels compelled to support the price of government securities in the interest of maintaining yields below the market rate, it does so by purchasing government securities with its own newly created credit. This credit appears in the form of enlarged reserve balances of commercial banks. In this form it provides the basis for a multiple expansion of loans and investments by the banks. When this new money, created by the banks on the basis of their enlarged reserve balances, goes into the hands of the borrowing public, it is used to buy goods and services. If the resources of the country are already fully employed, the expenditure of this new money can have little or no effect in increasing production. It serves, rather, merely to bid up the prices of the relatively fixed supply of existing goods and services and thus generates inflation.

It seems to me that this process of creating bank reserves and new money, merely for the purpose of giving the government a protected securities market, often in contradiction of more fundamental considerations, has gone quite far enough in our country. There is one method of protecting the market for its securities that the government properly possesses: the power to tax. I believe this is a sufficient protection, since it gives the Federal Government a prodigious advantage over any private borrower, and we will do well resolutely to avoid all enticements looking to other kinds of insulation, rigging and pegging. I would regard stability of the price level as far more important to the economic and social well being of the country than any artificially maintained stability of the interest rate.

Government should compete in the money market: The government is quite able to compete in the money market. If it will but do so, allowing itself only the advanage accruing to government as the ultimate taxing power, we shall then be in a position to permit our monetary authorities to reduce or restrain the growth of the money supply when a plethora of money is producing an inflation and, by the same token, to increase the money supply in a deflationary situation—when the increased money would not only affect prices but also call into use idle manpower, plant and materials, and hence increase the real national income itself.

The market for government securities would thus obviously be affected from time to time, both directly and indirectly, by the monetary policy pursued by the System. But the purposes, criteria of success, and tests of action by the System would differ fundamentally from those that would be applicable if we followed the principle of insulating the government securities market. The Executive and Congressional branches of government, moreover, would thus be in an obviously better position to use intelligently a compensatory fiscal policy, which was discussed in considerable detail in our report of two years ago.

The Recommendations

It has seemed to me urgently necessary that the Federal Reserve System, if it is to have its present or increased monetary powers, must also have *(a)* an independence clearly sufficient to prevent its coercion, of course, by any private interest or, what is equally important, by the Executive Branch of Government; *(b)* its monetary responsibilities sufficiently fixed in law, and sufficiently differentiated from those of other agencies of government that the monetary responsibilities of the System are clear to other agencies, to the public, to Congress, and to itself; and *(c)* the principles of its action also sufficiently fixed in law that they will be known to the Executive, the Congress, the public, and, above all and most important, to the Federal Reserve System. It is only in these terms that I am able to think of the independence of the System and to judge proposals for its reorganization; for, as the report correctly observes, the problem of independence cannot be discussed in a vacuum but can only be meaningfully discussed in terms of independence to do what, when, and how; and, I must insistently add, in terms of *responsibility* for doing what, when, and how.

The several recommendations of the Subcommittee, in the light of my preoccupation with independence for the Federal Reserve System in the terms I have stated, fail to go to the heart of the problem. The report, for instance, suggests increased powers over bank reserves; a smaller Board of Governors; a consultative council on monetary problems, established by Executive Order; a closer and clearer dependence of the Chairmanship of the Board on the term of the President; and shortened terms for the members of the Board of Governors.

Individually the recommendations are not of fundamental importance: These recommendations, with the probable exception of the one regarding reserve requirements, are not, to my way of thinking, matters of any great substance. None of them represents a point that I would care at this time to argue individually or at length. In the present state of confusion regarding responsibilities and principles of action, however, the total effect of these recommendations is not, as the report asserts, to leave the System "about as it is" with regard to independence, but they actually serve to weaken it substantially.

For instance, power over reserve requirements is a useful tool and supplementary instrument of monetary policy. If used to "insulate" the government bond market, however—in short, if used to create a captive and coerced market—it could prove utterly mischievous. A smaller Board, with shortened terms, might be a more effective working body if the principles and responsibilities of monetary policy were clear. Lacking such clarity, however, these recommendations, together with the clearly indicated dependence of the Chairmanship upon the Presidency, and the proposed abolition of geographical qualifications for Board members, would simply mean that in practice the Board of Governors would be effectively brought into subservience to the currently ruling Executive and his political purposes.

The proposal for a consultative council (though I am shocked at the suggestion that the Council be established by Executive order) could be a most useful instrument if, again, there were clarity regarding responsibilities and principles. In the absence of such clarity it would be, to all intents and purposes, simply another method of bringing the System under the domination of the President and of the party in power.

Collectively they can be dangerous in absence of a policy mandate: As I appraise them, then, these recommendations might, under other circumstances, represent desirable but minor changes. Nevertheless, I believe them to be dangerous in the absence of a clear mandate making the Board of Governors fully responsible for the monetary policies it pursues and in the absence of a statement of the general principles of monetary policy for which the System is accountable. This, to be sure, is simply a reaffirmation of my opinion, which I want unequivocally known, that the most urgent and paramount business in the field of monetary policy is that of a clear Congressional directive to the Federal Reserve System, to wit, a mandate, as we have come to call it. Without such a clear mandate, setting forth responsibilities and the general terms of policy, there can be no such thing as accountability or evaluation of performance.

I would concede the difficulty of writing a mandate. But if it is alleged that the difficulties are so great that they cannot be surmounted, then that contention is tantamount to saying that we do not know what kind of a general monetary policy we desire; and, if we do not know what kind of a monetary policy we want, then we had better simply abolish the instruments of monetary policy, for they are entirely too dangerous to be used for ill-considered purposes.

What a mandate should consider: A mandate must involve certain considerations:

(a) In my opinion, it should make a clear differentiation between the responsibilities of the Federal Reserve System and the responsibilities of other agencies, the Treasury for instance, because, since both are dealing with money, there is likely to be great confusion regarding the differing responsibilities of each agency.

Treasury - Federal Reserve responsibilities: I note this point for two reasons. The first relates to a most elementary principle of administration: without differentiation of responsibility there can be no accountability. The second reason is the fact that there was a pervasive tendency on the part of some witnesses to adopt the "common responsibility" theory of Treasury-Federal Reserve System relations.

I have noted with care the testimony of Mr. Snyder, the Secretary of the Treasury, and of Mr. Martin, the Chairman of the Board of Governors. I would like to compliment them on the abiltiy and good will shown in their oral testimony and on the contributions that their staffs have made to the work of this inquiry. But I strongly urge that the "common responsibility" theory of Treasury-System relations can, in the end, only result in confusion, misunderstanding, and the avoidance of responsibility. With the best will in the world, this theory leads inevitably to recrimination, to mutual admonition, and to repeated investigations, such as this one, which arises so largely out of the painful and exhausting effort to discover *who* did what, when, why, and to whom.

Fortunately, the necessary differentiation between the responsibilities of the Treasury and of the Federal Reserve System is easily made. The Secretary of the Treasury has a very great responsibility in advising the Congress with regard to problems in the fields of taxation and borrowing. He has a profound responsibility in arranging the maturities of the public debt, the terms and conditions of debt instruments, the coupons that he will offer to the market, and related matters. The Secretary of the Treasury should be (as I believe he is) solely and exclusively accountable in these fields, and he should not be admonished, cajoled, or heckled with volunteered advice by the Federal Reserve System.

On the other hand, the problem of the Federal Reserve System is to regulate the quantity of reserve money that it creates, either through its own investment account or lending activities, and to do so, as I believe necessary, in accordance with principles established in law. It, in turn, should not be admonished, cajoled, or heckled by volunteered advice from the Treasury.

I make these points insistently because I sense in the record of the past several years a tendency for each of the two agencies to be as much interested in the affairs of the other as in its own, to the confusion and detriment of both. In voicing this opinion, I want to make it clear that I am by no means accusing the Treasury and acquitting the System.

"Good fences make good neighbors": I want to observe that there is a fundamental and unavoidable difficulty in the giving of advice to the System by the Secretary: he cannot possibly divorce himself from his borrowing problems, and the advice he gives the System will tend to be largely *ex parte*. The System, of course, is in precisely the same position *vis-a-vis* the Secretary: its advice on terms, maturities, coupons, and so forth, will inevitably be conditioned by its abiding concern with the problem of whether or not the Treasury's action makes more or less difficult the System's regulation of the money supply. The advice given by the System to the Secretary will also tend to be *ex parte*.

In short, I make the point of differentiation of responsibility, and make it insistently, because it seems clear to me that we will have a better end result, and that the Treasury and the System will be better neighbors in the long run, the less they invite themselves in to play in each others' backyards. The proper principle is, "Good fences make good neighbors!"

A norm of action for the Federal Reserve: (b) A mandate to the Federal Reserve System must also establish a norm of action in terms of general principles. The norm of action for the Federal Reserve System need not and should not be detailed. No one is nowadays so naive as to imagine that monetary policy by itself can totally abolish the business cycle; but the terms of such a mandate, as I see it, should be clearly written around the intent of Congress that monetary policy be used as a counterweight to cyclical economic fluctuations. That is, it should be the clear intent of the Congress, I believe, that the System shall use its powers to increase the money supply in times of depression and to diminish or restrict the expansion of the money supply in times of boom. The recognition of boom and depression, at least in their grosser symptoms, is surely not now beyond the Board of Governors and its staff, if they are not bewildered by other and irrelevant considerations. The levels of employment, production, and substantial stability of the general price level: These will suffice.

If it is said, as I am sure it will be, that a monetary policy based upon such a mandate may not be perfect, then I want to say quite emphatically that it will be infinitely better than what we have been treated to these past several decades, and that the Congress will have, at the very least, a benchmark for judging the performance of the Federal Reserve System and a basis for adjusting Congressional policy directives to the System in the light of experience.

Mandate should be in Federal Reserve Act: (c) In my opinion, a mandate to the Federal Reserve System regarding monetary policy should be placed directly in the Federal Reserve Act. The mandate should not be inferential, implicit, or interpretative.

Inferences and interpretations are subject to change without notice and are quite certain to be given a secondary significance. The monetary confusions of these latter years seem to me to have carried us far beyond the place in history where a mandate might satisfactorily have rested on interpretation of the Full Employment Act or be subordinated within the language of that law.

If there is to be a mandate to the Federal Reserve System—and I have made it clear that I believe there must be—then I urge that we should have the forthrightness to tell the Federal Reserve System, directly, in its own legislative charter, what it is that we expect—what we expect the System to contribute toward the maintenance of stable price levels, and high-level employment, and by what means.

On the record of the past several years it seems quite clear to me that the Federal Reserve System—through no basic fault of organization, structure, or personnel—has been quite confused regarding its responsibilities and the fundamental reason for its being. I do not believe that this situation can now be corrected by inference or indirection.

Let me close by a further word of congratulation to an esteemed colleague, Representative Wright Patman, whose conduct of the hearings was the very model of fairness.

PAUL H. DOUGLAS.

I concur in the view expressed by Senator Douglas.

JESSE P. WOLCOTT.

STATEMENT BY MR. WOLCOTT

I concur with the views expressed by Senator Douglas and find them to be quite consistent with the report of the Monetary Subcommittee of two years ago to which I agreed, with certain "footnote" exceptions and reservations.

In regard to the current report, there are a number of items on which I desire to take exception or to express supplementary comment. These, I believe, cannot be adequately treated by footnotes in the text and will require some time on my part to formulate them. I shall therefore avail myself of the privilege offered by the Chairman to issue a statement of views at a later date.

I regret that pressure of work in the Banking and Currency Committee and on the House floor for some weeks past has made it impossible to present my additional views at this time. Moreover, I feel that the questions of monetary policy and debt management are of such major importance that I do not wish to express myself on them in report form without careful and adequate consideration of the committee's report as well as the formulation of such differing or supplementary views as I may feel to be justified.

Since it is indicated that the committee's report is to go to the printers tomorrow (June 26), I do not desire to delay its publication. When the current pressure of work of the House is completed, I shall then have the opportunity to consider the report carefully and formulate my statement on these matters for release as soon as possible thereafter.

JESSE P. WOLCOTT.

With Newburger, Loeb

Newburger, Loeb & Co., members of the New York Stock Exchange and other Exchanges, announces that Gene Glick, Registered Representative, has become associated with the firm in its main office at 15 Broad Street, New York City.

Opposes an Independent Federal Reserve

Subcommittee on General Credit Control and Debt Management of the Congressional Committee on the Economic Report says formal independence of Federal Reserve Board should be limited by need of coordination of fiscal and monetary agencies of the government.

In the recent report issued by the Subcommittee, headed by Rep. Wright Patman of Texas, on General Credit Control and Debt Management, a segment of the Joint Committee on the Economic Report, a firm stand is taken against a completely independent Federal Reserve System as advocated by many economists and others having in mind the basic principles of 19th century central banking. Concerning this topic, the Report of the Subcommittee states:


Wright Patman

"The first question which must be raised in any discussion of the independence of the Federal Reserve System is 'independence from what?' It is sometimes contended that the Federal Reserve System, like a 19th Century central bank, should be, at least formally, independent of its government. It was possible to make a plausible case for this position when the principal trading nations of the world were on a gold standard and the 'rules of the game' under this standard were conceived to be automatic—requiring much technical skill but no judgment concerning the ultimate ends of economic policy for their successful operation. It is not necessary to inquire whether this concept was ever valid. The United States is now the only large nation in the world on an international gold standard, and neither the United States nor any other country is going to allow its monetary policy — i.e., its internal price level and its internal level of employment—to be determined by the 'automatic' requirements of an international standard. To permit this would be tantamount to renouncing the responsibility of the Federal Government, recognized by it in the Employment Act of 1946, for maintaining conditions conducive to high-level employment.

"The Subcommittee, therefore, rejects the idea that the Federal Reserve System should be independent of the government. It agrees with Mr. Sproul, who said in a letter to the Subcommittee: '. . . I think it should be continuously borne in mind that whenever stress is placed upon the need for the independence of the Federal Reserve System it does not mean independence *from* the government but independence *within* the government.'

"The Federal Reserve System is, and should be, in close and continuous contact with the financial and business communities. The financial and business communities should participate to the fullest extent possible in the formulation of monetary policy. But, they must be junior partners. There can be no independence from the government.

"The independence of the Federal Reserve System, which remains to be considered, is therefore, to use Mr. Sproul's words, 'independence within the government.' This independence is of two kinds—independence from the President and independence from Congress. The question of independence from Congress is a very special one and discussion of it will be reserved for the section on 'The Finances of the Federal Reserve System.'

"It has already been pointed out that, irrespective of whether the Board of Governors is or is not a part of the Executive branch, Congress can and has endowed it with a substantial degree of independence from the President. The President appoints the members of the Board of Governors, subject to the confirmation of the Senate, and designates the Board's Chairman. Pursuant to his inherent powers as Chief Executive, he may remove any member of the Board for malfeasance, incompetence, or neglect of duty. Some powers of the Board have been delegated to it by the President, pursuant to acts of Congress vesting the powers originally in him. The Persident can supervise the execution of these powers and can redelegate them if he sees fit. But, aside from this, the Board is formally independent in the exercise of its judgment and can make such decisions as it believes to be in the public interest. This was agreed by a great majority of the persons replying to the questionnaires or testifying at the hearings.

"But, the formal independence of the Board of Governors from the President is inevitably limited by the hard fact that fiscal and monetary policy must be coordinated with each other and with the other policies and objectives of the government if the government is to be of the greatest service to the Nation. As the Council of Economic Advisers says:

"'A problem of greater practical importance, however, is presented by the fact that stability is only one of the objectives of the government, and monetary policy is only one of the methods of achieving stability. When various objectives must be promoted simultaneously, a combination of policies needs to be chosen that will promote these different objectives without tearing down one to build up another.'

"This means that the Board of Governors must inevitably discuss and endeavor to reconcile its differences with the Executive agencies. What is needed is not the best *monetary* policy or the best *fiscal* policy, each as ends in themselves, but the best overall *economic* policy. This is naturally most likely to be attained, from the point of view of the Federal Reserve System, when its influence in government policy formation is at a maximum. A good case was made at the hearings that the over-all influence of the Federal Reserve System would be increased if it were less independent and more highly integrated with the Executive branch. Dr. Goldenweiser had earlier supported this view in part in this book, 'American Monetary Policy,' but modified his position materially in his testimony before the Subcommittee.

"The final aim, of course, is not that the Federal Reserve System should be independent, but that the country should have a sound economic policy. The independence of the Federal Reserve System is a relative, not an absolute concept. It is good insofar as it contributes to the formulation of sound policy, and bad insofar as it detracts from it. Measured by this standard, the Subcommittee is inclined to believe that a degree of independence of the Board of Governors about equal to that now enjoyed is desirable. Many of the policies which the Federal Reserve must advocate to maintain the soundness of the dollar during times of inflationary pressures are unpopular; yet it is necessary that they have a strong advocate in order to avoid built-in inflationary bias in the economy. This end is best served by endowing the Board of Governors with a considerable degree of independence — thereby enhancing its bargaining power in the determination of over-all policy. But, the Board of Governors, like all other parts of government, must play as part of a team, not as an outside umpire, and must ultimately abide by the decisions which are made by Congress."

Lag in Construction Contracts Reported

F. W. Dodge Corporation estimates construction contracts east of Rockies in first half of 1952 declined 12% in comparison with same period of previous year.

The first six months of 1952 trailed the first six months of 1951's record-breaking volume in construction contracts awarded in the 37 states east of the Rockies by 12%. F. W. Dodge Corporation, construction news and marketing specialists, reports the total for the first half of the year was $7,758,578,000 compared with $8,808,109,000 reached during the first half of 1951.

It was pointed out that, discounting $980 million in Atomic Energy Commission project awards included in the first half figures for 1951, the current year was only 1% behind last year.

The June total for 37 states was $1,488,850,000 or 5% less than May but 6% more than June 1951.

Other June individual totals: Non-residental, $551,500,000, 19% more than May but less than 1% below June 1951; residential, $581,792,000 or 23% less than May but 7% more than June 1951; public and private works and utilities, $355,558,000, up 2% over May and 15% over June 1951.

Six - month individual totals compared with six months 1951 were as follows: Non-residential, $2,698,975,000, down 34%; residential, $3,344,037,000, up 1%; public and private works and utilities, $1,715,566,000, up 21%.

Joyner Co-Manager of Bache Greensboro Branch

GREENSBORO, N. C.—Bache & Co., members of the New York Stock Exchange, have announced that Archie B. Joyner is now associated with the firm in its Greensboro, N. C. office, 108 West Market Street, where he joins W. Gordon Latham as co-manager.

R. C. O'Donnell Announces Saginaw Representative

SAGINAW, Mich. — Joseph D. Frost is representing R. C. O'Donnell & Company, members of the Detroit Stock Exchange it is announced. Mr. Frost was formerly with Stoetzer, Faulkner & Co. and prior thereto in business for himself for many years.

F. J. McDermott Opens

BROOKLYN, N. Y.—Frank J. McDermott has opened offices at 51 Clark Street to engage in the securities business.

L. C. Matthews Opens

TOWNVILLE, Pa.—Loyola C. Matthews is engaging in the securities business from offices on South Main Street.

Harry J. Wright Opens

ILION, N. Y.—Harry J. Wright has opened offices at 48 South Fifth Avenue to engage in the securities business.

Bank Stocks Represent "Growth Industry"!

Harold H. Helm, President of Chemical Bank and Trust Company of New York, points out, however, since 1929 bank stocks have not been purchased by public, with "growth" in view, but with idea and motive of safety. Calls attention to difficulties in expanding bank capital.

In the course of an address at the Silver Anniversary Stockholders Meeting of the Third National Bank at Nashville, Tenn., on July 18, Harold H. Helm, President of the Chemical Bank and Trust Company of New York, called attention to the change in the public's attitude regarding bank stocks, pointing out that previous to 1929, bank stocks were bought because of "growth" possibilities, whereas now they are acquired largely with the objectives of dividend income or the safety of principal.


Harold H. Helm

Commenting on this development, Mr. Helm stated:

"Twenty-five years ago bank stocks were purchased for growth. Price-earnings ratios and yields were ignored. Many of you will recall that excesses in 1929 were such that at the peak the stock of one bank sold for a billion dollars more than its total deposits. A wag remarked, 'If they owned what they owe, the stock would still be too high.' Since 1929 bank stocks have not been regarded as growth stocks but have been purchased for safety of dividend and somewhat for marketability.

"The fact is that banking is a growth industry. Actually total bank deposits have grown faster than the gross national product—the national output of goods and services. The rate of growth has varied widely both geographically and within the same city. Many of the western and southern banks have enjoyed the greatest growth. In fact the Dallas district ranks first in the field. Deposit growth has been considered the main determinant of long-range earnings growth but loan growth and prospective loan growth have even more bearing on real earnings. Some banks are more useful to their communities than are others because they are more loan minded. This bank (The Third National) and the Nashville banks as a group are to be congratulated on what might be called loan alertness. Certainly one of the principal reasons why Third National has been successful is that from the very beginning it has had an attitude of being useful in making and seeking loans. Its loan ratio—that is the proportion of loans to capital funds—is and has been above the national average. This is most commendable because it spells not only community usefulness, but much better earnings than has been enjoyed by banks generally. . . .

"Records covering market performance of bank stocks are not so conclusive as most indices use only or largely New York banks stocks and some of these have been below average. It will interest you to know that between September 1939 and April 1952 the market gain of 20 bank stocks (selected by R. L. Day & Co., from the 22 largest banks, of which 12 are in New York) was 102%, against 96% for the Dow Jones industrial average. In this same period bank stock earnings per share increased 119% as opposed to 192% for the industrial stocks. It would appear though that banks stocks are in a better position at the moment to improve their earnings. This is largely due to the fact that interest rates are less subject to artificial controls and pressure than has been the case for 20 years. Better earnings should permit better dividends for bank stockholders are confronted with ever-increasing living costs and cannot become 'The forgotten man.' These factors will have an influence on bank stock prices as will the evidence we see of broadening marketability. We hope and believe that soon New York's savings banks will receive authority to buy bank stocks. We know that the huge new pension funds classify them as desirable investment holdings. I can testify that many institutional investors quite wisely are broadening the scope of their bank stock purchases and including well-managed banks in thriving cities outside of New York.

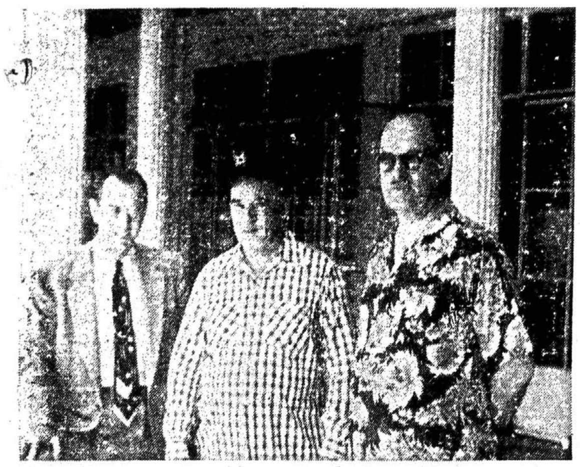
"Speaking generally, the banks of the nation need more capital. A very excellent study on 'The Problems of Adequate Bank Capital' has been published by a competent committee of the Illinois Bankers Association. The study was prompted by the fact that in 1949, 1950 and 1951, one-third of the banks in Illinois were requested by the Federal authorities to increase their capital funds, with almost two-thirds of the insured non-member state banks so requested. The traditional method of increasing capital through retained earnings is proving too slow as earnings have been low and to a large extent controlled. More banks, especially the ones with inadequate capital, are facing excess profits tax payments. Issuance of new capital when most bank stocks are selling below book value is to some extent unfair and in many cases not practicable. Supervisory authorities are frowning on the sale of preferred stock and subordinated capital debentures. The real solution is increased earnings and the revocation of the excess profits tax. The excess profits tax is especially unfair to the medium and small banks in growing and thriving cities and also grossly unfair to the large banks. As an example, may I mention that one of New York's largest banks reported for 1951 that its net earnings before taxes and reserves increased $1.52 per share in 1951, but only $0.08 of this was available for stockholders. Countless smaller banks are today confronted with this tax which makes it impossible for them to build stronger capital positions. The solution of the problem of adequate capital is having the attention of our banking fraternity, associations and supervisory authorities.

"From a thorough report just completed by a Special Committee on Federal Excess Profits Tax of the ABA. I quote: 'Banking capital is the basic source of protection for the depositors of banks. Excess profits taxation strikes at its foundation and therefore relief for banks is clearly indicated in the public interest.' This tax which may reach 82% of earnings makes it impossible to build up capital funds with which to provide larger credit lines for our successful and rapidly growing borrowing customers and it also makes the sale of additional capital less attractive if reasonable return cannot be expected on it. Frankly, this tax problem is the major one confronting bank stockholders. Real and prompt relief is needed and is expected."

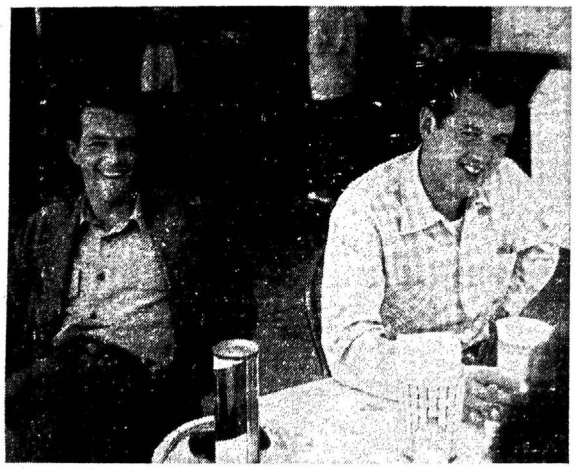
Security Traders Association of Los Angeles

Roy Warnes, *Shearson, Hammill & Co.;* William Zimmerman, *Bingham, Walter & Hurry, Inc.;* Harry Arnold, *Goldman, Sachs & Co.,* New York City; Charles Livingstone, *Crowwell, Weedon & Co.*

William Davies, *Dempsey-Tegeler & Co.;* Bill McCready, *Geyer & Co. Incorporated;* Nieland B. Van Arsdale, *Blyth & Co., Inc.*



Bob Diehl, *Paine, Webber, Jackson & Curtis;* William Wright, *Lester, Ryons & Co.;* Larry Pulliam, *Weeden & Co.*



Jay Cook, *Dempsey-Tegeler & Co.;* Bob Henderson, *Daniel Reeves & Co.*

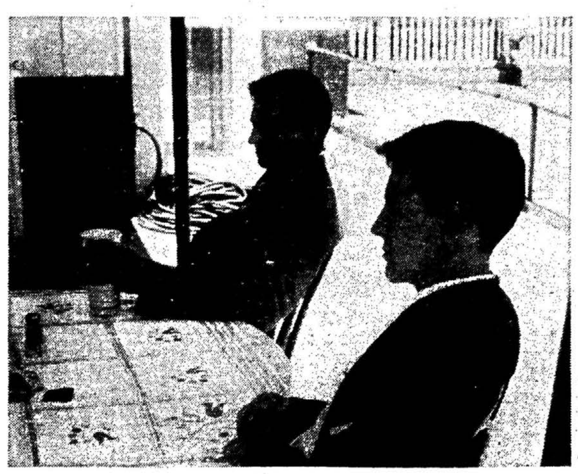
Herman Betz, *California Bank;* Don Summerell, *Wagenseller & Durst, Inc.*

Foster Paisley, *Weeden & Co.;* Nick Kirwan, *Dean Witter & Co.;* William Walker, *Conrad, Bruce & Co.;* Dick Manwaring, *First California Company, Incorporated;* Bill Brown, *E. F. Hutton & Company* (standing)

C. Arnold Taylor, *Wm. P. Harper & Son & Co.,* Seattle; Al Freeman, *Dempsey-Tegeler & Co.;* Frank White, *National Quotation Bureau,* San Francisco; William Davies, *Dempsey-Tegeler & Co.;* Tim Spillane, *J. A. Hogle & Co.*

T. D. O'Neil, *Wagenseller & Durst, Inc.;* Bob Green, *Pledger & Company, Inc.;* Bob Howard, *Paine, Webber, Jackson & Curtis*

Pete Brittain, *Scherck, Richter Company,* St. Louis; Dick Owen, *Crowell, Weedon & Co.;* Ken Noble, *Morgan & Co.*

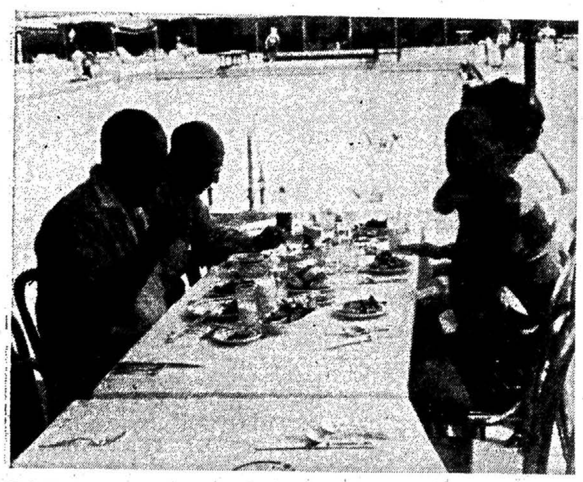


Bill Webster, *Bateman, Eichler & Co.;* Robert Cass, *Dempsey-Tegeler & Co.*

At the Hotel Del Coronado, June 27th-29th, 1952

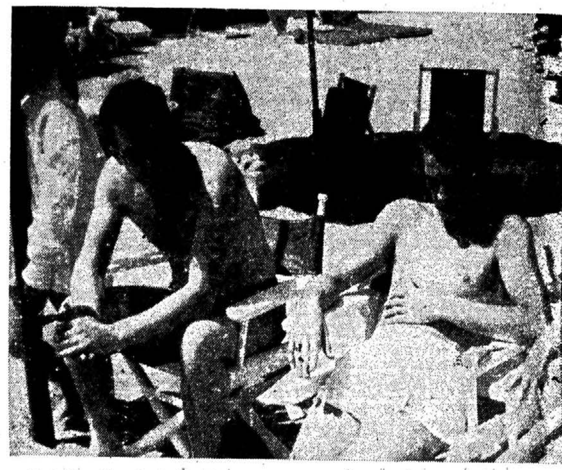
T. D. O'Neil, *Wagenseller & Durst, Inc.*; Earl Berry, *First California Company, Incorporated*; Richard R. O'Neil, *Fairman & Co.* (standing)

James Beebe, *Hill Richards & Co.*; Dick Vernon, *Wagenseller & Durst, Inc.*; Sam Green, *Pledger & Company, Inc.*; T. D. O'Neil, *Wagenseller & Durst, Inc.*



Bob T. Cass, *Floyd A. Allen & Co., Inc.*; Frank Ward, *Merrill Lynch, Pierce, Fenner & Beane*; Max Hall, *Dean Witter & Co.*

Bob Henderson, *Daniel Reeves & Co.*; Bill Ginn, *Dean Witter & Co.*



Pat Sheedy, *Conrad, Bruce & Co.*; Jim Zink, *Walston, Hoffman & Goodwin*

Frank Link, *Harris, Upham & Co.*; Bud Dorroh, *William R. Staats & Co.*; William Pike, *Morgan & Co.*; James Fraser, *Stern, Frank, Meyer & Fox* (standing)

John Dohrman, *E. F. Hutton & Company*; William Lippman, *Akin-Lambert Co., Inc.*; Bill Webster, *Bateman, Eichler & Co.*; Norman Hudson, *R. L. Colburn Co.*

Nick Kirwan, *Dean Witter & Co.*; Thomas J. Euper, *Dempsey-Tegeler & Co.*; A. S. McOmber, *Revel Miller & Co.*; Foster Paisley, *Weeden & Co.*; Bob T. Cass, *Floyd A. Allen & Co., Inc.*

Forest Shipley, *Edgerton, Wykoff & Co.*; Frank White, *National Quotation Bureau*, San Francisco; Don Summerell, *Wagenseller & Durst, Inc.*

Bob Henderson, *Daniel Reeves & Co.*, Beverly Hills; Ed Bourbeau, *Daniel Reeves & Co.* Beverly Hills; Frank Ward, *Merrill Lynch, Pierce, Fenner & Beane*

Continued from first page

Prosperity Under the Democratic Party Regime

political adventurers over another.

In the name of representative government, they should have repudiated the whole venal pack who neither vote, nor run for office, nor elect representatives. Georgia and Louisiana Republicans are no real party workers. They are only clubs of prospective spoilsmen who meet every four years and send a few of their numbers to the Republican National Convention.

Was the selection among them made on the basis of law and evidence? Morality did not determine the choice. The decisions depended solely on who owned the stables where the competing slates of delegates were kept.

Attacks Republican Platform

In the meantime, the Republican resolutions committee met in secret to concoct a platform. They produced the inevitable weasel - worded jeremiad. It cursed us and all our works. For the most part, it promised all things to all men.

There are very few cases where the Republican platform is specific. Among those few, it promised to return to the money changers of Wall Street the temple of our Federal Reserve System. It would give complete control of it to those whose selfish manipulations have caused panics and depressions throughout our history. The platform promises that there will be no repeal or substantial amendment of the Taft-Hartley Act. It boasts of the entire Republican record in Congress during the last 20 years.

They do not tell us what that record is, but it's on the books, inscribed for all who choose to read it.

What is that record? It has been remarkably consistent for more than a quarter of a century.

On all matters of taxation the Republicans have invariably voted to spare the rich and soak the poor.

They call that "broadening the tax base," and "spreading the burdens of governmental costs."

On matters affecting price controls and other efforts to stabilize the economy, the Republicans in Congress have uniformly voted to permit profiteers to exploit consumers.

They call that "free enterprise."

On matters of foreign affairs and national defense, Congressional Republicans have voted to strip our defenses; antagonize our Allies; and to ignore the poverty, hunger and distress which are the principal well-springs of Communism.

They call that "helping America first."

On matters affecting foreign trade, they have teetered between economic imperialism and isolationism, and voted amendments to the Reciprocal Trade Act, which would make it unworkable.

They call that "protection of our industry."

Since 1925, for the most part, The Republicans in Congress have opposed any and every program to aid, promote and maintain agriculture.

They call that "rugged individualism."

Opposes Taft-Hartley Act

In the notorious Republican 80th Congress, they foisted on the workers of America the Taft-Hartley Act. That law was designed to cripple the trade-union movement; to discourage collective bargaining; and to revive the company-dominated union, the industrial spy, the employment blacklist and the anti-labor injunction.

The Republicans call that a law "to free labor from its chains."

Their Senators and Representatives in Congress have almost invariably voted against Federal aid to education; against public housing; against health measures; against old age and survivors' insurance, and unemployment compensation; against public ownership of electric power; and against measures to restrain and control, in the public interest, the financial and economic power of private monopolies.

They call their relentless opposition to this magnificent program a fight against "socialism."

It is only in the light of that record in Congress that the generalities of the Republican platform, the ambiguities of Republican promises, and the platitudinous preachments of Republican orators and candidates, acquire significance.

Finally, having rigged their Convention and having adopted without a word of protest that curious set of resolutions they call a platform, they set about the business of selecting a candidate. Then took place the final struggle. Was it a conflict over policies and over philosophies? Was it an effort to replace the Old Guard with a new, inspiring leadership? If such were the case, how can we explain the unanimous and undebated acceptance of a platform which resurrected all the fossils of antediluvian Republicanism?

This was a battle between the stalwarts and the opportunists. An ungrateful crew threw overboard the faithful pilot who had guided them for years and placed at their head one whose knowledge of navigation was confined to other waters.

For, the selfish opportunists placed victory over sincerity, and the spoils of office above the claim of loyalty. They hoped to capitalize on the military exploits of a good general whose fame as a wartime commander was achieved as a lieutenant of Franklin Delano Roosevelt—and whose reputation in the rearmament of Europe was developed as the deputy of Harry S. Truman. He remains a complete novice in the field of civil affairs, he whom the Republicans present as a "new face." Rather they should admit that "the voice is the general's voice, but the hands are the hands of Thomas."

That, my fellow Democrats, is the brief and undistinguished history of the Convention of our Republican opponents in this year of the Lord 1952.

With that kind of record, platform and candidate, the logic of events and not the Republicans have forged the great issue of 1952.

Three times in American history, fateful, indeed, has been the decision of the electorate: In 1860, to preserve the Union—in 1916, to guide a nation in a war-torn world — in 1932, to redeem the land from financial chaos.

Says Issue Is to Ensure Peace

A fourth such election confronts us in 1952. The issue is to ensure the reign of peace, one thing alone threatens our tranquility. The menace is Communism, both at home and abroad.

To contain it abroad, we must be strong and we must have strong and friendly allies.

To eradicate it at home, we must continue the fight to eliminate the economic injustice, social intolerance, and racial bigotry on which Communism breeds.

The containment of that menace abroad and its eradication at home is the only road to peace, the only means of preventing World War III, the only way to meet the challenge of our times.

The Democratic Party alone can meet that challenge. During the next four years, America needs a Democratic President, loyal to the principles and policies, both foreign and domestic, of the New Deal of Franklin D. Roosevelt and the Fair Deal of Harry S. Truman.

To keep the peace, the President must be equipped not only to contain Communism abroad—he must be dedicated to the maintenance and expansion of prosperity at home.

These are but the head and tail of the same coin. A foreign policy conceived in the spirit of a Roosevelt and executed in the spirit of a Truman cannot be tied to a domestic policy molded in the image of a Hoover.

That is the paramount issue of the coming campaign.

The central fact of modern world history has not been the mad dreams of a Kaiser, a Hitler, or a Stalin—the central fact is that the world policy of the United States has restrained and destroyed those mad dreams.

In 1918 as the smoke of battle drifted from the victorious battlefields of Flanders and of France, there stood one towering figure—President Woodrow Wilson.

He brought a new vision to the world—a vision of peace guaranteed by a system of collective security. It was a practical vision, but it could only work if these great United States participated in it.

A little group of wilful men—Republican Senators — destroyed that vision. They prevailed in a tragedy of history which records where their puny political triumph led. It led to Pearl Harbor and Anzio, to the Normandy beaches and Okinawa.

The light of freedom flickered low on the morning of Pearl Harbor. Britain stood, magnificent but embattled. Russia was in headlong retreat. The Pacific lay open to the Oriental war lords. But God does not desert his people. For that hour he had raised one of humanity's incomparable heroes—Franklin Delano Roosevelt.

We may view that hour now with vibrant pride. By land, by sea, and by air, America fought the good fight, fought it under Africa's blazing sun, in the Aleutians' smothering fog, on the storied streets of Europe, and in the steaming jungles of the Orient—and America won its war.

Soviet Union Blamed for Cold War

Unfortunately, due to Soviet perfidy and no other reason — a just and lasting peace has yet to be secured. The nations of the world have pledged their honors to the establishment of the United Nations. The dream of collective action of a Wilson and a Roosevelt has come true in a world wearied of war. Alas, however, because of Soviet Russia, victory did not bring tranquillity.

For the third time in the twentieth century, a Democratic administration faced the colossal task of stopping in its tracks — the remorseless march of godless tyranny. And this it has done under the foreign policy and determined leadership of President Harry S. Truman.

From the Russian border to the Pyrenees — all Europe lay easy prey to Soviet aggression. But the Truman doctrine stopped Communism at the Greek and Turkish borders. The Marshall Plan revitalized Western Europe economically, restored it militarily and enabled it to help defend itself.

N. A. T. O. has united the free nations of Western Europe in a common determination to repel further aggression. The Mutual Security program has strengthened our friends and thereby increased our own safety and lessened the chances of war.

Let this fact of history be ever emblazoned. The President of the United States declared to the Kremlin—thus far you have gone—you shall go no farther!

This has been our foreign policy — and no farther have they gone. They know that when our leader — the man from Independence, Missouri — says something, he means it; and that behind him, ready to back it up, stands the whole mighty power of the United States of America.

If any doubt about our national intentions lingered, that doubt faded away when the Communists of North Korea invaded the Republic of South Korea.

Here was the test of the United Nations. Was our commitment a matter of sacred honor? Was our word our bond? Although the Republicans in Congress had delayed military and economic aid to Korea, thereby encouraging the Communists of the north, Republicans as well as Democrats applauded our loyalty to the commitment of the United Nations. France was fighting the Reds in Indo-China. Britain was resisting them in Malaya. The brunt of Korea fell on the United States and the little Republic itself whose valiant sons have sustained nearly four-fifths of the total casualties. The goal never has been the military conquest of world Communism—it has been the recapture of the invaded Republic—and in that objective we have reached the goal.

I know thre are some Republicans—and at least one general of the armies now on a peculiarly inactive status—who disagree.

Most people, however, will prefer the opinion of our Chairman of the Joint Chiefs of Staff, the real hero of fighting men, Gen. Omar Bradley. "To extend our sphere," he says, "would lead to involvement in the wrong war, in the wrong place, at the wrong time, with the wrong enemy."

The courageous and decisive action taken in Korea may well have halted the outbreak of a third world war. Appeasement or failure to keep our solemn pledge might well have precipitated it.

Holds Republicans Applauded Action in Korea

I said that Republicans as well as Democrats applauded the action at the time it was taken.

When they are not talking out of both sides of their mouths in political convention, they still acknowledge that it was the best—the only thing to have done.

Hear the words written by Gov. Thomas E. Dewey—the new "Mr. Republican."

On pages 89 and 90 of his book, entitled "Journey to the Far Pacific"—a book just off the presses—Dewey says, and I quote:

"I regard our intervention in Korea as the single action which saved American influence from disappearing in the Pacific and stopped further Communist expansion. . . . The day the President announced American defense of Korea I publicly supported his action. I was sure it was right and necessary; I still am. . . . I am deeply convinced that, if we had not sent troops to defend Korea, American and United Nations prestige in the whole Pacific would have collapsed. All Southeast Asia would probably have gone Communist by now. . . . Defense of Korea has given hope to the people of Japan, the Philippines Free China, Southeast Asia, and Indonesia. It has also given hope in the great cause of collective security through the United Nations."

Thus far the words of Tom Dewey. They give the lie to every carping speech made at the Republican convention by orators who would make political capital out of the sweat, blood, toil, and tears of American soldiers and their families.

Eternal vigilance is not the only price of freedom. We must be strong as well as vigilant. That means we must be willing to give of the fruits of our bounteous earnings to finance the staggering military costs of preserving liberty.

Like 14 million other civilian soldiers, I know of the wasteful disposition of top-brass military men, and we must restrain those from whom no frugality can be expected.

Regardless of the restraints imposed, a prosperous America must still spend eighty-five cents of each budget dollar for the security of the nation.

From each budget dollar in 1953, seven-and-one-half cents must pay the interest on the war-incurred debt. Twelve and one-half cents will go to aid our trusted allies and friends. Five cents will be used to treat the wounded and care for the veteran. Sixty cents is to maintain the present military establishment—a total of eighty-five cents. That leaves fifteen cents in the budget dollar for all other purposes.

Suppose for a moment the dinosaurs of political thought came into power. Suppose they were to hack away old-age security. Suppose they were to cut out aid to dependent children, and assistance to the disabled and the blind. Assume the economically benighted would neglect our natural resouces and leave them undeveloped. Suppose these rugged individualists abandoned the farmer to the ravages of uncontrolled free enterprise, and the toiler to the mercies of the sweatship employer of former days. What if these Republican champions of free enterprise scrapped housing programs, aid to education, the promotion of public health and the construction of highways?

Cruel, ruthless and shortsighted as they might be, they could not cut more than a few cents out of our Federal tax dollar when 85 cents of every dollar of governmental expenditures are earmarked for purposes connected with the very security of our nation. Yet, we have heard a voice in the land, saying taxes could be reduced by $40 billion although Federal expenditures for all purposes are only a little more than twice that amount.

I cannot believe this was an attempt wilfully to deceive and mislead the people. But surely it was the voice of one entirely uninformed.

In either event, its possessor, completely untrained in the art of civil government, out of his own mouth proves that he is not qualified to assume the Presidency of the United States.

Yes, the price of national security comes high, but thank God, we can afford it.

So dynamic and flourishing is our economy that the necessary expenditure is only 20% of the national production. Never in our history has our economy been so strong, so safe, so healthy and so productive as it is today.

It is true, as Herbert Hoover asserted, that the taxes occasioned by this seven-year effort of Harry Truman to preserve human liberty, are more than the amount levied in all previous years. But, it is also true, as Mr. Hoover neglected to state, that under President Truman the national income was more, even after the payment of taxes, than the total national income before the payment of taxes, in all the Republican Administrations in history.

Points to "Social Revolution" in U. S.

Since 1932, this nation has experienced a great social revolution. The instrumentality whereby the great social revolution achieves its objectives has been, is, and will be the Democratic Party.

The Democratic Party in 1952 stands squarely and proudly on the record of the last 20 years.

The Democratic Party confidently looks to the continued support of the American electorate, not because of the faults of our rivals, but because of the merits and accomplishments provable by the Democratic record of years of patriotic service.

To the wage earner, it can say that in terms of purchasing power your income has almost trebled. It proudly asserts that full employment is now a national experience—and we have unemployment compensation to soften the blow for those without work. In 1933 15 million Americans, without unemployment compensation insurance, faced the future without jobs and without hope.

The wage earners of America will not forget. Gone are the days of the soup kitchens, the apple peddlers and the eviction of bonus marchers. The wage earners will not refuse the hand of their friend — they will support again the Democratic nominee for President of the United States.

Boasts of Farm Prices

To the farmer, we can boast that prices are up—production is up—income is up.

Gone are the days of 30-cent wheat, 15-cent corn, 5-cent cotton, 3-cent hogs, and 3-cent sugar. In 1932 farm prices were 45% below parity—at the end of 1951, 7% above parity.

Farm output has gained almost 50%. In terms of dollars-and-cents, the net income of the average farmer has increased 10 times, and in purchasing power, four times since 1932.

In 1932 the sheriff was at the door of the average American farmhouse. There were 64,000 farm foreclosures in the single year of 1932. Today the sheriff has gone. American farmers have in their holdings an equity of 91%—about 10 times as much as the total farm debt.

Without end, I could recite the benefits of rural electrification, public power, conservation, and other aids to agriculture, but they all lead to one irresistible conclusion. The American farmer does not forget; 1948 proved that. In common sense and common appreciation, he will support again the Democratic nominee for President of the United States.

To the leaders of business, we present these challenging facts. In 1932, there were no profits, either before or after taxes for your stockholders. Corporate enterprise operated at a loss of $3½ billion. In 1951, American corporate enterprise, after taxes, earned a profit of $18 billion.

In 1932, only $2½ billion went into plant expansion; in 1951, more than $23 billion.

During the years 1930 to 1933 inclusive, there were more than 13,000 bank failures in the United States, all without deposit insurance. During 1947 to 1950 there were only six such failures with the depositors protected by insurance.

I don't know what American big business will do in this coming election.

But, I do know what it should do. It should, figuratively, each night, get down on its knees and thank Providence above for the enlightened economic philosophy which restored vitality to the economic system which we, Democrats, found in shambles.

I shall not further belabor you with statistics—abundant as they are in their persuasiveness.

Americans Are Prosperous

I assert the uncontradictable truth that the average American family is much better off. The ownership of our homes might have been saved or made possible by Federal home mortgage legislation. Our money in the bank is insured by the Federal Deposit Insurance Corporation. Our investments are safer because of the Securities and Exchange Commission. The diploma on the wall might have been conferred under the GI Bill of Rights. Our children are better clothed. Our youngsters are better educated. The family health is better protected and the future much brighter than ever before.

This, some would call, "creeping socialism." I hail this as democracy, vindicated in action—and I mean democracy with both a small and a large "D."

Republican orators talk a great deal about corruption. They should. Their party has a long history of first-hand knowledge of the subject.

The Democratic Party pays tribute to the 99.84% of Federal employees whose character is above suspicion. With vigor, it has exposed and punished the false few who deserve it.

The Democratic Party, with equal vigor, denounces the unfaithfulness of those disloyal to their public trust and those who corruptly attempt the "steal" of party nominations in national conventions.

To the former, we have been relentless in their prosecution. The latter, we leave to the responsibility of the Republican Party and the judgment of the American electorate.

The Civil Rights Controversy

Republican orators and the Republican platform say very little about civil rights.

The Democratic Party may take legitimate pride in the fact that racial and religious discrimination and prejudice have been enormously reduced in the last twenty years.

My basic philosophy, my experiences in life and my social background impel without hesitation an undiluted belief in the legal implementation of full civil rights and full economic opportunity for all Americans, regardless of color, creed, age or racial origin. On this issue, as in all others, the Democratic Party must forever move forward.

Tonight it is my joy—for me a great opportunity—to give testimony to my Democratic faith, and to proclaim the greatness of a great political party.

That Party has been in power for twenty years. It has made promises and it has kept them.

During these past twenty years the Democratic Party has written a continuing record of high wages for the worker in industry, of high income for the farmer, of corporate profits beyond previous experience and the first postwar period without a depression. It is a record to which every Democrat can point with absolute and undiminished pride.

Today, America stands at the threshold of the atomic age. It should be a golden age. If we are faithful to the New Deal and the Fair Deal, it will be a golden age.

As the age of steam developed in America, the Republican Party was in power. True to its philosophy and its heritage, it sold our birthright for a mess of pottage. It gave away our public lands, and it created a network of private monopolies which exploited the peoples of America.

When the electric age dawned, the Republicans again were in power.

All over the nation, electric power was treated as the privilege of private monopoly and the public interest was ignored.

Thus, under Harding, the Ohio gang tried to auction off Muscle Shoals to a plunderbund. Under Hoover, they placed the newly developed marvels of radio in the hands of private monopolists subject to little, if any, restraint.

Fortunately for the American people, their votes in 1932 made certain that the valley of the Tennessee, the Columbia and other great rivers would be developed in the public interest. Twenty years of Democratic Administration have prevented the private monopolists from further grabbing the resources of the people.

Policy Regarding Atomic Energy

The Republicans not only by philosophy and by heritage, but by their recent record in Congress are dedicated to releasing the new power of atomic energy to private monopoly.

Atomic energy which up to now has been an engine of war, should be the handmaid of undreamed-of productivity; the means of promoting peace and providing indescribable prosperity; and the instrument for wiping out the squalor and suffering in which pagan Communism does flourish. With our other resources, it must serve the purposes of raising up the sick and afflicted; of providing better educational advantages to the young; assuring dignified comfort to the elderly; lightening the burdens of the toiler on the farm; in the factory, at the office and of the home, and increasing the cultural and recreational opportunities for all Americans.

To whom do the American people wish to entrust these fateful days at the dawn of a new age?

To the Hamiltonians of today—the Republicans—who serve primarily the rich in the belief that their prosperity will seep through to those below?

Or to the Jeffersonians and Jacksonians—the Democrats who believe that the well-being of the many is the base upon which our universal prosperity must rest?

I could leave you with that question to which all of you so well know the answer.

But, before concluding, I want to share with you a simple yet beautiful affirmation of our Democratic faith which another solemn moment of our history brought from one of America's most gifted pens.

My mind fleets back to Flag Day, June 14, 1942, America had joined forces with Britain—then alone—yet in her finest hour. The day of infamy had been followed by repeated defeats and staggering setbacks.

The heavens were leadened by clouds of black despair—the great Republic of the West was girding for the fray—yet—time was on the side of the enemy.

Quotes Poetry

The gallant warrior, Franklin Delano Roosevelt, inspired Stephen Vincent Benet to set to poetry our nation's aspiration in that dark hour. Let us tonight adopt it as our prayer. From our lips, let us storm the bastions of our destiny beyond the stars. Let us ask divine assistance in its fulfillment.

And may I quote:

"Grant us a common faith that man
Shall know bread and peace,
That he shall know justice and
Righteousness, and freedom and security,
And equal opportunity and an equal chance
To do his best,
Not only in our land but throughout
The world,
And in this faith, let us march toward
The clean world our hands can make"

My fellow delegates—

Let them form their battalions captained by the lords of the press, the oil tycoons of Houston, and the money changers of Wall Street. Let them form their forces of malcontents — the poor made wealthy who bemoan the burden of free men in a challenged world.

Let them ride to battle in their motors, forgetful of the day when there was no chicken and there was no pot.

Let us form our army of the thinking men and mindful women, the honest toiler, the fruitful tiller rejoicing in an America bountiful in its opportunities—faithful in its duties.

We have clashed before. We shall fight them in the cities and fight them in the towns. We shall fight in the counties and fight in the precincts.

We shall never surrender. Our cause is just.

We have vanquished them before — we shall vanquish them again.

We have triumphed before.
We shall triumph again.

Railroad Securities

Illinois Central

What may be the final step in its comprehensive long-term bond retirement and capitalization simplification program has recently been announced by Illinois Central. The road is seeking ICC authority to sell $62,000,000 of Series "F" Consolidated Mortgage bonds privately and free of competitive bidding. Earlier this year the company sold $25,000,000 of Series "D" Consolidated Mortgage 4¼s, the proceeds to be used to pay off $26,749,000 of various mortgages maturing during the period 1952-1955. In comparison with this 4¼% rate realized in the earlier operation the present application states that the company will seek a rate of "no more than approximately 4%" on the new bonds.

Proceeds from the sale of the new bonds, if the operation is approved by the Commission, will go to redeem the three series of Joint Refunding 4s, 4½s, and 5s of 1963. As of the end of last year these bonds were outstanding in the amount of $62,107,820. They are secured by first lien on a substantial part of the mileage south of the Ohio River. Retirement of the Joints will give the Consolidated Mortgage bonds a first lien on virtually the entire system, the part excluded being the valuable so-called "Englewood Cutoff." This particular mileage cannot be mortgaged while the Debenture 4¾s, 1966 are outstanding.

Completion of the recently proposed operation would leave the company with one small non-callable lien of $735,000 due in 1962, somewhat less than $35 million of Debenture 4¾s, 1966, and five series of the Consolidated Mortgage bonds, aggregating $115,857,000 and maturing at various times from 1974 to 1982. Total non-equipment debt will be down to $151,335,000, a cut of more than $180 million since the beginning of 1941. Additionally, the road will virtually have achieved its goal of becoming a one-mortgage road. Until a couple of years ago it had one of the most complex mortgage capitalizations to be found among the major carriers. Presumably, except for regular sinking fund operations, this will end the debt reduction program.

It is generally expected among railroad analysts that now that so much has been done to alleviate the once formidable debt situation, it is reasonable to expect that stockholders may look forward to more liberal dividend policies. Out of aggregate earnings of roughly $129.00 a share in the 10 years through 1951 only $3.00 a share (paid in 1951) was passed along to the equity holders. Prior to the long dividend drought, which started during the depression of the early 1930s, Illinois Central had enjoyed one of the best dividend records in the railroad industry.

Last year Illinois Central reported earnings of $12.72 a share available for the common stock. Year-to-year comparisons in the early months of 1952 were very favorable. Gross for the five months through May was up about 3% and expenses were under good control. Net income showed an increase of 18%, with the rise in May alone amounting to nearly 43%. At the time of this writing the June report has not yet been released. Unquestionably, however, the company was adversely affected by the steel strike and this influence is still pyramiding as the strike drags on and other industries are forced to curtail or shut down. Even at that, most estimates place probable 1952 earnings at least a dollar or two above 1951 share results.

Aside from the question of current earnings and the apparent likelihood of increased dividends before the present year is out, analysts look favorably on Illinois Central because of the indicated favorable long-term traffic picture. The company has done a particularly good job in developing new coal traffic and, along with power development for atomic energy plants, this trend is expected to continue. Also, and particularly in the southern part of the system, the road serves a dynamic growth territory where further industrial expansion is looked for. On the basis of these considerations, it is widely felt that increasing investment confidence in the company and its securities is almost inevitable.

S. Y. Hord Director

Stephen Y. Hord, of Chicago, has been elected a Director of the Rotary Electric Steel Company of Detroit, according to announcement by J. A. W. Iglehart, Chairman of the board of directors of Rotary.

Stephen Y. Hord

A partner in the private banking firm of Brown Brothers Harriman & Co., Mr. Hord is also a Director of the Illinois Central Railroad Company, American Automobile Insurance Company, and the Clearing Machine Company.

Richard Gray Opens

BROOKLYN, N. Y. — Richard Gray is engaging in a securities business from offices at 3626 Kings Highway. Mr. Gray was formerly connected with J. May & Co.

With J. A. Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

ST. CLOUD, Minn.—Aloys J. Feneis, Jr. has joined the staff of J. A. Lynch Company, Inc., 1616 St. Germain Street.

Lanam Opens Office

SIOUX FALLS, S. Dak.—Merwin O. Lanam is conducting a securities business from offices at the Kresge Building.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

PRINCETON, Minn.—Henry W. Milbrath has been added to the staff of Waddell & Reed, Inc. of Kansas City.

Mutual Funds

By ROBERT R. RICH

ORGANIZING directors for Institutional Investors Mutual Fund, an investment company being formed by savings banks in New York under legislation enacted earlier this year, were appointed last week under authority of the Council of Administration of the Savings Banks Association of the State of New York.

Institutional Investors Mutual Fund, Inc., which will be incorporated under the Stock Corporation Law of New York State, will be of the open-end management type and owned exclusively by savings banks of New York. The company will be registered with, and subject to, the regulations of the Securities & Exchange Commission, while investment in the shares by savings banks will be subject to Banking Board regulations.

As a regulated investment company, the proposed company will be tax exempt as to distributed income, if such distribution amounts to at least 90% of income.

Investments will be restricted to those securities in which savings banks may invest individually. The amount of stock held of any one corporation may not exceed 5% of its outstanding shares.

It is anticipated that the basic investment policy will be to maintain reasonably full investment in common stocks paying satisfactory dividends.

It is expected that Savings Banks Trust Co., wholly owned by New York State savings banks, will be closely affiliated with the operation of the new company and will serve as the principal investment advisory agency.

The following are the organizing Directors of Institutional Investors Mutual Fund:

JOHN ADIKES, President, Jamaica Savings Bank.
PERRIN L. BABCOCK, President, Onondaga County Savings Bank, Syracuse.
J. FRANK BAUMANN, Vice-President, Lincoln Savings Bank.
CHARLES T. BUNNELL, Asst. Vice-President, Community Savings Bank, Rochester.
CHARLES R. DIEBOLD, President, Western Savings Bank of Buffalo.
M. KENNETH FROST, Exec. Vice-President, Dry Dock Savings Bank.
WILLIAM H. HARDER, Vice-President, Buffalo Savings Bank.
J. WILBUR LEWIS, President, Union Dime Savings Bank.
ALFRED C. MIDDLEBROOK, Vice-President, East River Savings Bank.
DOUGLAS W. OLCOTT, 2nd Vice-President, Mechanics' & Farmers' Savings Bank, Albany.
A. EDWARD SCHERR, Jr., Vice-President, Dime Savings Bank of Brooklyn.
CHARLES D. SWAYZE, President, Middletown Savings Bank.
CORNELIUS C. VAN PATTEN, President, Binghamton Savings Bank.
J. FRANK WOOD, Senior Vice-President, Dollar Savings Bank.
RICHARD A. HOLTON, Vice-President, East New York Savings Bank.

FOLLOWING the initial public sale of 1,100,000 shares of its capital stock at $10 per share by a nationwide group of investment firms headed by Bache & Co. and Paine, Webber, Jackson & Curtis, Canada General Fund on Tuesday became an open-end investment company with Vance, Sanders & Co. as underwriter for the shares.

This new Fund is designed to provide American investors with participation in a diversified investment consisting principally of common stocks of companies incorporated in Canada, or whose principal activities and interests are in Canada, and which show promise of sharing in Canada's expected economic development.

Vance, Sanders & Company, which will handle distribution of shares of Canada General Fund, presently acts as principal underwriter of open-end funds, with assets exceeding $630,000,000. These are Boston Fund, Massachusetts Investors Trust, Massachusetts Investors Growth Stock Fund, Century Shares Trust and The Bond Fund of Boston.

A GAIN of more than 40% in the value of net assets of Canadian Fund has taken place in the last two months, according to figures released by Calvin Bullock, manager of the fund.

The company became an open-end mutual fund on May 14, 1952, with $10,611,000 in assets—consisting entirely of cash — following a successful underwriting by a nationwide group of investment firms.

On July 18, 1952, assets, including stocks of 61 companies, Dominion of Canada bonds and cash, had a market value of $15,269,810 equivalent to $11.91 per share. It was announced that there are now more than 8,500 stockholders.

EDGAR, RICKER & Company, 207 East Michigan Street, Milwaukee, Wisconsin has become the distributor for the Wisconsin Investment Company. Edgar, Ricker & Company is a wholly-owned subsidiary of the Milwaukee Company.

LORD, ABBETT & Co. sponsors of Affiliated Fund, Inc., announced Wednesday that Affiliated had more than 100,000 shareholders as of July 10, 1952, all attained through sales by member firms of the National Association of Securities Dealers.

The Fund is the second of all investment companies to attain such wide distribution of its shares and the first to do so solely through dealers. Of the 100,000 holders approximately 14,000 are residents of the State of New York, 13,600 of the State of California. Pennsylvania is third with 7,500, while Illinois, Michigan, Minnesota, Missouri and Ohio each has about 5,000. Says the statement:

"In its recently published booklet, 'Share Ownership in the United States,' the Brookings Institution estimates the share owners of all investment funds (after eliminating duplication on the basis of probability sampling) at 630,000. While this study is based on figures now several months old, it seems as if about one of every six owners of investment company shares of all types is an owner of Affilitated Fund."

OPEN-END REPORTS

ASSETS OF Selected American Shares, at June 30, 1952 were $23,941,893 compared with $22,472,260 at the 1951 year-end and $19,502,492 on June 30, 1951. Asset value per share on June 30, 1952 was $13.96, comparing with $13.57 at Dec. 31, 1951 and $12.77 on June 30, 1951. Dividends from investment income totaled 24c a share, the same as in the first half of 1951.

At mid-year the company had investments in securities of 102 companies, with largest investments by industry in oil 14.6% of assets, chemical and drug 9.3%, electrical equipment and electric utility 8.2% each, railroad 6.7%, steel 5.9% and retail trade 5.8% Common stocks represented 90.4% of assets, preferred stocks 1.2%, corporate bonds 0.4%, and U. S. Governments and cash 8.0%.

Changes in the company's investments during the three months to June 30 included purchase of 6,100 shares of B. & O. common, 4,400 New York Central, 2,500 Marine Midland, 1,500 Halliburton, 1,400 Rock Island, 300 Carrier and 200 Sunbeam (all new holdings) and increase in the holdings of General Electric from 1,000 to 5,000 shares, General Motors from 4,000 to 6,500, Minneapolis Honeywell from 1,500 to 2,500, Motorola from 1,800 to 3,500, RCA from 4,900 to 6,500, Studebaker from 5,000 to 10,600. Zenith from from 4,000 to 5,200.

Sales of 2,000 shares of Masonite and 1,000 Shellmar, eliminated these stocks from the portfolio; holding of Canadian Pacific was reduced from 15,100 to 6,300, and of Deere from 12,000 to 10,300 shares.

In the semi-annual report to shareholders, President Edward P. Rubin says the Selected American management "believes two of the most important long-term forces at work in the American economy are (1) persistent industrial growth based upon scientific research and an expanding population; (2) inflation. . . . Common stocks are one of the most logical ways to seek to participate in industrial growth or to attempt to hedge against inflation. Moreover, by historical standards they still seem attractive in relation to earnings, dividends and property values . . . they involve greater price risks than fixed dollar types of investment, but we believe there is an increasing conviction on the part of individual and institutional investors that stocks may represent less purchasing-power risk and at the same time greater opportunity for growth. . ."

ACCORDING to the semi-annual report of the Whitehall Fund the asset value of this balanced fund's shares increased to $19.68, or by 4.2%, in the first six months of 1952. Adding back the distribution of $1 per share from gain on investments made in December, 1951, the June 30 asset value was 10.8% greater than on the same date a year earlier. Mr. Francis F. Randolph, President, states that this gain in asset value has been accomplished with approximately half of the fund's assets represented by cash, bonds and preferred stocks and half invested in common stocks.

Whitehall Fund's net assets totaled $2,496,428 on June 30 and thus continued to grow as a result of both appreciation in market values of investments and continued sales of new shares. Net assets on June 30 were 32.7% above the $1,881,020 a year earlier and about double the $1,238,841 reported on June 30, 1950.

According to Mr. Randolph, there was no change in the fund's investment policy during the half year, although there were a number of changes in the securities held in the portfolio.

In the common stock category

Random Shots

"The first time I ever saw St. Louis I could have bought it for six million dollars, and it was the mistake of my life that I did not do it."

Mark Twain's "Life on the Mississippi," quoted in the "Hudson Fund Bulletin."

The Coca-Cola bottle dispensers in metal fabricating factories may be emptied faster than ever if the experience of one metal worker gets around.

To start the story at the beginning, it seems that one manufacturer was about to close up shop because his tool drills were always breaking when he worked on Vanasil alloys—a very tough kind of aluminum with a high silicon content.

The workers would drill one or two holes in the pistons they were making and—crack!—the drill and tap would be snapped in two.

Then, one day, a machinist accidentally spilled a bottle of Coca-Cola over the metal he was drilling. He watched, unbelieving. The drill was cutting through cleanly and easily. He rushed to the "Coke" machine with a nickel, came back, and spilled more of "the pause that refreshes" over the metal. The drill cut the metal as it would soft butter. And tap and drill were in fine condition!

The Coca-Cola people are now busy trying to discover what the "magic ingredient" is.

And the only suggestion we will make about this happy story is that some of the manufacturers of liquid metal-cutting "coolants" try tasting their stuff. Maybe they can bottle it.

Reported by the Aluminum Company of America to "Tide Magazine."

Shell Oil, Florida Power & Light and Kansas Power & Light represented new holdings.

Investments in Sinclair Oil, Socony-Vacuum and Middle South Utilities were increased, while Atlantic City Electric, Goodrich, National Lead and E. R. Squibb were reduced.

Holdings of American Gas & Electric and Mid-Continent Petroleum were eliminated.

NET ASSETS of Broad Street Investing Corporation continued to rise in the second quarter of the year to reach a record $27,736,444 on June 30, 1952. This was 37.4% above the $20,191,206 12 months earlier and represents a doubling of the assets of this mutual fund over the past two years.

In the six months' report made public by Francis F. Randolph, Chairman of the Board and President, Broad Street Investing's growth is attributed not only to appreciation in market values of portfolio investments but also to new funds received from the continued sale of company shares. 6,839 shareholders owned 1,226,752 shares on June 30 of this year as compared with 5,258 shareholders and 1,006,689 shares on the same date last year. Net assets were equivalent to $22.60 per share on June 30 compared with $21.57 at the beginning of the year and, after adding back the distribution from gain on investments of 73 cents a share made in December, 1951, represents an increase of 16.4% from the level of June 30, 1951.

Commenting on business conditions and prospects, Board Chairman Randolph stated that a look at the forces that have accounted for the "high level lull" in business activity prevailing for the past 12 months or so indicates that a more favorable situation appears to be developing. He went on to add that "aside, then, from a drastic change in the international or military situation, which would have marked ill-effect in the United States, the prospect is for the maintenance of general business activity at high levels for the remainder of 1952."

Common stock holdings accounted for 91.2% of Broad Street Investing's net assets on June 30. Common stocks of oil companies continue to represent the largest single category, equivalent to 22.9% of net assets. Public utility commons were the second largest group, making up 16.2%.

During the second quarter the corporation added 14,200 shares of West Kentucky Coal, and Pacific Gas & Electric was also introduced into the portfolio as a new name. Increases in portfolio holdings were confined to the public utility field and included Southern Company, Middle South, Wisconsin Electric and Wisconsin Power & Light.

NET ASSETS of National Investors Corporation, the first mutual fund to emphasize growth stocks in its portfolio, increased to $29,321,128 on June 30, 1952, according to the six months' report released by Francis F. Randolph, Chairman of the Board and President.

At this level assets were 19.3% above the $24,581,227 on June 30 a year ago.

According to Mr. Randolph, the gain in assets reflects both increased market values of portfolio investments and new funds received from the sale of capital shares.

June 30 assets were equivalent to $12.50 per share, which, after adding back the distribution from gain on investments of 90 cents per share made in December, 1951, was 12.8% greater than on June 30 last year.

National Investors' investment policy was unchanged during the second quarter of 1952 and the corporation continued, for all practical purposes, to be fully invested in common stock, which accounted for 98% of net assets at the end of June. Oil stocks continued to be the largest industry holding with a value of $6,790,438, equivalent to 23.2% of assets. Chemical and drug stocks totaled 16.7% and public utilities were in third place in point of size, representing 8.7%.

New issues in the portfolio at the end of June included 15,000 shares of Vitro Manufacturing, which has a major interest in atomic materials and engineering, and 5,000 shares of Shell Oil.

Holdings increased included Arizona Public Service, Avon Products, Central & South West, Doehler-Jarvis, Houston Oil and Rochester Gas & Electric. Holdings reduced included Master Electric, Grand Union, E. R. Squibb and Amerada.

EATON & HOWARD Balanced Fund increased in size to $86,632,186 from $77,727,899 during the first six months of 1952. This was largely due to purchases of new shares in the Fund. The per-share asset value moved up from $30.99 to $32.24 during the period.

The semi-annual report to some 17,000 shareholders of the Fund showed the following changes in the balance between the different types of securities owned by the Fund:

	12-31-51	6-30-52
Cash, U. S. Government Bonds & Short Term Notes	6.15%	7.37%
Corporate Bonds	14.22	16.74
Preferred Stocks	17.59	16.99
Common Stocks	62.04	58.90
	100.00%	100.00%

EATON & HOWARD Stock Fund reported assets of $14,640,286 on June 30, 1952, compared with $12,570,377 at the 1951 year end. The per-share asset value increased from $22.86 to $23.81 in the first half of the current year.

The semi-annual report to shareholders of the Fund showed 88% of the assets invested in common stocks and the balance in cash, U. S. Government bonds, and other fixed-income securities.

STATE STREET Investment Corporation reported net assets on June 30, 1952, of $112,750,808 compared with $106,912,539 six months earlier. Net asset value increased from $59.21 per share to $62.45 during the same period. The company in 1951 paid $2.03 in net taxable income and $5.17 in capital gains compared with a net income dividend so far this year of 90¢.

The five largest holdings by industry in the portfolio are oil (24%); public utilities (14.9%); railroads (8.8%); natural gas (2.7%), and mining (2.6%). Government bonds and cash are 21% of the portfolio.

KNICKERBOCKER FUND, in its regular report to shareholders, said that the potential weaknesses in our domestic economy, the economic difficulties that hamper our major allies abroad, the suspense of a national election and the fund's own technical research all combine to justfy a policy of cautious vigilance and the maintenance of ample reserves until the present uncertainties are resolved and favorable buying opportunities appear.

The fund commented that the present boom has been based largely on additional plant expenditures encouraged by promises of armament contracts and accelerated tax depreciation.

"These are artificial stimulants which must wear off," the fund said as it added that the armament program has been stretched out and thus requires less plant capacity and that favorable tax treatment is of importance only when profits are high.

The fund in the first six months of this fiscal year continued the cautious investment policy it had begun last year. Noting that the variation between the high and the low of the Dow-Jones Industrial Averages has been only 8%, the fund said that, "as yet, there has been no abating of the many pressures on industry that tend to reduce profits and could result in lower prices for securities."

Net assets of Knickerbocker Fund were $10,073,563 on May 31, 1952, an increase of 4% since the beginning of its fiscal year six months ago.

BLUE RIDGE Mutual Fund on June 30 reported net assets of $21,731,466 or $9.89 per share compared with $24,213,784 on Dec. 31, 1951 before a capital gains distribution of $2,337,122 was paid on Feb. 18, 1952.

PINE STREET Fund on June 30, 1952 reported net assets of $5,231,148 or $14.62 per share compared with $3,568,250 or $13.15 per share a year earlier.

CENTURY SHARES Trust on June 30, 1952 reported total net assets of $32,542,629 or $14.58 per share on 2,224,943 shares outstanding.

HUDSON FUND on June 30, 1952 reported total net assets of $3,673,379 on June 30, 1952, for a 16% increase during the last six months from $3,075,581 on Dec. 31, 1951. Net increase on shares outstanding for the 12 month period ending June 30, 1952 was 36% and the increase in net assets was over 52%. Net asset value per share increased from $23.43 on Dec. 31 to $24.01 on June 30 last.

CONCORD FUND on June 30, 1952 reported total net assets of $1,856,366 compared with $951,677 on June 30, 1951. Asset value per share during the last 12 months increased from $12.69 to $11.99. Capital gains paid in the last 12 months were $1.25.

COMPOSITE Bond & Stock Fund on June 19 reported net assets of $3,339,979 or $15.52 per share compared wtih $3,210,623 or $15.34 per share on Dec. 31 last.

WITH 32% of its holding currently in cash, short-term governments and other high-grade securities, NEW ENGLAND FUND reported total net assets on June 30, 1952 of $5,711,165 or $18.25 per share on 312,978 shares outstanding compared with $4,196,000 or $17.62 per share on 238,213 shares outstanding a year earlier. Net assets during the last 12 months increased 36.11%, while the asset value per share increased nearly 10% after a $1.10 per share capital gains distribution on Dec. 28. Shares outstanding during the same period increased 31%.

MASSACHUSETTS Life Fund reports total net assets of $15,209,649 on June 30, 1952, equal to $28.80 per unit on 528,173.13 outstanding units. This compares with net assets of $13,416,324 at the close of June in 1951, amounting to $26.95 per unit on the 497,719.24 units then outstanding, adjusted for the four-for-one stock split in December of last year. These figures are after payment of dividends of 50 cents per unit for the first six months of this year, and the same amount per unit for the corresponding period of 1951, adjusted for the stock split.

The Fund is operated as part of an unusual type of investment program combining the principles of a trust fund and a mutual investment trust. The plan provides separate trusts for each individual investor, with the Massachusetts Hospital Life Insurance Co. as trustee. The Fund is the investment medium for such trusts.

As of June 30, 1952, the portion of the Fund's assets represented by equities was 55.62%, with 44.38% in protective-type securities.

Of the protective portion, 1.33% of the total Fund was in cash and receivables, 12.37% was in U. S. Government obligations and 30.68% was in other bonds, loans and preferred stocks.

In the equity portion, industrial equities were 30.76% of the Fund; public utilities were 17.83%; bank, finance and insurance stocks 5.26% and railroads 1.77%. Among the industrial equity group, the largest holdings were in oils and chemicals.

WALL STREET Investing Corporation reports net assets of $3,485,016 on June 30, 1952, an increase of 27% over the $2,741,528 reported on June 30, 1951. Net assets were equal to $14.01 per share on 248,764 shares outstanding on last June 30 compared with $12.29 per share on 223,128 shares a year before.

JOHNSTON Mutual Fund, reports as of June 30, 1952, net assets of $1,714,391.31, equivalent to $31.48 per share. This compares with net assets of $1,068,282.46 and $28.80 per share on June 30, 1951.

NEW PROSPECTUSES

ABERDEEN FUND released for dealers a new prospectus dated June 24, 1952. Copies are available without obligation from the Investment Management Corporation, 61 Broadway, New York 6, N. Y.

MANHATTAN BOND FUND has made available for dealers this week a new prospectus dated July 10, 1952 which is available without obligation from Hugh W. Long & Company, Westminster at Parker, Elizabeth, 3, N. J.

WISCONSIN INVESTMENT Company has released a new prospectus dated July 15, 1952, which is available from Edgar, Ricker & Company, 207 East Michigan Street, Milwaukee, Wisconsin.

FUTURES, Inc., has released for dealers a new prospectus dated June 10, 1952. It is available from 60 Broad Street, New York 4, N. Y. The company is a mutual fund investing in commodities and commodity futures.

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Individual Portfolio Managem't: Kunhardt

upon in such manner as too meet the particular requirements of each account. When sales or purchases of securities are considered advisable in trust funds, memoranda are prepared which, after review by the executive officers, are submitted to our Trust Investment Committee and, if approved by it, are either put into effect immediately or letters are written to individuals whom we must consult, explaining the action suggested and the reasons therefor.

A very close relationship is developed between the account supervisors and those with whom and for whom we act in a fiduciary or agency capacity.

We also have a lot of corporate pension funds. We act for General Motors, Ford, American Locomotive, American Cyanamid, Coca-Cola and about a hundred others involving quite a few hundreds of millions of dollars and we use the same system, except here we have people who spend all their time working solely on pension trusts who are familiar with the problems peculiar to them.

After we decide we are going to make an investment change then comes the problem of doing it, and to handle purchases and sales of securities in an efficient manner we have a group of four experienced traders headed by an officer, who operate what in appearance is similar to a small brokerage office with banks of telephones and market quotation tickers prominent in their equipment. These men work under close supervision of the executive officers of the department, who review daily each open market order.

Wide contacts in the securities field and thorough knowledge of trading techniques and financing procedures place us in a position to handle expeditiously not only the normal type and volume of security transactions, but other types of special investment operations such as offerings of private financing which are becoming of increasing interest in the case of pension funds or large dealings in the municipal market on behalf of our customers for whom this type of investment is appropriate because of high income taxes.

You now have a description of our tools. As you have heard we have: (1) a means of reaching decisions; (2) a method of studying industries and companies; (3) an economist who helps to arrive at decisions as to market trends; (4) a group which applies our thinking to the individual accounts and (5) a way to execute purchase and sales orders. It is a nice set of tools but like the golf clubs it is something else again to use them in such a way so as to produce good results.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Earl T. Frazey has become affiliated with Waddell & Reed, Inc., U. S. National Bank Building.

Joins Staff of Goodbody

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Arthur W. Bergman Jr. has become connected with Goodbody & Co., 1 North La Salle Street. He was previously with Central Republic Company.

With Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Edward D. Davis is now with Reynolds & Co., 39 Souh La Salle Street. He was previously with Faroll & Co.

Continued from first page

As We See It

the intelligent balance of production and distribution. "Both employers and employees have come to realize that production policies, price policies and wage policies can be adopted which will combine economic stability with economic growth."

Precisely what the President means by all this we do not profess to know—and we doubt if the President or his Council of Economic Advisers knows—but in general he seems to be saying that if, and only if, we henceforward follow the policies laid down in the New Deal and the Fair Deal we can attain a production of $440 billion by 1960. That is to say, this volume can be reached in what have become known as "constant dollars."

A Strange Doctrine

Now the simple truth of the matter is that the President has said only that if we continue the trend that seems to have held during the past half century or more we shall have reached such a level of production by 1960—assuming of course that we are not in a serious depression at that time. Implied, therefore, in this pronouncement of the Chief Executive is the thought that we can continue to grow as in the past only if we forsake the system under which we grew to greatness. Viewed in this way, the pronouncement ceases to be inspirational and is hardly better than nonsense.

Now thoughtful men and women are not likely to take such foolish forecasts as these very seriously. Even the rates of growth during the past half or three-quarters of a century—the basis of the President's prediction, whether he admits it (or knows it) or not—are not very accurately known. They are "guestimates" at best. During this past generation we have developed a sort of statistical mania. It has increased our knowledge of what is going on currently—increased it, that is, for those who know how to take their statistics. In recent years there has, however, been a growing tendency to come up with figures about the past which must in many instances have been almost literally "picked out of the air."

The fact of the matter is, in any event, that if we continue to grow and to prosper in the future as in the past we shall do so not because of but despite such doctrines and such programs as the New Deal and the Fair Deal have foisted upon this nation.

Another agency of the Federal Government—the so-called Paley Commission—has recently come forward with a whole series of forecasts not for a decade but for two and a half decades. Possibly that is a little too far into the future for the President to venture, and in any event the Paley Report "assumes" the same overall rate of growth that the President uses and does not make it depend upon New Deal or Fair Deal programs. It quite simply and quite frankly states that it is merely projecting what appears to be the past trend into the future—the past trend which extends back into history far beyond the point where any one ever heard of the New Deal, the Fair Deal, Franklin Roosevelt or Harry Truman.

Some Other Forecasts

The President might well have said that twenty-five or so years from now our total output will be double what it is now—on the identical assumptions he used in getting to 1960. He could have added that the technicians (or some of them) now foresee a population by around 1975 about twenty-seven percent larger than at present, with then current demand for various products running up to 400% greater than now. A 27% increase in population would be matched by a 40% increase in demand for consumer durables, a 50% increase in the number of dwellings in use, a 75% increase in automobiles in use, a 50% increase in the demand for new household appliances, etc., etc., etc.

All these estimates, and others like them, he could attribute to the Paley Commission. Possibly he is saving them for a more strategic moment, adding his own claim that all this can come to us only if we heed him and take his economic prescriptions. Of course, any such argument would be rather worse than nonsense. It is not clear what crystal ball the Paley Commission used in arriving at all these conclusions, but there is nothing to suggest that this group of specialists based their estimates upon New Deal or Fair Deal programs in perpetuity.

There is, however, certain very wholesome food for thought in such estimates as these, and this has exactly nothing to do with current political arguments. It relates rather to a general problem of materials and the like which as time passes must become more and more important and vital to us all. For our part, we do not take much stock in a good deal of the current talk about us soon being a "have not" nation. We have been hearing about early exhaustion of many of our basic materials for decades and longer. These alarmists have regularly been wrong. Of late, certain observers have been able to work up quite a sweat about future food supplies for a world population growing at a rate which seems to frighten a good many. Of course, the ultimate in the production of food is so far beyond anything now being attained that we find it difficult to become too ardent a Malthusian at this time.

Looking Ahead

But looking ahead over the decades—and such a long look ahead is wise now and then—it is not difficult to envisage a time (when it will arrive, we do not know) when we shall have exhausted or at the least seriously depleted our natural resources. Such seems to have been the course of history in many older countries whose population a century or more ago began to press upon available resources. Colonialism and imperialism for a time supplied the answer then. Even for these peoples that answer seems no longer valid. We are anti-imperialist or have been for the most part up to now. What is our answer to declining resources? While the answer is difficult to determine, we venture the opinion that the solution, when it comes, will not be the product of the type of economic philosophy that has plagued our nation during the past 20 years. On the contrary, continuance of such thinking and action may very well seriously endanger any hope of providing a solution to the problem.

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SEC Plans Study of Utilities Integration

be within the scope of such a study. And it has also issued numerous reports under Section 11(a) which have many of the characteristics of such a study. But the great potentials of this Section, including what it can contribute toward achieving a more efficient, economical and dependable power supply for the nation, has never really been explored.

I want to discuss these potentialities with you.

As a starter, let us take a look at the legislative history of the Section (scanty though that history be) and endeavor to ascertain the Congressional intent behind it. A provision substantially the same as Section 30 appeared in the bills as initially introduced in both houses. An analysis of the Senate Bill, submitted to the Senate Committee by Senator Wheeler stated, in part, with regard to this provision: "This Section is designed to promote the gathering of information and data which will serve as the basis not only for the reorganization and simplification of holding companies preparatory to their dissolution, but also as a basis for future action by operating companies in organizing themselves so as best to serve the public."

It seems clear from this statement that Section 30 was to be utilized not only in connection with the reorganization and simplification of holding companies pursuant to Section 11, but for a second purpose as well. That second purpose involved the examination of the entire electric industry and the entire gas industry to see whether the resources represented thereby could be more efficiently and economically utilized for the benefit of the American people.

SEC's Policy Under Holding Company Act

When the Holding Company Act was passed in 1935, the Commission's primary duty was to achieve compliance with Section 11, both Sections 11(b) (1) and 11(b) (2). As I am sure you all know, Section 11 requires the elimination of useless holding companies, the divestment of properties not part of a geographically integrated system, and a requirement that both registered holding companies and their subsidiaries take such steps as the Commission shall find necessary to ensure that the corporate structure or continued existence of any company in the holding company system does not unnecessarily complicate the structure or distribute voting power inequitably. It is, as the Congress stated, the "heart" of the statute, and the Commission was instructed to carry out its provisions "as soon as practicable."

The Commission at the outset faced a choice of whether to proceed with enforcement of these provisions under either Section 11(d), the so-called compulsory provision, or under Section 11(e), the so-called voluntary route. The Commission has the power both to draw up plans of its own and through court proceedings force its program of compliance on the companies, or it can encourage the filing of voluntary plans by the various company managements, and leave to them the choice of the wide range of fair and lawful methods for achieving compliance.

Had the Commission chosen the first alternative, it would have had to map out a blueprint of its program for each system, and would probably have written comprehensive Section 30 Reports in connection with the formulation of such proposals. I might note in passing, that during the early days, between 1935 and 1938 before the Commission had decided which course it would follow, and while the constitutionality of the Act was in litigation, the staff of the Commission did prepare a large number of reports which might have been made public as Section 30 Reports if the Commission had chosen to follow the Section 11(d) route. Many of these blue-bound volumes, of great use in connection with our administration of Section 11, still reside in our files. But in the main their purposes have already been accomplished and the changes which have been wrought by the Act and the growth of the industry since that time now call for up-to-date, comprehensive studies.

Had the Commission followed the procedure of forcing Section 11(d) plans upon the various managements extended litigation would undoubtedly have resulted and we would still be far from the substantial compliance with Section 11 which we have now attained.

But, very wisely, in my opinion, the Commission chose the other route of company plans voluntarily formulated. Although these have entailed extended litigation in some instances, progress has undoubtedly been expedited by this choice. By choosing this route, however, the Commission made Section 30 Reports an unnecessary step in the formulation of a plan of compliance. Furthermore, to have written Section 30 Reports at a time when all of the staff's time was urgently needed to administer programs of voluntary compliance with Section 11, would have been an uneconomical and delaying course of action.

The time is fast approaching when Section 11 compliance will have been accomplished. While there are a number of difficult individual problems still to be solved, we are certainly more than three-fourths of the way toward our final goal. Thus, where there were 211 holding companies subject to the Act in 1938, there were only 58 as of June 30, 1952. And many of those remaining to be eliminated are in the final stages of compliance. However, about 20 holding companies will continue in existence under our jurisdiction as regional, integrated systems.

Question of Operating Company Integration

But let us turn now from considering Section 30 with reference to Section 11 compliance. Let us think of it in the other, and to me, the more promising purpose of the Congress. That is, in terms of a positive program of recommendations for action to be taken by operating companies to enable them better to serve the interests of their investors and consumers as well as the public interest.

In this connection, it should be noted that the language of Section 30 does not restrict the studies and recommendations to be made to subsidiaries of registered holding companies. Rather the Commission is directed to study the situation with respect to all operating electric and gas utility companies.

The statutory directive is, of course, very general, and in order to implement it we must get down to brass tacks. Just exactly what data would be gathered in a Section 30 Report? And what kind of recommendations might be made based upon such data?

Counting a combination gas and electric company as two separate companies, there are approximately 860 privately owned electric utility companies in the United States, and about the same number of privately owned gas utility companies. In making studies of the electric utility industry, in addition to gathering information on the private companies, data will also have to be compiled on the 900 cooperatives, and the 2,100 municipal, State and other publicly owned utility systems.

Organization for Implementing Section 30

From an organizational point of view, it would appear desirable to set up a group in the Commission's Division of Public Utilities which would work exclusively on Section 30 Reports and recommendations. The Division is now divided into several sections, each handling the various proceedings with respect to designated holding company systems. It is doubtful if these groups could accomplish much under Section 30 while continuing their other work. Even if they could there would be the added work of coordination between sections.

I might point out here, as an aside, that the Hoover Commission confirmed our experience at the SEC when it observed that those wrapped up in the day-to-day operations generally do not have the time for the reflection and deliberation required for long range planning, and that since efficient management requires policy planning, the assignment should go to persons specially appointed for that purpose.

A Section 30 group would necessarily have to have engineers, analysts and, no doubt, the ubiquitous lawyer.

Such a group would undoubtedly commence by identifying the major economic areas or regions in the United States and then proceed with more detailed studies area by area. For each area it would list the electric and gas utilities operating therein and would compile data concerning each company.

Let us consider some of the data that might appropriately be analyzed. Since the objectives of the study would include arriving at conclusions and recommendations concerning improvements in efficiency that might be effected, the data collected should necessarily include appropriate measures of each company's efficiency. For example, in a study of the electric utilities for a particular area, the size of each company could be indicated by various criteria such as number of dollars invested, annual revenues, kilowatts of capacity, kilowatt hours generated, number of customers, service area, etc. A cost study could also be made of each company, which might show, among other things, production, transmission and distribution costs per kilowatt-hour sold, investment cost per kilowatt installed, capital costs, rate of return and various operating ratios.

From a collection of these and other data, it might well be developed that certain electric systems in the area are at a disadvantage because of factors which could be corrected, such as by wider interchange of power; the purchase, sale or exchange of properties; increased investment in generating facilities; the greater development of hydro-electric facilities; or other factors.

The "New England" Study

Incidentally, in a report entitled "The New England Economy," prepared by the Council of Economic Advisors, there is a 15 page chapter on "Fuel and Power Costs," which might be indicative at least in part of the approach of Section 30 investigation report and recommendations.

The Council's report, in summary, presents facts concerning the installed power capacity in New England, broken down by areas and by type of generation, whether steam, hydro, or internal combustion; the growth of the industry, reserve capacity, and the percentages of use by residential, commercial, and industrial consumers. It then takes up the level of fuel and power costs in New England as compared with the average for the United States. After finding that the causes of higher costs in New England are primarily due to higher fuel costs, it calls attention to other underlying reasons for the greater costs, and hence higher rates of New England's electric utilities. Thus, the number of employees per 100 million kilowatt-hours generated was 31 in New England as against 22 in the United States; the percentages of turbo-generators installed before 1926 were 48% and 39%, respectively; the costs of plant per kilowatt of installed capacity were $115 and $97, respectively; the average BTU consumption per kilowatt-hour generated in steam plants was 15,650 and 14,640, respectively. As a result of these and other factors which primarily affected production costs, total operating expenses including depreciation and taxes were 1.60¢ per kilowatt-hour sold in New England as against 1.27¢ in the United States, and the rates in New England were such as to yield 1.93¢ per kilowatt-hour as against 1.61¢ for the entire United States.

The report points out that one of the economic consequences of the higher costs and rates in New England was to cause industries which have a high proportion of their expenses in power costs to locate elsewhere than in New England, or even to migrate from New England. It recommends, among other things, that everything possible be done to reduce transportation costs of fuel, such relatively high transportation costs being an underlying cause of the higher fuel costs. It also recommended that action be taken to develop New England's remaining hydro resources and to remove all barriers for pooling power resources, particularly to repeal Maine's Fernald Law which prevents the export of power from that State.

Now it seems to me that a Section 30 investigation might well begin at the point where this report left off. In other words, the same sort of facts and comparisons would be developed not for the entire industry within the area as compared with the United States, but rather for each system or company within the area as compared with each other system. The rates of the various systems would be analyzed not only from the point of view of the over-all average revenues per kilowatt-hour sold, but also from the point of view of each classification, residential, commercial and industrial.

A Case in Point

Let us assume that a study such as I have described has been made and that the pertinent facts concerning an area's electric utility industry are at our finger tips. Examination of these data shows clearly that one utility has a large, interconnected, integrated, and efficient system, with low costs and low rates. In juxtaposition to this system, let us assume another, a small system whose costs and rates are high as compared with the large system and which is not interconnected with the large system. Although at lease some economies might be obtained through contracts between systems, as I shall discuss later, it is clear that acquisition by the large system of the small system would lead to interconection of the two, elimination of high cost generating facilities (or at least the relegation of the small system's high cost plants to stand-by) with resulting lower costs and rates in the small system's territory. In summary, the assumed facts demonstrate that the large system will gain from the acquisition of the small system even though lower rates are put into effect.

But would the large system be willing to purchase the small system, and would the small system be willing to sell to the large system?

I should like to give you an illustration taken from our files, of why both the buyer and seller under the circumstances outlined above would have positive incentives for accomplishing what is obviously in everybody's interest.

In the fall of 1950, American Gas and Electric Company filed an application with the Commission for permission to purchase the common stock of Central Ohio Light & Power Company. American Gas is one of the largest and well regarded holding company systems in the country with consolidated revenues of $160,000,000. Its subsidiaries, which form an interconnected and integrated system, operate in Michigan, Indiana, Ohio, West Virginia, Virginia, Kentucky and Tennessee. Its principal subsidiary in Ohio is The Ohio Power Company, which has utility assets of about $217,000,000 and annual revenues of $55,000,000.

Central Ohio was a small independent company having utility assets of $12,500,000 and operating revenues of approximately $4,000,000. Its service area was divided into two parts, which were 100 miles apart and not connected. The Eastern Division had no generating facilities, and purchased all of its energy from a non-affiliated company, Ohio Edison Company. The Western Division generated its own requirements in three steam stations. Our engineering studies showed that Central Ohio's average generating costs ran 7.2 mills per kilowatt-hour as against 2.9 mills for the American Gas subsidiary, Ohio Power, while its rates were such as to yield 1.91c per kilowatt-hour as compared with 1.14c for Ohio Power.

The common stock of Central Ohio was held by about 2,300 stockholders, with about 4% in the hands of its President.

The transaction as proposed by American Gas was to offer 72/100 of a share of American Gas common stock for each share of Central Ohio common stock outstanding. Prior to the filing, American Gas stock, which was listed on the New York Stock Exchange, was selling for about $50, or $36 for 72/100 of a share while the Central Ohio stock was quoted over-the-counter at approximately $30 per share. The earnings of American Gas were $3.24 for 72/100 of a share, as against pro forma earnings of $3.11 per share for Central Ohio. The dividends then being paid by American Gas were $2.16 per 72/100 of a share as against $1.80 on the Central Ohio stock. While both stocks were selling on approximately a 6% dividend yield basis, the common stock of American Gas was selling on a 15.4 times earnings basis, while the Central Ohio stock was selling at less than 10 times earnings.

Now obviously this was a very advantageous offer to the Central Ohio stockholders, but at first blush not a desirable one from the point of view of American Gas. Thus, on the basis of the foregoing American Gas was offering a market value of $36 for $30, or a 20% premium, $3.24 for $3.11 of earnings, or a 4% premium, and $2.16 for $1.80 of dividends, or again a 20% premium.

Operating Economies

However, substantial advantage to American Gas lay in the economies which the purchase would effectuate and which were not reflected in the past history of pro-forma earnings of Central Ohio. Those economies were to be brought about primarily by interconnections with Ohio Power which as I previously stated is an American Gas subsidiary operating in Ohio, and by utilization of Ohio Power's low cost generating facilities instead of Central Ohio's high cost facilities. American Gas estimated that because of these economies, Central Ohio's earnings would rise from $3.11 per share in 1950 to approximately $4.00 per share during the next three years, even after putting into effect the lower rates of Ohio Power. Thus, the American Gas earnings, and hence the value of its equity, would be enhanced by the transaction rather than diluted, since from a near term point of view it would be exchanging $3.24 of earnings for $4.00 of earnings.

I should like particularly to call attention to the fact that the disparity in market values illustrated by this case is really of little significance to the purchasing company, in this case American Gas. Thus, while American exchanged some $36 of market value for $30, or as I noted previously a 20% permium to Central Ohio's stockholders, its stock was selling at better than 15 times earnings whereas Central Ohio's quotations showed a market value of only 10 times earnings. This kind of disparity in times earnings ratios no doubt would be typical where a large, well managed, integrated system with listed securities is purchasing a small, non-integrated, little known company, with unlisted securities. This, of course, permits the large company to purchase the small with little or no dilution of earnings, at a price which is highly advantageous to the owners of the small company, and with the advantage to the large company that it obtains for its security holders (including the previous owners of the small company pro rata) substantially all of the benefits finally resulting from the acquisition.

I think you can see from this illustration that both the security holders of the purchaser and those of the purchased company stood to gain substantially by this exchange. Likewise, the consumer would receive the benefit of lower rates, and the economic interests of the area would be served through the greater efficiency of operation. Incidentally, more than 98% of the stock of Central Ohio was exchanged for the stock of American Gas. Eventually Central Ohio will be merged into The Ohio Power Company.

In the case of the acquisition by American Gas of Central Ohio, the entire transaction was initiated and sponsored by the respective managements of these companies. It was submitted to the Commission for approval under the Holding Company Act because American Gas was a registered holding company.

We need not pause to determine whether a Section 30 study would have led us to the conclusion that Central Ohio should have been acquired by American Gas or some other system or company. It is sufficient to note that it is at least one type of transaction that might be sparked by Section 30 reports and recommendations.

Another Illustration

Another illustration of the financial and operational advantages of an acquisition is demonstrated by the proposal of Kansas City Power & Light Company to acquire a controlling stock interest in Eastern Kansas Utilities Company. Kansas City offered the stockholders of Eastern Kansas the book value, or approximately $17.70 per share for all outstanding shares—shares which sold not too long before at about $7 per share.

How did it come about that the management of Kansas City was able to conclude that a stock which not so long ago sold for about $7 per share could be advantageously acquired at $17.33? Several factors explain this. In the first place, the management of Kansas City arranged to dispose of a large part of the property to a neighboring utility, an arrangement they had been unable to make previously although the possibility was certainly present. Further, it looked as though the local co-ops might acquire it if Kansas City didn't. The management of Kansas City freely admitted the strong motivation of that possibility. But more significant for our purposes, and for purposes of those regulatory bodies which have approved the purchase, in a very careful study of the properties Kansas City reviewed operating relationships and contracts, costs, labor, rates, territory, etc., and found numerous ways in which, by integrating with their own property or with another company to the south, economies could be effected which would raise the net income of these particular properties. In fact, it should even be possible to reduce rates to consumers.

This transaction is one of numerous instances in recent years where an acquiring operating company becomes a holding-operating company temporarily because it is purchasing stock instead of assets. The Commission's policy under these circumstances has been, and would continue to be, to grant the resulting holding-operating company an exemption under Section 3(a) (2), provided, of course, the transaction is otherwise fair and meets all the standards of the Act.

Acquisition of Physical Assets

Another type of transaction which Section 30 studies might encourage would involve not the purchase of a controlling common stock interest in a company, but rather the direct acquisition of physical assets. Such acquisitions might be effected either through cash purchases, exchange of properties, or a combination of the two. Illustrative of the last is the case of Indiana and Michigan Electric Company and Public Service Company of Indiana, two completely unaffiliated companies. The transactions involved were consummated in early 1950.

Indiana and Michigan, which I will refer to as "I & M," is another major subsidiary of American Gas. Two years previously, in the process of acquiring and merging another company, I & M had acquired assets which were in the service area of Public Service Company of Indiana. Similarly, Public Service Company of Indiana had properties which were in the service area of I & M. The two companies arranged a swap of properties, but since earnings were greater from the Public Service than from the I & M properties, I & M paid $235,000 in cash in addition to the properties transferred. I & M estimated that the transaction would increase net income about $40,000, or approximately 18% of the cash outlay. Similarly, Public Service Company of Indiana estimated that, because of savings from integration, it would receive nearly as much income from the properties transferred as it had been receiving previously, and in addition would have the $235,000 cash received in the trade.

Question of Becoming "Too Big"

Now I have been recounting transactions here which involved making large systems into even bigger systems. Please do not infer from this that I favor the complete elimination of all small systems, or that I am biased in favor of big systems. The Holding Company Act, both for economic and public policy reasons contains a prohibition against a system's becoming "too big." Nevertheless, there is such a thing as too small a company. The utility business is big business. It does not exist in this country as a competitive industry in which as a matter of national policy the entities are kept comparatively small in order to stimulate competition. As regulated monopolies, utilities are to be encouraged to operate as efficiently and economically as possible and today this means companies of fairly large scope. What we must guard against is the conglomeration of properties so large as substantially to affect the political life of the area and thwart local regulation.

The Holding Company Act in Section 2 and Section 10 sets the standard. Section 10(c)(2) prohibits an acquisition unless it will

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SEC Plans Study of Utilities Integration

serve the public interest by tending towards the economical and efficient development of an integrated public utility system. An "integrated public utility system" is defined in Section 2(a)(29) as a system which may be economically operated as a single interconnected and coordinated system, confined in its operations to a single area or region, in one or more states, and "not so large as to impair (considering the state of the art and the area or region affected) the advantages of localized management, efficient operation, and the effectiveness of regulation."

There undoubtedly are many instances where the merging of small systems into a neighboring large system would not violate the size standard. One way or another, the economies of large scale utility operations leading to lower rates as they surely must, should be made available to the American public and American industry. Section 30 studies might well point the way.

Power Pools

On the other hand, in many instances, these economies may be substantially realized through contractual arrangements rather than through outright acquisitions. This potentiality is amply demonstrated by the various power pools which have grown up over the past couple of decades.

Specifically, as examples of such power pools, there are the Pennsylvania-New Jersey Interconnection and the Northwest Power pool. The former is operated under a contract which was entered into in 1927 between Pennsylvania Power & Light Company, Philadelphia Electric Company and Public Service Electric and Gas Company of New Jersey, a group not now otherwise affiliated. The purposes of the contract were generally to secure the benefits of coordinated development as well as operation, to reduce the investment necessary for the required production of energy, and to secure the most economical operation of the plan for the parties. Testimony before the SEC indicated that the economic advantages resulting from the pool, especially due to the sharing of reserve capacity, both cold and spinning, and to the coordination of all the production plants to secure the minimum operating costs for the whole combined system, have proved to be more than were expected, and these advantages have increased as the loads and technique of coordination have developed.

The other example which I mentioned was the Northwest Power pool. The capacity of this pool amounting to some 4,000,000 kilowatts belong to widely diversified interests, including Puget Sound Power & Light Company, The Washington Water Power Company, Pacific Power & Light Company, Bonneville Power Administration, and several municipalities. It has been estimated that through the coordinating operations of this pool, the necessity of adding 100,000 kilowatts of installed capacity was obviated with resultant savings at present day prices of about $20,000,000 in capital costs.

I mention these pools, and there are many others, because Section 30 investigations might in many instances lead to recommendations either for acquisitions of properties or in the alternative the entering into of contracts which will afford the benefits of coordination, even though the systems remain independent.

A Wide Field for Improving Operating Systems

Certainly there is a wide field for improving the various operating systems, either through acquisitions, exchange of properties or contractual arrangements. One has only to look, for example, at the utility map of Ohio, greatly improved though it has been in recent years, to see that the service areas of the various systems, including cooperatives and municipally owned systems, constitute a gerrymander patchwork, which like Topsy apparently "just growed." It would indeed be a miracle if studies of such crazy quilts did not bring out many opportunities for substantial economies in the areas served. There are other states which are in the same condition. Generally speaking, in the present state of the art of power generation, transmission, and distribution, a system, whether or not it is all under common control, must reach a fairly large size before it can realize the economies arising from low investment and operating cost per kilowatt hour of output.

The lowering of costs by means of improved integration of electric and gas facilities in an area is only one of the objectives of Section 30. Another major objective would be that of improving rate structures.

As you all know, the usual rate structure for electric utilities provides for three principal rate classifications — residential, commercial and industrial. Generally, the residential rate is a simple block rate. The smaller commercial service rates are also frequently of the block type with a minimum charge, but with the size of the blocks sometimes determined by the customer's demand. The larger commercial customers and industrial customers are served on two-part rates based upon billing demand and energy consumption. As a result of this sort of rate structure, residential customers usually pay substantially more per kilowatt-hour than commercial and industrial customers.

An investigation of rates within an area as well as between areas would undoubtedly show not only wide variations in the general level of rates, but also in the structures. For example, in the case of a large electric company in Ohio commercial and industrial customers in 1949 paid an average of 1.18c per kilowatt-hour, whereas residential customers paid an average of 2.9c, or almost two and one-half times as much. On the other hand, a smaller neighboring company had rates which over-all were 67% higher than those of the larger company, but had a structure in which the residential rates were only 153% of the commercial and industrial rates compared with 245% in the case of the larger company. Examination of several other systems in Ohio, shows similar variations in both the general level and structure of rates.

There are undoubtedly perfectly good reasons for variations as between systems both with respect to the general level of rates and rate structures. On the other hand, it may frequently be the case that a change in rate structure will result in a more efficient use of generating facilities through encouraging use in off-peak hours or seasons with consequent improvement of the load factor, and, with such improvement, it is frequently possible to lower the general level of rates. Furthermore, wide disparity of rates and rate structures within a given area lead at least to a suspicion of undue and unfair discrimination. For example, there must come a point where, if residential rates are abnormally higher than commercial and industrial rates, it must be concluded that residential consumers are subsidizing industry. On the other hand, if managements set up rate structures which have no promotional features, they are likely to thwart the most economical use of their facilities and stifle the economic development of their areas.

The more economical use of our power resources, and the improvement of rate structures are but two of the desirable potential consequences of Section 30 studies. The carrying on of such studies would certainly develop additional objectives which also might lead to lower costs and rates and wider use of our energy resources.

SEC to Avoid Public Power-Private Power Controversy

There is, however, one aspect of the power problem which I think the Securities and Exchange Commission should studiously avoid. The Commission should not take sides in the public power-private power controversy. As a part of our investigations we shall have to examine the integration possibilities and rates of all electric systems within an area, but we should not and will not show bias in favor of one form of ownership over another.

I have generally confined my discussion of Section 30 to its impact on the electric industry. The same general objectives and same kind of studies would also be appropriate for the gas industry. Because of unique features in that industry, as for example the existence of by-products in the manufactured gas industry, the fact that natural gas is a wasting asset, and is transmitted much greater distances than is electricity, the Section 30 studies of the gas industry will have to go into many different kinds of facts than would be contained in an electrical study. Here again, the kind of facts to be developed will appear as the studies are made.

How Objectives of Study Can Be Attained

I have attempted to indicate some of the objectives at which we would aim in preparing Section 30 studies. Let us consider briefly how these objectives could be attained after we have arrived at specific recommendations.

Under the Holding Company Act, the Securities and Exchange Commission has no mandatory power to enforce the recommendations it might make under Section 30. However, certain kinds of recommendations having to do with integration of power facilities could be made mandatory under the Federal Power Act. Section 202(b) of that Act provides that the Federal Power Commission, upon application of any State Commission or of any person engaged in the transmission or sale of electric energy, and after opportunity for hearing, may by order direct a public utility to establish physical connection with the facilities of one or more other persons and to sell or exchange energy with such persons. Thus, by working in close liaison with the power Commission, it might be possible to make certain of the recommendations mandatory.

In any event, our Section 30 group would necessarily work closely with the Federal Power Commission and with state regulatory commissions for, as you know, Section 311 of the Federal Power Act makes of the Federal Power Commission a vast repository of information on the capacities, rates, and operating relationships of the electric industry.

It would seem to me that for the most part any recommendations made under Section 30 would be adopted voluntarily by the companies or systems concerned. If the recommendations are based on facts, add up to good sense, have the support of other regulatory bodies, and are in the public interest, it should be possible around the conference table to persuade the systems affected to cooperate. This is particularly the case since as I see it a large proportion of our recommendations would be advantageous to all concerned.

In conclusion, I should like to remind you again that Section 30 is a mandatory provision of the Holding Company Act. Under it the Securities and Exchange Commission is directed to make studies, investigations, and recommendations from time to time concerning the electric and gas industries. With the winding up of our Section 11 work, we intend to begin to implement the provisions of Section 30 in an effective manner.

With a properly planned and executed program, Section 30 will, I believe, finally get its place in the sun as a highly useful and effective part of the statute, with important benefits to our country's defense effort and to investors and consumers. Whoever engages on this task has a real opportunity to serve the public interest in a vital area of the national economy.

Harold W. Lutich Is Forming Own Firm

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — H. W. Lutich, Inc. has been formed with offices at 155 Sansome Street to engage in a securities business. Officers are Harold W. Lutich, President; Ines M. Folger, Vice-President; Anne D. Mejia, Treasurer. James J. Schubal is a Director of the firm, and Edward G. Odasz, General Manager.

Mr. Lutich was formerly a partner in Hooker & Fay and Sidney P. Kahn & Co.

Public Utility Securities

By OWEN ELY

Gulf States Utilities Company

The Gulf States Utilities Company sells electric energy at retail in 288 comunities and surrounding territiory with an estimated aggregate population of 715,000 including the cities of Beaumont, Port Arthur and Orange, Texas and Baton Rouge and Lake Charles, La. It also sells, for resale, electric energy to eight municipal systems (serving a total population of approximately 30,000), 11 rural electric cooperatives, and one other utility.

Major economic factors in the territory served are a favorable year-round climate, water transportation, and the availability of large supplies of oil, natural gas, sulphur, salt and other natural resources. The production, refining and distribution of oil and the production of synthetic rubber and other chemicals are substantial industries. The chemical industry, which depends so largely on the existence of abundant supplies of oil and natural gas, has expanded greatly and now ranks as one of the most important industries in the area. The territory served includes districts where rice, cotton and sugar cane are grown; cattle and lumber are other important products.

The company's revenues in 1951 were 93% electric, 5% natural gas and 2% water. Of the electric revenues about 45% was derived from sales in Texas and 55% in Louisiana. The gas business is entirely in Louisiana. The area served comprises about 28,000 square miles in southeastern Texas and south central Louisiana; it extends about 350 miles from Calvert, Texas to Baton Rouge, La. The electric system in inter-connected and inter-connections are also maintained with other utilities.

As of April 30, 1952, but adjusted to include the pending issue of Preferred Stock, capitalization is approximately as follows:

	Millions	Percent
Long-Term Debt	$87	52%
Preferred Stock	35	21
Common Stock Equity	46*	27
	$168	100%

*Excludes $2 million estimated net intangibles.

The company recently placed in effect higher rates in Texas, which it is estimated will increase revenues about $2.1 million per annum. After adjustment for income taxes this would be equivalent to an increase of $1 million in net income or some 32c a share. The company also applied for a somewhat similar increase for its properties in Louisiana, sufficient to increase revenues about $2 million a year, but was turned down by the State Commission. The issue was appealed to a State Court and it is hoped that a decision will be forthcoming in the near future.

The common stock record in recent years has been as follows:

		Common Stock Record		
Year	Revenues (Mill.)	Earned	Dividend	Range
1951	$33	$1.61	$1.20	23½—20
1950	29	1.85	1.20	24½—18½
1949	25	1.91	1.20	22½—16½
1948	23	1.77	1.05	18½—14
1947	20	1.75	.25	16 —11½
1946	17	1.54	.79	
1945	18	1.08	.76	
1944	17	.86	.62	
1943	15	.81	.59	
1942	13	.59	.44	

Gulf States Utilities is currently selling around 24 to yield 5%. Earnings for the 12 months ended May 31 were $1.59 on the increased number of shares, compared with $1.66 in the same previous period. The company had issued 239,578 shares of common stock on April 23 at $22 per share, through a syndicate headed by Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers.

If these earnings should be adjusted to a pro forma basis to include the benefits of the rate increase in Texas, the resulting figure would approximate $1.90. On this basis the dividend payout would be 63%. Should the company be successful also in obtaining the rate increase in Louisiana, it would appear reasonable to expect an increase in the dividend rate.

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The State of Trade and Industry

are even stripping bars out of plates. A limited amount of foreign steel is seeping in at an average of about 50% above domestic mill prices. All these measures are costly, but they keep plants running.

Warehouses have been life savers to a lot of companies. As production lines near a halt for lack of specific steel items, an emergency call to warehouse suppliers sometimes bails them out for a few more days. But the possibility of help from warehouses becomes more remote as the strike continues. One warehouse chain predicts almost complete paralysis if the strike is not settled by next week, concludes "The Iron Age."

Auto production in the United States last week, virtually choked off due to the steel strike, sank to the lowest weekly figure since early 1946, when General Motors was on strike. Prior to 1946, the low point since 1932 came in the recession year of 1938.

A serious car shortage is in the making, "Ward's Automotive Reports," predicted.

Production this week, it added, may curve upward. General Motors will build cars at least through the end of the month, and Ford, starting up on Monday of the current week, anticipates working for at least two weeks on a curtailed basis.

Last week, only Hudson, Cadillac and Kaiser-Frazer obtained normal schedules. Mercury and Lincoln performed relatively well, but Ford was down all week. GM Michigan plants alone were in action. Packard worked one day. Virtually all Chrysler output came from California plants; Nash and Studebaker small volume the past week represented outstate operations.

Large scale conversion steel purchases are being made now by the industry. This reflects efforts to reconcile steel imbalances which threaten smooth operations when plants swing back into volume production, "Ward's" said.

Steel Industry Enters Eighth Consecutive Week of Sharply Curtailed Output Due to Strike

Steel production this year will be lowest since 1949 even though capacity is greater than ever before, says "Steel," the weekly magazine of metalworking.

Even if full capacity operations could be resumed today and if new capacity being built could be brought in on schedule during this last half year, the most production that could be tallied for the year would be 96 million net tons. Immediate resumption of capacity operations is out of the question. It will take around 10 days to get back up to 100% after the steelworkers return to their jobs. And the additional capacity being built is behind schedule, says this trade weekly.

In 1949, also a steel strike year, production totaled 77,978,000 net tons. Output in 1950 was 96.8 million tons; in 1951, an all-time record of 105.1 million tons.

The first half of 1952 was marked by the lowest output for any first half year since 1948, the American Iron & Steel Institute reports. Production was only 45,028,660 net tons of steel for ingots and castings. June output of 1,639,000 tons was the lowest for any month since October, 1949, when the steelworkers were on strike.

The unstruck portion of the steel industry made a better showing production-wise last week than in any previous week of the latest strike, thanks to a return to work at some mills. Production of steel for ingots and castings edged up to 15% of national capacity, and provided around 312,000 tons. The preceding week's rate was 14.5%, this trade paper notes.

Closing of metalworking plants for want of steel is snowballing. It may slow down but not stop immediately with resumption of steel production. Steel distribution pipelines will have to be refilled and in many cases the pipelines of components will too before the metalworking industry can return to normal operations.

With a sharp spurt in sheet demand seemingly assured once the mills get production going again, big consumers of sheets are exerting extra effort to line up supplies of sheets. For one, the automobile industry is showing considerable interest in reviving a supply of conversion steel, "Steel" declares.

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 15.3% of capacity for the week beginning July 21, 1952, equivalent to 318,000 tons of ingots and steel for castings. In the week starting July 14, the rate was 15.2% of capacity (revised) and output totaled 316,000 tons. A month ago output stood at 11.8%, or 246,000 tons.

Electric Output Continues to Climb

The amount of electric energy distributed by the electric light and power industry for the week ended July 19, 1952, was estimated at 7,180,328,000 kwh., according to the Edison Electric Institute.

The current total was 192,532,000 kwh. above that of the preceding week when output amounted to 6,987,796,000 kwh. It was 205,754,000 kwh., or 3.0% above the total output for the week ended July 21, 1951, and 994,626,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Rise 27.9% in Post-Holiday Week

Loadings of revenue freight for the week ended July 12, 1952, which were affected by the steel strike, totaled 572,387 cars, according to the Association of American Railroads, representing an increase of 144,991, or 27.9% above the preceding holiday week.

The week's total represented a decrease of 206,921 cars, or 26.6% below the corresponding week a year ago, and a decrease of 217,019 cars, or 27.5% below the comparable period in 1950.

United States Auto Output Declines to Less Than Half The Previous Week's Level Due to Steel Shortages

Passenger car production in the United States the past week, according to "Ward's Automotive Reports," totaled 23,025 units, or less than half of the previous week's total of 51,746 (revised) units, and 96,454 units in the like week a year ago.

Total output for the past week was made up of 23,025 cars and 3,305 trucks built in the United States against 51,476 cars and 10,195 trucks (revised) last week and 96,454 cars and 26,902 trucks in the comparable period a year ago.

Canadian output last week was placed at 5,048 cars and 924 trucks. In the preceding week 7,097 cars and 1,824 trucks were built. In the like week last year 5,661 cars and 2,402 trucks were built.

Business Failures Show Sizable Decline From Previous Week

Commercial and industrial failures declined to 103 in the week ended July 17 from 156 in the preceding week, Dun & Bradstreet, Inc., discloses. Casualties were down considerably from the 133 and 170 which occurred in the similar weeks of 1951 and 1950. They remained 59% below the prewar total of 251 in the similar week of 1939.

Failures involving liabilities of $5,000 or more decreased to 81 from 128 and were slightly lower than a year ago when 99 businesses succumbed in this size group. Small casualties, those with liabilities under $5,000, dipped to 21 from 28 and from 34 a year ago.

Wholesale Food Price Index Continues Sharp Rise For Third Week

Continuing the sharp rising movement of the preceding two weeks, the Dun & Bradstreet wholesale food price index advanced to $6.61 on July 15, from $6.51 the week before, for a gain of 1.5%. The current figure is the second highest of the year, being exceeded only by the Jan. 1 index of $6.64. It compares with $6.88 on the corresponding date a year ago, or a drop of 3.9%.

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 Marked by Slight Recession in Latest Week

The general commodity price level fluctuated unevenly last week and showed little change during the period. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished at 290.09 on July 15, as against 290.43 a week earlier, and 304.28 a year ago.

Grain markets were irregular the past week with prices continuing to move in a fairly narrow range. Wheat was featured by relatively light hedge-selling pressure despite the fact that harvesting is nearing completion in major Winter wheat areas.

Another supporting factor was the government's July 1 estimate of the Spring wheat yield at only 200,598,000 bushels, or 141,407,000 fewer than a year ago, and one of the smallest crops in recent years.

Added to the prospective Winter wheat output of 1,048,421,000 bushels, total production of all wheat for this year is placed at 1,249,019,000 bushels, or a gain of 261,545,000 bushels over a year ago. Corn prices advanced moderately, largely reflecting extremely small country offerings. Oats were quite steady despite reports of further shipments to this country from Canada.

The first official estimate of this season's corn crop indicated a yield of 3,365,089,000 bushels.

This was 423,666,000 bushels less than a year ago, and compared with a 10-year average of 3,011,652,000. The oats crop was estimated at 1,352,938,000 bushels, or slightly above last year and the 10-year average.

Cotton prices developed weakness at the close following early steadiness. The decline was attributed to continued uncertainties in the steel and Korean situations, reports of rain in some dry areas of the belt, lessened activity in the goods market, and continued slow export demand. In its first official 1952 cotton acreage report, the Crop Reporting Board estimated a total of 26,051,000 acres under cultivation as of July 1, or slightly smaller than trade expectations. CCC loan stocks of cotton continued to decrease. Loan repayments for the season through July 3 totaled 758,000 bales, leaving loans outstanding at about 357,000 bales.

Trade Volume Reacts Favorably to Reduced Price Promotions, Clearance Sales and Warm Weather

Shoppers in most parts of the nation in the period ended on Wednesday of last week boosted their spending noticeably as they responded favorably to many reduced-price promotions. Clearance sales of warm-weather wear were much more in evidence than a year ago.

Retailers in areas affected by labor-management disputes reported steadily increasing caution among consumers.

As during recent months most stores were able to exceed the sales figures of a year earlier.

Retail dollar volume in the week was estimated by Dun & Bradstreet to be from 1 to 5% higher than a year ago. Regional estimates varied from the corresponding 1951 levels by the following percentages: New England +1 to +5; East —1 to +3; Midwest —1 to+3; South +2 to +7; Northwest +1 to +5; Southwest and Pacific Coast +2 to +6.

Trading activity in many wholesale markets in the week quickened perceptably following the holiday showdown of the preceding week; the aggregate dollar volume of wholesale orders did not vary sharply from the level of a year before but was about 10% below the all-time high reached in the first few months of 1951 when many buyers rashly added to their inventories in vain expectation of war-induced shortages.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended July 12, 1952, remained unchanged from the level of the preceding week at 4% above the like period a year ago. For the four weeks ended July 12, 1952, sales rose 3%. For the period Jan. 1 to July 12, 1952, department store sales registered a decline of 3% below the like period of the preceding year.

Retail trade in New York last week suffered from prevailing high temperatures and humidity, which resulted in a drop of about 12% in dollar volume from the like week a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended July 12, 1952, decreased 13% below the like period of last year. In the preceding week a decline of 5% (revised) was recorded from that of the similar week of 1951, while for the four weeks ended July 12, 1952, a decrease of 11% was registered below the level of a year ago. For the period Jan. 1 to July 12, 1952, volume declined 10% under the like period of the preceding year.

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CIO Economists See Danger Ahead In 1953-1954

then, the index of non-durable goods production has declined.

"The defense and defense-related areas of the economy have remained strong. But the civilian consumers' areas of the national economy have indicated signs of weakness.

Business Spending Destined to Drop

"A major source of economic strength in the post-Korean period has been large business expenditures for new plant and equipment. This activity has been encouraged by the government's subsidy to business in the form of accelerated amortization — the rapid write-off, in five years, of most of the cost of approved new plant and equipment.

"The pre-Korean record for business expenditures for new plant and equipment was in the boom year 1948, when over $20 billion were spent for that purpose. Business spending for new plant and equipment was at an annual rate of $16.7 billion in the second quarter of 1950. After the Korean outbreak, it rose steadily to an annual rate of $26.7 billion in the last three months of 1951.

"Last year, business spent $23.: billion for new plant and equipment. And in the first quarter of this year — despite government curtailment of the use of steel an other materials—business expenditures for new plant and equipment were at an annual rate o. $24.2 billion.

"The current high rate of business expenditures for new plant and equipment cannot be sustained for too much longer. There probably will be a decline in those expenditures in 1953, if not before then. The dip in business spending for new plant and equipment will withdraw a major point of strength from the economy."

With Gordon Macklin Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Georg R. Tenbusch has become ass ciated with Gordon Macklin Co., Inc., 1010 Euclid Buildi Mr. Tenbush was previously w Saunders, Stiver & Co. and Le ogar-Horner Company.

With First Cleveland

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Carl A bott has become associated wi First Cleveland Corp., Nation City East Sixth Building, mer bers of the Midwest Stock E change. He was formerly with E. Neubauer & Co.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

CLAYTON, Mo.—Lucille Alliston is connected with Waddell & Reed, Inc., 7 North Brentwood Boulevard.

Joins A. A. Tibbe Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Goldie M Davisson is now with A. A. Tibb & Co., 506 Olive Street.

Joins Westheimer Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Frederic W. Schultz is with Westheimer Co., 326 Walnut Street, member of the New York and Cincinnat Stock Exchanges.

Ginther Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Betty Lou Lampey is now with Ginther & Co., Union Commerce Building.

Indications of Current Business Activity

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

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	July 27	15.3	*15.2	11.8	101.4
Equivalent to—					
Steel ingots and castings (net tons)	July 27	318,000	*316,000	246,000	2,027,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 12	6,075,050	6,102,450	6,148,000	6,171,200
Crude runs to stills—daily average (bbls.)	July 12	¶7,013,000	6,753,000	6,762,000	6,561,000
Gasoline output (bbls.)	July 12	23,251,000	22,557,000	21,802,000	21,985,000
Kerosene output (bbls.)	July 12	2,417,000	2,440,000	2,208,000	2,362,000
Distillate fuel oil output (bbls.)	July 12	10,184,000	9,629,000	10,298,000	8,695,000
Residual fuel oil output (bbls.)	July 12	8,943,000	8,674,000	9,017,000	9,033,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 12	118,332,000	119,533,000	121,993,000	133,482,000
Kerosene (bbls.) at	July 12	24,306,000	23,312,000	21,086,000	27,901,000
Distillate fuel oil (bbls.) at	July 12	72,515,000	67,542,000	57,944,000	76,887,000
Residual fuel oil (bbls.) at	July 12	48,395,000	46,172,000	40,889,000	44,127,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 12	572,387	447,396	631,043	779,308
Revenue freight received from connections (no. of cars)	July 12	461,787	488,349	562,746	552,284
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 17	$295,779,000	$381,742,000	$305,727,000	$361,082,000
Private construction	July 17	114,166,000	176,645,000	141,984,000	128,380,000
Public construction	July 17	181,613,000	205,097,000	163,743,000	232,702,000
State and municipal	July 17	88,405,000	73,180,000	90,100,000	117,129,000
Federal	July 17	93,208,000	131,917,000	73,643,000	115,573,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 12	5,325,000	1,120,000	7,245,000	8,359,000
Pennsylvania anthracite (tons)	July 12	521,000	53,000	742,000	693,000
Beehive coke (tons)	July 12	14,600	*4,300	21,300	9,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	July 12	83	79	116	83
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 19	7,180,328	6,987,796	7,254,058	6,974,574
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 17	103	156	151	133
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 15	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	July 15	$52.77	$52.77	$52.77	$52.69
Scrap steel (per gross ton)	July 15	$39.33	$39.50	$42.00	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 16	24.200c	24.200c	24.200c	24.200c
Export refinery at	July 16	33.925c	35.975c	33.400c	27.425c
Straits tin (New York) at	July 16	121.500c	121.500c	121.500c	106.000c
Lead (New York) at	July 16	16.000c	15.000c	15.000c	17.000c
Lead (St. Louis) at	July 16	15.800c	14.800c	14.800c	16.800c
Zinc (East St. Louis) at	July 16	15.000c	16.000c	16.000c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 22	98.66	98.56	98.44	97.75
Average corporate	July 22	109.79	109.97	109.97	110.15
Aaa	July 22	114.08	114.08	114.27	114.46
Aa	July 22	112.19	112.37	112.56	113.50
A	July 22	109.42	109.60	109.42	109.06
Baa	July 22	104.14	104.14	103.97	103.80
Railroad Group	July 22	106.92	107.09	107.09	106.56
Public Utilities Group	July 22	109.42	109.42	109.42	109.97
Industrials Group	July 22	113.31	113.50	113.31	113.89
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 22	2.59	2.60	2.60	2.65
Average corporate	July 22	3.18	3.17	3.17	3.16
Aaa	July 22	2.95	2.95	2.94	2.93
Aa	July 22	3.05	3.04	3.03	2.98
A	July 22	3.20	3.19	3.20	3.22
Baa	July 22	3.50	3.50	3.51	3.52
Railroad Group	July 22	3.34	3.33	3.33	3.36
Public Utilities Group	July 22	3.20	3.20	3.20	3.17
Industrials Group	July 22	2.99	2.98	2.99	2.96
MOODY'S COMMODITY INDEX	July 22	441.6	439.2	435.3	468.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 12	161,404	204,886	192,889	189,525
Production (tons)	July 12	120,463	141,384	208,998	200,938
Percentage of activity	July 12	51	56	86	83
Unfilled orders (tons) at end of period	July 12	452,504	413,405	393,144	638,852
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	July 18	110.07	110.45	109.43	115.52
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	July 5	23,232	23,174	24,953	25,832
Number of shares	July 5	664,551	681,417	693,174	712,560
Dollar value	July 5	$30,532,031	$31,472,824	$35,559,018	$30,988,450
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 5	19,819	22,078	21,912	19,021
Customers' short sales	July 5	62	99	114	426
Customers' other sales	July 5	19,757	21,979	21,798	18,595
Number of shares—Total sales	July 5	557,787	623,186	587,365	507,078
Customers' short sales	July 5	1,914	4,970	4,002	14,001
Customers' other sales	July 5	555,873	618,216	583,363	493,077
Dollar value	July 5	$23,634,075	$26,575,032	$24,732,110	$20,388,426
Round-lot sales by dealers—					
Number of shares—Total sales	July 5	153,100	184,210	173,270	106,520
Short sales	July 5	------	------	------	------
Other sales	July 5	153,100	184,210	173,270	106,520
Round-lot purchases by dealers—					
Number of shares	July 5	241,400	252,750	305,270	334,450
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	July 5	175,460	177,700	153,140	381,280
Other sales	July 5	6,716,250	6,026,100	4,221,100	9,082,580
Total sales	July 5	6,891,710	6,203,800	4,374,240	9,463,860
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	June 28	605,080	549,570	405,510	916,120
Short sales	June 28	109,480	103,040	86,750	182,040
Other sales	June 28	494,550	462,530	326,330	745,100
Total sales	June 28	604,030	565,570	413,080	927,140
Other transactions initiated on the floor—					
Total purchases	June 28	146,100	114,000	74,780	261,560
Short sales	June 28	2,600	4,400	7,200	18,400
Other sales	June 28	191,120	135,380	93,050	270,320
Total sales	June 28	193,720	139,780	100,250	288,720
Other transactions initiated off the floor—					
Total purchases	June 28	258,920	259,055	139,261	389,779
Short sales	June 28	28,430	27,850	32,770	49,230
Other sales	June 28	287,820	288,990	202,513	300,115
Total sales	June 28	316,250	316,840	235,283	349,345
Total round-lot transactions for account of members—					
Total purchases	June 28	1,010,100	922,625	619,651	1,567,459
Short sales	June 28	140,510	135,290	126,720	249,670
Other sales	June 28	973,490	886,900	621,893	1,315,535
Total sales	June 28	1,114,000	1,022,190	748,613	1,565,205
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	July 15	111.1	110.7	111.2	------
Farm products	July 15	109.4	*107.6	107.3	------
Processed foods	July 15	109.2	108.3	108.6	------
Meats	July 15	113.7	110.4	113.6	------
All commodities other than farm and foods	July 15	111.9	*111.9	112.5	------

*Revised. ¶Includes 577,000 barrels of foreign crude runs. †Was not available due to oil strike.

	Latest Month	Previous Month	Year Ago
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of June:			
Manufacturing number	128	111	129
Wholesale number	73	59	66
Retail number	340	333	330
Construction number	78	75	71
Commercial service number	52	60	43
Total number	671	638	699
Manufacturing liabilities	$6,971,000	$10,217,000	$5,014,000
Wholesale liabilities	2,266,000	1,847,000	6,234,000
Retail liabilities	7,024,000	5,264,000	7,434,000
Construction liabilities	2,990,000	2,646,000	3,085,000
Commercial service liabilities	1,971,000	1,219,000	1,006,000
Total liabilities	$21,222,000	$21,193,000	$22,773,000
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of June (000's omitted):			
Total U. S. construction	$1,140,654	$1,433,642	$1,027,087
Private construction	568,780	727,127	443,701
Public construction	571,874	696,515	583,386
State and municipal	375,068	450,093	402,522
Federal	196,806	246,422	180,864
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPARTMENT OF AGRICULTURE—As of July 1 (in thousands):			
Corn, all (bushels)	3,365,089	------	2,941,423
Wheat, all (bushels)	1,249,019	1,326,157	987,474
Winter (bushels)	1,048,421	1,060,298	645,469
All spring (bushels)	200,598	265,859	342,005
Durum (bushels)	20,978	------	35,820
Other spring (bushels)	179,620	------	306,185
Oats (bushels)	1,352,938	------	1,316,396
Barley (bushels)	207,547	------	254,668
Rye (bushels)	15,578	16,974	21,410
Flaxseed (bushels)	28,328	------	33,802
Rice (100 pound bags)	45,365	------	43,805
Hay, all (tons)	102,415	------	108,461
Hay, wild (tons)	11,018	------	12,553
Hay, alfalfa (tons)	40,560	------	42,937
Hay, clover and timothy (tons)	30,828	------	32,035
Hay, lespedeza (tons)	6,211	------	7,473
Beans, dry edible (100 pound bags)	15,747	------	17,446
Peas, dry field (100 pound bags)	2,721	------	3,763
Potatoes (bushels)	339,048	------	325,708
Sweetpotatoes (bushels)	31,731	------	28,278
Tobacco (pounds)	2,224,495	------	2,328,226
Sugarcane for sugar and seed (tons)	7,424	------	6,120
Sugar beets (tons)	9,808	------	10,485
Hops (pounds)	61,720	------	63,239
Apples, commercial crop (bushels)	101,767	------	110,660
Peaches (bushels)	68,119	69,365	63,627
Pears (bushels)	29,720	30,160	30,028
Grapes (tons)	2,935	------	3,386
Cherries (12 states) (tons)	241	258	230
Apricots (3 states) (tons)	175	176	183
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of April (000's omitted):			
Ordinary	$1,735,000	$1,719,000	$1,502,000
Industrial	497,000	530,000	466,000
Group	339,000	246,000	282,000
Total	$2,571,000	$2,495,000	$2,250,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of April (millions of dollars):			
Inventories:			
Durable	$23,444	*$23,209	$18,171
Nondurable	19,129	*19,122	18,737
Total	$42,572	*$42,332	$36,908
Sales	23,242	*21,914	22,479
MONEY IN CIRCULATION—TREASURY DEPT.—As of April 30 (000's omitted)	$28,464,000	$28,473,000	$27,278,000
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of June	£16,590,000	£19,773,000	£11,208,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of April (in billions):			
Total personal income	$258.9	*$258.2	$249.0
Wage and salary receipts, total	177.5	*177.6	168.2
Total employer disbursements	174.0	*174.0	164.8
Commodity producing industries	77.0	*77.1	75.0
Distributing industries	47.2	*47.5	45.3
Service industries	21.0	*20.8	20.1
Government	32.3	*32.2	27.8
Less employee contributions for social insurance	3.9	4.0	3.4
Other labor income	4.0	4.0	3.8
Proprietors and rental income	47.8	*47.5	48.1
Personal interest income and dividends	21.1	*20.5	20.2
Total transfer payments	12.4	12.6	12.1
Total nonagricultural income	238.8	*238.4	227.8
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of June:			
Net sales	------	------	------
Net purchases	$1,526,900	$2,924,150	$3,494,700
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS — Month of May (000's omitted):			
Exports	$1,461,000	$1,334,000	$1,354,000
Imports	834,800	932,700	1,017,687
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of June 30	$259,150,744	$259,950,674	$255,251,203
General fund balance	6,968,827	5,421,244	7,356,578
Net debt	$252,181,917	$254,529,430	$247,894,625
Computed annual rate	2.329%	2.310%	2.270%
U. S. GOVT. STATUTORY DEBT LIMITATION As of June 30 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	259,105,178	259,905,345	255,221,976
Guaranteed obligations not owned by the Treasury	45,565	45,328	29,227
Total gross public debt and guaranteed obligations	$259,150,744	$250,950,674	$255,251,203
Deduct—other outstanding public debt obligations not subject to debt limitation	644,145	645,819	684,574
Grand total outstanding	$258,506,598	$259,304,854	$254,566,629
Balance face amount of obligations, issuable under above authority	16,493,401	15,695,145	20,433,370

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ **ACF-Brill Motors Co.**
July 17 (letter of notification) 1,581 shares of common stock (par $2.50). **Price** — At market (about $6.75 per share. **Proceeds**—To William S. Wasserman, the selling stockholder. **Office**—62nd St. and Woodland Ave., Philadelphia, Pa. **Underwriter**—None, but shares will be sold through member firms on the New York Stock Exchange.

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.

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 $498,656,300 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.

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.

★ **Barco Industries, Inc., N. Y.**
July 16 (letter of notification) 140,000 shares of common stock. **Price** — $1 per share. **Proceeds** — For working capital. **Office** — c/o James J. Cally, Secretary, 150 Broadway, New York, N. Y.

● **Beaver Lodge Oil Corp., Dallas, Tex.**
July 9 (letter of notification) 75,000 shares of common stock (par $1). **Price**—$2.75 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 Beer & Co. and Garrett & Co., both of Dallas, Tex. **Offering**—Made on July 21.

★ **Brookings Plywood Corp., Brookings, Ore.**
July 10 (letter of notification) $250,000 of 5% promissory notes to be issued to shareholders making individual loans to company. **Proceeds**—For working capital. **Underwriter**—None.

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**—$5.75 per share. **Proceeds**—For working capital. **Underwriters**—Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York, and Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Expected today.

★ **Caliente Placer Gold Mining Co.**
June 27 (letter of notification) 1,000,000 shares of common stock (par 10 cents). **Price** — 15 cents per share. **Proceeds**—To purchase placer mining equipment and for working capital. **Office**—211 Gyde-Taylor Bldg., Wallace, Ida. **Underwriter**—None.

★ **Canoga Oil Co., Carson City, Nev.**
July 18 (letter of notification) 60,000 shares of capital stock to be offered by Crystal Oil Co. **Price**—At par ($1 per share). **Proceeds**—To develop oil properties. **Office**—511 Carson St., Carson City, Nev. **Underwriter**—Kalmanir, Kline & Co., Las Vegas, Nev.

NEW ISSUE CALENDAR

July 28, 1952
Duquesne Natural Gas Co. — **Common**
(Offering to stockholders, without underwriting)

July 29, 1952
Flying Tiger Line, Inc. — **Debentures**
(Merrill, Lynch, Pierce, Fenner & Beane)
Pennsylvania Power & Light Co. — **Preferred**
(The First Boston and Drexel & Co.)
Russell (F. C.) Co. — **Common**
(McDonald & Co.)

July 30, 1952
McCarthy (Glenn), Inc. — **Common**
(B. V. Christie & Co.)
Toklan Royalty Corp. — **Debentures**
(Granbery, Marache & Co. and Burnham & Co.)

August 5, 1952
Chesapeake & Ohio Ry. — **Equip. Trust Ctfs.**
(Bids noon EDT)
Delta Air Lines, Inc. — **Common**
(Courts & Co.)
Pennsylvania Electric Co. — **Bonds & Preferred**
(Bids noon EDT)

August 6, 1952
Motorola, Inc. — **Common**
(Hickey & Co.)

August 11, 1952
Mountain States Power Co. — **Common**
(Bids 10:30 a.m. CDT)

September 8, 1952
Tennessee Gas Transmission Co. — **Debentures**
(Bids to be received)

September 9, 1952
Arkansas Power & Light Co. — **Bonds**
(Bids to be invited)

October 20, 1952
Carolina Power & Light Co. — **Bonds**
(Bids to be received)

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. (8/4-8)**
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.

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.

★ **Coca-Cola Bottling Co. of Los Angeles**
July 15 (letter of notification) 2,000 shares of common stock. **Price**—At market (about $23 per share). **Proceeds**—To Stanley N. Barbee, President, who is the selling stockholder. **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif.

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.

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.**
July 2 filed 258,883 shares of capital stock (par 50 cents) being 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**—$7.62½ per share. **Proceeds**—For general corporate fund. **Underwriters**—Reynolds & Co. and Laurence M. Marks & Co., both of 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. (8/5)**
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.

● **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 of record July 15 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). Rights will expire on Sept. 1. **Price** — $1 per share. **Proceeds**—For working capital. **Underwriters**—None. It is expected that warrants will be mailed around July 25.

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.

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.

Farm & Home Loan & Discount Co., Phoenix, Ariz.
July 7 filed 1,613,168 shares of class A common stock (par 25 cents) and 2,744,034 shares of class B common stock (par 35 cents), the class A stock to be sold only to policyholders of The Farm & Home Insurance Co. **Price**—At par. **Proceeds**—To increase capital. **Underwriters**—John J. Rhodes and James E. McNelis, officers and directors of the two companies.

Continued on page 34

Continued from page 33

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.) (7/29-30)
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) being offered in exchange for United Stove Co. common stock at rate of one share of Gar Wood for each three shares of United. Up to July 18, 80% of United stock have accepted offer. **Underwriter**—None. Statement effective June 13.

● 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) being 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. Offer will expire on July 31. **Underwriter**—None. Statement effective July 8.

★ Golden Gate Gas & Oil Development Co.
July 14 (letter of notification) 274,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For commercial development of wells and for exploration and drilling expenses. **Office** — 770 S. Irolo, Los Angeles 5, Calif. **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.

★ Home Finance Group, Inc., Charlotte, N. C.
July 17 (letter of notification) 54.500 shares of common stock (par $1). **Price**—$5.50 per share. **Proceeds**—For working capital. **Office**—525 North Tryon St., Charlotte, N. C. **Underwriter**—None.

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.

★ Inland Petroleum Corp., Miami, Fla.
July 17 (letter of notification) 27,500 shares of 6% non-cumulative convertible preferred stock, and 275,000 shares of common stock. **Price**—At par ($10 per share for the preferred stock and one cent per share for the common. **Proceeds**—To purchase oil leases. **Office**—612 Congress Bldg., Miami, Fla. **Underwriter**—None.

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.

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.

★ Lock Haven Development Co.
July 14 (letter of notification) 75 shares of capital stock (par $50). **Price**—At market (estimated at $150 per share). **Proceeds**—To John R. Turner, Treasurer of company. **Office**—124 E. Water St., Lock Haven, Pa. **Underwriter**—None, but Josephthal & Co., New York, will act as agent.

July 21 (letter of notification) 100 shares of capital stock (par $50). **Price**—At market (approximately $140 per share). **Proceeds**—To Warren J. Bauman, Secretary of company. **Underwriter**—None, but Josephthal & Co., New York, will handle sales.

★ Lola Trusteed Funds, Inc. (Commonwealth Fund), Boston, Mass.
July 22 filed 3,545 Plan A, $4,354,000 face amount of trust plans; and 1,380 Plan B, $1,656,000 face amount of trust plans. **Business**—Investment. **Underwriter**—None.

★ Lunn Laminates, Inc., Huntington, N. Y.
July 17 (letter of notification) 149,500 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Underwriters**—S. D. Fuller & Co. and Vermilyea Brothers, both of New York.

★ Malloran Corp., Los Angeles, Calif.
July 14 (letter of notification) 225,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For working capital and other corporate purposes. **Office**—8272 Sunset Blvd., Los Angeles, 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., Newark, N. J.

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.

★ Motorola, Inc., Chicago, Ill. (8/6)
July 17 filed 175,921 shares of common stock (par $3) to be offered for subscription by common stockholders on the basis of one new share for each 10 shares held. **Price** — To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Hickey & Co., Chicago, Ill.

● 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 received up to 10:30 a.m. (CDT) on Aug. 11 at Room 1100, 231 So. La Salle St., Chicago 4, Ill.

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 Process Co., Warren, Pa.
July 21 (letter of notification) 4,000 shares of common stock (no par) to be offered to employees. **Price**—$67 per share. **Proceeds** — For general corporate purposes. **Underwriter**—None.

★ Oakite Products, Inc.
July 17 (letter of notification) 24,000 shares of common stock (par $5) to be offered pursuant to options to be granted to employees of company and subsidiaries. **Price**—$11.88 per share. **Office**—19 Rector St., New York 6, N. Y. **Underwriter**—None.

★ Overland Oil, Inc., Denver, Colo.
July 17 (letter of notification) 1,000,000 shares of common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—To carry on oil exploration program. **Office**—504 Mercantile Bldg., Denver, Colo. **Underwriter**—Forbes & Co., Denver, Colo.

July 17 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration, development and testing of oil leases. **Office**—504 Mercantile Bldg., Denver, Colo. **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 67 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.

● Pubco Development, Inc.
June 25 filed subscription warrants for 605,978 shares of common stock (par $1) being offered to holders of presently outstanding stock purchase warrants at rate of one new warrant for one additional share for each share of Pubco's common stock that stock purchase warrant holders of record July 18, 1952 are entitled to purchase from Public Service Co. of New Mexico. The offer expires on Aug. 1, 1952. The new warrants are exercisable at $[illegible] per share between Jan. 1, 1955 and March 31, 1955. **Price**—$3 per warrant. **Proceeds**—To retire existing indebtedness and purchase additional oil and gas leases. **Underwriter**—Allen & Co., New York.

★ Pure Oil Co., Chicago, Ill.
July 17 filed 85,688 shares of common stock (no par) to be offered in exchange for 471,287 shares of Hickok Oil Corp. class A common stock (par $1) at rate of one Pure Oil share for each 5½ Hickok shares, conditioned upon approval of merger of Hickok into Pure Oil Products Co., a wholly-owned subsidiary of Pure Oil Co. **Underwriter**—None.

Quinby Plans, Rochester, N. Y.
July 14 filed $2,000,000 in Quinby Plans for Accumulation of Common Stock of General Motors Corp. and July 15 filed $2,000,000 in Quinby Plans for Accumulation of Common Stock of Standard Oil Co. (New Jersey). **Sponsor**—Quinby & Co., Inc., Rochester, N. Y.

July 21 filed $2,000,000 aggregate amount of Quinby Plans for Accumulation of Common Stock of E. I. du Pont de Nemours & Co. **Sponsor** — Quinby & Co., Rochester, N. Y.

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.

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.

★ Savoy Oil Co., Inc., Tulsa, Okla.
July 14 (letter of notification) 27,250 shares of common stock (par 25 cents). **Price**—$9.50 per share. **Proceeds**—For general corporate purposes. **Office**—417 McBirney Bldg., Tulsa, Okla. **Underwriter**—None, but shares will be offered by company on New York Curb Exchange.

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.

★ Standard Packaging Corp.
July 18 (letter of notification) 6,517 shares of $1.60 convertible preference stock to be offered in exchange for shares of cumulative participating preferred stock of Missisquoi Corp. on a share-for-share basis, plus $5 per share for each Missisquoi share exchanged. **Office**—405 Lexington Ave., New York, N. Y. **Underwriter**—None.

Steak'n Shake of Illinois, Inc.
July 11 (letter of notification) 22,000 shares of common stock (par 50 cents). **Price**—$3.30 per share. **Proceeds**—For expansion. **Office**—1700 W. Washington St., Bloomington, Ill. **Underwriter**—None.

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.

★ Stout Oil Co., Denver, Colo.
July 15 (letter of notification) 2,225,000 shares of common stock (par five cents). **Price**—Nine cents per share. **Proceeds**—To repay promissory note and for drilling and acquiring oil and gas leases. **Underwriter**—Stanley Pelz & Co., Inc., New York.

• Sunshine Packing Corp. of Pennsylvania
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. **Offering**—Expected sometime in August.

★ Taylorcraft, Inc., Conway, Pa.
July 21 (letter of notification) 30,000 shares of common stock (par $2). **Price** — $3.75 per share. **Proceeds** — For working capital. **Underwriter** — Graham & Co., Pittsburgh, Pa.

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.

★ Texhead Royalty Co., Houston, Texas
July 17 (letter of notification) $135,000 of 3% income notes, due July, 1962, and 30,000 shares of common stock (par 10 cents) to be offered in units consisting of $9 principal amount of notes and two shares of common stock of this company, together with one $9 note and two common shares of the Wilhead Royalty Co. **Price**—$20 per unit. **Proceeds**—For acquisition of oil and gas royalties in the southwest. **Office** — 415 San Jacinto Bldg., Houston 2, Texas. **Underwriter**—Rotan, Mosle & Moreland, Houston, Tex. (See also Wilhead Royalty Co. below.)

• 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.

★ Walman Optical Co., Minneapolis, Minn.
July 18 (letter of notification) $150,000 of 10-year 6% debentures. **Price**—At par (in denominations of $500 each). **Proceeds**—For general corporate purposes. **Office**—229 Medical Arts Bldg., Minneapolis, Minn. **Underwriter**—None.

★ Warren-Bradshaw Exploration Co., Tulsa, Okla.
July 23 filed 300,000 shares of common stock (par $1) of which 150,000 shares will be offered by the company and 150,000 shares by certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For general funds and for drilling and developing oil properties. **Underwriters**—Paul H. Davis & Co., Chicago, Ill.; Paine, Webber, Jackson & Curtis, New York; and F. S. Moseley & Co., Boston, Mass.

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.

★ Wichita Falls Oil Co., Inc.
July 14 (letter of notification) 9,800 shares of common stock. **Price** — At par ($10 per share). **Proceeds**—For drilling three wells. **Office**—World Center Bldg., Washington, D. C. **Underwriter**—None.

★ Wilhead Royalty Co., Houston, Texas
July 17 (letter of notification) $135,000 of 3% income notes due July, 1962, and 30,000 shares of common stock (par 10 cents) to be offered in units consisting of $9 principal amount of notes and two shares of common stock of this company, together with one $9 note and two common shares of Texhead Royalty Co. **Price**—$20 per unit. **Proceeds**—For acquisition of oil and gas royalties in the Williston Basin area. **Office**—415 San Jacinto Bldg., Houston 2, Texas. **Underwriter**—Rotan, Mosle & Moreland, Houston, Tex. (See also Texhead Royalty Co. above.)

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 to be issued in units of a $1,000 debenture, with a detachable warrant to purchase 200 shares of 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.

★ Working Capital, Inc., Garden City, N. Y.
July 21 (letter of notification) 239,800 shares of common stock (par five cents), with common stock purchase warrants attached expiring Sept. 3, 1963 to be sold in units of 100 shares of stock and 50 warrants. **Price**—$125 per unit. **Proceeds**—For working capital. **Underwriter**—W. Harry Young Co., Garden City, N. Y.

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.

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.

★ Beaunit Mills, Inc.
July 17 it was reported company is considering issuance and sale of about $6,000,000 convertible debentures. **Underwriter**—White, Weld & Co., New York.

• Bryn Mawr (Pa.) Trust Co.
July 15 stockholders approved a proposal to increase the authorized common stock (par $5) from 50,000 shares to 70,000 shares. The additional 20,000 shares would be offered for subscription by common stockholders of record July 9 on a 2-for-5 basis. Offer is expected to be made on July 22, with rights to expire on Aug. 22. **Price**—$25 per share. **Proceeds**—To retire 50,000 shares of 4½% cumulative preferred stock (par $5), and for working capital. **Underwriter**—Laird, Bissell & Meeds, Wilmington, Del.

★ Byrd Oil Co., Dallas, Tex.
July 18 it was reported stockholders may in the Fall receive the right to subscribe for $1,700,000 first mortgage convertible bonds. **Proceeds**—To repay bank loans and for development and exploration expenses. **Underwriters**—Probably Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill.

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 Oil Cos., Ltd.
July 17, W. H. Rea, President, stated further capital for expansion will be required, but he did not specify details.

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.

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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.

★**Carolina Power & Light Co. (10/20)**
July 17 it was reported company is planning registration late in August of $20,000,000 first mortgage bonds due 1982. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; W. C. Langley & Co. and First Boston Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp.; Smith, Barney & Co. Bids—To be opened on Oct. 20.

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)**
Bids will be received by the company at Cleveland, O., up to noon (EDT) on Aug. 5 for the purchase from it of $6,000,000 equipment trust certificates to be dated Sept. 1, 1952 and mature in 30 equal semi-annual instalments. 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.

★ **Food Fair Stores, Inc.**
July 17 it was announced stockholders will vote on increasing authorized indebtedness from $12,000,000 to $25,000,000 and authorized common stock to 5,000,000 from 2,500,000 shares. No immediate issuance of any securities is contemplated.

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.

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) with common stock purchase warrants attached to purchase a like number of common shares at $22.50 per share until Sept. 30, 1957. The new preferred shares will be offered first to common stockholders. Underwriters—Robert Garrett & Sons, Baltimore, Md.; Kidder, Peabody & Co., New York; and Moroney, Beissner & Co., Houston, Tex. Offering—Expected in September.

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.

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.

Mississippi River Fuel Corp.
W. G. Marbury, President, on May 26 announced that company will attempt to acquire control of Laclede Gas Co. as authorized by directors on May 22. This acquisition would cost about $20,000,000, with Laclede stockholders being offered cash or stock of Mississippi River Fuel Corp. in exchange for their holdings. If control cannot be acquired, Mississippi then will sell the 248,400 Laclede shares it now holds. Underwriter—Probably Union Securities Corp., New York.

Nevada Natural Gas Pipe Line Co., Las Vegas, Nevada
Feb. 8 company applied to FPC for authority to construct a 114-mile pipeline from near Topock, Ariz., to Las Vegas, Nev., at an estimated cost of $2,400,880, to be financed by sale of $1,600,000 first mortgage bonds, $500,000 preferred stock and $402,500 common stock.

New England 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).

New England Telephone & Telegraph Co.
Dec. 20, F. A. Cosgrove, Vice-President, said a permanent financing program will have to be undertaken in 1952 to repay about $43,000,000 short-term bank borrowings. Underwriters—For bonds may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. In case of common stock financing there will be no underwriting.

New Jersey Power & Light Co.
April 8 it was reported company plans tentatively to issue and sell $3,200,000 of bonds, $1,000,000 of preferred stock and $400,000 of common stock (latter to be sold to General Public Utilities Corp., parent). Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); Kidder, Peabody & Co.; Smith, Barney & Co.; Union Securities Corp.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler.

Niagara Mohawk Power Corp.
May 6 stockholders voted to increase authorized common stock by 1,500,000 shares (11,094,663 shares presently outstanding). This places company in a flexible position with respect to formulation of future financial programs. Earle J. Machold, President, said bank loans, totaling $40,000,000 to be outstanding at Dec. 31, 1952, will be permanently financed early in 1953. Underwriters — To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

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).

★ **Parsonnet TV-Film Studies, Inc.**
July 21 it was announced company intends to file in the near future a letter of notification to cover $300,000 of 6% debentures, due 1962, and 120,000 shares of common stock to be offered in units of $100 of debentures and 40 shares of stock. Price—$100 per unit. Proceeds—For working capital. Underwriter—Trinity Securities Corp., New York. Offering—Not expected for about a week or ten days.

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.

★ San Diego Gas & Electric Co.
July 1, L. M. Klauber announced that of the more than $18,000,000 required for capital improvements in 1952, approximately $4,000,000 will become available from depreciation reserves and earned surplus, while the remainder must be secured through the sale of securities.

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.

★Socony-Vacuum Oil Co., Inc.
July 18 it was announced company plans to offer to its common stockholders about 3,180,188 shares of common stock (par $15) at the rate of one new share for each 10 shares held. **Proceeds**—For expansion and improvements. **Underwriter**—Morgan Stanley & Co., New York. **Offering**—Not expected before early September.

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.

Texas-Ohio Gas Co., Houston, Tex.
Oct. 17 company applied to FPC for authority to construct a 1,350-mile natural gas transmission line extending from Texas into West Virginia. The project is estimated to cost $184,989,683. **Underwriter**—Kidder, Peabody & Co., New York.

Transcontinental Gas Pipe Line Corp.
March 14 it was reported company plans issuance and sale this Fall of an issue of convertible preferred stock. **Underwriters**—Probably White, Weld & Co. and Stone & Webster Securities Corp., New York.

★ United Gas Corp.
July 14 it was reported company plans some additional financing in September.

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.

Western Light & Telephone Co., Inc.
April 11 stockholders increased authorized common stock from 400,000 to 500,000 shares, the additional shares to be issued as funds are needed for new construction. **Dealer-Managers**—Harris, Hall & Co. (Inc.), Chicago, Ill., and The First Trust Co. of Linclon. Neb.

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Financing School Improvements Through "Special Authorities"

inside their debt limits. We hear of others who have not been lured by the subsidy so much as by the ability to by-pass a referendum on a bond issue.

Creation of State School Building Authority

It appears, therefore, that two states, Kentucky and Pennsylvania, have established statutory provisions whereby schools may be built on a lease-back arrangement where all steps leading toward the actual issuance of the bonds are taken by local initiative. For Chapter Three in this historical review, we stay right in Pennsylvania which has also created a state school building authority. This was founded on the premise that a state authority could sell its bonds more advantageously than numerous very small local authorities. The state authority is authorized to sell its bonds to the public, but when it was discovered that their security provisions would be so nebulous as to make them unmarketable, it was arranged to place all of the bonds in state investment funds. By arrangement with local school districts, the state authority will build school structures, leasing them to local school systems. Lease rentals are payable from current school revenues of the local school district, in the same manner that lease rentals are payable to a local municipal authority which has issued building revenue bonds.

Some sort of a school building authority is proposed to be created as a state agency in New Jersey, and possibly similar plans are being formulated elsewhere. At least two other states have already established such organizations, although they differ in many respects from the State School Building Authority in Pennsylvania. These two states are Georgia and Maine.

In Georgia, the Legislature established in 1949 a Minimum Foundation Program designed to equalize educational opportunities throughout the state. This program, among other things, provided a method of distributing state funds to be used by local school units for capital outlay, which funds are supplemental to other state aids to education which have been available heretofore. In 1951 the Legislature created the State School Building Authority, which is authorized to issue its own bonds, and to finance from the proceeds thereof improvements to local school plants and structures all over the state. The bonds of the authority are rental revenue bonds, and will be issued only as the authority enters into contracts and leases with county and city boards of education under the provisions of which the local board of education will lease the facility constructed by the authority. The rental is payable in the first instance, and is expected never to exceed, the sums accruing to the benefit of the particular school system from the Minimum Foundation Program, and the rentals payable to the authority will be payable directly to the authority by the State Board of Education, by-passing the local school system in the handling of the funds. In case sums accruing under the Minimum Foundation Program are insufficient, the rental obligation becomes a direct and general obligation of the local school system. No bonds have been issued up to this time under this authorized program, but they are expected to begin to appear within a matter of weeks.

Maine also has created a state school building authority. The pattern is essentially similar to Georgia's save that there are no state-aid funds newly made available for capital outlays. In this case it is a straight matter of utilizing the authority's borrowing powers in lieu of the deficient powers of local government. The lease rentals will be general and unlimited liabilities on the part of the contracting local governments, and there is no legal limit to the rate of taxation for discharge of this obligation. To make the authority's bonds more attractive to investors, it is provided that, in case a town is delinquent in rent, any state funds due to be paid by the state to the town, for school, highway or other purpose, may be withheld from the town and diverted to the authority.

Advantages and Disadvantages in Using "School Authorities"

So much for the background. We come to the point where it is incumbent upon us to consider the advantages and disadvantages entailed in using authorities. The authorities which have been created to finance and to operate in the twilight zone between the strictly governmental activity and the proprietary activity or in those instances where interstate cooperation is required, have definitely built for themselves a place in our scheme of government on this continent. Public authorities are also well suited to conduct the affairs of a revenue-producing enterprise where the promise of complete self-support is present. Our concern here is with these newly-created, tax-supported authorities which derive income basically from rentals and other fees payable, in the final analysis, out of general taxes.

The only advantage generally claimed for the tax-supported type of authority is its ability to get things done. By using the authority, it may be possible for you to build your urgently needed school plants and other governmental facilities, despite inability to finance within legal debt limits. We are not concerned, in this paper, with ways and means of financing school improvements in the face of inadequate economic ability to pay for them. If you are convinced that you have the economic ability to pay, despite legal inability to borrow, using the authority device may appeal to you.

To me, this single advantage claimed for rental revenue bonds of tax-supported authorities is far outweighed by the disadvantages of this plan of financing.

First, the use of rental revenue bonds means paying higher interest rates. It is difficult to be exact with respect to how much more interest must be paid on revenue bonds as there are relatively few instances where essentially the same community has issued obligations of both types, of comparable maturity and under comparable market conditions. This is, therefore, largely a matter of judgment. In my opinion, authority bonds mean an interest cost from ½ of 1% to a full 1% higher than the cost would be for the direct obligations of the sponsoring government. There are at least two reasons for this differential.

In the first place, school building authority bonds do not possess the same marketability as general obligation bonds; not only are many investors suspicious of authority bonds, but by law commercial banks are forbidden to underwrite them and are limited in the amount of an issue which they may hold. Also, several classes of investors are legally precluded from purchasing them. For example, they are not generally eligible for the investment of trust funds, even in Pennsylvania where authority bonds are most widely issued.

A second reason for higher interest rates is this: the credit standing of the tax-supported authority is subject to greater question than that of the sponsoring government. There are many reasons for this distinction. In Kentucky, you may recall, the year-to-year lease arrangement is something which outside investors look upon with natural suspicion. In Pennsylvania, the legality of long term leases is a startlingly new concept, breaking all sorts of investment traditions. In any state, there may be an important difference between direct obligations and authority bonds. The latter are payable only from earnings. What happens in case there is no building to rent? Do rentals cease? There is a hazard here against which the authority can insure, but the investor must investigate and appraise the extent of this hazard.

A second disadvantage of authority bonds as compared to general credit bonds is that financing costs are higher and it is necessary to sell more bonds. When general credit bonds are used, the relation between bondholder and school district is simple and direct. Not so in the case of the school authority. The school district is the source of funds from which the bonds will be paid. But the bondholder is not a party to the contract between the district and the authority. In the event of default, the bondholder can bring no direct action against the district. To protect his interests, he requires the appointment of a corporate trustee to police the relations between the district and the authority; the trustee's fee is an extra annual expense to the district. To further protect his investment, the bondholder may insist on the creation of a reserve fund; this means the payment of rentals in excess of bond interest and amortization. The legal fees resulting from the

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extensive paper work in setting up the authority, drafting the trust indenture, preparing the prospectus, etc., add to cost, and these usually are capitalized. Finally, no rentals will be payable until the building is completed and accepted for occupancy. Therefore, it is necessary to capitalize interest during construction, allowing a margin of safety in estimating the length of the construction period.

Sound Principles of Finance Violated

At this point, let us consider the use of tax-supported authorities as a matter of governmental practice. I see no lastingly valid excuse for them. On the other hand, I believe they violate sound principles of public finance in a number of ways.

My first objection to tax-supported authorities is this: they tend to conceal the true status of public debt. This is a matter of concern to investors and also, I fear, it may become a source of concern on the part of the people who pay the taxes, particularly in those instances where school structures are financed by a state authority and leased to a local government. Certainly, in those instances where the rental liability is not a general liability, school boards will be tempted to fail to report the existence of this contingent liability.

Secondly, creation of tax-supported authorities seems apt to lead to the excessive creation of what is essentially public debt. The authority is created to get around legal debt limits, and there are, potentially, inadequate means of curbing the creation of debt by this device. The legislatures which already have authorized financing of this type have authorized unlimited debt, generally speaking. It is possible to argue that the State Department of Education can regulate the issuance of rental revenue bonds to some extent by exercise of some administrative discretion in the approval of plans. Where a state authority is issuing the bonds and building the facilities for lease back to local units, state control may be quite effective. Even so, state review may be a rather nebulous type of control over the incurrence of debt. Rightly or wrongly, there are many who believe that our leading educators have a conception of school needs and requirements which is not in keeping, or not always in keeping, with the ability of school systems to pay.

This brings me directly to a third objection: the use of tax-supported authorities will tend to weaken the general credit structure of local government. This is a matter that should be considered carefully by investors, administrators and taxpayers alike. A rental obligation is no less a burden on the taxpayer because it is not called a legal debt. Because interest rates are higher on authority bonds, their issuance means that just that many more tax dollars must be taken for debt service. Money soaked up by rentals is not available for teachers' salaries.

Finally, and possibly the most important objection of all, authority financing denies the voters the privilege of reviewing proposed capital expenditures. To deny the people this right is to bar them from their right to call a halt to governmental excesses. Financing by the authority method is an autocratic action; it is a denial of the democratic veto power. True, the voters may turn their elected officials out of office after the damage is done, but that is small satisfaction.

When financing can be accomplished without referendum, without justifying the expenditure before the voters, a strong urge toward economy is absent. The ability to borrow without referendum invites abuses.

Over the years, the voting record on bond proposals has been generally conservative. Of course, when you and I are overly zealous to accomplish a governmental improvement, we despair conservatism and wish it were within our power to act in an autocratic fashion. We think we know what is best for the people, better than they know themselves. But that is not democracy.

As you may know, the organization which I represent serves investors. To this end we want investors to be able to find plentiful investment opportunities and at generous yields. You might expect we would welcome the higher yields on authority bonds. But we also want to be sure that our clients' investments are secure. In this connection, it is to be emphasized that investors' experience with voted and non-voted debts is strongly in favor of the former; the payment record of voted bonds has been far superior to that of non-voted bonds. The ability to create debt by administrative action, except as it has been closely curbed by legal limits, has led not uncommonly to disaster.

Reviewing the single advantage claimed for the authority and the several dangers inherent in widespread recourse to rental revenue bonds, I believe only one conclusion is possible. The school building authority is created to do by indirection what properly ought to be done directly, and if done directly would be done much better. The authority's principal reason for existence is to enable you to evade your legal debt limit. Let us stop figuring out devious means to get around debt limits. Instead let us put our energies behind a concerted movement to put some realism into legal borrowing powers. This would be the democratic way to finance school structures, and other governmental facilites, for that matter. Necessary constitutional amendments and revisions of statutes will, of course, take time. But the rewards will be great. There is an old Latin proverb which, roughly translated, reads "Haste is best made slowly."

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The Outlook for Government Bond Market and Interest Rates

their loan volume might continue downward, and this imparted some strength to the market.

The money market eased, partly for seasonal reasons. The Federal Reserve was able to reduce its holdings of Government securities. Despite this reduction, reserve balances fluctuated around a constant level. Required reserves declined a little, and banks were able to keep a fairly comfortable level of excess reserves. Although bank borrowings from the Federal Reserve fluctuated widely, they were never sufficient to be really restrictive. The bill rate touched 1¾% occasionally, but was generally below this rate. The money market was tight but not restrictive. Federal Reserve policy was neutral. The final burst was set off by the Treasury's offer to refund the longest issues of restricted bonds into nonmarketable 2¾% bonds.

Since that time, however, the situation has been changed. The first real strain came around the end of May. At this time there was a seasonal outflow of currency and other drains that the Federal Reserve did not offset. The money market then was given a respite over the quarterly income-tax period in June.

Within the last three weeks, however, things have really happened. The combination of a seasonal outflow of currency and an increase in required reserves in connection with Treasury financing absorbed a substantial amount of funds early in July. The important point, however, is that the Federal Reserve came to the rescue of the money market in only a limited manner. Borrowings from the Federal Reserve Banks have risen, and bill rates are again above the rediscount rate.

Probable Trend

Up to this point we have seen that the recent pressures in the market have been downward. What is the future trend of Government security prices? Will they continue to move downward, stabilize, or start on a new recovery? As I mentioned at the beginning of this talk, I believe that the major influence on the bond market in the future will be the course of business and the effect of changes in business on the policies followed by the Treasury and the Federal Reserve. Some discussion of business prospects, therefore, may be helpful at this point. In this discussion I am assuming that there is no outbreak of a world-wide war. I am also assuming that there is no real and lasting peace settlement. In either event we would have to tear up the present analysis and start over again.

At present, as at practically any time, you can get a wide range of opinion. There are some who place great stress on the prospective further increase in military expenditures and reach the conclusion that we at least are in danger of a further upward surge in commodity prices, with a rapid expansion in personal consumption and renewed inventory accumulation. At the other extreme there are some who place great stress on the high level of inventories and the tremendous expansion of plant capacity and conclude that we are in sight of a recession in business. These two extremes just about cover the range of possibilities, but I believe that we can narrow them considerably. Without going into detail I believe that, as long as we stop our projection at the end of the calendar year, we can eliminate the recession prospect, largely on the basis of the further increase in defense spending. I believe also that we can eliminate the prospect of a sharp upward surge of commodity prices when we remember that the two great waves of rising prices, consumer spending, and inventory accumulation followed, first, the start of the Korean War and, second, the intervention of the Chinese Communists. As I mentioned earlier, if we have a material change in the foreign situation, we tear up this whole analysis and start again. There is still another reason for my being rather dubious about the chances of a renewed upward surge of commodity prices. This is a reason that does not seem to be mentioned very frequently. Even if businessmen and consumers are willing to increase their expenditures sufficiently to create a new boom, they must be able to obtain the necessary funds. This would mean increased borrowing, and this, in turn, would mean additional offerings of government securities in the market and the need on the part of banks for obtaining additional reserves. In such an event I think that it is quite safe to say that the Federal Reserve would seek to retard the expansion of bank credit by confining its purchases to those necessary to prevent disorder in the market, thereby keeping banks under a more or else continual need to obtain reserves, and by increasing the cost of obtaining those reserves. Any renewed boom, therefore, seems like a remote possibility. This leaves us with the rather pleasing prospect of a range between stability and a moderate rise.

As far as the government bond market is concerned, however, we want to take an especially careful look at two components of the over-all business picture. These are residential building and business expenditures for plant and equipment. As you are probably aware, residential building has been at a reasonably good level so far this year, following the drop between 1950 and the second half of 1951. If, as seems likely, it has a further seasonal rise during the next month or two, we may expect a large volume of new mortgages, perhaps exceeding that of the second half of 1951. As for plant and equipment expenditures, they are still running at a high level. This may well be productive of a continued large volume of new corporate bond offerings.

We need not spend much time on the problems of the Treasury debt, even though the Treasury has a large deficit for the remainder of the calendar year. The Treasury already has taken important steps in financing this deficit. The Treasury in all probability will find it necessary during the next few months to sell only tax bills that mature on March 15 and June 15, 1953. The refunding is large, but can be successfully handled if the Treasury offers in exchange securities that the holders of the maturing issues will want. Securities that mature on future tax dates would be particularly popular. In addition it is possible that the Treasury may offer somewhat better terms in an effort to improve the public acceptance of its refunding offerings and to reduce the amount of support necessay from the Federal Reserve.

Seasonal Market Factors

Turning now to the government security market, let us examine first the purely seasonal factors that will affect the market between now and the end of the year. These seasonal factors will tighten the money market in any event. The outflow of currency will be the most important factor. A seasonal expansion in loans would absorb additional reserve funds through increasing required reserves. Unless some unusual factor such as gold imports should enter the picture, the drain on the money market might be in the neighborhood of $1 billion.

In obtaining these reserves, banks are largely dependent upon the Federal Reserve's policy as to whether they are to be obtained by borrowing or by direct purchase. This policy is fundamental to the government's security market. If the Federal is reluctant to make outright purchases, the pressure on the money market is more likely to grow than to slacken. This probably would put pressure on the entire government security market.

Let me give you a few figures to illustrate my point. On July 16, the latest statement date, banks were borrowing $1 billion from the Federal Reserve, and their excess reserves were only about $600 million. As I mentioned before, purely seasonal factors may place a drain on the money market of $1 billion. Even if we make a liberal allowance for other factors and place at a minimum the funds that banks leave idle, discounts would rise to a new peak, perhaps as high as $1½ billion or $2 billion by the year-end. Even if the Federal supplies reserves partly through repurchase agreements with the so-called recognized dealers, this will only partly relieve the situation, because the Treasury bills sold to the Federal under repurchase agreement will need to be bought back and will still overhang the market.

It is only if the Federal makes outright purchases in excess of the need for reserves that we are likely to have any easing in the money market for the remainder of this year. In that event banks would be under no particular pressure to liquidate their debt at the Federal. Banks then would be in a much better position to expand their loans and their holdings of securities. Their purchasing power would be increased.

What the decision of the Federal Reserve will be, however, I have no way of knowing. I only know that both the words and the actions of the Federal indicate that they are not fooling in their desire to retard the expansion of bank reserves and of bank loans and securities.

Alternate Reserve Policies

If bank credit and if commodity prices again rise at a rapid rate, I believe that the Federal will want to promte stability in the banking and credit situation and thereby in business and commodity prices. The Federal Reserve then may follow an even more restrictive policy. It seems to me likely that support of the government security market would be limited. Federal Reserve purchases then would be designed only to prevent disorder in the market. In that event the Federal Reserve probably would increase discount rates, and short-term rates would rise further. There is little question in my mind that the boom would be financed not at stable rates but at rising rates. Banks would not be able to obtain additional reserves, and business and consumers consequently would not be able to borrow. This might lead to a sharp drop in the government security market.

In the more likely event that we have the pleasant stability or gradual rise in business that I mentioned earlier, it seems to me unlikely that discount rates would be raised. Unless and until we have an actual recession, however, I doubt if the Federal reverses its present policies of keeping a tight rein on the money market. In that event the Federal may make some outright purchases in order to prevent borrowings at the Federal from reaching the heights that I mentioned. Treasury bill rates then might remain almost continuously close to the discount rate. The longer-term Governments then might show moderate fluctuations in price, with the general trend either level or downward. Restricted bonds probably will be in a stronger position than bank-eligible bonds because of purchases by pension and retirement funds. Mortgage rates then might range between steady and firm.

Conclusions

To summarize, I have tried to make the following points:

First, the trend of the Government bond market and of interest rates will depend upon both the course of business and Federal Reserve policy.

Second, a reasonable range of business prospects over the next few months seems to be between stability and a moderate rise.

Third, for at least the remainder of this year, there is little evidence of a sufficient downturn in mortgage creation or in new corporate bonds to result in a strong bond market. There is also little evidence of a sufficient decline in business to bring about a reversal of Federal Reserve policy and a large increase in Federal Reserve holdings of Government securities.

Fourth, except for the prevention of disorder, the market probably will not be stabilized by support purchases.

Fifth, unless unusual factors such as gold imports enter the picture, the money market probably will be seasonally tight during the remainder of the calendar year.

Sixth, it is of vital importance whether the Federal Reserve supplies reserves through borrowings or outright purchases in the market.

Seventh, as long as the Federal maintains its present policy, most of the reserves will be supplied through borrowings.

Finally, if there is a renewal of inflationary pressures and a further expansion of bank credit, efforts to retard this development by increasing discount rates, increasing bank borrowing from the Federal Reserve, increasing interest rates, and increasing the pressure on the money market might be very effective and entirely adequate, and further rapid increase in bank credit might be stopped. A decline in commodity prices and in business might then occur. If business is reasonably stable, I should expect Treasury bill rates to remain close to 1¾%, with the remainder of the market either showing no significant trend or declining. There is no question in my mind of the importance to investors of following these developments closely; there is no question of the importance of keeping yourselves fully advised and in a position to move in either direction.

Our Reporter's Report

Whether by design or good judgment or, perhaps a dash of both, two recent corporate new offerings, both ranking among the year's largest undertakings, encountered investor receptions which go to prove that there is money around for investment if quality and terms are satisfactory.

They were those of industrial companies and in both instances the underwriting was done through the medium of negotiation instead of through competitive bidding as is mandatory in the case of public utility and railroad financing.

Accordingly, the sponsoring banking groups were in a position to gear their offering terms to the market in a manner which made the issues attractive to loose with capital available. Dow Chemical Co.'s $100,000,000 of subordinate debentures, maturing in 25 years, brought out a little over a week ago, were taken in a rush and have since ruled at a bit of a premium.

Yesterday bankers brought out Deere & Co.'s $50,000,000 of sinking fund, 25-year debentures priced at 99 to yield about 3.185% to the buyer. This operation was something of a repetition of the aforementioned undertaking, on a smaller scale of course.

Demand for the debentures was more than sufficient to absorb the entire amount and syndicate managers were able to announce early closing of the books with the issue commanding a small premium. It should be noted that both were industrial issues and thus a change of pace.

Preferred Issue Bit Slower

From reports in dealer circles Gulf States Utilities Co.'s preferred stock, sold at competitive bidding earlier in the week was encountering fair demand, but with stock still available.

Successful bankers paid the company a price of 100.6599 for a block of 50,000 shares specifying a dividend rate of $4.44. Other bids ranged down to 100.802 for a $4.50 dividend.

The winning group fixed a price of 102¾ for reoffering, for an indicated yield basis of 4.321%. Buyers were a little slow in getting started, but it was expected that the issue would work off without too much delay.

Clearing Away Loose-Ends

With the market entering into its dullest season of the year and little in the way of new material immediately ahead, prospective buyers who had been shying away from some recent offerings were showing more disposition to look these over.

Public Service Electric & Gas Co.'s recent offering is now reported to have been whittled down to somewhere in the neighborhood of $4,000,000 or a little less, after cleaning up of the "pot."

And this small balance, it is understood, is in the hands of well-situated dealers who are perfectly willing to put their shares on the shelves and wait for inquiries. Meantime, bankers carrying the Georgia Power & Light bonds, are confident of working out of their situation "at the price."

Municipals Looking Up

Currently the municipal market appears to be gearing itself to the pace recently forecast, of five billion dollars a year in new emissions for a period ahead.

At any rate while the corporate market apparently has settled into its mid-summer doldrums, the tax-exempt section seems assured of a busy period right through the summer in the judgment of experienced observers.

It is calculated that the total of new offerings in this part of the money market, exclusive of Federal Treasury operations, already has passed the $2.5 billion mark. And the feeling is that the total for the first half will be matched, if not surpassed, in the current six months.

Joins Sills, Fairman

(Special to The Financial Chronicle)

CHICAGO, Ill.—John H. Stevens is now associated with Sills, Fairman & Harris, Inc., 209 South La Salle Street, members of the Midwest Stock Exchange.

Two With Faroll & Co.

(Special to The Financial Chronicle)

SPRINGFIELD, Ill.—Samuel E. Dugan and C. Otto Gates have become affiliated with Faroll & Company, 408½ East Adams Street.

Joins Ernest M. Loeb

(Special to The Financial Chronicle)

NEW ORLEANS, La.—Ross J. Willis is now connected with The Ernest M. Loeb Co., Inc., Richard Building Arcade.

First of Michigan Adds

(Special to The Financial Chronicle)

DETROIT, Mich. — Vernon S. Glendening is now connected with the First of Michigan Corporation, Buhl Building, members of the Detroit and Midwest Stock Exchanges.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Once upon a time there was a government agency looking around for a good make-work project. Later there came along an Administration looking for some first class vehicle upon which to ride the small business political racket as the national election campaign got under way.

Result, the great big bad world oil cartel.

One of the agencies most hungry always for make-work projects is the Federal Trade Commission, which feels hard put to persuade Congress to give it the money to maintain its inflated staff.

So some five years ago the idea was hit upon of working up a study of monopoly in the oil industry. This was approved. A small group of individuals classified by the Civil Service Commission as economists and lawyers began to study monopoly in the oil industry.

They came forth with a 900-page report. According to one who has seen it, this report is between 95% and 99% a straight re-hash of information freely published by the oil industry about its operations. Published and sent around by publicity departments in many cases.

Presumably the remaining 1% to 5% was the interpretation of the FTC staff as to what these published facts signified as to the existence of a monopoly, the "world cartel" as Democratic Senator Thomas C. Hennings, Jr., of Missouri calls it.

All in all the report was said to be factual, analytical, and for an agency like the FTC with a perpetual axe to grind, remarkably free of demagogy and nasty words. Its text was said to be so dry that it would be a rare official who would find time to even scan its cumbersome, heavy, 900 pages. There was so little lay brilliance in its writing that if the report had been carried around to all the newspaper offices, it would scarcely have got any attention, except maybe from the pink sheets.

Instead the report, which in first draft was ready a year ago, was "suppressed." By this it is meant that the Department of State, which is frightened of almost everything except the profit system, asked that "it be not published." The Department was afraid that it would muddy up the attempt to solve the Iranian problem.

So the report was withheld. Meanwhile, by some curious species of accident, various persons got a peek at it, presumably one Senator Hennings. He wrote a letter to the FTC demanding that it be made public and this gave the FTC an excuse to admit the existence of the report and to explain who suppressed it.

Now that the political season is on, the left-wingers are very worried because they haven't been able to do much for small business except set up a special agency which hires seemingly adult, intelligent men to write pamphlets telling manufacturers to do such things as keep their tools sharp.

Thereupon a Small Business Committee opened up for hearings to let Senator Hennings leak dope allegedly from the FTC report. The new Attorney General, James P. McGranary, got Harry Truman's permission to convene a grand jury to investigate this "world oil cartel."

Since starting antitrust suits or investigations to take advantage politically of the publicity generated thereby is standard operation procedure for the Department of Justice, the industry may not be too worried by the latest publicity foray.

About a dozen years ago the D. of J. launched its political antitrust suit against the American Petroleum Institute and some 300 individual defendants. The indictment hung over the industry for about 11 years, and although maximum political hay was made of the thing by the Roosevelt Administration, the suit was never brought to trial. Finally, about a year ago, the government itself moved to dismiss the indictment. This was the late "Mother Hubbard" oil case.

* * *

One of the more interesting agencies to watch is the Defense Materials Procurement Agency, which is widely thought of as an agency shaped up to "assist"; i.e., to subsidize, the production of scarce industrial raw materials, metals and minerals, ostensibly for the present defense emergency, vaguely promised to reach a peak by 1954 or 1955, according to Administration pronouncements.

DMPA was set up Aug. 28, 1951, by an Executive Order of the President under the Defense Production Act and "by virtue of the authority vested in me by the Constitution and statutes, . . . and as President of the United States and Commander-in-Chief of the armed forces," to use the President's expression of his authority.

Jess Larson, Administrator of the General Services Administration, is also Administrator of Defense Materials Procurement Administration.

Congress, under Sec. 303 of the DPA of 1950, gave the Administration broad authority to bring a larger metal supply into being. It may and does make facility loans. It may and does grant accelerated amortization certificates on facilities for the expansion of materials production. It may and does also enter into long-range contracts to purchase materials produced by these new or expanded facilities, in order that the industry has a guarantee that once it undertakes an expansion it will not be left holding a supply of metal which it cannot sell if the "defense emergency" could ever be imagined as coming to an end.

Furthermore, DMPA uses any combination of these subsidies. It may loan for the construction of the production facility, also grant accelerated tax amortization on that facility, and it may further provide a guaranteed market for its output for a long term of years. Usually two or more of these devices are used on the same deal. Sometimes one alone is sufficient.

Congress originally put no time limit on the number of years during which the Treasury of the United States would be obligated to purchase a large quantity of materials at a floor price. In the 1951 act, however, Congress said that no purchase contract should go beyond June 30, 1962.

Suppose, for instance, General Eisenhower should be elected President next November. He would take office Jan. 20, 1953. Before he took the oath of office he would find the government obligated to pay on not merely hundreds of materials contracts, but on contracts covering hundreds of different industrial raw materials, and for payment on these contracts for one and one-half years beyond his second term, if he obtained a second term.

In theory Congress authorized long-term purchase contracts as necessary to get relatively near-term production going. In other words, although the pressing need for industrial raw materials was for the period up to the peak of the emergency, Congress realized it would have to stick the taxpayer with a longer term deal to bring about the near term flow of materials.

In practice there is ground for suspicion that DMPA is as much concerned with bringing about a large expansion in all metals and minerals production for the officially planned "expanded economy" as it is for the supposed defense emergency.

This suspicion was raised by the deal on the San Manuel Copper Corp., of Arizona, a subsidiary of Magma Copper Co.

RFC on July 14 announced a loan of all-government funds of $94 million to San Manuel. This loan is not merely to finance underground mining operations for copper. It will also finance utilities, smelting facilities, transportation facilities, and the development of a townsite.

RFC made the loan at the instance of DMPA. The RFC total compares with the total estimated cost of $111,288,000. In other words, the government is putting up 83%.

While the RFC release was a little unclear, DMPA officials said also that San Manuel would get an accelerated amortization certificate as well. Furthermore, Jess Larson is in the process of negotiating some kind of a deal for guaranteeing purchases.

This will bring into production at full capacity 140 million pounds of copper and six million pounds of molybdenum annually. This is equivalent to 8% of the country's 1951 copper supplies and 16% of its molybdenum for that year, RFC said.

However, **"experts indicate that these new mining facilities should begin production by 1957,"** said RFC.

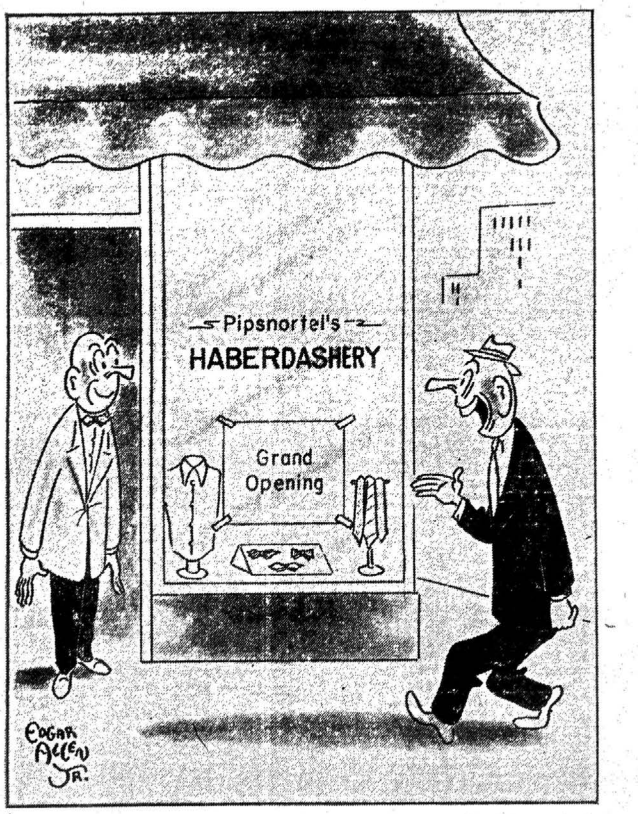
In other words, the particular arrangement relating to San Manuel Copper has no relationship to the officially projected and programed "defense emergency." It is explicity a long-range affair which it is hoped will be in production by 1957.

How much more of DMPA's proliferating subsidy program is geared, not to the foreseeable emergency, but to "long range economic planning," is not known. DMPA since its creation has never had a full-dress review of its operations before either the Banking committees (which have jurisdiction over DPA), the Appropriations committees, or the Defense "Watchdog" committee.

Its own officials admit, however, that it is "long-range."

(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



"This IS a surprise, Pipsnortel—you never told me you were entering politics!"

Business Man's Bookshelf

Denmark — published by the Royal Danish Ministry for Foreign Affairs and the Danish Statistical Department—Danish Information Office, 588 Fifth Avenue, New York 19, N. Y.—cloth.

Economics of Annual Improvement Factor Wage Increases, The — Jules Backman — New York University Schools of Business, New York, N. Y.—paper.

Helping America Buy What It Wants—An account of 40 years of service to America's financial and industrial progress by the Commercial Credit Company—Joseph Lilly — Commercial Credit Company, Baltimore, Md.—paper.

Investments — David F. Jordan and Herbert E. Dougall — sixth edition — Prentice-Hall Inc., 70 Fifth Avenue, New York 11, N. Y. —cloth—$7.35.

Postmarked Moscow — Lydia Kirk — Charles Scribner's Sons, New York, N. Y.—cloth—$3.00.

Edgar Macleod Opens Own Investment Firm

Edgar B. Macleod

SEATTLE, Wash. — Edgar B. Macleod has formed Macleod & Co. with offices in the Dexter-Horton Building to engage in the securities business. Mr. Macleod was formerly an associate of Earl F. Townsend & Co.