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EDITORIAL

As We See It

Both of the major parties have written their platforms, chosen their candidates and in a sense launched their 1952 campaigns. The net result in each case is unusual, not to say anomalous. It is hardly contrary to custom for each of them to use many words "deploring" and "pointing with pride." The voter has grown accustomed to "planks" which may be interpreted more or less as the candidate later prefers or as the exigencies of the campaign suggest. He will miss none of this sort of equivocation this year. There are here and there, at least in the Republican platform, some paragraphs which could be the basis of really statesmanlike stands by candidates, but by and large the real differences between the positions of the two candidates and the two parties must be developed during the campaign—if they are to be revealed at all.

All this is usual, not anomalous. What is out of the ordinary is found elsewhere. Both parties have, for example, chosen nominees who have not been actively identified with national politics in the past. Both were apparently reluctant to permit themselves to be placed in this position. Neither is believed to be always sympathetic to the views that large, if not controlling elements in their party, are known to hold. One, Mr. Stevenson, appears to have taken great pains to keep himself as free as any one in his position could from the burden of the sins of his party at Washington during the past four years or longer. The other was forced on the convention floor to meet and defeat his party's official organization, which has more or less controlled the legislative policies of the party in recent years.

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Dollar Devaluation and Sterling Convertibility

By MELCHIOR PALYI

Dr. Palyi, after calling attention to British plans, particularly those of former Chancellor of the Exchequer Gaitskell, to make the pound sterling convertible, argues against attempting to accomplish the objective by devaluation of the dollar. Says it would be an economic and political crime to undertake another multi-billion rescue action for Britain as long as she refuses to reform her domestic economy. Sees threat in proposal to devalue dollar and use profits as donation to restore convertibility to European currencies.

Britain plans to make the pound convertible in order to save herself from national bankruptcy. To do so, she claims to need a gold reserve of $6 billion to $10 billion. How she expects to get that from a reluctant Congress, is the question—discussed in the following.

Dr. Melchior Palyi

A fresh wind is blowing over Western Europe. To put it more cautiously: Europe is beginning to open its monetary windows to let in the fresh air of the free markets. The British, in particular, realize at last that they will never be a going concern unless the currency's convertibility is reestablished. They continue to lose gold and dollars, if only at a slow rate. This precarious position is maintained at the price of extremely severe — 20%!—import cuts which are bound to boomerang in declining exports. Holding the pound behind foreign exchange barbed wires keeps it on the verge of depreciation, selling at a 10% to 15% discount, induces capital flight, strangulates foreign trade, raises domestic costs, and endangers the survival of the European Payments Union as well as of

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Summer Rally Prelude To a Bear Market

By PETER L. BERNSTEIN
Vice-President, Bernstein-Macaulay, Inc.

Market economist asserts a further important rise would entail disregard of economic factors as well as common sense. Maintains Republican measures, because of deflationary repercussions, would in the short run constitute bitter medicine for market. Contends bulls in their unrealistic attitude toward deficit spending, civilian demand, and earnings outlook, are overstating their case; hence summer rally will prove to be a final irrational outburst.

The widely heralded "summer rally" is under way—obviously.

But the "summer rally" could well turn out to be just that. Unless some new reassuring factor or some very definite evidence of further inflation appears, a sharp step-up in the pace of the rally could be looked upon as an opportunity to increase cash reserves. In view of the level of stock prices and the outlook for earnings, it is difficult to believe that a further rise in the market would have any substance.

Peter L. Bernstein

Where Is the Market?

The market is obviously in high ground, but of course this does not preclude its going higher. It did go higher in 1929. But a further important rise will require a growing disregard of economic possibilities and "common sense." The point is that the market is in relatively high ground just at the time when it is likely to be facing economic adversities (some of which may well be of an international character). While the Democratic Convention chose to ignore these difficulties the speeches at the Republican Convention and the party platform pointed them up, even if allowance is made for the excesses of campaign oratory. And the Republican "cures" for the situation would in the short run be bitter medicine for the

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

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Sprague Electric Company—Louis Strick, Security Analyst, Ralph E. Samuel & Co., New York City. (Page 2)

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LOUIS STRICK

Security Analyst, Ralph E. Samuel and Co., New York City
Members New York Stock Exchange

Sprague Electric Company

The field of electronics, it is widely agreed, provides one of the most promising vehicles for long-term investment. The company I believe best situated to participate in the enormous future growth of the industry is Sprague Electric, largest independent manufacturer of components basic to every electronic circuit.

Louis Strick

Sprague owes its unique status as the company providing the broadest coverage in electronics to its pre-eminent position among producers of capacitors or fixed electric condensers, used in many types of electric equipment and coupled with the electronic tube, the heart of every electronic device. The result of all this is that Sprague will stand to benefit materially no matter how the future great surges in the electronics field happen to develop.

The story of Sprague is research and the key to its rapid growth may be found in its laboratories. Sprague research, which last year involved expenditures of $1.5 million or 4% of 1951 sales, has, since before World War II, been geared to the chemistry of components and has led in the development of miniature parts, the ultimate effect of which will be to reduce the size of a great variety of electronic equipment, much of which is now too bulky for a great number of otherwise potential uses. In this way Sprague has not only strengthened its position in the field but is making a substantial contribution to its progress as well.

The company's research efforts have also established it as an important factor in components other than capacitors. Sprague is a leading producer of specialized resistors including a ceramic coated copper wire unmatched for size, weight and temperature characteristics used in coils, transformers, chokes and motors. It is also actively pioneering in the development of "printed circuits" which are combinations of capacitors, resistors and wiring "printed" on ceramic plates. The "printed circuit," development of which was inspired by military needs, has great future prospects as a means of keeping down the size of electronic equipment.

The company is one of those licensed by Western Electric to produce the transistor which someday may replace the electronic tube in many of its present uses. Sprague may be in a position to gain the inside track on transistor development since the device is primarily a product of chemical rather than electronic engineering. In this sense Sprague is probably better equipped to develop the transistor than are many of the major tube manufacturers. In any event, the principal advantage of the transistor is its small size. It will, therefore, serve to broaden the field for small components and make Sprague's position in this area more important than ever.

Sprague's sales and earnings in a sharply upward cyclical growth trend have gone from $7.3 million in 1942 to $38.5 million in 1951 with temporary peaks registered in the war years and in 1950 when sharp expansion in the television industry reacted favorably on sales. Defense business helped sales establish a new record in 1951. Peak earnings were recorded in 1950, $6.84 a share against $5.44 in 1951. Pretax earnings of $17 per share in 1951 were heavily penalized by taxes at the rate of 68.2%, close to the maximum overall corporate bracket.

Sales and earnings will continue dependent upon developments in the television and military spheres for the next few years. The former is by far the most important factor, however, since substantial run-off of military orders, if it occurred, would have only a modest effect on Sprague earnings, owing to the company's high tax bill. To illustrate, full loss of all military business in 1953, assuming retention of the present level of civilian activity and existing tax rates would result in an earnings loss of only about $1 per share. This analysis does not take into account the probability that full loss of military business would signal the end of the defense effort and the lowering of corporate tax rates. Nor does it take account of the current pickup in television sales and the important upsurge in production expected for 1953 and 1954 following the construction of UHF and VHF stations. On this basis, presumably nothing would stimulate Sprague earnings more than the loss of a substantial portion of defense business, provided that loss was accompanied by a reduction in corporate taxes and a pickup in television sales.

For all of 1952 earnings will probably amount to about $6 per share and dividends are likely to continue at 50 cents quarterly. There is a possibility of a stock dividend later this year or in 1953. Summing up, long-term prospects are exceptionally promising since the company is ideally situated to participate fully in the future

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DR. MAX WINKLER

Partner, Bernard, Winkler & Co., New York City
Members New York Stock Exchange

Republic of Chile Bonds

Taking into account price and yield as well as general investment quality, Chilean bonds appear relatively more attractive than those of other South American countries and political subdivisions.

Dr. Max Winkler

Chile's first foreign loan was contracted in 1822, and went into default four years later. In 1840, the arrears were added to the principal and service was resumed. For almost a century (1840-1931) there was no default in the payment of interest, although sinking fund payments were suspended during the so-called War of the Pacific (1879-1883). Following the collapse of the securities and commodities markets in the late '20s, Chile stopped payments, resuming them in 1935. The service is now being met according to the Plan of December 7, 1948.

Salient statistics pertaining to Chile's economic status are presented hereunder.

With a balance of trade for 1951, favorable to Chile, in the amount of $93,100,000, the status of Chile's dollar debt may be viewed with satisfaction. In other words, the Southern Republic should experience little, if any difficulty in meeting the service on her contractual commitments according to the terms contained in the Plan of Readjustment which called for rather important concessions on the part of creditors.

Chilean bonds are selling at about 37. Interest is being paid at 2½% per annum through 1953. The yield is in excess of 6.75%. Beginning with 1954, the rate is advanced to 3%, and a sinking fund of 1% will become effective. The 3% rate will continue to maturity (Dec. 31, 1993). Thus, for the next 41½ years, the rate of interest will average slightly more than 2.98%. Using this rate, the current yield will be 8.05% and the income to maturity, in excess of 9½%. Bonds may be expected to reflect, slowly but surely, the approaching increase in interest payments and the use of sinking fund provisions.

	1951	1950
Production of Nitrate (tons)	1,684,407	1,614,146
Production of Iodine (kilos.)	1,298,482	542,895
Production of Coal (tons)	2,211,295	1,988,938
Production of Copper (tons)	379,707	362,757
Production of Iron (tons)	3,174,338	2,953,233
Production of Silver (kilos.)	30,590	23,227
Production of Gold (kilos)	5,401	5,915
Index of Mineral Output*	113.4	106.8
Index of Industrial Output*	211.0	201.8
Index of Corporation Shares*	202.6	138.6
Value of peso (in cents)	1.17	1.11
Exports†	371,300,000	283,300,000
Imports†	328,200,000	247,300,000
Total Trade†	699,500,000	530,500,000
Favorable Balance†	43,100,000	35,900,000

*1936-37-38=100. †In U. S. Dollars.
Source for the above: Boletin Mensual No. 288, Banco Central de Chile.

Arbitrage in the Corporate Bond Market

By MORTIMER J. GARTMAN*

Partner, Josephthal & Co.
Members, New York Stock Exchange

Mr. Gartman defines "arbitrage" as used in securities trading, and the various segments of its field of operations. Describes arbitrage operations in rights and in conversion privileges of convertible bonds. Gives leading examples in arbitrage and the mathematical operations. Discusses arbitrage transactions in reorganizations and concludes, effect of arbitrage on corporate bond market is *nil*, when security prices are low, but has some significance, when prices are high.

I am going to attempt to demonstrate the effects of arbitrage on the price of corporate bonds.

M. J. Gartman

The meaning of the word "arbitrage" is fairly simple. The least complicated operation is the purchase of a security in one geographical area and the simultaneous sale of the same security in another geographical area. This operation is only possible when there is a price disparity existing between the two existing market places.

The other form of arbitrage is the sale of a security and the purchase of an entirely different security which is exchangeable or is expected to be exchangeable, or at sometime in the future will be exchangeable for the security sold.

The arbitrage field can be divided roughly into three types of situations; namely arbitrage as to geographical area; secondly, in the field of convertible bonds, that is, bonds that are convertible at the option of the holder into another type of security; and thirdly bonds which are related to reorganization plans.

The first operation as to geographical area is largely academic when applied to corporate bonds. In this country, the main center of the bond market is New York City and even though bonds might be issued by California or Illinois corporations, the market most of the time is in this locality.

In the past, there has been arbitraging, however, in foreign issues. England, France, Germany, and Italy have had private corporations that sold bonds in this country and they have found a market here as well as in the local geographical area in which the corporation was located.

However, since the middle '30s, this type of arbitrage has pretty well disappeared due to the lack of trading interest and foreign exchange problems have largely eliminated the purchase of these foreign corporate bonds in this country and the sale in foreign countries, and vice versa.

The Convertible Bond

The second broad category is the convertible bond. A convertible bond is different as to indenture provisions from the ordinary bond in so far as it is usually not secured by any mortgage but is a general obligation of the corporation, and is exchangeable for another security, usually the common stock of the corporation, at a set ratio of exchange, either into so many shares per thousand dollar bond or into the stock at a specified price.

These convertible bonds are sold in two ways; either by subscription rights that are usually given to the stockholders to subscribe to these bonds; or directly by the corporation via underwriting groups to new investors.

In first category, bonds issued via rights is a fairly complicated operation, because the corporation does not know how many bonds of the total issue will be subscribed to by the right-holders. It usually calls in an underwriter, who enters into a standby agreement to take up any bonds not subscribed for via the right issue.

The Arbitrage Procedure

The arbitage operation is roughly as follows: The stockholder who receives the rights and subscribes to the bonds has no effect on the market price of the bonds. However, the stockholder who receives the rights and wishes to dispose of them can sell them usually on the New York Stock Exchange or elsewhere. The purchasers are either those who wish to subscribe and retain the new bonds or arbitragers who find buyers for the new issue. The right's value naturally depends upon the amount of premium the new bonds command over and above the issue price.

Underwriters may also enter into a stabilization operation wherein they purchase rights in the open market and "lay off" bonds through a selling group and to retail clients.

The convertible bonds are usually traded on a "when, as" and "if" issued basis, which simply means that the bonds are not in existence at the time the transaction is made, but are issued

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*An address by Mr. Gartman 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 21, 1952.

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Atomic Securities

By IRA U. COBLEIGH

Author of "Expanding Your Income"

The international security afforded to us by the atom, in bomb form, is well understood, even by malicious Muscovites; today, however, we shall discuss peace-time nuclear uses, presenting horizons of growth for selected atomic securities.

Down through the ages, man has constantly sought ever more compact and powerful energy units. The thousands in man-power it took to build the pyramids could be replaced today by a few diesel powered bulldozers, cranes and conveyors; under the hood of your car is a motor replacing from one hundred to two hundred horses; and since Los Alamos, the ultimate in compact irresistible energy has emerged—the smallest unit of matter, the tiny atom, which in a flick of its midget eye, can crumble a dozen pyramids and have enough wallop left over to dust off an Empire State Building or two.

Ira U. Cobleigh

How does it get its punch? Why does it take so much dough to release it? Well, all the atom really is, is a "combo" of three little electrical particles—a proton, which accentuates the positive, the electron, electrically negative, and the neutron which as it sounds, is strictly neutral—all held together by a coiled hunk of concealed power, called a nucleus. This nucleus would still be sitting there minding its own business, if some scientific genius had not learned that it could be bombarded by neutrons. This bombardment releases the pent-up energy of the little old nucleus, and starts to split it up. When the atom happens to be a uranium one, this splitting assumes an explosive pace, and generates fabulous heat when it takes place in an atomic "furnace" or "pile."

All this sounds simple enough, but actually it's highly complicated and expensive, for two reasons. First, the atom that does all this fancy fission is of a special kind—it's made of uranium, the heaviest element in nature, and only a particular uranium, U235, (containing as you might guess, 235 nuclear particles) is 100% suitable for splitting. The basic uranium ore is rare and remote, found today principally in New Mexico, Arizona, Utah and in South Africa and Canada. Secondly, after the ore has been delivered, complicated chemical processes in costly plants must take place until Uranium 235 is isolated, or plutonium manufactured as sort of synthetic, but like U235, fissionable.

Just to give you a rough idea about costs, the Oak Ridge, Tennessee uranium plant cost over $700 million; the Hanford, Washington, plutonium plant, about 550 million; and, to date, the Atomic Energy Commission has laid out over $7 billion.

All this production capacity for these two major plants, was designed to create the makin's of atomic weapons; and quite properly the actual process of conversion to military use is a super top-level secret. But the knowledge and release of such an infinite energy source opens up vistas of peacetime use almost too titanic to comprehend. Manufacturing, transportation and all the gadgets of our daily life may be one day, nucleonic. For example, right now four impressive teams (1) Detroit Edison and Dow Chemical, (2) Pacific Gas and Electric and the Bechtel Group, (3) Monsanto and Union Electric (St. Louis), and (4) Commonwealth Edison and Public Service of Northern Illinois, all are striving to utilize "breeder" reactors for economical production of electric power—the reactor to replace the steam generating boiler. And you are surely familiar with the current programs to make ships and aircraft atom-powered. It looks like a year-round open season for fission!

To switch from power, there's a fascinating nuclear by-product with a funny sounding name—radioisotope. Oak Ridge will turn out 8,000 or so of these this year. These aren't as formidable as they sound, being merely standard chemicals like carbon, sulphur or iodine, laced with radio-activity. Hundreds of hospitals buy these isotopes for medical treatments, especially of cancer. In industry, these radio-active elements test the effectiveness of lubricating oils, the thickness of metal or plastic sheets, and the resistance of machinery to wear. In the wide fields of chemistry, biology, physics, and medicine, these isotopes are finding a myriad of new uses.

So as we rest in some serenity because of our known large, but unstated quantity of atom bombs for national defense, and contemplate the wide peacetime boons to mankind to be derived from members of the fission family, our thoughts drift further to the investment opportunities which this amazing atom may be generating.

Vanadium Corporation

Logically, the place to start is with the uranium ore itself. Who digs it and do they do it profitably? Well, a leading company here is Vanadium Corp. which mines and makes ferro-alloys to render steel and other metals stronger and less corrosive. Vanadium has important uranium mines in Colorado and Utah, with an ore mill at Durango, Colorado. Its mining claims have recently been enlarged, and substantially increased extraction of uranium ore seems reasonable. Company has 436,276 shares of common listed on the N. Y. Stock Exchange and selling at 38¾. 1951 dividend of $2.10 was less than 50% of net earnings. Get the facts about Vanadium and you may decide that ore-bearing dividends will provide the nucleus of a good investment.

Foote Mineral

All the materials used in an atom plant have to possess unusual resistance to frightful heat, and explosive bombardment. That's where a company like Foote Mineral comes in. It digs out rare earths like lithium, titanium and zirconium. This last, zirconium, is a vital metal bought by A. E. C. for use in atom furnaces. Foote appears to be a highly progressive company, increasing sales from below $2 million in 1946 to over $8 million in 1951, with net, after taxes, increasing tenfold in the same period. Over the counter, Foote Mineral common (259,526 outstanding) sells around 46. You ought to look this one up.

General Dynamics Corp.

In the field of atomic propulsion, General Dynamics Corp. (formerly Electric Boat Co.) is a pioneer, having been awarded the first contract to build a nuclear powered submarine. Imagine the strategic value of a "sub" that could travel a year without refueling, and cruise for weeks under water—well, that's the atom job; and by the time General Dynamics has built one, it should know enough about nuclear maritime motive power to be the leader in the field. Well managed, with an order backlog of $330 million, GDY common at 32 (paying $2) does not appear inflated, in close to a bellicose economy.

Abbott Laboratories

For representation in the radio-active drug field, you might wind up in favor of Abbott Laboratories. Right on the spot at Oak Ridge with a new isotope production laboratory, Abbott is the only pharmaceutical enterprise receiving radio-active products from the government atom plant and supplying them to hospitals. Adding medical isotopes to Abbott's impressive production in sulfas, anti-biotics, hormones and vitamins, you sketch out a rounded and forward-looking pharmaceutical outfit with common stock at definite stature. Listed on NYSE, it sells at 50.

Tracerlab, Inc.

The first enterprise to be built up entirely on nuclear fission by-products is probably Tracerlab, Inc., which expanded sales from $179 thousand in 1947, to $3.2 million in 1951, and in the past year absorbed Kelley-Koett Mfg. Co., long-time manufacturer of X-ray apparatus. Tracerlab makes instruments to detect, measure and utilize radio-activity; and it also processes radioisotopes for resale. For home defense, it makes Geiger counters and monitors to detect radio-active contamination of water. A smart group of young engineers are at work here, and Tracerlab, although unimpressive earnings-wise up to now, offers a lot of speculative atomic glamor. Over the counter common sells around 11¾. The current prospectus is "must" reading.

Other Companies

It would be idle to suggest that this minute monograph covers at all, the field of atomic securities. Some interesting companies have been outlined. You can line up with the big companies like General Electric or DuPont, or Union Carbon, which have been running government atomic plants; or you can strive for more direct representation in potential nucleonic earnings, by becoming a shareholder in some of the companies I've listed. You might also find of interest Lindsay Light & Chemical Co., Consolidated Engineering Co., or perhaps Vitro Manufacturing.

To those romantically inclined, atomic securities may prove alluring; but surely they assay high in speculation right now. Some day this mighty atom, the most expensive and expansive force yet released by man, may revolutionize our way of life, as well as our investment lists, but meanwhile, a cautious, inquiring, and research-type approach is suggested. Anything which can expand too much or too fast can also blow up!

Dividend Payments by New York Banks in First Half of 1952

By ROBERT S. BURNS

A. M. Kidder & Company

Members, New York Stock Exchange

Mr. Burns points out that payments to shareholders of local banks totaled $44,236,000 in first half of current year and, on basis of current dividend rates, payments for full year will approximate $93 million or about 3.80% on banks' capital funds.

During the first six months of this year, the 300,000-odd shareholders of the stocks of the member banks of the New York Clearing House Association received or had declared to their shares, cash dividends in the aggregate of $44,236,000, as compared with the amount of $43,450,000 in the corresponding period one year ago. Ten years ago for six months the same banks declared or paid their stockholders the sum of only $31,335,000, and in the very poorest depression *year*, 1934, they paid out $77,200,000. None failed to pay a dividend in any year during the depression. (J. P. Morgan & Co. Incorporated was not incorporated as a bank until 1940, and is, therefore, not included in the earlier years' figures.)

Robert S. Burns

Of the $44,236,000 mentioned above, the three largest banks in the Clearing House, namely National City, Chase National Bank, and Guaranty Trust, paid or declared a total of $19,620,000, or about 44% of the total. National City Bank alone paid $7,200,000, or about 16% of the total. (City-Farmers included.)

Cash dividend rates in effect at this time indicate that these banks will pay in calendar 1952 approximately $93,000,000 in cash dividends, or at the rate of about 3.80% on their total capital funds. This is about the same dollar amount paid in calendar 1951.

The total share capital of these banks is $700,000,000, consisting of 35,835,750 shares. Their total capital funds on June 30, 1952 were $2,431,300,000 and their *net* time and demand deposits aggregated $25,612,000,000, on July 17, 1952. Book values average $67.80; dividends, $2.60 per share. (One year ago deposits totaled $23,362,300,000 and capital funds were $2,366,427,000.)

All these banks have impressive records of uninterrupted dividend payments, averaging over 74 years. Four are over the Century mark, eight over 75 years and 11 over 50 years duration. Bank of New York has paid for 167 years; Chemical Bank & Trust has never reduced its rate in 125 years. The Morgan Bank paid its first dividend in July of 1941. Average age of these banks is 87 years. The oldest is 168; youngest, 13. Eight are over 100 years old. Total exceeds 1,600 years.

Wm. Pollock Elects Lussey Vice-Pres.

Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City, announced that Harry W. Lussey has been elected Assistant Vice-President of the firm.

E. A. Tyson Joins Eppler, Guerin Co.

DALLAS, Tex. — The appointment of Earl A. Tyson as Manager of the Cashier's Department of Eppler, Guerin & Turner, Reserve Loan Life Building, was announced in Dallas by John W. Turner, President.

Mr. Tyson for the last six years has been associated with Rauscher, Pierce & Co.

In World War II, Mr. Tyson served for three and one-half years in the Air Corps. He was separated from the service in the grade of Sergeant. A native Texan, he attended S. M. U. and North Texas State Teachers College.

Mr. Tyson is a member of the Dallas Bond Club and of the National Security Traders Association.

The State of Trade and Industry

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

Despite progress the past week in some lines of industrial activity, the shrinking supply of steel in others resulted in curtailed operating schedules. The net result was that total industrial operations for the country as a whole continued below the level of last year and were about 10% short of the all-time high attained during World War II.

Lay-offs due to the steel dispute continued to mount and more than a million were away from their jobs as a consequence of the hiatus in steel production. In the latest week for which data was available (the period ended July 5), new claims for unemployment insurance benefits rose 60% and were 27% higher than a year before.

Steel ingot production last week inched up slightly for the fourth consecutive week to 15.3% of capacity as plants already settled with the union continued operations.

Settlement of the steel strike on Thursday of the previous week has touched off one of the wildest scrambles for steel in history, acording to "The Iron Age," national metalworking weekly. Consumers are exerting almost unbelievable pressure on all possible sources in efforts to keep plants going, or get them started again.

Conversion, foreign and gray market steel sources are being canvassed for all they are worth, and the chances of getting much help from them are remote.

Steel sales officials contacted by "The Iron Age" believe consumers are going to have a rough time placing new orders for the rest of the year.

A special steel task force has been called to help controls officials with the herculean task of repairing the Controlled Materials Plan. Problem is how to discount the loss of 19 million ingot tons of steel that had already been divided among steel users. A good many consumers are bound to come out with smaller pieces of the steel pie, this trade authority points out.

Several responsible sources told "The Iron Age" that mills at present have enough CMP orders on hand to take up almost all their production for the rest of the year. This means that CMP will be badly tangled for several months—even if fourth quarter allocations are severely reduced, as now seems likely.

Before the strike the military take, including B-product components, was about 20% of steel production. For the next few weeks the addition of special directives may cause their share of output to be nearly double. All this adds up to a tight steel market for at least 6 months and it might last until the second quarter of next year, continues this trade magazine.

The steel conversion market, which had withered on the vine, is now in full bloom again. Final cost may be 50% more than regular mill price. Judging from costly agreements made so far, nothing is being turned down. Conversion will boom for at least the next 6 months. These higher costs to consumers will be on top of the authorized increase of $5.20 per ton for mill suppliers, states this trade weekly.

Steel producers are struggling to get their facilities back into production as quickly as possible. Some furnaces will have to be rebuilt because of damage resulting from cooling and heating. It will probably take 2 weeks to again reach a high operating rate, concludes "The Iron Age."

The auto industry, last week was operating at only 10% of its capacity, an official of the National Production Authority declared, adding it would take from three to six weeks for all companies to get back to their normal output. He estimated the steel strike had cost the nation almost 500,000 automobiles.

"Ward's Automotive Reports," a trade authority, released estimates of auto production losses which corresponded closely with the NPA aide's figures. It stated total losses "would swell" to about 400,000 cars and about 120,000 trucks because the industry faces three weeks or more curtailed production as the steel mills get back into full swing.

Last week auto output rose about 29% "Ward's" said. The main reason for the rise was the return to production of all 15 Ford division plants. These same plants will be closed this week, however. In the like week last year 94,075 autos were assembled, "Ward's" said. Before the effects of the steel strike set in last month, the auto firms had been producing at a rate of more than 90,000 cars weekly, the agency stated.

Steel Output in Post-Strike Week Scheduled at 45.4% of Capacity

The steel strike was settled (on Thursday of last week) substantially on the basis of the companies' offer made some time be-

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The 1952 Crop Outlook

By ROGER W. BABSON

Predicting another good year for farmers, Mr. Babson says it gives sales opportunities for other industries in farming areas. Sees signs of billion-bushel-plus wheat crop and a bumper corn crop, but holds cotton crops likely to fall short of 1951.

Mother Nature surely smiles on the Democrats by giving the U. S. good crops for 1952. This total crop production now promises to be second only to the record of 1948. Here are a few highlights.

Roger W. Babson

Billion-bushel-plus wheat crops have been almost taken for granted in recent years. With the exception of 1951, they have been the rule since 1943. This year's indicated total outturn of 1,249,019,000 bushels is the third largest crop of record. Despite its size, it should not cause any trouble. Farmers have more storage space available this year, and can take advantage of Government loans if necessary.

In Mississippi, Arkansas, Louisiana and Texas, as well as in California, rice growers are producing an indicated record corp of well over 45,000,000 bags of 100 pounds each. But I guess it will not prove burdensome marketwise. Although a relatively small buckwheat crop is likely, I do not forecast a shortage of pancakes on the American Sunday breakfast table! The smallest rye crop outlook in over 80 years, plus the low carryover, may well mean considerable stringency.

Bumper Corn Crop—If

Barring unfavorable weather from now on, the nation's 1952 corn outturn may reach the huge figure of 3,365,089,000 bushels—the second largest corn crop on record. This should be good news to livestock producers, since it points to more favorable feeding ratios this fall and winter. The barley crop probably will be the smallest since 1936, in contrast to an indicated oats crop well above the ten-year average. A large total hay crop, of good quality, also is in the cards.

Bean eaters—and they are by no means all in Boston—will draw on a smaller total crop of dry edible beans this year than last. The indicated outturn of 15,747,000 bags (100 pounds each) is down materially from 1951 as well as from the ten-year average production.

The much-loved Irish potato, which recently has been spotlighted because of Government maneuvering, will be somewhat more plentiful this year than last. The indicated national potato outturn of 339,048,000 bushels is 4% larger than the short crop of 1951, but 18% below the 1941-1950 average. It should suffice, although the margin may be none too wide. I expect about an average production of commercial truck crops, and a slightly below-average outturn of deciduous fruits in 1952.

Cotton and Oilseed Prospects

Although it is too early to forecast as to the probable size of the 1952 U. S. cotton corp, it is likely to fall short of the 1951 outturn of 15,068,000 running bales. I base

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Observations . . .

By A. WILFRED MAY

Ike Versus (?) Adlai

Many of our statesmanlike contemporaries are celebrating the prospective respectability of the coming Presidential campaign. They are shouting their relief over the avoidance of "a savage and decisive" contest which would have resulted from a Truman-Taft contest, or from a "nasty" struggle between the Taft-Hoover-MacArthur "reactionaries" of the Republican party and the Humphrey-Lehman-Harriman "liberal" wing of the Democrats.

A. Wilfred May

The campaign will indeed be conducted on a "high plane." But—this involves the important question whether the voter will have the privilege of exercising his say on the really crucial issues of the times.

Obliteration of the issues has followed the play of forces governing the Conventions' choice of the candidates, along with the continuing extinction of the two-party system. The Republicans, with a nominee just having left "the employ" of his rivals, who had thought he was one of theirs, made their decision to stand on an attitude of "enlightenment" in international affairs and meeting "modern" requirements in the domestic field of spending, subsidization, and taxation—with the "me-too-ism" glamorized in the nominee (though four years late, perhaps). The Democrats, splintered geographically as well as ideologically, in their dire need for a compromise candidate turned to the individual similarly epitomizing middle-of-the-roadism. Hence the electorate is largely confined to tweedle-dum-or-tweedle-dee in lieu of the sorely-needed Great Debate on the nation's crucial issues of this mid-20th century.

Our leading metropolitan newspaper, enthusiastically congratulating the country on the nomination of Stevenson, defensively volunteers to excuse its continuing endorsement of Eisenhower on the ground of need for a change of Administration. But President Truman's abdication has largely "pulled the rug" from under the need for a change, along with the formerly juicy corruption scandals, as a real argument and effective campaign issue.

Quite astute was Mr. Stevenson's pre-Convention shying-away from a candidacy geared to the incumbent President's coat-tails. The coat-tail riding now seems to be wholly in reverse.

All "Cousins" on Foreign Policy

With General Eisenhower inextricably tied to Truman-Acheson policy (the denial of which seems hopelessly complicated to the voter), and with both nominees Stevenson and Sparkman having served it as delegates to the United Nations, the voter who would seek change in our international attitudes and programs finds himself completely frustrated.

Turning to the domestic scene, he finds the situation equally discouraging, regarding individual questions as well as the overall picture. The Taft-Hartley Act, that focal point in the nation's crucially important labor situation, highlights this absence of real dissension between the two nominees. Despite the respective platforms' directly opposing statements regarding its repeal, the General and the Governor are quite as one in their agreement that the Act should be revised and not repealed. Mr. Stevenson, who advocated its invocation by the President in the steel strike, has definitely stated "I don't think it should be repealed." Presumably also, he is not intending to go along with the Truman strategy of using it as whipping-post for inviting vetoes of his politically popular demands for its repeal.

The Scrambled Civil Rights Positions

That super-nettlesome civil rights question assuredly is now super-scrambled. While Governor Stevenson in having said "the

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Business Leaders Voice Confidence in Future

General optimism pervades Chicago Merchandise Mart Gathering. New uses for plastics and aluminum cited.

CHICAGO, Ill. — The following estimates and forecasts of American Business, based on experience in home furnishings industries, were presented by the industry's leaders during the recent International Home Furnishings Market at the Merchandise Mart here.

By CHARLES WOOD

Vice-President, Associated Merchandising Corporation, New York City

Department Stores Should Make Up Losses During Second Half

In department stores we have a much more optimistic view on sales for fall and the first quarter of next year than we had three months ago. It is entirely possible for the stores to meet last year's figures and possibly exceed them a little. We are finding that prices, generally speaking, are about the same, or very close to pre-Korean prices. The big fight that both the retailers and the manufacturers have is to hold unit sales. The tendency, when business got tough last fall and early spring, was to revert to lower price lines, which naturally affected sales volume. The trend is in the other direction now, and manufacturers have done an excellent job in packing value into present price lines, rather than try to take out specifics and hit lower price levels.

Charles S. Wood

As to inventories in relation to stock sales basis, they are in a much better position today than they were in January, and might be considered normal.

Two Rough Spots

The two rough spots really that we recognize in home furnishings are floor coverings and appliance sales. We think that the most volatile point in the whole market ties in with the productive capacity of some of these big manufacturers against the actual business which they are getting. And when that spread gets too wide, then prices become vulnerable to decline. The manufacturers in this position are all attempting to broaden their distribution to obtain as many new outlets as they possibly can. Conversely, the department store buyer is attempting to return to the most scientific approach possible in merchandising in his department, which is to have as few lines as possible in order to obtain maximum sales. This, of course, produces more net profit which we are all interested in.

The buying, as was stated, is perfectly normal as far as department stores are concerned. The buyers are filling in; they are buying for August sales, and they are sampling many of the new exciting things that are around the market.

New Sales Technique

We feel that in department stores we are entering a new era of merchandising technique. There are many new methods of presenting merchandise to the public. You have all seen the new methods of presenting merchandise which some manufacturers are using here in the market. We think that sales training is more important than ever. And the many new shopping habits which the consumers are demonstrating are causing some very major changes in department store thinking.

Most manufacturers are fully aware of the consumer trend in regard to style, design, line, color, shape and so on. We have noticed a great many more coordinated stores around the market and you have all been reporting that fact. We feel that one of the greatest opportunities is the color story — the many new colors which have made their appearance. The home furnishings industry is well on its way to catching up to ready-to-wear and working the obsolescence angle with the consumer. Most manufacturers have seen the new color trend and their merchandise indicates that they have recognized it.

Speaking for department stores, overall, business in the whole division to date is slightly under what it was a year ago. Most departments have shown some increases, but the terrible drag that appliances and floor coverings had with their substantial losses, the effect of those two departments on the division has been to pull them under the line. There has been some improvement in appliance sales during the last three to four weeks, particularly since the change in the credit regulation. We expect to make up that slight loss in the second half of the year.

By F. A. ABBIATI

General Manager, Plastics Division, Monsanto Chemical Co., Springfield, Ill.

Beauty — Plastics' New Claim To Fame

Plastics have a newer claim to fame — Beauty. Beauty of color and beauty of texture. While much of the beauty is inherent in the materials — possibly only with these man-made materials evolved from the chemists' laboratories — the plastics industry is the first to admit something has been added by leading furniture designers, fabric designers, color coordinators, and certainly by editors who have all helped to give the consumer the most beautiful plastic for a specific use.

F. A. Abbiati

Embossing and molding of vinyl films has greatly increased the range of textures and patterns in plastic draperies. Extruded plastics now woven on Jacquard looms increase the patterns available in woven plastic upholstery.

The corrugated translucent pylester sheets, made from glass fibre and transparent resin, are finding use and will find use more and more in the home where one wants wall partitions that are translucent; where you would want a roof, let's say, over a porch or a terrace that would give weather protection and still allow sunlight to pass through.

"Melamine" decorative laminates are getting into handsome buffets, chests and tables for living and dining room furniture. Melamine dishes, and a new texture in dishes that combines wood waste and plastic resin, are increasing in popularity. Where you can impart to the product the quality of beauty, anything that a designer may conceive of and still retain the wearing quality, the hardness, the durability, that those resins alone can impart to the product.

Limitless Variety

There is no limit to the variety in plastics, and the industry is producing some two and a half billion pounds of plastics this year — three times the production in 1946, which was the first postwar year. There's enough to satisfy the whims and the trends. On a volume basis, the plastic industry is the largest in terms of construction next to steel and wood, because plastics vary in specific gravity, from being lighter than water, to only one and a half times as heavy as water and, actually about a third as heavy as aluminum, or one-sixth or one-seventh as heavy as steel.

You can find vinyl plastic floor tile in a colorful spatter design, in a bold plaid or a quiet monotone. But you can have any particular design, again, in this flooring material that need not be waxed, that will wear practically indefinitely, is not affected by alkali, any of the household cleaners, not affected by oils, and not affected by cleaning fluids, and it does have the amazing property of not showing wear at all.

At this show you will see Melamine plastic used not only as table tops, but as cupboard sections of buffets, combined with beautiful woods and again with wrought iron for functional contemporary furniture. That's progress for a material that started out as a "Dagwood" sandwich like you've seen made of layers of Kraft paper impregnated with phenolic resins, topped with a decorated sheet impregnated with Melamine resin and a clear Melamine treated sheet. This was all squeezed together under heavy pressure and heat. The plastics industry went to all this trouble, we admit, to provide a material that is permanently protected against water, alcohol, cigarette burns, all the abuse of the normal household.

That's why decorative laminates were so widely adopted some years ago for soda fountain and bar tops, kitchen counter tops and dinette tops. Actually the "looks" of the Melamines is no more limited than a designer's ingenuity in creating the color and pattern of that next to the top layers—the decorated sheet. Today it may be a rare wood veneer, photographic woodgrain, brilliant color, an abstract print, softest mat finish, or as glossy as patent leather. It is obvious that it can and is being designed for the living room, and Melamine laminate is right in line with the modern, maidless home.

Our industry realizes that better styling is necessary too for vinyl films that the housewife has decided is not something she is going to relegate to the kitchen and the bathroom. Two things have happened to vinyl film to increase its style appeal for draperies, for living areas—particularly living-dining rooms and in extravagant yardage for wide picture windows. One is embossing that adds a certain depth and texture to plain colors and to prints. The other is molding that produces a permanent matellasse or deeply textured effect.

Another typical example of a molded design in film is where you get again the texture by changing the surface by molding, and you can mold any particular design into it, as well as printing, so you have the actual use now of decorative surface plus the molded texture.

Beautifying Upholstery

The heavier vinyls that we in the plastics industry classify as vinyl sheeting are getting the beauty treatment too for upholstery, and some of it is getting on to walls. The change from straight film to resins forced film to give better wearability and better adaptation to methods of upholstery. Furniture manufacturers are learning new methods of upholstery which eliminates many of the earlier troubles. Electronic quilting, extrusion, and laminating are all involved to produce more beauty and less housework in this field.

Walls and floors are so closely related to home furnishings that I want to cover them with plastic too. Here again we use texture, an entirely different texture, and it is being used in application of the usual wall tile—plastic wall tile—which first appeared six or seven years ago and it gives a texture that is entirely different to what was attained by plastic previously. These are available in many colors—colors which are an integral part of plastics and resistant to light and will wear indefinitely, and easily installed. So easy that many of those spoiled American girls have been able to install it themselves while their husbands toil at the office.

In the field of small housewares, the industry has developed new, tougher formulations of styrene molding powder that gives kitchen accessories more impact resistance. There is more awareness too of design and color. The versatile polyethylene has opened up new fields in plastics housewares.

Plastics and Appliances

Plastics have such a big stake in the appliance industry that we regard ourselves as partners. As partners we are going to have to help decide whether appliances are over-produced or simply under-designed and under-sold. The appliance market that depends on the formation of new families for first sales, is in for a few years of diminishing market due to the low birth rate of the '30s. Until we begin to feel the effect of the increased birth rate of the '40s, all of us working with appliances must compete for the replacement dollar. This is when design will be a big factor. That's a tough assignment, but it's the kind of job where plastics has done very well. Be on the look-out for new color and new designs made possible with plastics in appliances. And forgive them if they too are proud of the fact that they can be wiped clean with a wet rag.

Plastic drapery materials apparently in the last few years have been sold on a price per pound basis, and styling and texture apparently didn't seem to affect the price materially. There is a change that is coming into the industry at this moment. You will find plastic drapery that will be cheaper than cotton, and you will find plastic drapery material that will be more expensive than cotton, which is as it should be. It depends on the styling, the color and the texture. Last year there was around 200 million pounds of plastic drapery material on the market. This year there will be more.

There is a definite relationship between the appliance industry, the automotive industry and the formation of new families. In the appliance industry, you have the factor first of new family formations, which I think average around a half million per year, or slightly over. The replacement market is becoming less and less as the manufacturers make better and better appliances so their life is extended, and then the increased use due to increased standard of living. Those are the three factors that always influence any of these appliances, homes, and so forth.

The new family formations for the next eight or nine years is bound to remain low because the birth rate from the period 1932 to 1940 was abnormally low in this country. At that time they were talking about the fact that our population had reached a static level. We soon found out in the 40's it had not reached the static level. But because it did decrease during the years of the 30's we are bound to have a decreasing market, or a lower market, based on new family formations during the next eight or nine years.

By V. E. FREELAND

Director of Furniture and Department Store Sales, Electric Appliance Division, Westinghouse Electric Corp., Mansfield, Ohio

Appliance Business Improving

We in the appliance industry are optimistic about the present and future of the appliance business. General business prospects are good and the appliance business is definitely improving in most areas.

V. E. Freeland

Scarce materials are no longer a production problem. Manufacturing schedules have been cut to bring production more in line with the current demand. There is no rush to buy on the part of consumers. There are fewer shoppers and less traffic in retail stores. The problem the industry is facing is one of promotion and selling. We are back to a buyer's market where a person is buying because of a need. We are back to a market where you have to show a person that need.

The major appliance business is strong in some places where retailers have good promotions that create activities. We have seen plenty of examples lately where planned activities pulled floor traffic and wiped out heavy inventories while straight cut-price promotions failed to stir any excitement. Manufacturers and distributors who have given their retail accounts a program that keeps hitting at promotions and activities are getting along pretty well. Merchants who have watched this trend will be looking for a program of activities at the summer market.

In my company, the electric housewares business has held up because we have had planned activities right through the year, and I believe this same condition prevails among other housewares manufacturers who have offered promotions that create activity. During the first four months of this year, our electric housewares business was slightly behind 1951. In the month of May, however, our sales ran almost 20% ahead of the same month a year ago—and we think this rate of increase will be true in the months just ahead. We look forward to a good business on electric housewares and bed coverings during the rest of the year, at least 10% better than 1951. The outlook for the fall and winter season is bright for those retail accounts who set up and follow through on a planned program of activities.

Major appliances have been selling best in the smaller towns, provincial territories. This situation holds true because sales people have closer contact with prospects. When they have store activities such as cooking schools, laundry clinics, homemakers' parties, and other types of mass demonstrations they are able to pick out the live prospects who need certain appliances, and then go out and see them. There is a friendlier relationship between the salesman or dealer and the customer. There are more night calls when the husband and wife can be seen together. In the metropolitan stores, on the other hand, sales are either made Johnny-on-the-spot or the prospects walk out and buy elsewhere. Outside calls have been below the dignity of

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Secrets of American Capitalism

By PHILIP CORTNEY*
Economist, and President Coty International, Inc.

Prominent industrialist-economist cites our great surpassing of Western Europe's productivity as highlighting the strength and vitality of American capitalism. Asserts our exceptional economic progress results from (1) abundance of individualistic, enterprising businessmen, (b) best use of human capabilities, and (3) competition between businesses and particularly individuals. Pervading these factors is the "American Scheme" as expressed in the Declaration and the Constitution.

I shall attempt to explain the sources of strength and vitality of American capitalism, or, if you like, why the American economy is so much more productive than that of Western Europe. It is not my intention to make either invidious comparisons or to solicit your admiration for what has come to be known as the "American Miracle." I shall only make an objective expose and I shall attempt an interpretation of acts and events which have given rise to what we call American capitalism so as to distinguish it from European capitalism. If I had to invite your approbation it would be rather for the high morality of American capitalism and particularly for its leaders. Indeed their motivations in life are imbued with a great dose of idealism, and their actions are guided by a deep-rooted consciousness of the moral precepts of Christianity.

Philip Cortney

The responsibility of the United States in the gravity of the 1929 depression is considerable, and I have the most serious misgivings as to the possible or probable consequences of our present errors in the field of monetary policies, labor unions, farm price policies, tariffs, etc. The social and political consequences of the impact of the evil combination of politicians and labor unions on American capitalism, even if satisfactory to the aspiration of the masses, have some very disquieting aspects. Unless I am grossly mistaken, the future of economic liberalism in the world will be determined in the United States in the years to come.

I

A few figures will make it possible for me to go right to the heart of my subject.

The United States produces approximately 40% of the world production of all goods and about 50% of the manufactured products. The United States occupies about 7% of the world territory, and both its population and its natural resources represent about the same percentage of the world population and resources. The production per capita in the United States is 2.5 times larger than that in Europe.

Significantly, the electro-mechanical power at the disposal of each worker in the United States is about eight horse-power, which represents also 2.5 times the average electro-mechanical power per worker in Western Europe. In 1900 the electro-mechanical power per worker was about the same in Europe as in the United States, namely ¾ horse-power.

We must try to understand the reasons which have made possible the use in the United States of better and better machines and equipment and the considerable increment of electrical energy at the disposal of each worker because these are factors without which no economic progress can be accomplished.

A great number of factors influence economic progress one way or another. Some of these are due to nature or chance; others can be ascribed only to the will of men. It is very possible that exceptional circumstances favorable to economic development have existed *simultaneously* in the United States, and it is precisely this simultaneity which could explain partly at least the economic American Miracle. Some economic factors or favorable circumstances which have made the American economic progress possible are only fifty, or even only thirty years old. However, it seems to me that the American people would not and could not have taken advantage of these circumstances if they were not the kind of people they are for reasons which I shall endeavor to make clear.

II

Let us first sift out a few of the most important traits of the American economy and we shall afterward attempt to explain the circumstances, some fortuitous, some due to the will of men, which have made possible the exceptional economic progress of the United States.

(1) One of the most striking facts of American business life is the existence of a considerable number of enterprising people with an urge to innovate, men who have an adventurous spirit in business. It is obvious that only a favorable political and social climate can explain the existence and procreation of such kind of enterprising men, *but in my opinion therein lies one of the most essential factors of American economic progress.*

The European productivity teams which went to the United States under the auspices of the Marshall Plan to learn the secrets of American progress have made very pertinent remarks as to the management and organization of production in the United States in order to increase the productivity per man hour. It is undeniable that very often a considerable increase of productivity can be secured by a better organization of production, that is, by the way the existing resources are utilized, be they machines or men. Particularly the modern organization is endeavoring to utilize as productively as possible the know-how of each worker and to eliminate as much as possible all superfluous or useless movements.

However, many European industrialists and experts who have visited our country have made the remark that the skillful management of American production and even the existence of very up-to-date tools and equipment cannot alone explain the exceptional buoyancy of the American economy. It is true that some advantages are due to nature in making possible a large production per man hour, as is the case for coal, iron ore and, I am told, also for the cotton available to the American cotton manufacturer. But most of the time the American economic miracle has been attributed to what we call "the American way of life," which really does not explain anything. The truth is that the exceptional stride of the American economy can be explained chiefly by the urge to innovate, or to be more precise, by the continual discovery of new tools of production and by the ingenuity in finding new products to be manufactured. And this, I submit, is possible solely if the political and economic system is favorable to the existence or procreation of "entrepreneurs" who love adventure and are willing and able to take risks.

In his excellent book on the British crisis, Andre Siegfried explains why the British industry eventually rested on its laurels, and its progressive spirit died down to mere conservatism. The British businessman no longer fits into Keynes' description as "the feverishly active and alert figure of the classical economists, who never missed a chance of making a penny if it were humanly possible, and who was always in a state of stimulus up to the limit of his capacity." Today he deliberately takes life easy, and at times is almost "too proud to fight." He seems to be suffering from a lack of vitality. Let us leave these incidental remarks as to the causes of the British crisis.

I hear voices which draw my attention to the fact that while it is true that the constant replacement of existing tools by newer, up-to-date ones, as well as the research and launching of new products requires men who are enterprising; it is no less true that it requires also abundant savings ready to be invested. This seems to me undeniable and it explains why a socialistic ideology in a political democracy leads unfailingly to economic stagnation.

An economic liberal system can give the result expected from it only if it breathes in a social and political climate favorable to the free development of responsible and self-reliant individuals and if laws are not enacted with a complete disregard of human nature. At times inflation helped stimulate the capital formation in the United States, as I shall show later. Moreover, I wish to state that when people are enterprising and energetic, and when the social and political climate is favorable to their development, it is rare that they lack the necessary capital for technological progress. To a large extent enterprise gives rise to its own savings due to the increment of income which it makes possible. The initial lack of capital has not prevented the rapid and remarkable industrial progress of Japan as soon as the enterprising spirit of the Japanese was free to give its full measure.

Professor Knight of Chicago expresses in the following manner the idea which I am endeavoring to make clear to you:

"It is common to think of the economic process as the production of goods for the satisfaction of wants. This view is deficient in two vital respects. In the first place, the economic process *produces wants* as well as goods to satisfy existing wants, and the amount of social energy directed to the former . . . is very large and constantly growing."

Professor Knight expresses a fundamental of economic progress but this would not be possible without the existence of men with a spirit of innovation, who are neither afraid to take risks nor afraid of the problems born out of technological progress.

It is also worth mentioning that the businessman enjoys considerable prestige in American society. The result is that many capable young men are dedicating their lives to business. In a country like France just the opposite is true. The businessman may have power and influence due to his wealth but he does not enjoy prestige. (The bankers and manufacturers of heavy goods like steel, autos, fare better in this respect.) The social esteem goes to intellectuals and to people belonging to certain professions or castes. The result is that most of the capable young men are at the beginning seeking to make their lives in careers other than business. The enriched British businessmen took the habit of sending their sons mainly to colleges where the future political leaders of the nation were educated.

(2) The second important characteristic of the American economy is the conviction of the American businessman that mass production requires the co-existence of mass distribution, and that it is up to business to attend to the development and creation of new outlets. As a matter of fact, as I shall show later on, here again special circumstances have favored the creation of mass markets.

It is evident that mass production makes possible large expenditures on research and the building of continuously improved tools so that mass markets make possible the lowering of unit costs and of unit sales prices.

Besides, the continuous enlargement of markets is due to a great extent to the creation of new needs. The manufacturers use their ingenuity to create new needs and the retail trade exerts itself to create and foster the desire of the consumer for new products and for the change of those which are already in his possession.

But the most direct cause of the existence of mass markets is a third essential characteristic of the American economy.

(3) Many Americans and Europeans have made the remark that the mass market as well as American economic progress are explainable mainly by a deliberate policy of high wages and low prices. The idea thus expressed is basically true, and yet the way it is usually presented is rather misleading and leads people to wrong conclusions. Many people have come to think that high wages are an adequate answer to the quest for a higher standard of living and to our economic ills.

First and above all, high wages are the result of the increase in productivity made possible by electrical energy and modern tools put at the disposal of the workers by the "entrepreneurs" and those who save money. The increase of the basic wage by Ford in 1914 from \$2.00 minimum to \$5.00 minimum has induced many people to confuse effect with cause. Many people contend that Ford increased the wages to create potential buyers for his cars. This interpretation of his policy is absurd. Ford simply had the sound idea that lower prices would increase the number of buyers and that to increase productivity per man hour he had to attract excellent workers by high wages.

The inflation of both world wars has completely distorted our perspective regarding wages. Only inflation has made possible the increase of money wages (not real wages) by 50% to 100% and more in a few years. From 1880 to 1914 wages in the United States have increased on an average of 50%, which means that it took 35 years to obtain an increase in wages

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*An address by Mr. Cortney, translated from the French, delivered before the Societe Ingenieurs Civils de France, Paris, France, June 18.

The Bank for International Settlements Today

By HERBERT BRATTER

Mr. Bratter reviews developments in the Bank for International Settlements since the Bretton Woods Conference in 1944. Says it is now "an European institution," functioning as Agent of the European Payments Union. Reveals BIS wants nations to maintain flexible monetary policies and advocates establishment of an international currency system.

BASLE, Switzerland—The Bank for International Settlements (BIS) in Basle was much in the news during the Bretton Woods Conference of 1944, when the question was raised whether it should be kept going or not. However, the governments concerned came to the conclusion that the Bank should continue its activities. The U.S. concurred in this decision and, in its capacity as executor of the financial arrangements concluded as a result of the Bretton Woods Conference, entered into a special agreement with the BIS in 1948, under which a number of outstanding questions were settled. From the moment when the international standing of the Bank was reestablished and it was able to go about its regular business, the BIS ceased to be news. It is not surprising, therefore, that people have wondered what it is doing.

Herbert M. Bratter

It has not been possible, however, to give out any cut-and-dried answer, BIS officials state. For the function of the Bank as a center of cooperation between central banks is to be at the disposal of its members, always ready to serve them according to their requirements. The only certain thing was that, since those requirements were greater than before the war, the Bank would be called upon to render more important services to the central banks than in the past, its officials state. Indeed, from the moment when the Bank actively resumed its operations—that is, from the end of 1946—the scope of those operations has steadily increased from year to year, so that the Bank is today considerably more active than it was before the war.

Very soon after the cessation of hostilities there developed a demand for the Bank's services, sometimes mainly in connection with gold and exchange transactions, sometimes more in connection with the granting of credits of various kinds. Thanks to the realistic nature of its statutes, the BIS is not bound by rigid rules, but is rather able to display a great deal of flexibility in the conduct of its business. And it is these advantages which have helped to open to it a field of activities corresponding to the varying needs of its customers—which are almost exclusively European central banks. It is of interest to note that the BIS confines itself to short-term transactions, in that it does not grant credits exceeding a limit of two years. This being the case, it is not in competition with the International Bank for Reconstruction and Development in Washington, for that bank concentrates on long-term lending for a minimum period of five years. Nor does the BIS compete with the International Monetary Fund which, by virtue of its statutes, has a very clearly defined function and cannot carry out current banking operations.

In order to maintain a high degree of liquidity, which is necessary for an international institution holding deposits of central banks, the BIS keeps nearly all its capital reserves in the form of gold. The holding of a large stock of gold is not in itself remunerative, but it has enabled the BIS always to be in a position to carry cut sales and purchases of gold to and from central banks of the official prices. The Bank's margins of remuneration are considered very modest, its task being to render service to the central banks rather than to accumulate substantial profits. Even so, the BIS has been able to earn net profits averaging about 6 million Swiss gold francs a year. The Bank's accounts are still kept in Swiss gold francs, the unit of account originally adopted. On the basis of present quotations, one U. S. dollar is equal to 3.05 Swiss gold francs. In 1951 the Bank resumed the payment of a dividend at the modest rate of about 2% of its capital.

An European Institution

The BIS is today an European institution. When the European countries, collectively, need a financial job done, they naturally turn to the BIS. An outstanding example of such recourse to the services of the Bank is its appointment as Agent for the European Payments Union. The work that the Bank performs in its capacity as agent is kept strictly apart from all its own business, so that there is no confusion of functions. In the 21 months between the time when the EPU came into existence in July, 1950, and the end of March, 1952, the monthly settlements in gold and dollars arranged via the books of the Union—one-third of which were effected in gold bars—reached a total equivalent to $2.4 billion, while the BIS's current operations with the central banks total several billion dollars annually.

Under the BIS statutes, the primary task of the Bank is "to promote the cooperation of central banks." This task is being continually carried out, thanks not least to the fact that the members of the board, including the governors of the more important European central banks, meet in Basle 10 times a year. This gives them the opportunity not only to supervise the affairs of the Bank, but also to consult on questions of general importance.

Once a year the Bank publishes its annual report. This contains, in addition to an account of the Bank's own business, a review of general economic and financial conditions, together with observations on principles of monetary policy. Furthermore, at the specific request of the central banks concerned, the Bank often has undertaken special studies of the situation of individual countries.

Advocates Flexible Monetary Policy

The BIS has vigorously and consistently advocated the pursuit of a flexible monetary policy, insisting that a change in interest rates is as a rule an indispensable element in such a policy. Indeed,

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The 1952 Crop Outlook

this forecast solely on the fact that indicated acreage now in cultivation is 7% under that of a year ago. Weather and insect damage between now and harvest time could further cut yields; but otherwise the cotton crop and the financial returns therefrom will be satisfactory.

Another oilseed crop also promises to be large. I refer to the versatile soybean. But here, again, I have nothing to go on but the expected 4.2% indicated increase in acreage. This could result in topping last year's 280,512,000 bushels—the second largest crop on record. Although flaxseed and peanut prospects are materially under 1951, total supplies of oilseeds and their products will again be sufficient.

Another Good Year for Farmers

America—the Bountiful as well as the Beautiful—should thank God and her farmers for the munificence of her harvests—past, present and currently indicated. There has never been a real famine in the land, and I pray that there never will be. From present prospects, 1952 will be another good year for the farmers, despite the rising trend of production costs. Prices, for the most part, should be well maintained, allowing for the usual seasonal variations. Sales opportunities in the farming areas should continue excellent, provided sellers stress quality and price their goods fairly.

Renyx, Field Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Edward J. Fikany has joined the staff of Renyx, Field and Company, 810 East Colfax.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

ALBANY, Ga.—William M. Winderweedle is now connected with Waddell & Reed, Inc.

With Standard Inv.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Robert E. Hambly has become affiliated with Standard Investment Co. of California, 87 South Lake Avenue.

James J. Norton Opens

(Special to THE FINANCIAL CHRONICLE)

SAN MARINO, Calif.—James J. Norton is engaging in the securities business from offices at 2880 Lorain Road.

With McGhee & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Anthon J. Cotton has joined the staff of McGhee & Company, 2587 East Fifty-fifth Street.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Energy Companies—Special study of the atomic energy program and its effects on our economy and listing 55 companies identified with this field—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

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.

Cement Industry—Analysis with special reference to **Permanente Cement**—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif. Also available is a tabulation of market action preceding presidential elections from 1888 through 1948.

Japanese Stocks—Brochure discussing stocks in the shipping, shipbuilding and machinery, chemical, food, cement and ceramics, iron and steel and textile industries—Nomura Securities Co., Ltd., 1-1 Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan. Also available is a bulletin of quotations on the Tokyo Exchange and an analysis of the **Foreign Investment Law as Amended.**

Oil Industry Trends—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of **Glass Fibers, Inc.**

Wisconsin Corporations—Annual edition of "Financial Briefs" on 79 leading concerns in Wisconsin—Robert W. Baird & Co., 110 East Wisconsin Avenue, Milwaukee 1, Wis.

* * *

American Broadcasting Company and United Paramount Theatres—Discussion of proposed merger—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

American Locomotive Co.—Bulletin—Paul H. Davis & Co., 10 South La Salle Street, Chicago 3, Ill. In the same bulletin are data on **General Finance Corp., International Telephone & Telegraph Corp.,** and **United Biscuit Co. of America.**

Buda Company—Analysis—Dempsey-Tegeler & Co., 210 West Seventh Street, Los Angeles 14, Calif.

California Oregon Power Company—Detailed brochure—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

Christiana Securities Company—Brochure—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Coeur d'Alene Silver Mining District—Memorandum with particular reference to **Sunshine Mining** and **Silver Giant**—W. C. Doehler Company, 15 Exchange Place, Jersey City 2, N. J.

Colorado Interstate Gas Company—Data in current issue of "Highlights"—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also in the same issue is a brief discussion of **Westpan Hydrocarbon Company.**

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

Federal Home Loan Banks—Consolidated statement—Everett Smith, 31 Nassau Street, New York 5, N. Y.

General Fuse Company—Report—Hunter Securities Corp., 52 Broadway, New York 4, N. Y.

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

International Hydro-Electric System — Study—Ask for C-31—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Manabi Exploration Company, Inc.—Analysis—Leason & Co., Incorporated, 39 South La Salle Street, Chicago 3, Ill. Also available are analyses of **James Dole Engineering Co., Peace River Natural Gas Co., Ltd., Toreador Royalty Corporation, Husky Oil & Refining Ltd.,** and **Texas Engineering & Manufacturing Co., Inc.**

Packard-Bell Company—Analysis—Conrad, Bruce & Co. of Los Angeles, 530 West Sixth Street, Los Angeles 14, Calif.

Pennsylvania Railroad—Analysis—Baker, Weeks & Harden, 1 Wall Street, New York 5, N. Y.

Plastic Wire & Cable Corp.—Follow-up memorandum—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y. Also available is a memorandum on **A. M. Greenfield & Co.**

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Investment Company Portfolio Management

By HAROLD E. AUL*
Vice-President, Calvin Bullock

Mr. Aul describes the organization, methods and procedures of investment companies in managing their portfolios. Outlines work of the research department and advisory committees and explains use of modified formula plan in selecting securities and timing purchases. Analyzes work of the portfolio administrator, who has final responsibility for placing orders for purchase and sale.

There are many types of institutional investors representing a wide range of characteristics and investment objectives. These include commercial banks, savings banks, various types of insurance companies, trust funds, eleemosynary institutions, pension funds and investment companies.

Harold E. Aul

I shall approach this subject from the point of view of the management of the investment company. There are several good reasons for taking this approach. In the first place, the investment companies represent a wider range of investment interests than other types of institutional investors, including as they do common stock funds, bond funds and so-called balanced funds. Then, too, an even more impelling reason for selecting the investment company as my model of institutional investment is the fact that I am most familiar with this aspect of the subject. My firm manages the portfolios of six investment companies with assets of about $215 million; and it also furnishes investment counsel to other institutions, such as estates, foundations and insurance companies.

The investment company is essentially an investment cooperative. This may seem strange language to describe a Wall Street institution. Some of my more staid colleagues shudder when I use the term. The investment company represents the development of the concept of the cooperative within the framework of the American free enterprise system—controlled democratically by its members, that is, its stockholders, and regulated by the government in the interests of its stockholders and the general public. This is the finest and most fruitful form of cooperative undertaking.

The investment company is, in effect, a large group of investors, for the most part small investors, who have pooled their funds together for this purpose of gaining the advantages of large-scale institutional investment, namely, broad diversification of risk and professional management in the selection and supervision of their portfolios.

One of our investment companies, for instance, with net assets of about $110,000,000 has more than 52,000 stockholders. My firm, in effect, is employed by these investors on an annual contract basis to manage their funds under the supervision of the government through the agency of the Securities and Exchange Commission in accordance with the provisions of the Investment Company Act.

*An address by Mr. Aul 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 18, 1952.

Procedure and Methods

Now let me describe for you the procedure and methods of my firm in the management of the investment companies under its administration as typical of institutional investment management.

At the top of the investment management hierarchy is the board of directors of each investment company. These boards are made up of distinguished representatives of the fields of business, law and finance, as well as the senior executives of the investment management company. Under the requirements of the Investment Company Act a majority of the board of directors must be independent, that is, they must have no employment connection with the investment management organization or sponsors of the investment company.

The functions of the boards of directors are advisory and supervisory. Each board meets once a month. At each meeting the head of the Investment Management Department of the management company submits a report covering the principal factors of the investment outlook, with specific recommendations as to the investment policy to be pursued in the light of prevailing and forecasted conditions.

There follows a full discussion of this report by the board and a consensus of opinion is expressed with regard to board outlines of policy; that is, the industries which are currently favored for investment and the amount of the reserve fund that should be carried in common stock portfolios.

It should be stressed that the board's function is advisory and not administrative. It does not ordinarily recommend specific securities transactions, as this is regarded as the sphere of the investment managers. We try to avoid committee portfolio management as this is apt to produce anarchy and stalemate. Committees and boards deal with policy and supervision. The management of the portfolio is the job of the management organization; and the final decision with respect to the actual selection of securities for purchase and sale is left to the head of the investment management department and his deputies. This makes for more decisive action and more effective administration.

At each meeting of the board a report is also submitted of purchases and sales of the preceding month. This is reviewed and approved by the board.

One of the major contributions of the board is the establishment of contacts for the field work of the investment management organization.

The members of the boards of these companies hold directorships on about 100 boards of industrial companies. They thus bring to the investment companies not only the benefit of their experience and wisdom but also broad contacts with representative companies which are invaluable to those engaged in the analysis of industries and the securities of companies in these industries.

The Research Department

The members of the research department of the management organization not only undertake exhaustive office studies of all available material pertaining to all major industries and their principal companies, but they range far afield, studying these companies on the ground and conferring with their senior executives with regard to conditions in their industries, new developments, prospects, competition and all other matters bearing on the determination of investment values. The board members of the investment companies are of inestimable assistance in opening doors for useful contacts in this field work.

Beneath the board of directors of each investment company is a small advisory committee of three to five men, usually also members of the board. These are for the most part investment experts who meet bi-monthly for a full discussion of policy. They refine and define the broader policy conclusion of the board with respect to the degree of defensive or aggressive measures that are recommended to the administrators of the portfolio. The committee recommends the amount of reserve of cash and governments to be carried by the common stock funds and expresses views with regard to favored industries. Again let me emphasize that the functions of this committee are advisory, not administrative. We do not believe in committee management of portfolios. We provide to the head of the investment management department clear definitions of policy and the fullest possible information and advice from the research department on industries and individual companies and look to him and his deputies to implement the declared policies and objectives basing his selections on the exhaustive studies of the research department.

The Modified Formula Plan

I have said that the advisory committee recommends the reserve of cash and government bonds to be held at any given time in the portfolio of the common stock funds. In the administration of our balanced fund, which is intended to provide the investor a complete investment program in one stock certificate, the proportion of high grade, fixed income securities and the proportion of securities of the nature of equities is determined automatically in the operation of a modified formula plan.

A formula plan is intended to limit the risks of timing in the purchase of equities. This is a device whereby the investor varies the proportion of common stocks on the one hand (or bonds and preferreds essentially of the nature of equities), and high grade bonds and preferred stocks on the other hand, with changing levels of common stock prices.

Under this plan, in other words, you buy them when they are low and sell them when they are high. It sounds fool-proof. It isn't. But judiciously employed, it should produce satisfactory long-term investment results.

The first step in the formula plan is the establishment of a "pivot"—the point in terms of common stock price levels at which we shall establish whatever relationship of common stocks to high-grade, fixed-income securities we regard as "normal" in the light of our objectives.

Suppose we say for our purposes a normal relationship of common stocks to high-grade, fixed-income securities is 50/50. The market level at which we should establish this norm is in its turn the normal or average level of common stock prices.

Taking the Dow-Jones Industrial average as our standard, the normal level of this average in the prewar period was 150. That is the average level of this index over a period of years prior to the war.

But our formula must not be rigid. That is why I referred to a *modified formula plan.* It must be flexible to take into account a changing economic environment—more particularly the changing value of the monetary unit.

A formula plan set up with 150 Dow-Jones as its pivot in the prewar period that adhered rigidly to this base and failed to take into account the progressive depreciation of the dollar would be highly unsuccessful. Under such a rigid formula some investors were completely out of the market at 200 Dow-Jones. This average is now 275.

There have been significant economic changes since the prewar period. Perhaps the most significant is that the money supply has tripled and the value of the dollar has been cut in half.

Accordingly, a formula plan must be flexible and must take into account these basic economic changes. Whereas the average level of the Dow-Jones industrials in the five prewar years was 150, over the past six years it has been about 210.

Under today's conditions the pivot of a formula plan should be at least 210 Dow-Jones, that is, the average of the past six years. Indeed I should say that this would not fully reflect the present depreciation of the dollar, and I should regard 250 Dow-Jones as the rational pivot point at this time—that is, 50% equities and 50% high-grade, fixed-income securities.

Starting from this pivot the proportion of equities should be varied with changing levels of common stock prices.

The following table illustrates the type of formula plan that we regard as suitable for a balanced investment fund at this time:

Dow-Jones average	% Commons (or Equities)
250	50
270	45
290	40
310	35
330	30
350	25
230	55
210	60
190	65
170	70
150	75

The foregoing formula assumes that a typical investment fund will hold common stocks in a range of from 25 per cent to 75 per cent of total assets. The range, of course, can be extended.

Selection and Timing

Careful selection based on thoroughgoing industrial and statistical analysis, and broad diversification of equity risk must accompany such a timing program to produce best results.

In the matter of timing, moreover, we should recognize that selection is a function of timing. That is, we must not only vary the proportion of risk assets to those essentially of a riskless character with changing market conditions, but we must shift the emphasis of our common stock selections as between so-called defensive equities and those of a highly cyclical character. Accompanying an increase in our high-grade, fixed-income securities, there should take place a shift of emphasis to defensive equities such as banks, utilities and tobaccos; and as our policy becomes more aggressive with changing economic and market conditions, we should place greater emphasis on cyclical equities such as steels, rails, building and other heavy industries.

Now let us return to a consideration of the organizational structure of a typical investment company management. Below the board of directors and advisory committee is the broad base of the investment management organization; namely, the investment research department. This department covers the entire field of investment analysis — the study of broad economic trends, the analysis of markets and a searching investigation of all major industries and their principal companies.

Work of Research Organization

The work of the research organization is highly departmentalized. The department consists of 10 senior analysts with appropriate statistical and clerical assistance. Each senior is a specialist responsible for full and constant coverage of his particular segment of the investment field.

One of these is our economist who concerns himself with studies

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Public Utility Securities

By OWEN ELY

International Hydro-Electric System "A" Standard Power & Light Corp.

The mergers of National Power & Light and American Superpower with other corporations, and the interest in the "tax-free" dividend status of United Corp. and Electric Bond & Share, has attracted attention to other utility holding companies which have substantial tax losses on their books resulting from the retention of securities purchased at high price levels during the 1920's. Two such companies are International Hydro-Electric System and Standard Power & Light Corp., the parent of Standard Gas & Electric Co.

International Hydro-Electric System has been working on a dissolution program for years, but holders of the Class "A" stock (equivalent to common, since the old common was cancelled) are now hopeful of keeping the company alive as an investment trust. Vilas & Hickey, 49 Wall St., New York 5, recently issued a "Current Appraisal" of the Class "A" shares, in which they work out potential values per share of about $24 to $28 as compared with the recent price around 19½. The company owns the entire common stock of Eastern New York Power Corp., plus substantial holdings in Gatineau Power of Canada (part of which have already been liquidated) and New England Electric Power (on which investment there is a heavy book loss).

Definite bids for the separate properties of Eastern New York Power (plus two other small properties) have been made by International Paper, Niagara Mohawk Power and New York State Electric & Gas. These offers aggregate about $25.6 million, of which Vilas & Hickey estimate that International Hydro might obtain some $14.7 million after paying off Eastern New York Power's priorities and making other adjustments. This amount would suffice to pay off International's bank debt and leave an estimated $8.2 million (about $57 a share) toward retirement of the preferred stock. While there is no definite plan as yet, it was conjected that the remaining claim could be satisfied by giving each share of preferred stock 3 shares of Gatineau, currently worth about $54. Thus, the preferred stock would receive a total of about $110, or its approximate claim in liquidation.

This would leave the Class A shares as the sole capitalization, with an estimated earnings potential of about $1.37, which presumably could be paid out almost entirely in tax-free dividends. It seems unlikely that the stock could sell on the same basis as United Corp. (about a 4% yield) since the latter has a more diversified portfolio and a much greater tax loss. After sale of the Eastern New York Power properties and retirement of priorities as described above, Vilas & Hickey estimate the break-up value as follows: $24.03 using prices of 13 for New England Electric and 18 for Gatineau; and at $27.28 if potential future prices of $14 and $20 for these two stocks are used.

The proposed new compromise plan for Standard Gas & Electric was described in this column in the July 10 issue. No plan has yet been worked out for the Standard Power & Light Corp., the top holding company. However, the "Wall Street Journal" reported on July 7th that the dissolution of Standard Gas (if consummated) is not likely to be followed by liquidation of Standard Power & Light since the latter is expected to remain in operation as an investment trust. In this capacity it would be able to take advantage of large potential losses for tax purposes which might permit the payment of tax-free dividends.

According to the Corporation's balance sheet for December 31, 1951, the investments in securities are still carried on the books at about $137 million although the total value based on market quotations at that date was roughly about $20 million—thus indicating a potential tax loss of some $107 million. Such a book loss, if gradually realized for tax purposes, might suffice to pay common stock dividends for a long period of years—perhaps longer than in the case of United Corp. and Electric Bond & Share, both of which are estimated at 30 years. The company might logically be merged with some other investment company having an earned surplus on its tax books, which might permit the tax loss to be used to greater advantage.

Standard Power & Light owns (or will receive) the following securities of affiliated system companies, the values of which following the reorganization of Standard Gas are estimated to be about as follows:

	Est. Value Per Sh.	Potential Value (Mill.)
40,843 shs. Standard G. & E. $7 Prior Preference	$214	$8.8
1,160,000 shs. Standard G. & E. Common	*15	17.4
†31,000 shs. Duquesne Light Common	28	.09
9,750 shs. Philadelphia Co. Common	29	.03
Miscellaneous Securities and Net Cash Assets	—	.04
Total		$27.8

*Plus potential benefits of tax claims.
†To be received under Step i-A of proposed Standard Gas plan in settlement of certain claims.

Standard Power & Light 7% Preferred stock has $102 dividend arrears, about the same as the Standard Gas $7 Prior Preference. If paid off at $212 (including the $10 redemption premium) this would take about $7.2 million, leaving about $20.6 million assets for the common and B stocks. There are 1,430,000 shares of common and common B stocks outstanding; another 330,000 B shares owned by H. M. Byllesby & Co. have been surrendered and cancelled, but retain the right to share equally with other common B shares "upon any distribution of assets." It is difficult to guess just what status the SEC might wish to accord to this stock in any recapitalization (which would doubtless be required before the company could be released as an investment company, unless it were merged as American Superpower was). Perhaps a compromise could be worked out. In any event, the estimated break-up value on the basis of the $20.6 million worked out above would be $14.41 on the basis of the outstanding shares, or $11.70 if the Byllesby block of stock is included on a pro rata basis. These figures do not, of course, include any potential values which might result from the so-called tax-free dividend possibilities.

A Korean Peace Will Not Change Situation

By WALTER PODOLAK

Stern, Frank, Meyer & Fox, Los Angeles, Calif.
Members, New York Stock Exchange

Stock market analyst gives reasons why a Korean peace, if it should come, will not change international situation, as international tension and large armament expenditures will continue

The subject of a Korean Peace has been widely discussed and considered recently in investment circles. If peace should come soon, will it mean a great change in present international tension? That does not seem likely since Korea is only one of a great number of trouble spots in the world. If the Communist front all over the world were desirous of peace, it would require a good deal of time and proof to assure the democratic peoples that such protestations were sincere. Therefore, a Korean peace would not change world conditions greatly, at least in the immediate future. Even on the Korean front a truce would probably result in the necessity of maintaining a large armed force in that area. To expect the communist forces to withdraw completely would be wishful thinking indeed. It seems more likely that a Korean peace would result—aside from saving precious American lives—in:

(1) cessation of fighting with an uneasy peace.

(2) the necessity of maintaining a large armed force in the area.

(3) enormous problems regarding rehabilitation of Korea.

(4) savings in expendable equipment and supplies used in waging war.

(5) not a great deal of change in present world tension.

(6) continuation of armament spending.

(7) greater probability, if fighting is stopped and armed conflict elsewhere is avoided, that some reduction in taxes might be possible.

This writer does not intend to minimize the possible repercussion upon the stock market of a Korean peace. However, the important things to consider are, would tension be minimized enough to permit scrapping of the armament program and, if not, the main prop under our economy will still be with us.

It seems likely that the adjustment that would occur in the stock market should be of moderate proportions as long as the maintenance of our armament program appears justified, based on continued world tension. It appears reasonable to expect the adjustment to be just as selective as our markets have been for some time past, and armament issues would undoubtedly be affected adversely. Undoubtedly certain oil stocks would be affected. The West Coast has been contributing a large amount of petroleum products to the Korean front.

A Korean peace, offering the hope of a reduction in corporate taxes without a drastic change in armament expenditures might, after the initial shock, more than offset the unfavorable effects upon the stock market. (A moderate tapering off of armament expenditures after the first quarter of 1953, plus savings by an efficient new Administration, could set the stage for a reduction in corporate taxes.)

Of course, the foregoing discussion assumes a Korean peace. Peace negotiations are more than a year old, and a truce would certainly be no great surprise to the stock market. Over the past year it appears that the market has had many opportunities to internally adjust for this eventuality. There is no assurance at this writing that peace is a certainty.

Conditions continue to favor purchases made after careful research and analysis.

As international political food for thought, there is the question: Would the communist front favor a Democratic victory? Eisenhower might be less desirable from the communistic standpoint since he stands firmly behind a policy of strength on all fronts, backed by U. S. economic and military aid. In addition, communist infiltration in various departments of our government might be expected to make less progress under Eisenhower. A Korean peace would give the Democratic Party additional political ammunition. Therefore, is a Korean peace, with Moscow's blessings, likely soon before our election?

Selected "blue-chip" stocks in the maximum corporate tax bracket appear to be desirable holdings at present. Any possibility of a reduction in taxes would probably affect these stocks favorably long before a reduction in corporate taxes became an actuality.

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The Security I Like Best

growth of electronics. Opportunities open to Sprague derive from the fact that products manufactured, along with the electronic tube, form the core of every electronic device whether its ultimate use is for business machines, television, radar or servo-mechanisms. It is obvious, therefore, that buttressed by its formidable research and development programs, Sprague should continue to grow although year to year comparisons may not always be favorable.

Accordingly, successive upswings in the business cycle are almost certain to result in new sales records for the company. Given the likelihood that taxes will not indefinitely remain at present high levels, it is not unreasonable to expect Sprague earnings to approach $12 to $15 per share over the next few years. For this reason, Sprague common, currently selling at about 65 in the over-the-counter market, it seems to me, is outstandingly attractive for increasing income and wide appreciation, commending itself to the foresighted investor capable of sitting out intermediate market fluctuations.

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.

Shortcomings of the Dow-Jones Averages

By FRANK PEABODY
Haydock & Company
Investment Counsel, Cincinnati, O.

Mr. Peabody, in pointing out shortcomings of Dow-Jones and other stock market averages, contends they are not accurately "indexes," but simply adjusted averages of prices of a few handpicked and frequently shifted individual stocks. Indicates "averages" are made on a defective basis, and advocates as true index of total stock market action a large number of stocks, weighted in order of their importance in influencing price fluctuations.

The batting average of all players in the two major baseball leagues last season was .261; but that statistic does not tell us anything about the average of the outfielders, which was considerably higher, or about that of the pitchers, which was lower.


Frank Peabody

One thing the above figure does do is tell us the average of *all* players in the major leagues. That is more than any of the stock market averages and indexes tell us about the stock market. Some of them are truer than others, but no one of them gives an exact record of movement in the prices of all listed stocks. For instance, we have seen studies which tend to suggest that in the 1946 stock market break, the total value of all stocks on the Big Board dropped nearly 40%. Yet the Dow Jones Industrial Average covering the same break declined only 23%.

The following paragraphs undertake to comment on the composition of certain of the better known averages and indexes, with particular reference to Dow Jones, and to point out what would seem to be the fallacy in using them too freely as a measure of the market itself or even as a check against personal investment accomplishment.

Not Indexes

The D-J Averages are often mistakenly referred to as indexes. Accurately speaking they are not indexes but simply adjusted averages of the prices of a few handpicked and frequently shifted individual stocks. They make no allowance for the relative size and importance of the different companies used in the compilation. For instance, on more than one occasion we have seen both General Motors and General Foods selling close to $50 a share. These are two of the 30 stocks that make up the Dow Jones Industrial Average. A one-point price change in General Foods then has just as much effect on the Average as a one-point change in General Motors. Yet General Motors has outstanding 87,813,000 common shares as against General Foods' 5,575,000. General Motors' equity is being valued by the market at $4,390 billion, General Foods' at $278 million. The relative importance of the two companies, looked at from this angle, is almost 16 to 1. None of that makes any difference to the Dow Industrials. In fact, if General Motors should have another two-for-one split putting the stock down around $25 per share, General Foods would then carry *more* weight than General Motors in determining the movement of the Average.

When one considers such facts as these, it begins to come clear that this particular average is not a true measure of the stock market as a whole, but that it is, rather, an arbitrarily calculated and frequently "adjusted" record of the price performance of 29 blue chip industrials and one public utility. Consisting as it does of high-grade industrials, no rails, and no utilities with the peculiar exception of American Telephone, it gives a picture of exceptional performance rather than anything like average performance.

To quote from the service put out by the organization which until recently supplied subscribers with the various Dow Jones Averages (the italics are ours):

"Dow, Jones & Co. began the publication of daily average closing prices of active representative stocks on Jan. 2, 1897. Twelve industrial stocks were used in the computation until 1916, when the list was increased to 20 stocks, *and the new average worked back* to December, 1914. On Oct. 1, 1928, the number of stocks was increased to 30. Originally, the simple arithmetic method of dividing the sum of the daily closing prices by the number of stocks was used to obtain the average price—except in a few cases attempts were made to compensate for stock split-ups by introducing multiples for prices of individual stocks.

"But, beginning Sept. 10, 1928, a new method was inaugurated to eliminate the occasional distortions resulting from complex stock changes, and at the same time to preserve the sequence of the averages.

"The new method of compilation was based on a simple mathematical *expedient*. Instead of dividing the total of the 20 stocks and their multiples by 20, the total of the 20 stocks without any multiples was divided by 12.7. This constant divisor was arrived at on the basis of Sept. 8, 1928 closing prices, and is merely a figure which gave the same average on the new basis as on the old basis on the day before the new method was put into effect. Under this new method, the constant divisor would be used daily and indefinitely until some stock in the list of 20 was split or reduced materially in price by a stock dividend, *or until a substitution was made in the list of stocks.*

"Beginning Oct. 1, 1928, the Dow Jones Industrial Average was based on prices of 30 rather than 20 stocks. At the same time a few substitutions were made in the old list of 20 stocks. The historical continuity of the Industrial Average was not affected by this change. The total of the 30 stocks was divided by a new constant divisor, 16.67. Because of substitutions of stocks the constant divisor changes from time to time."

Increase of Stocks in the "Averages"

During the period when the Average was made up of 12 stocks, that is from 1896 to 1912, 20 different substitutions were made. American Cotton Oil was eliminated in favor of Amalgamated Copper, American Tobacco in favor of Federal Steel, Tennessee Coal and Iron in favor of General Electric, and so on. From 1914 to 1928, during which time the list consisted of 20 names, there were 19 further substitutions in the list; Standard Oil of California for Utah Copper, Eastman Kodak for Western Union, and so on. During the first eight years after the list was increased to 30 stocks, there were some 20 odd additional substitutions in it; Borden for American Sugar, duPont for Borden, International Shoe for Texas Gulf Sulphur, United Aircraft for International Shoe, International Business Machines for National Cash Register, and so on. In more recent years there have been fewer substitutions, company for company, but there have been very frequent changes of another type in the compilation of the Average, the effect of which is to make it not even a consistent record of the actual investment experience one would have had with the 30 stocks of which it is composed.

In the explanation quoted earlier as to how these Averages are made up daily, the reader will recall a reference to a divisor which is changed from time to time to take care of split-ups and so forth. It is true that when they switch from one divisor to another they get "the same average on the new basis as on the old basis on the day before the new method was put into effect." However, any good statistician could demonstrate that as the market then moves on to higher or lower levels the new divisor does not continue to give the same answer that the old divisor and the old combination of stocks would have given.

For instance, before Allied Chemical was split four-for-one in August of 1950, that stock appeared in the Dow list at a price above 200. After the 30 prices had been added together a divisor of 8.57 was used. Suddenly Allied appeared in the list around 56 for the new stock and a divisor of 7.76 was adopted. The change does give the same answer at the time the split in the stock occurs, but then as the market moves on to other levels, and as the different stocks making up the Average change in price by varying percentages, a distortion creeps into the picture. Such distortion attributable to any one stock split is not very great, but as one split-up after another occurs the cumulative effect becomes quite real. Furthermore, the formula for figuring the Average is seldom adjusted to make allowance for the issuance of rights by one of the companies, although with an actual investor this question of rights has a real bearing upon the results he will obtain.

People are prone to assume that it would be the easiest thing in the world to invest in a replica of the Dow Industrial Average. Actually, from a physical or mechanical standpoint, it would be almost impossible to do. You could of course buy the 30 stocks involved, but to have your fund then act like the Average itself you would have to put three times as much money into American Telephone as in General Motors, twice as much in American Can as in U. S. Steel, and so on. Then whenever one of your stocks had a three-for-one split-up, you would immediately have to sell two-thirds of your holding, and in effect buy more of the other 29 stocks.

What Is a True Index of Stock Market Fluctuations?

A true index of total market action as distinct from an average embracing a few selected stocks should include a large number of companies and each stock in it should be weighted in order that it will influence fluctuations of the index in proportion to its respective market importance. Probably the most suitable weighting factor for this purpose is the number of shares outstanding for each company. The price of a stock multiplied by the number of shares outstanding gives the current market value of the company itself which, in essence, determines its relative importance. In addition to assigning proper weights to individual stocks this method also serves to give some element of continuity to an index. Assuming a two-for-one stock split or a 100% stock dividend, the price is halved, but when multiplied by the increasing number of shares, the result is an unchanged total market value and an unchanged influence on the index. The same split would have halved the influence of a stock in the D-J Average. Standard & Poor's Corporation arrived at its various stock price indexes in this manner. Their resulting figures may not be 100% perfect as a yardstick of overall market action but they are a more realistic gauge.

One reason the Dow figures are so widely used is of course the fact that they come in over every broker's tape hourly and daily. Another is that they were started 55 years ago. Still another is the once popular Dow Theory, which undertakes to forecast future market action from the record of past action as such past action is summarized in the Dow Jones Industrial and Rail Averages.

And here we come to an interesting question: Even if the D-J Averages were an accurate record of the past, they would not necessarily furnish a key to the future; if they are not an accurate or consistent record of the past, then how can any forecasting theory based exclusively upon them be expected to work, any more than a house can be expected to stand on shifting sand. The remarkable thing about the Dow Theory is not that it has given wrong signals on certain occasions, but rather that it has happened to give the right signal as often as it has.

Wm. McGregor With F. S. Yantis & Co.

CHICAGO, Ill.—William J. McGregor, Jr. has become associated with F. S. Yantis & Co. Incorporated, 135 South La Salle Street, members of the Midwest Stock Exchange. Mr. McGregor was formerly with Hulburd, Warren & Chandler in the trading department.

Joins Moreland Staff

(Special to The Financial Chronicle)

DETROIT, Mich. — Marcia C. Saile has joined the staff of Moreland & Co., Penobscot Building, members of the Detroit and Midwest Stock Exchanges.

With Richard Harrison

(Special to The Financial Chronicle)

SACRAMENTO, Calif.—Douglas W. Siegalkoff is with Richard A. Harrison.

Harry Frank Elected

Harry Frank, of the Frank Investors Corp., New York City, has been elected to the Board of Directors of the Frontier Power Corp. of Colorado.

Blair, Rollins Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Clara W. Bradley has joined the staff of Blair, Rollins & Co., Incorporated, 50 State Street.

Joins Forbes Staff

(Special to The Financial Chronicle)

DENVER, Colo.—Mrs. Margaret D. Travis has been added to the staff of Forbes and Company, First National Bank Building.

From Washington Ahead of the News

By CARLISLE BARGERON

With the din of the conventions still sounding in the ears of the battered participants the hopes of the Republicans to break into the South have already gone glimmering. Some faint hope continues that they may carry Virginia and Texas but to my mind they will be very foolish if they devote any of their cash or much of their energy in the endeavor.

Carlisle Bargeron

Much of the situation that has come about is due to Senator Dick Russell. Several weeks before the Chicago gathering it was apparent that the purpose of his Presidential candidacy was to prevent a break-up of the Solid Democratic South. By the time the delegates met, his candidacy had succeeded in greatly minimizing the threat. It had diverted the movement whereby at least nine states or their leaders were setting up machinery by which the electors of those States would be free to vote in the electoral college against the Democratic candidate. In a way the widely advertised Russell-for-President movement was a movement to head off Gov. Jimmy Byrnes of South Carolina, the leading advocate of revolt. Because of Russell's candidacy only five states instead of nine set up this machinery. They are Virginia, Georgia, South Carolina, Mississippi and Louisiana. They are not expected to make use of it now. For the Republicans to carry any of these states they have simply got to get more votes for their nominee, which they are not likely to do, with the possible exception of Virginia. It won't be a case of the Democratic electors voting for them in the electoral college.

The point I am trying to make is that even if the Southerners' noses had been rubbed in the dirt at Chicago their chances of retaliation had been reduced just about 50%.

The fact is they came away from the convention well satisfied with the nominees and not too much displeased with the platform. They also came away with the feeling that they have regained their place in the party from which the so-called liberals had been determined to oust them. They came away with the realization they were not only wanted but needed. Even President Truman, to the extent that he wielded any influence, retreated from the contemptuous attitude he has held for the Southern leaders since he won four years ago with four of the Southern states voting against him. He has shared, along with Lehman, Humphrey, Roosevelt, "Soapy" Williams, Blair Moody, Walter Reuther, et al, the feeling that the South was a millstone around the party's neck and that it would be better off rid of the section. But as the convention got underway his better judgment told him otherwise.

The squelching of these irreponsibles was one of the most important accomplishments of the Democratic convention. Had they prevailed the nomination of Averill Harriman or the ineffable Kefauver would, to my mind, have been essential followed by a campaign directed almost exclusively to the labor leaders, Negroes and other racial minorities. As it turns out the party has swung back towards center. If Adlai Stevenson means what he said, and there is every reason to believe he does, the Democratic party is not to be the party of labor or of any other group but "of the people." That would certainly be different from what we have had for the past 20 years.

It must be said, however, that the party is keeping its tie with the left through John Sparkman. The fact about him is there is very little difference in political philosophy between him and Hubert Humphrey. He doesn't have Humphrey's aggressiveness or ruthlessness or ambition to set the world on fire. But in political thinking they are very much alike. You might say, in fact, that except for the appeal to racial minorities, Sparkman is a more likable Humphrey. I should hate to see him ascend to the Presidency.

He has a pleasing personality, he is popular with his colleagues. He is courteous and invariably greets you with a smile. But don't let this deceive you as to what goes on inside.

His nomination was not a surprise. Indeed, it was fairly well known four days before the convention met that the ticket of the powers-that-be was Stevenson and Sparkman, and the powers-that-be were the big city bosses—Ed Flynn from his sick bed, Jake Arvey and Governor Dever together with the Indiana crowd. It was undoubtedly this knowledge that prompted the so-called liberal group to try to force the Southerners out. This would make Stevenson's nomination impractical. With the South and the small Middle Western states, which always go Democratic, he hopes to make hay with the Middle West stronghold of Taft—such states as Indiana, Illinois and Ohio. There will be more emphasis on the farm vote than on labor. The campaign should be very interesting to watch.

Denault Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—John F. Scofield has become associated with Denault & Co., Russ Building. Mr. Scofield was formerly with H. Irving Lee & Co.

Saunders, Stiver Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Elmer J. Bonyko is now connected with Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

LETTERS TO THE EDITOR:

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

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

We have received some more comments in connection with the views expressed by William A. Robertson, member of the New York Bar, in the article "The United Nations — Why It Is Doomed to Fail" which appeared on the cover page of the "Chronicle" of June 19. These recent comments are given further below, others dealing with the same subject having appeared in our issues of July 3, July 10 and July 17.

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

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

Herewith are the recent communications regarding Mr. Robertson's article.—Editor.

FREDERICK B. SHERMAN

San Francisco, California

The article by Mr. William A. Robertson pointing out that "the United Nations is doomed to failure" has evoked thought-provoking comments — the majority of them in agreement — from outstanding business leaders and journalists. The comments of an obscure member of the investment fraternity may not deserve equal prominence but it will be appropriate for you to print a comment by the late Henry L. Stimson, corporation lawyer, Secretary of War, Secretary of State, whose practical grasp of domestic and international affairs needs no elaboration.

In his "Credo" addressed to "men of the generation who must bear the active part in the work ahead," he says: "Let them have hope, and virtue, and let them believe in mankind and its future, for there is good as well as evil, and the man who tries to work for the good, believing in its eventual victory, while he may suffer setback and even disaster, will never know defeat. The only deadly sin I know is cynicism."

E. C. STEVENS

Chairman of the Board, The International Silver Co.

Despite the fact that a great many industrial leaders appear to be strong for the League of Nations, I am frank to say I agree entirely with Mr. Robertson.

KIRKE W. CONNOR

President, Micromatic Hone Corp.

I heartily agree with what Mr. Robertson has written and I want you to know that I have passed his article around to the members of our Operating Committee and shall do anything else I can to see that it has as wide a circulation as possible.

Continued from page 5

Observations . . .

failure of the states to solve the problem clearly warrants a Federal approach" goes further than the General (but not than his Republican platform), the rival party positions are brought back near-conformity by the Democratic ticket's addendum of Veep-candidate Sparkman, the "liberal" with the Dixiecrat twist.

And on the issue of states' rights generally, and the decentralization of Federal intervention and the curtailment of sprawling bureaucracy, the nominees' pronouncements likewise reveal their "cousinliness."

Platform Evidence

While the party platforms, as always overflowing with verbiage to suit the need for a sales-document foregoing offense to important voter groups, are of course not to be construed as gospel binding the nominees; nevertheless scrutiny of the current Convention products confirms the undiscernibility of clearcut fundamental difference on issues.

For example, in dealing with the farm problem, while the Democrats have endorsed the extension of fixed minimum price supports to 90% for basic commodities, the Republicans have likewise gone along on the support principle. It is true that strictly interpreted, the GOP does advocate a watered-down program, but the plank's language. "We favor a farm program aimed at full parity prices for all products in the market place," certainly beclouds the issue for the farmer-voted. While it does not guarantee beclouds the issue for the farmer-voter. While it does not guarantee choice between the free market and socialized subsidization and controls. All the other agricultural items advocated in the Republican plank are either policies already established by the Administration or matters regarding which both parties are in agreement.

On the important questions of monetary policy, inflation and taxes, the platforms as well as the candidates, show little genuine difference—merely contenting themselves with vague gestures of reform. Even the Republican platform merely "advocates" a general tax reduction, a balanced budget, and public-debt curtailment as goals, not definite pledges. The platform "bonus" received from the Republicans in the way of an independent Reserve System is a question of implementation and not fundamental. And their widely publicized obeisance to gold in no way goes to fundamentals; merely voicing platitudinous intent in that direction, if, when and after the surrounding conditions are propitious. From an appraisal of the candidates' and the platforms' ambivalent positions in the economic field it would seem fair to confine our expectation to a slightly more sound and less confiscatory taxation approach by the Republicans (with domination by the union labor interests reduced enough for excess profits tax repeal), and somewhat diminished inflation-pumping—but with both parties in our democracy unwilling to abstain from exploiting that politically popular drug in the event of depression.

The balance of the GOP platform's devotion to economic matters is confined to a non-controversial platitudinous statement about the beauties of production; and to the following super-euphemistic disposal of the whole controls question: "We shall remove tax abuses and *injurious* price and wage controls." [Italics mine.]

While the GOP platform is silent on public housing and slum clearance, matters on which the Democrats promise expanded programs, the fact that even the "reactionary" wing's Mr. Taft has gone along on housing would support the expectation of the "liberal" Eisenhower traveling with the Democrats here.

Both platforms favor flood control, special favors to the veterans, and strengthening of the civil service (although Republican congressmen helped to defeat the President's proposal to place postmasters thereunder).

* * *

And so it must be evident that again in this election the voter will not be choosing between specifics. His vote will follow his overall predilection for or against Welfare Stat-ism and Santa Claus-ism. His impression of the party more likely to bring him security, financial and emotional, rather than logical weighing of differences in details which look academic, will capture his ballot.

Owen McWilliams at Am. Machine & Fdry.

Owen McWilliams, former examiner at the New York Stock Exchange, has joined American Machine & Foundry Company as assistant to the corporate secretary, it is announced.

Owen McWilliams

Mr. McWilliams has been a New York Stock Exchange examiner since 1950 after having served as Assistant Manager of the Exchange's Statistical Division since 1946. He came with the Exchange in May, 1940 as a member of the staff of the Stock List Department, leaving in July, 1942 for service with the United States Air Force. Flight Engineer with a B-17 combat crew in the Eighth Force, he was shot down and captured by the Germans on Aug. 17, 1943 during the Regensburg raid, the first England-Africa shuttle operation. He remained a prisoner of war for the duration of the European phase, whereupon he was released to inactive duty with the rank of Master Sergeant. His decorations include the Purple Heart and the Air Medal.

Ohio Turnpike Commission Receives Check

The Ohio Turnpike Commission on July 29 received a check in the amount of $319,882,972.22 representing the net proceeds to the Commission from the recent sale to investors of $326,000,000 of the Turnpike Revenue bonds, the largest revenue bond issue in history.

Shown at the ceremonies which took place at City Bank Farmers Trust Company of New York City, are, left to right—T. Henry Boyd, Vice-President of the investment banking firm of Blyth & Co., Inc.; James W. Shocknessy, Chairman of the Ohio Turnpike Commission; James G. Couffer, Vice-President of B. J. Van Ingen & Co., Inc.; L. A. Stoner, President of the Ohio National Bank.

Scheduled for completion by May 1, 1955, the Ohio superhighway will run from the termination of the Pennsylvania Turnpike through northern Ohio for 241 miles to the Indiana border.

Record Level in Corporation Working Capital

SEC estimates net working capital of U. S. corporations at end of March, 1952, at $84.1 billion, or $1.5 billion higher than at beginning of the year.

The net working capital of U. S. corporations reached a new record level of $84.1 billion at the end of March, 1952, according to the latest quarterly estimates by the Securities and Exchange Commission. This was $1.5 billion higher than the total at the end of 1951, resulting from an increase in current assets of $700 million together with a decrease in current liabilities of $800 million.

The increase in current assets during the first quarter of this year largely reflected increases in inventories and notes and accounts receivable. Inventories increased $1.3 billion to a level of $62.5 billion while notes and accounts receivable increased $600 million to a level of $57.0 billion at the end of the first quarter. The increase in inventories was less than for any quarter since the beginning of hostilities in Korea.

During the first quarter of 1952 corporation holdings of cash and U. S. Government securities remained at high levels although off $1.0 billion and $400 million, respectively, from the end of 1951. At the end of the first quarter, corporations held $28.4 billion of cash and $21.2 billion of U.S. Government securities. Corporate liquidity, as measured by the ratio of these two forms of liquid funds to current liabilities, declined only slightly from the year-end in contrast to the sharp declines that took place in 1950 and 1951. At the end of March cash and U. S. Government securities amounted to 57 percent of current liabilities, compared with 58 percent at the end of 1951 and 74 percent at the end of 1949, the postwar peak.

Federal income tax liabilities at the end of the first quarter dropped to $18.5 billion from the record high of $20.2 billion at the end of last year. Notes and accounts payable increased slightly while corporations carried an estimated $16.1 billion of other current liabilities, about $700 million more than at the 1951 year-end.

As for the other items affecting the corporations' financial position, in addition to the $1.5 billion increase in net working capital, in the first quarter of 1952 corporations invested about $5.1 billion in plant and equipment. Almost two-fifths of this $6.6 billion of expansion was financed from external funds, an increase from 1951, the remaining expansion coming from internal sources—depreciation accruals and undistributed profits. Of the $2.6 billion secured from external sources, $1.2 billion was from net new bond issues, $700 million from new stock issues and the remainder from other long-term borrowing.

Manufacturing corporations accounted for the total increase in working capital shown for all corporations in the first quarter of 1952. A small increase was also shown by trade corporations while transportation and communications showed small declines. Service, electric and gas utilities and finance showed little change in working capital.

Two With First Michigan

(Special to The Financial Chronicle)

DETROIT, Mich. — Forest R. Fisher and John B. Martin have become associated with First of Michigan Corporation, Buhl Building, members of the Detroit and Midwest Stock Exchanges.

With Merrill Lynch Co.

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Lionel P. Greenbaum has become associated with Merrill Lynch, Pierce, Fenner & Beane, 216 Superior Avenue, Northeast.

Joins Brush, Slocumb

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Gerald J. Nias has become affiliated with Brush, Slocumb & Co., Inc., 1 Montgomery Street.

The TV Industry Bearing Up Well

By ARTHUR L. CHAPMAN*

Vice-President and General Manager

Radio & Television Division, Sylvania Electric Products, Inc.

Laying last year's slump in television industry to over-production rather than decline in consumer buying, Mr. Chapman holds outlook for coming year is bright. Says excess inventories are being worked off, and public buying continues at steady rate of from 5 to 6 million sets a year.

I would like to discuss the situation at this time last year which can only be described as a self-made depression in the television industry. This depression was characterized by the drastic reduction in television set production from an annual rate of as high as 10 million to less than 2 million—yet the public was buying sets at a reasonably steady rate of about five or six million sets a year. In other words, there has been no real depression in television set purchasing at the consumer level—the problem, instead, has been one of inventory.

Arthur L. Chapman

There is today every indication that the problem is being met effectively and vigorously. Our most recent reports reveal that inventories continued to be reduced in recent months, and there was, in fact, evidence at the beginning of the second half of the year that trade inventories are down to satisfactory working levels.

The various business reports I see seem to be intent on reminding me that business is in the midst of some sort of readjustment. My instant reaction is, how could any economy help but find some readjustment necessary after it began to feel the full impact of Korea? The readjustment becomes even less surprising when you realize that American industry is also feeling the full impact of our international commitments, which have the objective of strengthening our allies throughout the world. No economy could be so resilient as to absorb that added load without doing some belt-tightening somewhere.

Business Holding Up

However, compared with almost any period except Korea, business is bearing up remarkably well. In fact, business gnerally seems to be good.

Let me elaborate somewhat on this theme, and make my remarks more direct. There doesn't seem to be any reason why there should be any general slump in sight for those distributors who really study their markets, and for the distributors who see to it that they are merchandising their goods with every resource they can muster. Perhaps you feel I am guilty of oversimplifying the situation, but let me repeat—business will be good for those distributors who make it good.

Industry's Immediate Outlook

Now, what is the outlook for the television industry, especially for the fall and winter markets? Throughout the industry there is definite optimism; stated quite briefly, the future looks good. One quite effective barometer has always been the orders we have received from various customers for television picture tubes. During the spring, when the market for television sets was going through its usual seasonal dip, the set manufacturers increased their orders for picture tubes. That evidences strong optimism and a firm belief in the future. Our own set business reflects this same optimism.

I can best sum up Sylvania's situation in the industry by saying that our position at the end of the first half was much better than it was a year ago. But our position is far from static, let me assure you. The splendid new 1953 models we are introducing to you today are impressive evidence that we intend to continue to better our relative position in the industry.

The proof of this determination to continue to broaden our market lies in the very fact that Sylvania, as always, continues to plan for the future. Our research and engineering staffs are doing intensive work on many phases of television, the results of which will be profoundly felt in the entire industry. I can assure you that whatever the trend happens to be in the industry, you will find Sylvania in the forefront, as the direct result of the pioneering work being done today by our scientists and engineers.

The "Color" Question

Some of you have asked about the status of our work in color television. Whenever color television is ready to move from the laboratory to the home, Sylvania will be a major contender in the industry. As you can well appreciate, the advent of practical color television will not occur overnight. Much work remains to be done. There are many, many more problems involved than simply ascertaining technically that a color picture can be received. There are many questions to be answered. But when there are answers, Sylvania will have them.

Research and engineering, vital and important as they are, are only part of the broad background which determines a company's position in a certain industry. The company must be able to produce a good product, at a reasonable price, and in quantity. Strong evidence of our company's determination to occupy a steadily rising position of prominence in the industry is our expansion and improvement program. I believe that you will be particularly interested to know that Sylvania has doubled its plant facilities in the past four years—building new plants, and renovating existing ones. It is entirely possible that our facilities will be doubled again in the next five years. I am sure a large portion of this expansion will be in the Radio and Television Division.

Now that I have at least partially indicated that Sylvania is enthusiastically and thoroughly preparing for the future, perhaps we should take a look at what the future is believed to have in store for us. Based on information currently available to the industry, our market research staff predicts that the television industry will produce about five million sets in 1953 to meet actual consumer needs. This estimate is 90% of the industry's 1951 volume of about 5½ million. We in the Radio and Television Division are even more optimistic than our research staff. We feel that there is a good chance that the industry will equal the 1951 volume of 5½ million. It is also predicted that 1957 will see industry volume at about seven million, or more than 40% greater than 1953.

*Extracts from an address by Mr. Chapman at the Sylvania Distributors Convention, New York City, July 25, 1952.

A. F. Bentley Partner In O'Brien & Williams

MONTREAL, Canada — Archibald F. Bentley has been admitted to partnership in O'Brien & Williams, 132 St. James Street, West, members of the Montreal Stock Exchange. Mr. Bentley has been with the firm for some years as office manager.

With Waddell & Reed

(Special to The Financial Chronicle)

FLINT, Mich.—Edith M. Wright has joined the staff of Waddell & Reed, Inc.

With Renyx, Field

(Special to The Financial Chronicle)

BOSTON, Mass. — George W. Anderson is with Renyx, Field & Company, Inc.

King Merritt Adds

(Special to The Financial Chronicle)

BEAMAN, Mo.—Keith S. Yount is with King Merritt & Company, Inc.

With King Merritt

(Special to The Financial Chronicle)

BENICIA, Calif.—Frank Lee has become affiliated with King Merritt & Co., Inc.

Continued from page 8

Dealer-Broker Investment Recommendations & Literature

Reading Tube Corp.—Memorandum—Aetna Securities Corp., 111 Broaway, New York 6, N. Y.

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

Ed. Schuster & Co., Inc.—Analysis in current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. In the same issue is also an analysis of **El Paso Electric Company.**

Sherritt Gordon Mines—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Thompson Products, Inc.—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Universal Major Electric Appliances, Inc.—Bulletin—O. B. Motter & Associates, 500 Fifth Avenue, New York 36, N. Y.

The Surplus Problem Confronting Mutual Saving Banks

By AUGUST IHLEFELD*
President, Savings Bank Trust Company

Mr. Ihlefeld, in pointing out developments which make it increasingly difficult for mutual savings banks to make additions to surplus account so as to maintain proper ratio of surplus to deposits, lists as reasons therefor: (1) the increase in dividend rate to depositors; (2) rise in bank operating costs; (3) levying of tax on savings banks' earnings, and (4) accelerated growth of deposits. Urges adoption of new formula in determining adequacy of surplus accounts.

The most baffling problem confronting mutual savings banks today is the maintenance of adequate surplus and reserves for these vigorously growing thrift institutions.

August Ihlefeld

Commercial banks that grow rapidly can expand their capital to keep pace with growth by selling stock. Although they are currently at a disadvantage to compete for capital on satisfactory terms, the fact remains that there are outside sources of private capital accessible to them. Unlike commercial banks, mutual savings banks can obtain additions to surplus only through retention of earnings. Therefore their earnings must be adequate not only to meet current needs but to margin growth as well.

A number of current developments are making it increasingly difficult for mutual savings banks to make additions to surplus accounts from earnings sufficient to maintain the existing ratio of surplus accounts to deposits.

One such development cutting down additions to surplus accounts has been the increase in interest-dividend rates paid to depositors. On July 1, 1946 the average per annum rate of interest-dividend paid on deposits in all mutual savings banks was 1.66%. On Jan. 1, 1952 the average was 2.08%. Today many mutual savings banks are paying interest-dividends at an annual rate of 2½%. The steady rise in yields on bonds since 1946 has helped somewhat to offset the rising trend in the rate of interest-dividends. But it has required a shift from government securities to higher yielding mortgages to provide the larger earnings from which increased interest-dividends can be paid. For all mutual savings banks real estate mortgage loans were 23.8% of total assets on Dec. 31, 1946, and 41.4% as of Dec. 31, 1951; while U. S. Government obligations dropped from 63% to 41.8% of total assets on the same dates, respectively. Notwithstanding this shift into higher yielding earning assets, increased interest-dividend rates, together with other developments, will mean smaller additions to surplus accounts in most cases.

A second development limiting surplus accumulation by mutual savings banks has been the rise in operating costs. Many savings banks have been able to offset increases in costs by expanding the volume of deposits, so that operating expense per dollar of deposit has not risen materially. But higher costs, like higher dividends, tend to reduce the amount left for surplus.

A third development that seriously limits the ability of many savings banks to add to surplus is the initiation of the Federal income tax levy on mutual thrift institutions. Where the surplus, undivided profits and reserves of a savings bank exceed 12% of deposits, earnings after expenses and dividends are now made subject to the Federal income tax of up to 52%. This severely curtails the ability of a bank which is taxed to add further to its surplus accounts and reserves.

A fourth development aggravating the surplus problem, and for many banks the most serious of all these difficulties, is the accelerated rate of deposit growth. This year the mutual savings banks of the country are gaining deposits at an annual rate of $1¼ billion, the largest gain since 1946. This means that deposits are expanding by approximately 6% per annum for these institutions. Up to the end of April this year the New Jersey savings banks gained in deposits at almost twice the national rate. Such rates of growth are gratifying, reflecting the high regard in which mutual savings banks are held in the communities they are allowed to serve. But if savings banks want to keep intact the existing ratio of surplus accounts to deposits they would have to expand their surplus accounts at an equal rate. This is difficult for the average savings bank, but for banks with a rate of growth in excess of the national average it is a still greater problem.

What Is Adequate Surplus?

Traditionally, banks have been expected to maintain a ratio of capital funds to deposits of at least 10%. In commercial banking this standard ratio was abandoned during the 1940's, when the great expansion of deposits incident to wartime inflation lowered the capital ratio below 7%. Mutual savings banks today report a ratio of surplus accounts to deposits of almost 12% — taking the savings banking system as a whole. But, as we have seen, there are strong forces at work that will tend to reduce this surplus ratio steadily in the period ahead.

Should a decline in the surplus ratio to a materially lower level over the next few years arouse concern? Before we can answer this question intelligently we must review the functions of surplus accounts in savings banks. Then we can estimate the size a surplus should be to perform these functions adequately.

The Functions of Surplus Accounts

The surplus accounts of a mutual savings bank—which for the purpose of this analysis comprise surplus, undivided profits and reserves—perform six functions.

First, they provide funds for a bank building and other facilities, and to defray operating losses that may be incurred before the bank is firmly established. Funds deposited by depositors in a savings bank should not be used for banking facilities or for promotion expenses. State laws provide that incorporators of a savings bank set up an initial surplus or guaranty fund adequate to maintain the savings bank in safe condition to continue business. This is similar in character to a surplus account. The contributions of incorporators to the surplus fund or guaranty fund can be returned to the contributors as surplus is built up by earnings retained to take their place.

Second, surplus fund, together with the undivided profits account, serves as a limiting standard for investment by savings banks in securities not otherwise eligible for savings bank investment. For example, in New York State the statutory limitations on investment in the securities of housing companies and in preferred and common stocks of corporations are related to surplus fund, and in some instances to surplus fund and undivided profits, as well as to total assets.

Third, the surplus accounts provide a supplementary source of income. Were it not for earnings on assets acquired by investment of their surpluses, mutual savings banks generally could not pay as high interest-dividend rates as they do today.

A fourth function of the surplus accounts is to help maintain the rate of interest-dividend a bank pays to its depositors. This is particularly the objective of the undivided profits account, from which interest-dividends can be paid should they not be fully earned in any year. In the depression years of the 1930s the undivided profits played an important role in contributing towards interest-dividend payments.

Another, and by far the most important, function of surplus and reserve accounts is to absorb losses on assets owned by the savings bank, and so to maintain the savings bank in a sound condition to continue business. Since a savings bank is obligated to pay out deposits as requested, it cannot afford to incur any loss on investments acquired with depositors' funds. Surplus, undivided profits and reserves are therefore needed to provide a cushion to absorb any and all losses so that funds of depositors are fully protected and depositor confidence is maintained. Surplus and undivided profits, for this purpose, may be regarded as unallocated reserves against potential losses. Specific reserves set up against mortgages and other assets are allocated reserves, to absorb losses on these specified assets.

A final function of surplus is to provide a supplementary source of income and a cushion to absorb possible losses on assets to be acquired with new deposits to be received in the future. Some time may elapse before newly received deposits can be invested to yield a full return. Yet interest-dividends on such deposits, and expenses attendant upon the securing of new deposits such as the opening of a new branch office, become payable very soon. And much more time must elapse before the assets acquired with new deposits can produce sufficient earnings to build up adequate additional surplus. Hence existing surplus, like the incorporators' contributions to surplus fund, must margin new assets and initial operating losses for a time, as well as absorb losses on existing assets.

How Much Surplus and Reserves?

With these several purposes of surplus accounts in mind, one can proceed to estimate with more precision the amount of surplus and reserves a mutual savings bank should have.

Most savings banks have by now written down sharply the book value of their buildings and other physical facilities, so that considerable amounts of surplus are no longer required for this purpose. Only where old buildings are to be radically remodeled or rebuilt, or where new buildings are contemplated for branch offices, will such needs assume material proportions. Also, since new savings banks are not being promoted, surplus to cover initial operating losses will be required only if new branches are planned.

Surplus as a supplementary source of income for depositors is quite desirable in this age of keen competition among thrift institutions to attract and hold deposits. It is a question, however, how far interest-dividends should be withheld from depositors presently to premit larger payments in the future. Where a bank has accumulated a surplus of 12% or so of

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*An address by Mr. Ihlefeld at the Annual Conference of the Savings Banks' Association of New Jersey, Spring Lake, N. J., June 28, 1952.

Wainwright, Ramsey Hosts to Municipal Officials

Seated left to right: Lewis Lang, Deputy Comptroller, City of New York; De Witt Ray, President, National City Bank of Dallas; The Hon. J. B. Adoue, Jr., Mayor of the City of Dallas; E. Lynn Crossley, Auditor of the City of Dallas.

Standing—left to right: J. Basil Ramsey, Wainwright, Ramsey & Lancaster; John S. Linen, Vice-President, The Chase National Bank of New York; George W. Sparks, Assistant Attorney General of the State of Texas; Homer Griffitts, State Comptroller's Office; Delmont K. Pfeffer, Vice-President, The National City Bank of New York.

Wainwright, Ramsey & Lancaster, 70 Pine Street, New York City, were hosts on Monday, July 28 at a luncheon at the Bankers Club in honor of E. Lynn Crossley, Dallas, and Lewis Lange, New York City, who have recently been elected President and Vice-President, respectively, to the "Municipal Finance Officers Association of the United States and Canada." Also guests of honor at the luncheon were J. B. Adoue, Mayor of the City of Dallas, and other state and city officials here with him to make delivery of the first $15,000,000 of bonds on a proposed $50,000,000 financing program for the City of Dallas.

Guests at the luncheon were:

Hon. J. B. Adoue, Jr., Mayor of the City of Dallas.

E. Lynn Crossley, Auditor of the City of Dallas.

DeWitt Ray, President, National City Bank of Dallas.

George W. Sparks, Assistant Attorney General of Texas.

Homer Griffitts, State Comptroller's Office.

Austin J. Tobin, Executive Director, Port of New York Authority.

Lewis Lange, Deputy Comptroller, City of New York.

John S. Linen, Vice-President, The Chase National Bank of New York.

Delmont K. Pfeffer, Vice-President, The National City Bank of New York.

Wade S. Smith, Assistant Director Municipal Research, Dun & Bradstreet, Inc.

David M. Ellinwood, Manager, Municipal Department, Moody's Investors Service.

Walter Tyler, Manager, Municipal Department, Standard & Poor's Corporation.

Cushman McGee, R. W. Pressprich & Co.

Albert J. Milloy, Vice-President, The First Boston Corporation.

David Miralia, Vice-President, Halsey, Stuart & Co.

Charles Ettinger, Halsey, Stuart & Co.

LeRoy H. Apgar, Vice-President, Harriman Ripley & Co., Inc.

Walter Steel, Drexel & Co.

John T. Haneman, Jr., Vice-President, Albert Frank-Guenther Law, Inc.

George Wanders, Editor, "The Bond Buyer."

Alfred T. Harris, "The Bond Buyer."

Patrick Carberry, "The Wall Street Journal."

Lester Tanzer, "The Wall Street Journal."

Paul Heffernan, "The New York Times."

Rudolph J. Harper, "The Investment Dealers' Digest."

Edwin L. Beck, "The Commercial & Financial Chronicle."

J. Basil Ramsey, Townsend Wainwright, and Lincoln E. Caffall, all of Wainwright, Ramsey & Lancaster, New York City.

Sterling Will Remain Stabilized

By PAUL EINZIG

Dr. Einzig, in commenting on views favoring unpegging of exchange rate, and thereby to allow the British pound to find its level, holds, in present situation, it is best to keep sterling at a fixed rate. Says under existing circumstances, there is no equilibrium level at which sterling rates can be adjusted to secure balanced international accounts.

LONDON, Eng.—The Report of the expert committee set up by the Organization for European Economic Cooperation to examine the financial situation of member countries is strongly opposed to the suggestion made in many quarters in recent months to unpeg exchange rates and allow them to find their own level. It expresses the view that if and when alterations in parities should become necessary they should be made in accordance with the rules laid down in the statutes of the International Monetary Fund. There can be no doubt that the British Government will endorse wholeheartedly this conclusion. For even though some Ministers are in favor of the "floating" pound, the government as a whole is determined to play the game in accordance with the Bretton Woods rules.

Dr. Paul Einzig

It would be idle to deny however, that the idea of the floating pound is gaining in popularity both among bankers, Liberal economists and Conservative politicians. This is in keeping with the desire to allow the free play of economic forces to come into their own as far as possible. The attitude is not an unnatural reaction to the policy of restrictionism applied during and since the War. Beyond doubt the various forms of interference with the free play of economic forces have resulted in highly artificial situations in many spheres. It is no wonder many people have come to the conclusion that Britain's salvation lies in allowing these artificial situations to correct themselves by restoring the free play of economic forces.

It seems however, that the pendulem is now swinging in the opposite direction. During the 19th Century—to be correct between the resumption of specie payments after the Napoleonic Wars and the outbreak of the first World War when *laissez faire* was at its highest and Government interference in economic life was regarded as a major crime—sterling remained stabilized within narrow limits, between its gold points. Its stability was restored in 1925 and even though the gold standard was suspended once more in 1931, the ensuing regime of floating exchange rates had been regarded as a temporary state of affairs. By accepting the Bretton Woods Plan Britain decided in favor of pegged exchange rates.

Beyond doubt the elasticity of sterling between 1931 and 1939 was very helpful in restoring prosperity in Britain. The damage caused by the rigid stabilization of sterling in 1925 at an artificially high level, was repaired by allowing sterling to find its "natural" level. It would be a mistake to imagine, however, that the remedy which had worked in the 'thirties would also work in the 'fifties. For in the meantime the situation has undergone a complete change. Twenty years ago it was reasonable to assume that if sterling were allowed to depreciate it would find eventually its equilibrium level. It was then possible to increase the volume of exports very considerably through lowering the exchange value of sterling. Industry was able to mobilize the productive capacity of some two million unemployed, and there were unlimited quantities of raw material and fuel at our disposal. It was therefore possible to increase substantially the volume of output and that of the exportable surplus. The volume of domestic consumers' purchasing power was deflated rather than inflated, so that any increase of the output was available for export. Through allowing sterling to fall the additional volume of manufactures was made cheap for overseas importers to buy. As and when they bought the increased volume of British goods in sufficient quantities, their demand for sterling caused an appreciation of sterling exchange. This again made British goods more expensive for foreigners and the demand for sterling declined. After some ups and downs, an equilibrium level could be reached at which sterling rate was just right to secure the necessary volume of exports.

Today we are confronted with a totally different state of affairs. Even if the exchange value of sterling were halved in terms of dollars and other currencies, it is certain that this would not materially increase the volume of British exports. It would not be possible to increase the output because of the prevailing over-full employment and the scarcity of raw materials and fuel. Moreover, owing to the inflated purchasing power of domestic consumers and the virtual political impossibility of reducing it substantially, the volume of exportable surplus could not be raised sufficiently. We must bear in mind that if sterling were allowed to depreciate from $2.80 to $1.40 it would be necessary for Britain to double her exports in order to earn the same amount of dollars. Owing to the limitations of the output and of the exportable surplus this would be an impossible task. The demand for British goods abroad would increase as a result of the cheapness of sterling, but British industries would not be able to supply the additional goods in sufficient quantities.

In existing circumstances an equilibrium level of sterling at which its exchange rates would secure balanced international accounts simply does not exist. Indeed the chances are that the volume of exportable surplus could not keep pace with the adverse change in the terms of trade resulting from a depreciation of sterling, so that such a depreciation, instead of filling the gap in the balance of payments would widen it.

There is yet another difference between conditions today and twenty years ago. During the 'thirties the internal price level was very slow in adapting itself to the depreciation of sterling. Today the adjustment of the cost of production and the cost of living would be incomparably quicker owing to the prevailing industrial and political balance of power, as a result of which wages would not lag far behind the rise in prices caused by a depreciation of sterling. This means that if sterling were allowed to depreciate in the false hope that it would find its equilibrium level, this would initiate a very rapidly working vicious spiral. It would be, therefore, very short-sighted and dangerous to adopt a system of floating sterling in pursuance of dogmatic considerations because conditions in which they were valid have long ceased to exist.

Investments by Individuals in 1st Quarter

SEC reports individuals in first quarter made net purchases of securities of $2.1 billion, and added $2.2 billion to their equity in life insurance, while $700 million was invested in savings and loan associations. Purchase of U. S. obligations reported largest since first quarter of 1929.

According to the Securities and Exchange Commission in the first quarter of 1952 individuals saved $2.7 billion in liquid form. This rate of saving, although lower than in the last three quarters of 1951, was higher than in any first quarter of the post-war period.

Individuals' saving in addition to personal holdings, covers savings of unincorporated business, trust and pension funds and non-profit institutions in the forms specified. Liquid saving comprises saving in the form of currency and bank deposits, equity in savings and loan associations, private and government insurance, securities, and repayment of mortgage debt and other consumer debt.

During the first three months of this year, individuals made net purchases of securities amounting to $2.1 billion, added $2.2 billion to their equity in insurance, and $700 million to their equity in savings and loan associations. Following the usual seasonal pattern for the first quarter, they also repaid $1.1 billion of consumer debt. At the same time, individuals reduced their holdings of currency and bank deposits by $2.3 billion and increased their mortgage debt by $1.2 billion.

Insurance and government pension reserves again constituted the largest form of liquid saving in the first quarter of this year. Private insurance increased $1.2 billion, about the same amount as in the fourth quarter of 1951. Government insurance and pension reserves (Social Security, etc.) rose by $1.0 billion.

Corporate stocks and bonds constituted the most important component of total indivduals' saving in the form of securities in the first quarter, net purchases of such securities amounting to $1.0 billion. This was the same as in the preceding quarter, and compared with $700 million in the first quarter of 1951. The substantial net purchases of securities this year reflect the large volume of funds raised in the capital market by corporations to assist in their current expansion programs, still at record levels. Net purchases of stock issues amounted to $800 million, slightly higher than in the preceding quarter and contrasting with only $200 million net purchases of preferred and common stock issues in the first quarter of 1951. While the volume of corporate and miscellaneous debt issues net of retirements, continued to be high, totalling $1.1 billion, all but $200 million was absorbed by institutional investors.

Individuals made the largest net purchases of United States Government securities since the first quarter of 1949, total investments rising by $900 million, of which $100 million was U. S. Savings Bonds and $800 million other U. S. Government obligations. In the corresponding quarter of 1951 individuals reduced their holdings of Savings Bonds by $200 million, but purchased about the same amount of other U. S. Government securities. In addition, individuals absorbed $200 million of state and local government securities in the first quarter.

The $2.3 billion reduction in individuals' holdings of currency and deposits resulted from declines of $3.0 billion in demand deposits and $300 million in currency, offset in part by a $1.0 billion increase in time and savings deposits. The sharp decline in demand deposits reflected a transfer of funds into securities investments as well as seasonal influences such as income tax payments and the repayment of consumer debt.

With Walston, Hoffman

PHILADELPHIA, Pa.—Walston, Hoffman & Goodwin, 1420 Walnut Street, members of the New York Stock Exchange, announce that William Tuttle, Jr., has become associated with them as a registered representative in their Philadelphia office.

J. H. Hilsman Co. Celebrates 50 Years

ATLANTA, Ga.—J. H. Hilsman & Co., Inc., Citizens and Southern Building, is celebrating the fiftieth anniversary of its founding in 1902 by Joseph H. Hilsman. Throughout the half-century the company has been active in providing funds for the expansion of Georgia municipalities and industries — and provided the training for many of Atlanta's leading investment bankers. In 1923 the Company became a part of the Citizens and Southern National Bank, but when a change in the National Banking Act required that the Company be separated from the Bank, the separation was made in 1934.

J. Fleming Settle

Present officers of the firm are J. Fleming Settle, President, who has been with the firm since 1909; J. F. Durrett and R. R. Settle, Vice-Presidents; F. J. Myers, Secretary; and J. E. McCelland, Treasurer.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Willis Settle has been added to the staff of Waddell & Reed, Inc., 332 South Michigan Avenue.

Joins Detmer Co. Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Gordon D. McFarlane has become affiliated with Detmer & Co., 105 South La Salle Street. He was formerly with Cruttenden & Co. for many years.

J. P. O'Rourke Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Ernest C. Hasselfeldt has become associated with J. P. O'Rourke & Co., Board of Trade Building. He was formerly with Straus & Blosser for many years.

With Rodman & Linn

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Harry J. Diacou has become connected with Rodman & Linn, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was previously with Faroll & Co.

Control of Dollar Transactions In Switzerland

By CHARLES R. STAHL

Economic News Agency, Geneva, Switzerland

Swiss economist describes how U. S. Treasury has succeeded in closing loop-holes for dollar remittances to and from the Iron Curtain

A Dutch firm buys copper in Chile. Payment takes place by means of an Irrevocable Letter of Credit which is secured by a considerable Dollar amount on a number-account with a big Swiss bank. The merchandise is shipped to Holland. Everything seems to be perfectly in order, but... the copper is transshipped in Rotteram, Antwerp or at some other port and disappears behind the Iron Curtain.

Charles R. Stahl

And so we understand how transactions of this and similar kind meet with the disapproval of the American authorities and, particularly, the Treasury Department. In order to put an end to such transactions, and also to avoid the accumulation by the Soviet Union and her Satellites of Dollar assets which could be used for the financing of a Fifth Column and for other purposes contrary to American interests, the U. S. Treasury Department exercises a control—which has lately been intensified—on all operations in American Dollars.

In cases where the Treasury Department was certain that through the channel of a Swiss bank such transactions were being financed, it has repeatedly taken quick action by blocking all the assets of that bank in the United States; and the release in each case took place only months later after prolonged negotiations.

It made a great stir when among the Swiss banks whose assets were thus blocked, along with West German and other banks, there was included a particularly reputable banking firm in Zurich.

It can easily be understood that such blocking is disagreeable not only for the respective bank itself but also for all clients who have Dollar credits with that bank, and must realize that these Dollar credits are frozen.

All Transactions Now Investigated

In order to overcome these blocking difficulties, the Swiss banks have now decided—certainly not light-heartedly—to investigate in each individual case the nature and destination of Dollar transfers of every kind and to request, before carrying out any operation in U. S. Dollars, a written declaration of the respective client to the effect that this operation is being made neither directly nor indirectly in favor of a person located behind the Iron Curtain, in China or Korea.

In order to appreciate the importance of this procedure, one must bear in mind that heretofore the Swiss banks have adhered strictly — even in most critical times—to the principle of maintaining secrecy regarding clients' deposits, as well as to the related principle of carrying out their orders. By this new concession to the Treasury Department they deviate for the first time from one of those principles.

The Swiss circles concerned partly showed little enthusiasm at first for this new measure and the rate of the Dollar has eased in Switzerland somewhat, apparently under the influence of large Dollar sales, as it is feared that through the action of a single person doing such improper business, the bank and all its clients with Dollar accounts would be affected likewise.

However, the American Government can consider it a great success to have closed a loophole through which merchandise and Dollars could flow to the Iron Curtain.

Gilbert Pearsall Is With First California

SAN FRANCISCO, Calif. — H. T. Birr, Jr., President of the First California Company announces the election of Gilbert B. Pearsall as Vice-President.

Under Mr. Pearsall's direction, the First California Company will handle the wholesale distribution of the Blue Ridge Mutual Fund, Inc., New England Fund and Texas Fund, Inc. in ten Western states. The three funds have markedly different characteristics and have been chosen to supplement each other. New England is a "balanced fund," Blue Ridge is a "diversified common stock fund," and Texas Fund is a "growth company fund."

"Well over 100 mutual funds, each usually with its own representative, compete for the time of dealers and their salesmen. Multiple wholesaling, a new and welcome trend, combines funds so that one representative needs but a fraction of the time required for separate representatives of each fund," Birr stated in announcing the appointment of Pearsall.

The First California Company will confine its wholesale fund activity to representation of the sponsors and service to dealers. Following usual custom the retail dealer's business transactions will be directly with the funds. The First California Company will furnish service to investment bankers in the ten Western states by supplying current information and sales material, efficient transmission of orders and prompt and accurate quotations. The staff will consist of professionally trained personnel.

Mr. Pearsall was formerly a Vice-President of the George Putnam Fund of Boston and prior thereto, except for military service, was, for several years, the Syndicate Manager and a partner of a leading New York Stock Exchange firm in New York City.

R. A. Harrison Opens

SACRAMENTO, Calif.—Richard A. Harrison is engaging in the securities business from offices at 220 Sixteenth Street. He was formerly with King Merritt & Co., Inc.

Arthur D. Weekes

Arthur Delano Weekes passed away at the age of 74 after a long illness. Mr. Weekes prior to his retirement was a member of Chauncey & Co. and Harvey Fiske & Co.

Joins James Ebert

(Special to THE FINANCIAL CHRONICLE)

BAKERSFIELD, Cal.—Richard O. Atkinson is now affiliated with James Ebert Co., 120 Chester Avenue. He was previously with King Merritt & Co., Inc.

Edward Volz Joins Rauscher, Pierce & Co.

Dingel, Halpern Appointed

SAN ANTONIO, Tex. — Rauscher, Pierce & Company, Inc., Milam Building, announce that Edward T. Volz, formerly head of Volz, Carswell & Company has become associated with them as manager of their Institutional and Dealer Sales Department. Mr. Volz is well-known in municipal circles, having entered the securities business in 1929 with Wachob-Bender Corporation, remaining with that firm as a Vice-President until his entry into the U. S. Navy during World War II. Shortly after termination of his military service, Mr. Volz joined First of Texas Corporation in San Antonio as Vice-President and sales manager, and, in 1948, organized Volz, Carswell & Company, which firm he headed until his recent affiliation with Rauscher, Pierce & Company.

Edward T. Volz

Edward F. Dingel has been appointed Sales Manager of the Corporate Department. With the exception of six years of military service during World War II, Mr. Dingel has been actively engaged in the securities business since his graduation from St. Mary's University in 1936.

Milton Halpern has been recently appointed Sales Manager of the Municipal Department. Mr. Halpern attended City College of New York and Pace Institute, after which he served five years in the Air Force during World War II. Since his return from military service, Mr. Halpern has been actively engaged in the municipal department of Rauscher, Pierce & Company.

Baron, Dwyer With Republic Investment

CHICAGO, Ill. — Stanley J. Baron has been elected Vice-President of Republic Investment Company, 231 South La Salle Street. Mr. Baron was formerly Cashier for Francis I. du Pont & Company, and prior thereto served in a similar capacity for Norris & Kenly and Dempsey & Company.

Donald Dwyer, formerly with Sincere & Company, has joined Republic Investment Company in the capacity of Assistant Cashier.

Simons, Linburn to Admit Zaidenberg

Simons, Linburn & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on August 7th will admit Milton C. Zaidenberg to partnership. Mr. Zaidenberg has been with the firm for many years and is co-manager of the underwriting department.

Oscar Gruss & Son To Be NYSE Member

Emanuel Gruss on August 7th will acquire the New York Stock Exchange membership and the firm of Oscar Gruss & Co., 150 Broadway, New York City, will become a member firm. Partners are Oscar Gruss and Emanuel Gruss.

To Be Exchange Member

H. Peter Rose will acquire the New York Stock Exchange membership of the late John F. Maynard, Jr. on August 7th.

Continued from first page

Dollar Devaluation and Sterling Convertibility

the Sterling Area. Britain's financial independence and economic future are at stake.

American aid in some form is taken for granted. But it is not expected to be big enough to offset the dollar deficits. To do so, the new trend of thought is that Multilateral Convertibility must be reestablished, international confidence in the respective currency and thereby national solvency restored. The owner of a pound sterling should be able to turn it into dollars — to use it everywhere.

The French are attacking the problem by trying to draw on their private gold hoards. The British idea is different and affects us more closely. What is "cooking" there was indicated to this writer by well-informed people at the time of his London visit last winter. It was brought into the open diplomatically, but unmistakably, in a speech delivered in Chicago on May 16 by the Labor Party's last Chancellor of the Exchequer, the Right Honorable Hugh Gaitskell.

Mr. Gaitskell's Viewpoint

Gaitskell is now the financial leader of Her Majesty's loyal opposition. He belongs to the moderate Attlee group, the foreign policy of which is identical with that of Churchill. He hopes to be back in the Treasury and is not prone to cheap demagoguery. In fact, when a responsible Britisher speaks abroad, and to Americans at that, he will choose his words as if he were in office. He would not want to commit a blunder that might disqualify him for future missions, to say nothing of possibly damaging his nation's bargaining position. Indeed, Gaitskell's speech carried the earmarks of the authoritative; it was distributed by the official British Information Services. In all likelihood, it was *cleared with the State Department* as well as with the Cabinet.

Whose responsibility is the world's dollar shortage, was Gaitskell's rhetorical question to start with. Not Britain's, was his answer, nor America's:

"I know that many people are inclined to think that it is all due to British incompetence or idleness or American greed and stupidity. The facts give no support to either view."

It is gratifying to learn that it is not America's greed or stupidity that causes the dollar gap. As to Britain, she is doing fine, the Right Honorable gentleman claims. Her national income "catches up" with ours. "Since prewar (British) production is up 40% and exports up 75%," both in physical volume. Yet the unfavorable dollar position persists, although—

". . . we (the British) are importing less in volume and exporting more than before the war, but prices have gone slightly against us and we have lost on invisible exports. Taken as a whole our deficit is not much larger than before the war (?). The *main causes of the Sterling Area deficit* as compared with prewar lie in the greater volume of dollar imports into the rest of the Sterling Area—especially India and South Africa—and in the fact that the *prices of two major Sterling Area materials have not risen* by nearly as much *as those of dollar commodities*. I refer to gold which is still bought and sold at its prewar dollar price and rubber which has risen, but apart from the exotic period of 1950 and 1951, by a comparatively small extent." (Emphasis curs.)

In short, there is nothing wrong with or in good old England. If the Sterling Area lost 55% of its gold and dollar reserve in 10 months' time, the blame is on India and South Africa rather than on the mother country, and on American reluctance to pay the right price for rubber and for gold.

Statistics Misleading

Incidentally, the ex-Chancellor's statistics are entirely misleading. What matters to Britain is not the volume of her exports in all directions; nor does their rise mean much without reference to the development of imports. For example, in the first quarter of this year compared with the same period of 1951, there was a 41% increase in U. K. exports to the Sterling Area, but only 13% more went to the Dollar Area; and dollar imports jumped by 63%!

The interesting point, however, is the reference to rubber and gold. If the trouble is due to the fact that their prices are not high enough, the remedy should be obvious, as we shall see presently.

Mr. Gaitskell's Remedy

"If we (the British) are aiming at convertibility, the plan should provide for a *steady outflow of gold from the U. S. A.* over a period of say ten years." In other words, convertibility presupposes a multi-billion gold reserve. On that, all British authorities agree. (In reality, while Britain was on the gold standard, a reserve of about $250 million used to suffice to carry London's short-term liabilities which ran as high as $2,500 million.)

Assuming that a huge gold reserve is essential: the only possible source is the U. S. There are several ways to draw the precious thing out of Uncle Sam's clutches. To step up American purchases abroad in order to turn America's perennially favorable balance of trade into a permanently unfavorable one, "should not be difficult," the Englishman tells us. But Gaitskell is apparently not too hopeful about that. And he considers the prospect of private capital flow in large volume out of the United States "rather remote." He applauds International Bank loans, M. S. A. economic aid, Point Four program and similar schemes, but does not regard them as "a satisfactory permanent basis for trade equilibrium" — because of "the hazards of renewal from year to year."

Dollar Devaluation!

What, then, is a satisfactory basis that would provide the gold with no year-to-year renewal strings attached? Gaitskell had two suggestions to offer; they represent British official thinking. One would be international—meaning American—price support for (the Empire's) raw materials; the other, Dollar Devaluation.

"As to the dollar price of gold (he said) I will say no more than that I think it merits reexamination, not because of the benefit an increase might be to the producing countries (contrary to what he said earlier!) but because of the effects it would have on the value of reserves in the rest of the world in relation to trade turnover. And whatever arguments there may be against this—and I can think of several myself—let us not suppose that the danger of inflation in the U. S. A. need be one of them. We have, all of us, surely ceased to suppose that the supply of money internally must depend on the value of gold reserves."

Needless to say, the objective in advocating dollar devaluation is two-fold: to raise the dollar revenues of the gold miners abroad; and to increase the (nominal) gold reserves of the world. On the second point, Gaitskell was not specific. But taken in its context, the proposal means patently; that devaluing the dollar would create by a mere stroke of the pen a fresh gold reserve (in dollar terms) which then could be given away at no sacrifice to this nation. No sacrifice, that is the point: Americans would incur no additional tax burden, and domestic prices need not rise at all. That is how simple it is—provided one has swallowed the Keynesian crackpot-economics and believes that money-tinkering has no effect on prices.

Deflation: The Great Bugaboo

Devaluation would serve a further purpose: to combat the coming depression—the favorite bugaboo of all Socialists. "There is some danger," Gaitskell warned, "that the balance of payments difficulties experienced by . . . Europe and the Sterling Area . . . will cause a general deflationary wave." Moreover—

"it is not the immediate future which seems to me to justify anxiety, but the situation which will develop as defense expenditure in the U. S. A. begins to flatten out and tail off. Will the present high rate of saving continue? Will Civil Investment expand sufficiently to take up the slack as defense orders drop? If there is insufficient demand at home, will the United States seek to expand exports still further? And failing this, will internal recession not produce once again a disproportionate fall in (American) imports?

"It is of supreme importance to the world not to allow a recession to develop in America. If the best way of preventing it is to increase American exports further, then this policy can only succeed *if additional dollars are made available over and above* what would be necessary in any case without the further increase in exports."

The Threat to U. S.

Through Gaitskell's argument runs like a red thread the double threat that unless we help Britain, she will have to resort to further import cuts which would hurt us; and that without giving away "additional dollars"—meaning billions of dollars—we would run into a depression. The choice is between putting them back in business at the price of devaluing the dollar, or courting a great Depression and letting a depressed world languish in the bilateral quagmire of trade clearings, foreign exchange controls, import quotas, etc. It never occurs to him—how could it?—that there is a third road open to Britain, the road Belgium has chosen successfully: to *disinflate* the domestic currency. But that would be deflation, a deadly crime in the Welfare State.

The shoe is on the other foot: it would be an economic and political crime to undertake another multi-billion rescue action for Britain—to say nothing of an arbitrary dollar devaluation—as long as she refuses to reform her domestic economy. With or without convertibility of the pound, a new shot-in-the-arm would merely provide a new respite, nothing more.

Fantastic as the British plan may sound, the menace that the dollar might be amputated for the sake of the pound must not be dismissed lightly. Mr. Gaitskell would not have cared to bring it into the open had he not been assured of a sympathetic attitude in high American places. Actually, rumors circulate in London (and in Canada) that at least one Presidential aspirant, a very outstanding one, has committed himself to the Plan: to devalue the dollar and to use the so-called devaluation profits for an allegedly last super-donation that would make it possible to restore the convertibility of the leading European currencies.

Note the coincidence of the Gaitskell speech with the latest idea of Paul G. Hoffman, former Marshall Plan chief and present campaign manager of Eisenhower: to revive the Marshall Plan in the form of a *permanent* Overseas Economic Administration. A congenial proposition to make foreign aid permanent was announced simultaneously by the World Bank: to create a new institution that would provide (American) capital for international ventures which are too risky for the Bretton Woods set-up.

A Trial Balloon?

Maybe, the Chicago speech was to test the American reaction to the idea of devaluing the dollar. If so, the result is negligible; there was practically no reaction. However, it would be a great mistake not to take the proposition seriously.

For one thing, the desperate position of the pound has to be borne in mind. It lives on a hand-to-mouth basis, dependent on the charity of America, the strained patience of the Sterling Club members, the whims of foreign exchange speculators, on the vagaries of raw material prices and of the so-called terms of trade. The British are really anxious to be brought out of this humiliating, extremely hazardous position that stymies their energies and disqualifies them as a major Power.

Yet, no policy can be pursued in the United Kingdom that would reduce taxes, lower costs and restore the domestic balance between production and consumption. The measures taken so far—raising the Bank of England's discount rate to 4%, moderately restricting credits, etc.—had to be ineffectual: the all-powerful Trade Unions would not permit them to go far enough in the deflationary direction. Therefore, no alternative seems to exist but the resort to American Aid on a colossal scale—at the expense of the dollar.

Would public opinion in this country, would a new President and Congress, stand for that?

Caveant consules: which was the Romans' warning to be prepared for danger.

Quincy Cass Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Norman M. Banks has been added to the staff of Quincy Cass Associates, 523 West Sixth Street, members of the Los Angeles Stock Exchange.

With Francis I. du Pont

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Vernon C. Badham has become associated with Francis I. du Pont & Co., 722 South Spring Street. He was formerly with Merrill Lynch, Pierce, Fenner & Beane.

First California Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph E. Brodine has been added to the staff of First California Company, Incorporated, 647 South Spring Street.

Three With Curtis Lipton

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Fred E. Fox, Francis H. Rogers and Jackson A. Wilcox are now connected with Curtis Lipton Co., 338 South Western Avenue.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Operating results of fire insurance companies which have published their statements for the first six months of the current year indicate substantial improvement in underwriting over the corresponding period of 1951.

In most instances those fire companies that reported an underwriting loss for the first half of last year have been able to show a profit in the current period. In other cases the underwriting gain is considerably larger than in 1951.

Among the casualty companies, operations have continued to be unsatisfactory although the underwriting losses in most cases are considerably below those of 1951.

One of the primary reasons for the improvement in fire underwriting this year is that operations have not had to absorb losses to the same extent as in 1951. Last year there was a large carry-over of losses from the catastrophic storms which swept the Northeast section of the Atlantic seaboard in November, 1950. The widespread damage to property from these storms was so extensive that loss claims continued to flow to insurance companies well into 1951.

This resulted in an usually large volume of losses in the first half of last year. As storm losses this year have been relatively modest, claims for this line of underwriting have been substantially below the first half of 1951. Thus, even though losses from some of the other fire lines are above last year, total losses so far are less than in 1951.

The reduction in losses has enabled the different companies to convert the underwriting losses or nominal profits of last year into sizable underwriting gains.

Concerning investment results, income from this source was generally higher. Yields on bonds averaged higher in the period and dividends on security holdings were well maintained. Some benefit was also obtained from having a larger volume of funds invested as a result of higher underwriting volume and reinvested earnings from operations of the past 12 months.

The overall result was a good gain in operations for the first half of 1952 as compared with the corresponding period of a year ago. Although taxes absorbed a part of the increase, final net income was higher.

Two of the major companies in the fire insurance field, The Continental Insurance Company and Fidelity-Phenix Fire Insurance Company, are usually among the first to publish their operating statements. As a means of illustrating some of the foregoing factors, the operating results of these two institutions for the first six months of 1952 compared with the similar period of 1951, are shown below.

	—Continental Insurance— Six Months Ended June 30 1952	1951	—Fidelity-Phenix— Six Months Ended June 30 1952	1951
Underwriting:	$	$	$	$
Premiums written	33,494,256	34,413,443	27,274,426	28,117,323
Increase in unearned premium reserve	1,557,282	2,791,213	970,380	2,005,842
Premiums earned	31,936,974	31,622,230	26,304,045	26,111,481
Losses incurred	16,011,412	17,440,845	13,330,961	15,027,179
Expenses incurred	14,237,885	13,872,368	11,169,001	11,235,051
	1,687,676	309,017	1,804,083	150,749*
Other profit and loss items (net)	----	----	93	----
Underwriting profit or loss*	1,687,676	309,017	1,804,176	150,749*
Investment:				
Int., divs. and rents	4,204,167	4,013,715	3,373,943	3,166,433
Expenses incurred	93,716	82,202	77,008	58,113
Net invest. income	4,110,451	3,913,513	3,296,935	3,108,320
Total Income	5,798,127	4,222,530	5,101,111	2,957,571
Prov. for Fed. Taxes	1,341,078	438,822	1,270,475	89,767
Net Income	4,457,049	3,783,708	3,830,636	2,867,804

*Denotes loss.

The above figures are for the parent organizations only and do not include operating results of subsidiaries except to the extent of dividends received.

Other fire companies will be issuing their operating statements in the weeks ahead. While experience may vary depending upon the particular organization, results for the industry are expected to conform to the general pattern outlined above.

Fusz-Schmelzle Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Richard S. Crawford has become associated with Fusz-Schmelzle & Co., Boatmen's Bank Building, members of the Midwest Stock Exchange.

R. S. Dickson Adds

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — Herbert R. Spaugh is now with R. S. Dickson & Co., Wilder Building.

Joins Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

WINSTON-SALEM, N. C.—John E. Setzer is now associated with Harris, Upham & Co., Pepper Building. He was previously with Thomson & McKinnon.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Max R. Klein is with Waddell & Reed, Inc., 1012 Baltimore Avenue.

Miss Allen Leaves on Mediterranean Tour

Marjorie E. Allen

Miss Marjorie E. Allen of Allen & Company, 30 Broad Street, New York City, is leaving today (July 31) by SwissAir for an extended tour of Switzerland, Italy, Spain and the Mediterranean, where she will visit Geneva, Milan, Naples, and other areas, "window-shopping" for investment situations of interest to American investors.

Bankers Offer Pa. Pow. & Lt. Co. 4.40% Pf. Stk.

The First Boston Corp. and Drexel & Co. head a group of investment banking firms which publicly offered on July 29 a new issue of 100,000 Pennsylvania Power & Light Co. 4.40% series cumulative preferred stock, $100 par value. The stock is priced at $100 per share. Redemption prices range from 106 up to and including July 1, 1957; at 104 thereafter and up to July 1, 1962, and at 102 thereafter.

Proceeds from the financing will be used to reimburse the company for construction expenditures made or to be made. For the three and one-half year period ending Dec. 31, 1955, the company estimates its construction requirements at $119,000,000 of which approximately one-half will be used for 257,500 kilowatts of additional generating capacity. Supplying electric service in central eastern Pennsylvania including the cities of Harrisburg, Allentown and Lancaster, the company has spent $140,370,000 in net additions to plant since Jan. 1, 1947. The aggregate name plate rating of the company's generating system now totals 675,962 kilowatts.

Serving a large class of important industrial customers as well as residential and rural customers, the company had operating revenues of $86,068,000 for the 12 months ended May 31, 1952, and net income before preferred dividend requirements of $13,077,000. The annual dividend requirement for all of the company's outstanding preferred stocks will be $3,101,000.

Carl C. Wakefield

Carl C. Wakefield of San Francisco passed away July 27th at the age of 52. Mr. Wakefield headed his own advertising agency, Carl C. Wakefield & Co. of San Francisco. In the past he was a financial editor of the "San Francisco Chronicle."

Continued from page 6

Business Leaders Voice Confidence in Future

most salesmen, and below the dignity of some department stores for that matter.

House-to-House Canvassing Effective

Some people feel that house-to-house canvassing or selling has gone out of style. But selling outside the store, and following up prospects, is still fashionable in some areas on the map. And these people who are willing to do hard selling seem to be the ones that are getting the business. The appliance industry was built on aggressive selling, looking for prospects, individual contact, and it may take that kind of selling again.

There are substantial inventories on refrigerators, ranges, washers, TV sets, to mention four key lines, at the manufacturing and wholesaling level, but these inventories are gradually being cut down by adjusting factory output and by restocking dealers with 1952 models. While the huge bulk of this year's promotion has been centered on 1951 carry-over merchandise at reduced prices, we are beginning to see more floor displays and selling promotion on 1952 models.

This means that appliance inventories in retail stores have been reduced to a point where stock investment in the average store is in proper relation to the number of stock turns required to run a profitable operation. The average buyer should be open to buy at this market.

We hear lots of conflicting statements about whether the discontinuance of Regulation W has helped the appliance business. There has been a tremendous pickup in sales throughout the South and we believe more liberal credit terms are helping to stimulate business. Its suspension was not a cure-all, but a low down payment or no payment at all, and monthly payments stretched over a longer period is making it possible for many people to buy the products which they need. Many of the Northern stores seem to be promoting liberal terms but actually get 10% down and arrange 18 to 24 months to pay.

Whatever happens in the steel industry will have a bearing on prices throughout the appliance industry. The prospects of higher cost of wages and materials will most likely stop any price reductions in the making at this time. As a general rule, most major appliance manufacturers will do their best to hold prices where they are today, and they would be reluctant to raise prices unless an increase is absolutely necessary. Prices on current merchandise will hold pretty firm. Certainly there are more prospects for them going up rather than going down.

Most furniture store owners and managers, and department store executives as well, who want to get in the appliance business in the right way, should take the time to visit the appliance exhibitors at this market and find out what is happening in the various major appliance fields.

Trade-Ins Essential

Take refrigerators, first. Whether the merchant likes it or not, trade-ins can no longer be dodged or ignored. The saturation of wired homes is almost 90%. About 65% of the refrigerators in use are less than five years old. A number of big stores are now running a safe and profitable trade-in business. A Trade-In Store or Department is a must in every major appliance operation.

In the laundry equipment field, the trend is toward automatic washers and dryers. In 1951 at least half of the laundry unit sales were automatic—and the retail dollar volume more than doubled that of conventional washers. A good trade-in operation enables a dealer to move automatic washers in the big-ticket bracket. The automatic washer business is improving and we look for a good year. It is not a seasonal business but our major activity starts at this time, or very soon. Only a relatively small number of major stores are getting their share of this billion dollar business.

In the past month or so, we have seen a marked improvement in the movement of electric ranges. The range market is more stable, with less price cutting, than any other major appliance line. The future of the electric range is great. Already, one out of every four wired homes is equipped with an electric range.

Promotion Needed

So we think that the answer for the rest of the year and probably for some time in the future is for the retailer to have a program of activity, a promotional program that will create activity and build traffic and create prospects for our type of goods.

In the first place, we have made quite a long study of the trade-in business, and we have worked with certain large retail accounts to test out various types of ideas of how to run a trade-in business profitably. And from that information we have published two books which cover the complete study. These publications are complete enough to help any retail account get in the business in the right way and a profitable way.

The appliance industry is style conscious, and we think that goods all the way along the line have been improving in styling, right through the years.

We do believe in color but we add color in accessories and on interior trims and things like that. It is quite a problem to think of going into color from a production angle, from a stock standpoint; if you have to have three or four colors, that adds to the investment of the retailer and all that. We doubt very much whether color is going to be used much in the future. We think color in the kitchen is going to be put in cabinets and floor coverings, outside of the equipment.

By JOHN E. MENZ

General Sales Manager, Kaiser Aluminum & Chemical Sales, Inc., Chicago, Ill.

Increasing Importance of Aluminum

Aluminum, one of our basic metals, is rapidly assuming an even greater place in our domestic economy than it has held in the past.

John E. Menz

Aluminum is becoming a key raw material for mass production. On a physical volume basis, it is second only to steel, and its annual usage is equal to that of copper and zinc combined, which are the next two leading contenders among the metals. Steel is still well in the lead, but up to now there has never been enough aluminum available to permit its use on a broad scale in the mass production markets. Today aluminum is on the threshold of a new era. It will soon be available in adequate quantities, for the first time in the industry's history. Since Korea, the aluminum industry has invested hundreds of millions of dollars in plants and equipment to expand the primary production of this versatile and all important metal. By the end of 1954, annual primary production will be almost double what it was in 1950.

Such action, that is, industry expansion, was taken to insure an adequate supply of aluminum for defense and defense supporting industries and to provide a continuing supply of aluminum to meet the expanding civilian demand for goods made wholly or partially of aluminum. It is anticipated that the total supply of this metal — domestic and imported, primary and scrap—will be in the neighborhood of 4.2 to 4.3 billions of pounds annually by 1954. This will be almost double the total industry supply for the year 1950, pre-Korea. We have to analyze that increase in capacity in the light of the fact that the industry increased its production four times over, between 1939 and 1945, so you can see there is eight-fold increase as compared with 1939 production capacity.

Growing Home Uses

As a basic raw material in the manufacture of consumer goods, aluminum is already a familiar metal to the American housewife. This is by no means an accident. For aluminum (and I use the term to include the entire family of aluminum alloys) has a unique combination of characteristics which makes it ideal for use in the home. Most readily apparent are aluminum's light weight and pleasing color. The metal does not rust and has high resistance to corrosion. It is non-toxic. It is an excellent conductor of heat and electricity. Although this may seem paradoxical, aluminum is also an excellent reflector of heat and light. It is susceptible to a variety of finishing treatment which are decorative as well as practical and enduring.

It is not strange, therefore, that aluminum serves an increasing number of uses in the home. Aluminum has added much to the comfort and convenience of modern living, and in the future will add even more. We in the industry know that only a beginning has been made.

Aluminum made its first entry into the household as a cooking utensil. Its high heat conductivity, non-toxicity, and freedom from rust make it the natural first choice for this use.

The Housewife's Friend

When appliance manufacturers realized that weight is not essential to the technique of ironing clothes, they eased the housewife's chore by equipping irons with lightweight aluminum sole plates. This resulted in better irons, too. Less time is required to heat them, heat distribution is more uniform, and no rust can stain the clothes.

In just two years' time, 1948 to 1950, the amount of aluminum used in household refrigerators increased by 50%. It is used almost universally in the evaporator unit, the heart of any refrigerator, because of aluminum's thermal conductivity. There are other reasons too. Among them are appearance, freedom from maintenance, cleanliness, compatibility with foods, and light weight. Ice cube trays, grids, shelving and food storage containers are also made of aluminum for the same reasons.

A relatively new consumer product is household foil. This is aluminum, rolled to a paper thin thickness and packaged in rolls like wax paper. This material has a wide variety of uses about the home. When household foil was introduced, public acceptance was immediate. Demand has far exceeded the supply of metal allocated for this use under the Controlled Materials Plan.

Vacuum cleaner manufacturers have long been customers of the aluminum industry. Vacuum cleaners are constantly lifted, carried and otherwise moved about in daily use. They are subject to constant abuse and normally receive maintenance only when they will not work. These service requirements call for a material which is light, strong and durable, and which takes and retains, without maintenance, an attractive finish.

Manufacturers of lighting fixtures, heat lamps, sun lamps, take advantage of still another characteristic of aluminum—its ability to reflect light and heat. By proper treatment during manufacture, a dense, hard surface can be applied to the metal which reflects a high percentage of incident radiation. This surface is extremely durable and retains its efficiency under severe conditions of service. The best reflectors are made of aluminum.

There are countless other uses of aluminum in the home. For use in and around the house are deep-freeze boxes, food wrappers, broilers, griddles, waffle grids, stoves, vacuum bottles, step ladders, clothes lines, clothes drying racks, wheel-barrows, garden tools, hand powered tools, sewing machines and furniture. For application on the home itself are aluminum window screens, storm windows, garage doors, mail boxes, T. V. antennas and aluminum awnings. More and more aluminum is being used in such home construction applications as electric wiring, insulation and roofing material, and so forth. And new uses appear on the market daily.

Makes Economic Sense

Aluminum is the choice of so many designers and manufacturers because it is light weight, has strength, freedom from maintenance and corrosion, compatibility with foods, good conductivity of heat and electricity. Add to these ease of manufacture and finishing. That is why using aluminum makes sound economic sense.

Since World War II, the price of aluminum has remained relatively stable while the price of other metals has steadily climbed to new highs. With the cost of competitive metals increasing so rapidly, aluminum is fast becoming a bargain material.

The outlook is bright for the future! As aluminum production is expanded and as material controls are relaxed, may new development projects will be undertaken with renewed vigor. Manufacturers, their parts suppliers and the aluminum producers will bring to the consuming public many new applications of aluminum which will result in new and enduring beauty, economy and utility in the goods which are marketed. We in the aluminum industry are confident that aluminum will make an even greater and more versatile contribution to the products of the future.

Aluminum has not been used to any great degree in kitchen-dinette furniture. It is entirely practical. Some place in the future it shall be. Our industry has operated under one tremendous handicap; that is, we have never had production capacity through the years to be able to meet demands for metal. As a result, much of the development work which has been undertaken has not resulted in actual production volume of the items that have been worked on. You probably have seen quite a good deal of aluminum furniture.

And you probably have seen office furniture and furniture that is used in convention halls made from aluminum tubing, welded together, which makes a light and durable chair and in the judgment of many, a very attractive chair. There is no reason why aluminum will not some day in the future be used for this purpose more extensively. It may be a matter of esthetics and a question of education to accept aluminum as furniture for the dinette or dining room, but it is an entirely practical thing.

Electric Wiring

Aluminum electric wiring for the house is approved by the Fire Underwriters Laboratories. Some homes can be wired with aluminum wiring. Aluminum has a conductivity of electricity only about 60% of that of copper for the same cross sectional area. However, aluminum weighs less, about a third of copper. So with about half of the weight, you can get the same conductivity with aluminum that you get with copper, and when you consider the cost of aluminum, which sells for 18¢ a pound in the raw state, and copper around 25¢ a pound, the relative cost brings aluminum far ahead from the standpoint of economy. Very little aluminum has been used in house wiring to date. Our promotional effort of any magnitude has not been made up to this point.

Just by way of illustration, to show what the potentialities are, copper formerly was used for most of your transmission lines running across the country. Today about 90% of the transmission lines built involve aluminum. Up until very recently copper was the universal choice for secondary distribution; that is, wires you see running down the alleys within the cities, and aluminum today has taken a good segment of that market. We feel that in the future aluminum will take a good portion of the market for home wiring applications, which is a substantial market. Virtually all of it today is copper, but the economists are in favor of aluminum, and we think that is going to be the trend in the future, and we certainly are making our plans on that basis.

By STEELE WINTERER

President, A. & M. Karagheusian, Inc., New York City

Corrective Forces in Carpets Effective

A year and a half ago, the carpet industry entered a difficult period in its history. At the January market in 1951, retailers and distributors, generally, were speculating on inventories, and manufacturers in their zeal to not miss any of the act, were over-producing and scrambling for raw materials in the world markets. At that time there was a lot of international bidding going on for one raw material, namely wool, and as a result wool prices skyrocketed to unheard of heights. The combination of high prices, over-buying, and over-production created an impossible situation that became recognizable to even the blindest in March 1951. Markets were glutted with high cost goods and the consumer buying wave subsided.

Steele Winterer

As is customary in our economy, corrective forces went to work and have now been working for 15 months with results both good and bad. Good in the sense that excessive inventories have been reduced, but bad in that all the products of this industry have been made to appear to the consumer as so many pounds of cotton, wool, and jute rather than what they really are — products of style with a definite contribution to make to a home.

It's no use blaming any single factor in the industry for the over-indulgence or the corrective measures that took place. Manufacturers have been contributing to the confusion by liquidating drops and excessive inventories. Retailers, particularly those who over-bought, started their famous 50 - and - 60 - off advertising and although it is no longer effective, a lot of them don't know how to stop it.

All of this in the last 15 months has left an inescapable conclusion in the consumer's mind that carpet is something you scout around for as a bargain or you don't buy it at all. These corrective forces have run their course. Carpet wools apparently reached bottom a month ago and since that time have turned up in price. Other raw materials show the same trend. The effect of these corrective forces has been to reduce the price of carpets and rugs at wholesale from 30 to 35% from the peak and these savings are being passed on to consumers. The industry for all practical purposes has wiped out the entire Korean inflationary bulge. Few industries have shown such an adjustment in the past year.

Best Dollar Investment

As of this market we are entering a new era where wool and blended carpets are priced at real value levels. Inventories are no longer extreme and once again we can start forward to assume our rightful position of selling beautifully styled carpets to the many American homes that need them. The carpet industry is producing the widest range of fibres, fabrics, colors, weaves and patterns in its history.

There is a carpet for every purpose. The values offered consumers in terms of today's budget dollar, and in relation to such basic things as food, clothing, and shelter, make carpet one of the best dollar investments today. Retailers know that April housing starts were 108,000—a rate that is well in excess of 1,000,000 a year —and they also know that this and the replacement market is theirs if they are willing to make the effort.

So, equipped with new and exciting fabrics — with our inflationary price structure behind us —this industry stands ready again to furnish the hundreds of thousands of American homes needing new carpet with excellent values and topflight style.

Our experience this spring has been one where our better grade merchandise has sold best. Again, I think that is a reflection of the rural communities and the smaller communities, where people usually buy quality, and quality above all else. Our experience right now is that we would have difficulty delivering some of our best styled and highest quality products. It would be as much as six weeks to two months delay on some of them.

Man-Made Fibres Permanent

The lower cost of wool carpets will not appreciably slow down the sale of man-made fibre carpets for the simple reason that the carpet wools all come from foreign countries. The supply of carpet wools, without China, is a limited product. There is so much speculation and monkey business going on with carpet wools that is just doesn't stay still a minute.

Man-made fibres are here to stay in the industry, and their use, and the knowledge of their use is going to increase month by month, and their acceptance will grow month by month as we move along. One-quarter of the whole production of man-made fibres is contained in the carpet industry.

Among the largest selling man-made fibres, viscose rayon is the top one; acetate is in number two position and we have other fibres, such as nylon. Nylon is in about number three position. Nylon, unfortunately, is extremely expensive. There are a lot of experiments going on with many other fibres. Whenever you read of a new fibre, I can guarantee it has been in the carpet mill or several carpet mills for sometime before it got into clothes or anything else. We are trying them all.

The cotton industry is largely what we call a needle industry. Very little cotton carpet is made on the traditional carpet loom. Many of the manufacturers of cotton carpets are located in the South, and those are a tufting operation. It is an adaptation of the bedspread tufting type of operation, and I believe the yardage figures last year got up to a little over half of the yardage figures of the traditional carpet industry.

By W. E. S. GRISWOLD, JR. President, W. & J. Sloane, New York City

Customers' Psychological Blocks Chief Business Deterrent.

Buying is quite normal in terms of conditions today, which means that shopping is very careful. We expect that the fall, 1952 selling season is going to be reasonably good, better than 1951, but certainly no runaway and no great bulge of business.

W. E. S. Griswold, Jr

Business has been improving and we feel that conditions will continue to maintain a good, steady foundation and will improve and will go into a good successful season.

Our analysis of the business during the last few months is, of course, apparently the reaction to the Korean bulge of 1951, but more recently, mainly because of purely psychological reasons. There are many uncertainties in every field of politics, and economics, and war, and everything is uncertain. We think that retail consumers have felt that this is not the time to buy. It is a very contradictory situation, because even the Federal Reserve Board survey pointed out that six out of every ten people they talked to in January and February felt that prices were going up; but only one person out of ten felt that it was a good time to buy. It is an absolute contradiction.

It is, therefore, a psychological situation, and in terms of future business we will have to stimulate desire and interest. The potential is good, the financial situation of customers is excellent. I don't believe it has ever been better, but we do have to break down the psychological blocks that do exist and create an interest and desire and demand for merchandise.

This market sets an all-time high for interest in the home furnishings merchandise.

Joins Walter J. Hood

(Special to The Financial Chronicle)

PORTLAND, Maine—Frederick E. Tripp has become associated with Walter J. Hood Co., 415 Congress Street. He was formerly with J. Arthur Warner & Co.

Chalmers Wood

Chalmers Wood, partner of Johnson & Wood, New York City, passed away at the age of 68 following a heart attack. Mr. Wood had been a member of the New York Stock Exchange for over forty years.

Fernand Paternotte With Glore, Forgan

CHICAGO, Ill. — Fernand Paternotte, for the past 17 years Manager of the Wisconsin Investment Company, will become associated on Aug. 1 with Glore, Forgan & Co., 135 South La Salle Street, as Manager of the firm's Investment Advisory Department. At the same time, Glore, Forgan & Co. is entering into a contract as investment advisors for the Wisconsin Investment Company. In his new position with Glore, Forgan & Co., Mr. Paternotte will therefore continue to render advisory services to the Milwaukee investment trust.

Fernand Paternotte was born and educated in Belgium and became an American citizen in 1927. Early in his business career he associated himself with steamship, export and import activities. In 1926, he entered the securities field in New York, and held positions of responsibility with several long established investment firms. Since 1935, he has been Secretary-Treasurer and Manager of Wisconsin Investment Company. In this capacity he achieved a singularly successful record as a portfolio manager. For some years, Mr. Paternotte has also handled individual accounts as a registered investment advisor.

Mr. Paternotte's association will place him in charge of the Investment Advisory Department of Glore, Forgan & Co., nationally known securities underwriting firm. This department was started in 1937 and renders advisory and custodian services to individuals, institutions and trusts on a fee basis. Glore, Forgan & Co. is also a member of the New York and Midwest Stock Exchanges and the New York Curb Exchange.

Beaver Lodge Oil Stock at $2¾ per Sh.

An issue of 75,000 shares of common stock (par $1) of Beaver Lodge Oil Corp. was offered publicly on July 24 at $2.75 per share by Beer & Co. and Harold S. Stewart & Co.

The net proceeds from the sale of this stock, together with funds to be secured from production loans from banks, are to be used for the development of the Beaver Lodge company's San Juan Basin gas properties in New Mexico.

The company's properties consist of two principal groups, viz: (1) leasehold interests covering proven and undeveloped gas acreage in the Blanco Field of the San Juan Basin in northwestern New Mexico; and (2) undeveloped royalty and leasehold interests covering acreage in the Williston Basin in North Dakota, some of which interests are proven for oil and some of which are unproven.

With H. L. Robbins Co.

(Special to The Financial Chronicle)

WORCESTER, Mass. — Hyman A. Skiest is now with H. L. Robbins & Co., Inc., 40 Pearl Street.

With McPherson & Co.

(Special to The Financial Chronicle)

HOWELL, Mich.—Roy D. Risdon is now connected with McPherson & Company, 105 West Grand River Avenue.

Joins Beardslee Talbot

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Esther C. Talbot is now associated with Beardslee-Talbot Company, Minnesota Federal Building.

With Waddell & Reed

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Helmer E. Sjoquist is now with Waddell & Reed, Inc.

Canadian Securities

By WILLIAM J. McKAY

The proposed formation in Canada of a retail and mail order branch, by Sears, Roebuck & Co. of Chicago, in combination with Simpsons, Ltd., a large retail merchandising organization, is merely a continuation of a phase of expansion of United States capital into the Dominion's area. For many decades American manufacturers have established factories and branches in Canada, the main purpose being, of course, to reach the Canadian market by avoiding the tariff duties levied by the Canadian Government. But the latest venture along these lines in the retail merchandizing field has a peculiar significance in that it is proposed as a joint venture with an already well known and established Canadian concern. The venture is to be carried out by the formation of a new company to be called the Simpsons-Sears, Ltd. As of Jan. 7, 1953, the new company will purchase the Simpson Mail Order, Agency and Order Office business. This company will be 50% owned by Simpsons, Ltd., and 50% by Sears, Roebuck.

The announcement of the new organization, issued jointly by Gen. Robert E. Wood, Chairman of Sears, Roebuck & Co., and Charles L. Burton, Chairman of Simpsons, Ltd., made no mention of financial terms. It culminated many months of speculation.

The venture brings together the largest department store corporation in the United States and one of the largest in Canada. The management and personnel of Simpsons-Sears, Ltd., will be distinctively Canadian with Edgar G. Burton as President and chief executive officer.

Mr. Burton, terming the development unique in Canadian merchandising history, made the following statement in connection with the transaction:

"Formal approval of the sale of the Simpsons Mail Order, Agency and Order Office business to the new Simpsons-Sears, Ltd., will be asked of Simpsons, Ltd. shareholders as soon as the formal documents are completed. After such approval, the business of Simpsons, Ltd., will consist of its five large department stores in Toronto, Montreal, London, Regina and Halifax, as well as a half-interest in Simpsons-Sears, Ltd.

"While this new development does not involve any change in the present management or control of Simpsons, Ltd., it will bring to the long-established Simpson Department stores important new merchandising advantages."

Mr. Burton added that the completion of the transaction will make it possible for Simpsons, Ltd. to simplify and improve its capital structure.

"When the formal agreement is ratified by the shareholders," he said, "it is contemplated that all of the existing bonds and preferred shares of Simpsons, Ltd., will be called for redemption, and subsequently the capital of the company will consist of funded obligations and common stock."

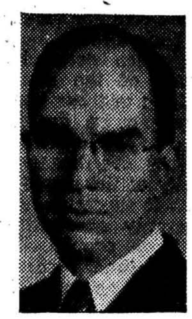
It is estimated that more than 85% of the goods to be sold by the new company will be made in Canada. Construction of the new retail stores will commence as soon as steel permits are available.

Simpsons, located in Montreal, has for 80 years been an outstanding retail merchandizing concern, and has been operated without participation of American capital or American interests. Today, the Canadian department store employs 16,000 persons with its 1951 earnings amounting to $3,014,941.

Sears, Roebuck, on the other hand, operated 674 retail stores—mostly in the United States—479 order offices and 11 mail order plants. Its net sales in 1951 were $2,700,000,000, but they will bulk higher this year.

Additional and rival organizations, such as the new Sears-Simpsons combination, may be expected in view of the expanding Canadian merchandizing markets. Only recently it was announced by Dr. Allen B. Du Mont, President of the Du Mont Laboratories in Clifton, N. J., that the company has formed a Canadian subsidiary, to be known as the Du Mont Television and Electronics, Ltd., for the purpose of effecting licensing agreements with Canadian manufacturing organizations for the manufacture of Du Mont products throughout Canada.

Harold Young Director



Harold H. Young

Harold H. Young, partner of Eastman, Dillon & Co., of New York City, has been elected a director of Commonwealth Telephone Co. of Dallas, Pennsylvania. This company is one of the Sordoni Enterprises, headed by Andrew J. Sordoni of Wilkes-Barre, Secretary of Commerce for the State of Pennsylvania.

Sunflower State Oil Stock at $1 per Share

An issue of 300,000 shares of common stock (par 10 cents) of Sunflower State Oil Co., Inc., was publicly offered on July 30 by Israel & Co., New York, at $1 per share "as a speculation."

The net proceeds will be used for Sunflower's drilling program.

Continued from page 3

Arbitrage in the Corporate Bond Market

some time after the expiration date of the rights.

Convertible Bond Price Factors

There are various factors which determine the price of a convertible bond. The most important factor is the same factor existing in a regular bond; namely, the investment value, credit standing of the corporation, the coupon rate, and maturity date.

The second price determinant is the conversion privilege. For example, a stock may be selling at $100 per share. Bonds are offered to stockholders at par convertible into stock at $105 per share. If the investment value is near the par level, the conversion feature is very attractive; namely, if the stock went up 5 or 6 points in value, then the conversion factor would immediately be taken into account in the market value of the bonds, and they would then start acting marketwise more in line with the common stock rather than as a bond issue.

Another price determinant is the attitude of the stockholder in subscribing to these bonds. An elementary price determinant, which I haven't mentioned, is naturally supply and demand and if the majority of the rights holders do not wish to subscribe, you have a large supply of rights which means a large supply of bonds, and this is at times a market deterrent as far as price is concerned.

Another price determinant is the market price of other issues of the same corporation. If a corporation has a high credit standing in the financial field, convertible bonds are very attractive because a purchaser receives two incentives; namely, one, investment, and, two, a call or an option to subscribe to stock somewhat above the market, and this option runs for a fairly long period of time.

The last price determinant is the amount of credit available by banks in the form of loans to the prospective buyers to finance the purchase of these bonds. Not all bonds are purchased for cash, as you know. A great number are purchased on a borrow basis where a bank is willing to lend anywhere from 75% to 90% of the market value of the bonds to the purchasers. At the present time, banks are quite willing to do that and receive anywhere from 2½ to 3½% interest return on their money, and they have little risk as far as the loan is concerned, as they lend only a maximum of 90% of the bond value.

Another form of credit which has recently been innovated has been the Federal Reserve System rule that in order to enable corporations to carry out capital expansion, a right holder need only put up 25% of the subscription price to exercise his privilege. Under ordinary margin regulations, you must put up 75% of the price, while right holders who exercise the privilege need only put up 25%.

The New A T & T Issue

An example of this operation at the present time is the new American Telephone and Telegraph issue. These bonds are not underwritten and past issues have never been underwritten due to the well-known financial status of American Telephone.

They are 3½% bonds due in 1964, not secured by any mortgage, being issued in the principal amount of $500 million. A holder of the stock receives the right to subscribe to $100 principal amount of bonds at 100% for every seven shares held.

The bonds are convertible after Sept. 30, 1952, into one share of stock, which is currently selling at $154 for each $100 bond held, upon an additional cash payment of $36 per share; so, in effect, the conversion price is $136.

Forgetting about the investment value of the bonds, you can see that with the stock selling at $154 with a conversion price of $136, the bonds are worth approximately $118, which gives the right holder a valuable privilege.

The bonds sell at 115½, not at 118, which is on arbitrage parity, because of dividend and interest adjustment, which must be made between now and the end of September; namely, the bond only pays at the rate of 3½% per annum and the stock pays $9. Therefore, the sale of the stock today incurs at the rate of $9 per annum dividend loss, while you only pick up 3½% interest profit.

This is not the first issue sold by the Telephone Company in this manner. There were five previous issues ranging from 2¾% coupons to 3⅜% coupons and maturity dates ranging from 1957 to 1963. Conversion prices of these bonds range from $138 a share to $146 per share.

The effect of arbitraging on these bonds has been substantial ever since their issue. In fact, as of a year ago, $648 million of these bonds were outstanding and just a year later, the amount outstanding has been reduced to $315 million, which means that $330 odd million of these bonds have been converted into stock.

In that conversion, the Telephone Company has picked up an additional amount of cash averaging about 40% or some $130 million additional funds due to the fact that the converter in presenting his bond must pay cash to the company at the same time.

The operation that has reduced these bonds in such substantial principal amount has been in part by conversion by the bondholder in order to receive the larger return; namely anywhere from 2¾ to 3⅜% into a stock that pays 9%. But the majority of conversions have been affected by the arbitrageur by purchasing bonds in the open market and the sale of stock simultaneously in the market.

Pressure on Stocks

The effect pricewise on this operation is a continuous pressure of selling on the stock. High grade utility common stock yields in the last three years as shown by Reis & Chandler, Utility Consultants, have declined from about a 6% yield basis down to 5.35%. However, the pressure of additional stock created by the conversion of Telephone bonds has caused a comparatively narrow price range in the stock, between 147 and 163 in the last three-year period, and the yield has ranged between 6½% and 5½% and presently is 5.85%.

On a straight statistical comparative basis, American Telephone appears under priced compared to other issues. However, this continuous increase in equity capitalization and resultant dilution of earnings per share has been an effective deterrent in keeping the price of the stock down.

In addition to that, this new issue of $500 million has created additional selling of the stock, but peculiarly enough, the public has been such susbtantial buyers of the Telephone stock on an investment basis, that this new stock has been readily absorbed in the market. The new 3½% issue started trading the middle of last month and arbitraging has been continuously taking place. Nevertheless, the range on American Telephone stock has been less than one-half of a point in that time.

The second type of convertible bond issue is that sold directly by the issuer via underwriters to the public. The market pressure and arbitrage pressure is less than in the type issue sold via rights. The reason for this is that the underwriters form a large group of investment bankers who know in advance the principal amount of bonds allocated to each and the issue usually is largely sold as of the day of the offer.

The price of these convertible bonds is determined by the same factors that determine the price of convertible bonds sold via rights; namely, investment value, credit standing of the corporation, amount of credit available, conversion privilege and general stock market sentiment at the time. The only factor not affecting the bonds, as I said before, is the pressure of the rights in the open market.

Dow Chemical Underwriting

An example of a convertible bond sold via underwriters a couple of weeks ago is the Dow Chemical 3% bond due in 1982, principal amount $100 million, sold at 101½ via a large group of underwriters. While the stock sells at $118 a share, the conversion feature is at $150 a share; namely, a bondholder does not have any opportunity to profitably convert his bond unless the stock goes above $150. For this reason there was no arbitrage effect on the stock at all due to the large premium in the conversion feature over stock market price existing at the time.

I thought it might be interesting to give comparisons as to why convertible bonds sell at different levels. American Telephone 3½s, one issue which I mentioned to you, rate about a 2.85% investment value, which is 106½ for the bond, yet the bonds sell at 115½, which is on a straight conversion basis. Now, the reason the market does not place any permium over conversion on this issue is, firstly, there were many previous issues of the same type. The investment market is somewhat saturated with these bonds. The name is American Telephone and while it is a prime name in the investment field, portfolios must be diversified and investment trusts, insurance companies, individuals, banks and estates have just about as many Telephone bonds as their portfolios can justify. Therefore, you do not have any premium on the bond over conversion price.

The next reason is the large size of the issue—500 million of new bonds on top of approximately $300 million of similar type issues act as an economic over-supply of bonds, and, therefore, the main price support is the stock.

Houston Lighting Convertibles

Another issue just sold via rights is Houston Lighting, 3¼% bonds due in 1967. The bonds have an investment value of approximately 3% which is 103½ for the bonds on a straight investment basis. The bonds are convertible after July 1, 1953 for a two-year period into stock at $17½ a share. The stock sells at $21, which after making an adjustment for interest and dividends gives the bonds a conversion value of 114½ as against an investment value of 103½ yet the bonds sell at 116 on the open market.

In the previous example I gave of the Telephone Company, the bonds sell at no premium, yet here the Houstons sell at higher than a valuable conversion feature justifies. The reason for this is it is a new issue of this corporation. There is no similar bond outstanding. It is a new piece of merchandise, if I may put it that way, for the investment fraternity and it is much smaller in size. Therefore, these are important market factors in terms of premium.

Another reason is the difference in territory. American Telephone operates pretty much throughout the country, while Houston Lighting's operation is confined to the Houston, Texas area, which has shown greater expansion in the last 10 years and this expansion has led to a rapid increase in earnings per share of common stock, has caused two split-ups in the common stock, and logically has a bullish sentiment on the stock marketwise. This past performance of the stock is one of the factors that causes investors to be willing to pay a premium over conversion value for the bonds—the likelihood that the dividends might be further increased in the future adds romance to the issue while in the case of American Telephone, the dividend of $9 per share has been unchanged for some 30 years.

Dow in Growth Industry

The third example as to price factor is the Dow Chemicals, which I previously mentioned. The investment value of Dow's of approximately 3.15% is 97 for the bonds. The bonds were offered to the public at 101½ and immediately went to a premium, selling at 102½, which is 5½ points or roughly 6% above the investment value. The stock sells at 118, yet the conversion price is $150, which is far above the market price of the stock. Yet the reason for the conversion premium here is the nature of the industry. The two previous examples are utility bonds, which do not have the dynamic growth features of a chemical company. Dow's plant capacity is probably five times that of 10 years ago. The outlook is for further expansion of earnings and even though the conversion privilege is far above the market, investors are willing to pay the 6% premium to have a long-term call on the common stock, in effect a call on the most popular growth industry in the United States.

As I said before, this sale of bonds had no effect on the price of the stock in view of the fact that the stock was selling substantially below conversion price. The arbitrage transaction in Telephone securities, which is a purchase of rights and a sale of bonds or the purchase of convertible bonds and the sale of stock, have a direct market influence.

Partial Arbitrage

There is another type of arbitrage which is not generally practiced but is sometimes very effective and is known as a partial arbitrage. The reason for a partial arbitrage is that it gives protection to long positions in securities if a holder is bullish; and at the same time affords protection and gives opportunities in a bear market for profit.

The Houston 3¼s, which I mentioned before, might be placed in this category. The mathematical operation is as follows: A $1,000 Houston bond is convertible into approximately 57 shares of stock. If one buys a bond at 116, which is a cost of $1,160, and only sells half the stock in the market, namely, 28 shares, he receives $560. He is then the theoretical owner of another 29 shares of stock, if he wishes to convert. If he does not wish to convert, he is short 28 shares of stock that he sold.

Here is what happens if you have a strong market in a position of that type: Assuming that Houston Lighting went to $30 a share, the holder of this position could then sell the remaining 29 shares of stock, which he has not yet sold, at $30, receives $870 plus his original sales price, which would give him a total sale proceeds of $1,430, while the original cost of the bond was $1,160. We would have a profit of $270 on the operation.

With this identically same position in a weak market, he might also realize a profit. Assume that Houston Lighting sells at $13 per share. The short position of 28 shares is covered at $13 a share or a total cost of $364, while the original sale was made at $560, showing a profit of $196. The one bond at a cost of $1,160 is sold at its investment value of 103% or a loss of $130. Therefore, a net profit of $66 is realized despite a declining market both in the stock and in the bonds.

Reorganization Bonds

The third category of corporate bonds that are affected by an arbitrage transaction are bonds related to a reorganization plan. The old bonds in existence that are subject to the terms of a reorganization plan invariably receive a different type of new securities than the old bond itself represents.

These bonds usually act separate and distinct from the general corporate bond market because they no longer consist of one unit, but their value is determined by the component parts of the various units receivable under the plan of reorganization.

Prior to the receipt of these new securities, trading takes place usually in the over-the-counter market in the form of "when issued" contracts entered into between the buyer and the seller where the seller contracts to deliver to the buyer a specific number of shares or a specific principal amount of bonds at a set price as of the date of issue of these new securities, when, as and if the plan is consummated. If the plan is not consummated, contracts are cancelled and all obligations under "when issued" contracts are cancelled.

The price of the "when issued" security, which directly affects the old bond, is determined by many factors. The price of the new bond is determined by its relative investment value, conversion features that are also present in some cases in the new bonds, and the new stocks pricewise are determined by investment and speculative sentiment existing at the time the trading starts, outlook for earnings and the probability or improbability of their ever coming into existence.

Legal Delays

There are various legal phases that must be gone through before final consummation of the plans. Ordinarily, reorganization plans are promulgated when the outlook for earnings is good so that a major portion of the security holders that must approve the plan of reorganization are optimistic for the outlook for securities to be received.

This very background usually leads to a gradual price rise in the "when issued" securities from the time of their inception to the time of final consummation of the plan.

When these "when issued" securities start trading, they are priced on a comparative basis with other securities in the same industry, but sell at a discount from comparative value due to the possibility of the plan never being consummated and the indefinite time element of such consummation.

There are various legal steps that must be accomplished, for example, in a railroad reorganization: Number one, agreement by the majority of the groups of large security holders of the plan itself, submission to a Government agency, namely the Interstate Commerce Commission, approval by the ICC of the plan, presentation of the plan to the Federal Court for approval, then voting by the security holders, then confirmation of the plan by the same Federal Court. Objectors have a right to appeal before the ICC, the Federal Court, the Circuit Court of Appeals and the Supreme Court of the United States, which sometimes takes two or three years. During this time as the plan progresses, there is usually a direct market influence on the new securities and these fluctuations of the new securities via arbitrage transactions are reflected in the prices of the old corporate bonds.

The old corporate bonds sell invariably at a discount from the value based upon "when issued" markets due to the time element and the possibility that the plan may not be consummated. But as time goes on and it is more likely that the plan will go through, this discount from true value disappears so that on the actual day of consummation, they are selling on a parity basis.

The Missouri Pacific Case

There is one major case pending at the present time as an illustration, Missouri Pacific Railroad. The Road has been in bankruptcy since the early 30's. A plan was approved by the ICC in the early 40's, went through the courts, "when issued" trading had taken place. The bonds started going up based upon "when issued" arbitrage in the new securities. Finally, the plan was remanded to the ICC for revision due to changed economic conditions caused by the war. The plan was finally cancelled. The immediate effect of such cancellation was the voiding of the "when issued" contracts and a temporary drop in the price of the old corporate bonds.

Another plan of reorganization was promulgated by security holders and approved by the ICC in 1949.

The status of the plan today is that the ICC approved the plan. It went to the Federal Court for approval where it was approved. Balloting took place amongst the bondholders and the preferred stockholders. The common stockholders were wiped out and could not vote. The balloting was in favor of the plan and the court confirmed the plan.

During this time, "when issued" trading had started in the new securities proposed under the plan, namely, new first mortgage bonds, new income bonds, preferred stock and common stock.

The plan was appealed through the Supreme Court, and upheld. Nevertheless other legal obstacles are being thrown in the way of consummation of the plan. Charges of fraud in the counting of the ballots have been made by the Robert Young interests who hold mainly common stock which receives no treatment under the plan. Also the ICC is examining "changed economic conditions" to determine if a plan change is warranted.

In fact, only a short time ago, Supreme Court Justice Frankfurter castigated the plan, even though he was not acting with regard to a pending proceeding, pointing out the unfair aspects of wiping out a large group of security holders, namely, the common stock, even though common stock earnings had been substantial for the last ten years.

One of the bond issues, for example, is Mop general 4% bonds which sell for 106 in the market, and receive approximately 16 shares of preferred stock under the proposed plan. Preferred stock is traded "when issued" over the counter and sells at $80 per share.

On a statistical basis, the stock carries 5% cumulative preferred dividend from 1948, so there are roughly $25 per share included in that price of $80, which gives an effective price of 55 ex the accumulation, which is substantially below its real value in relation to other railroad preferreds.

The reason for this price disparity is doubt regarding the consummation of the plan. This price of $80 is reflected in the price of the general 4's of 106, which on an arbitrage basis are worth about 22 points more, or about 128. But if the new preferred were more in line with true value, these old bonds would probably be worth between 135 and 140.

The risks in buying the old bonds are obvious, namely, the delayed consummation, possible change in earnings before consummation, and the fact that it might never be consummated at all.

Based on past performance, we have the benefit of hindsight in making these predictions.

Erie vs. New York Central

Some 10 years ago, the Erie Railroad reorganized. They had a refunding 5% issue that received a small percentage of income bonds, a small amount of preferred and a large amount of common stock which started trading over the counter at around $3 per share.

These "when issued" stocks are not generally known in the investment or speculative fields throughout the country, and, therefore, sell at a fairly low price in comparison with other like issues.

A statistical analysis was made at that time of Erie selling at $3 and New York Central selling at $12, and it appeared a clear-cut case of Erie being worth as much as New York Central selling at $12 a share. Both railroads operate in pretty much the same area although Erie is a much smaller road. Erie is primarily a freight railroad, which is bullish, while New York Central does a substantial passenger business which is at times unprofitable. Their past earnings fluctuated pretty much in the same manner.

The recommendations made to the holders of New York Central were to sell their stock and buy four times the amount of Erie common. That recommendation became pretty general and caused a switch out of Central. This switch and straight buying caused a strengthening in price of Erie which flowed over to the Erie refunding 5% issue. The plan was consummated and ever since Erie has gone over the price of Central. Today Erie sells at $21 and New York Central sells at $19. So, in effect, it has crossed the price of Central, and the man who made the swap now owns three shares of Erie at no cost in addition to having two points more profit on one share of Erie against Central.

Another type of bond is a new bond issued in connection with a reorganization plan, which is also convertible into a new security, convertible on terms similar to the example of the Telephone Company or Dow Chemical, except the conversion is far away from the market at the time of issuance. If earnings improve sufficiently, the conversion privilege does come into value.

New York-New Haven Situation

An example is the New York-New Haven 4½% income bonds, which started trading in 1947, issued in exchange for old securities of the New Haven, which was in bankruptcy. New first mortgage bonds were issued, income bonds, preferred and common. At the time, the preferred sold at around $18 a share, the income bonds around 30, and each $100 income bond was and still is convertible into one share of preferred stock.

At the time of issuance, the conversion feature had no value and was largely ignored marketwise. Due to the changed earning picture of the New Haven Railroad, only two weeks ago, New Haven incomes sold at 57½ and preferred stock sold at 57, practically on straight conversion. Now, the arbitrageur aware of this situation could go short of New Haven preferred at 57 and buy New Haven incomes at 57½. If we continue in a strong market, the loss is limited to a half of a point.

Yet if the market went down so that the semi-investment value of New Haven incomes came into play in valuing the bonds, while the preferred stock sold off based upon bearish speculative sentiments, you see you would have a profit on the short side of the preferred and a smaller loss on the long side of the bonds. Only on Friday (July 18), the preferred sold at 55½ while the bonds stayed at 57, an immediate spreading of price relationship.

Norfolk Southern Income 5s

Another example is that of Norfolk Southern income 5s, which were issued in the early '40s, convertible into 40 shares of stock for each thousand dollar bond. The bonds sold for about 25 and the stock for 1½. The conversion feature had no value. But as of today, due to a rehabilitation of the road and the upward earnings, the entire bond issue has been called for redemption at par. The stock sells at $35 which is approximately 140% for bonds and practically all the bonds will be converted into stock. No bonds will be presented for cash payment due to the present value given to the conversion feature.

Here is an example of a corporation being able to retire a debt without the payment of any cash from its treasury due to the conversion feature of the bonds which affords the holders the right to either convert or to sell them in the open market where the arbitrageur realizes a small profit in the purchase of bonds and simultaneous sale of stock.

American & Foreign Power Plan

The final example of a type of arbitrage which affects corporate bonds, though indirectly, is the recently consummated American and Foreign Power Plan. Foreign Power had outstanding a 5% bond issue, which was not affected directly by the plan at all. The bonds remained outstanding. They were paying interest currently and the company was solvent.

However, there were a first preferred, second preferred and common stocks outstanding. First preferred had large arrearages, as the second preferred did, and there was a disparity of voting power based upon the interests of each security holder in the assets and earnings of the corporation.

The SEC and security holders promulgated a reorganization plan, which was approved by the court, wherein the common holders received a very small number of new common shares, the second preferred a bit larger, with the bulk of the new publicly owned securities going to the first preferred holders, consisting of new 4.80% debentures which were subordinate to the existing 5% debentures and new common stock.

The arbitrage transaction was buying the old first preferreds and selling the new 4.80% subordinate debentures and the new common.

The market pressure on the 4.80s was such that they were put down to a level that holders of 5% bonds, which were not directly affected by the plan, saw it was advantageous on an investment basis, or thought it was, to sell their bonds and purchase the 4.80s. This type of operation caused a weakening in the market of the 5s even though they had no direct relationship to the arbitrage or the recapitalization plan.

Conclusion

In conclusion, the effect of arbitrage on the convertible corporate bond market is nil when general security prices are low and have some mild effect at the medium range. The main effect is at high levels where the price of common stocks gives a value to the bonds substantially in excess of their true investment value.

In times of low prices, corporations must resort to mortgage bond issues that sell on an investment basis, because the only attraction they have is to the straight investor, while a convertible bond, in addition to being an investment, represents an option to purchase stock or to exchange the bond into stock at a price usually somewhat above the existing price at the time of issue.

Reorganization plans and their progress have a continuous effect on the prices of the bonds especially when markets have been established for the new securities.

Securities Salesman's Corner

By JOHN DUTTON

Controlling the Interview

PART I

The Sales Institute Of America has granted me permission to use material presented in their recent release to members entitled "Controlling The Interview." The entire release can be obtained by writing them at Norwalk, Conn.—J. D.

It is a well recognized fact, backed up by the experience of the foremost sales executives, that unless a salesman can obtain command of an interview his chances of making the sale are almost nil. Many otherwise hard working and intelligent salesmen go on day after day making call after call with only mediocre results; whereas just one change in their approach to sales work would produce a substantial increase in their effectiveness and earning power. That change would be somewhere along the line of contact with their prospect. It would be brought about first of all, by a change in attitude on the part of the salesman. It would be a reversal of the sort of thinking which implies, "Will you do something for me?" into one which says, "Let us explore what we can do for you."

Successful salesmen either consciously or unconsciously have developed this attitude of making their business important. They have taken their work out of the rut of canvassing—of order taking—of monotonous call making—of hit or miss asking for appointments. They look upon their work as a professional man who is engaged in a highly worthwhile endeavor. They say and do the things that carry forth this impression and it is evident not alone to their prospects and customers, but to their friends and associates as well.

The Reasons Why Control Is Lost

One of the first reasons why control is lost is that the salesman often allows himself to be drawn into making his presentation under adverse conditions. Take the case where you enter an office and you are asked to sit at a great distance from your prospect, or at an unfavorable angle. Why not set the stage properly—why not give your prospect an even break, as well as yourself? Why not say, "Do you mind if I bring a chair closer to you? There'll be some things you will want to see." Or the often repeated outer-office stall where the prospect makes no apparent effort to take the salesman into the office. The Sales Institute suggests this, "I wonder if there is somewhere we can talk in more privacy? Perhaps a meeting room or your office." Then there is the prospect who suggests that you make your presentation while he is behind a railing. The salesman asks—"Do you mind if I come in for a few minutes? There is really no place here for you to see what we have." Unless you can obtain a favorable setting for your interview it is best to arrange for a call-back when it will be more convenient.

Sometimes a satisfactory job of sales presentation can be accomplished under adverse conditions. My own experience in field work, however, leads me to believe that the time and effort wasted in trying to do business under unsatisfactory conditions does not pay for the occasional exception to this rule. Obtain an audience under favorable conditions or don't try to sell.

Another cause of lost control is when the salesman allows himself to be rushed by the "Hurry up. Give me the high spots," kind of request. Here is the suggested way to handle this one. The skillful salesman who realizes that the prospect does not know what he had planned to say, comments—"I can see you are way ahead of me Mr. Allen, so I'll brief it down." Then he continues just as he would have done had the request not been made.

Again, control is lost when the prospect asks a salesman to prove a point and the salesman is not prepared to do so. The way to avoid this sort of situation is by knowing your business. Any salesman who doesn't know his product, his purpose, the benefits to be provided the customer if he buys, can readily acquire such knowledge.

Control can be lost by allowing a presentation to ramble. This can be remedied by experience in the field. Like everything else you learn by doing.

Debatable questions asked by a salesman are unnecessary and cause a loss of control during the interview. Such questions as "Is it your opinion that . . . ?" "I think that don't you?" or any question that *can lead to a conflict of opinion*, should be avoided.

There are other unavoidable developments that cause a loss of control. These will be taken up in Article II of this series next week. Methods of handling telephone interruptions, inattention etc. will be presented.

King Merritt Adds Two

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Heber G. Harrison and J. M. Lenz are now connected with King Merritt & Co., Inc., 1151 South Broadway.

Two With Mitchum Tully

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—W. N. L. Hutchinson Jr. and James W. Lewis are now associated with Mitchum, Tully & Co., 650 South Spring Street.

Jas. E. Reed Admits

SALT LAKE CITY, Utah — James E. Reed has admitted George P. Unseld to limited partnership in James E. Reed Co., Judge Building.

Joins Morgan Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—David J. Wells has become connected with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Horace C. Flanigan, President of **Manufacturers Trust Company of New York** announces that Marion Harper, Jr., President of McCann-Erickson, Inc., has been appointed a member of the Advisory Board of the bank's Fifth Avenue Office. At the age of 32, in 1948, Mr. Harper became President of McCann-Erickson, Inc. Today at 36 he is one of the youngest chief executives of a major American business. In January, 1951, The Young Men's Board of Trade, Inc., in New York City (Junior Chamber of Commerce) awarded their 1950 Distinguished Service Award to Mr. Harper in recognition of his achievements as the outstanding young business and civic leader in the City of New York. Mr. Harper is the author of "Getting Results from Advertising," and is a contributing author of the "Public Relations Handbook."

* * *

The capital of the **First National Bank of Glen Head, New York,** was increased effective July 14 from $150,000 to $160,000 by a stock dividend of $10,000.

* * *

A stock dividend of $50,000 has served to increase the capital of the **Northern National Bank of Presque Isle, Maine,** (June 27) from $300,000 to $350,000.

* * *

At the Annual Meeting of the **Connecticut Savings Bank of New Haven, Conn.,** on July 21, President Carl G. Freese announced that Edward M. Gaillard, President of **Union & New Haven Trust Company,** was elected a trustee of the savings bank. Charles E. Rauch of Drexel & Company was elected a corporator and Vice-President, as of Sept. 1. Mr. Rauch had been associated with Wood, Struthers & Co. and the New Haven Savings Bank, before serving in the Army Air Service where he attained the rank of Major, before his association with Drexel & Co.

* * *

The Safe Deposit & Title Guaranty Co. of Kittanning, Pa. a State bank member of the Federal Reserve System, was absorbed by the Mellon National Bank and Trust Company of Pittsburgh, on June 30. A branch was established in the former location of Safe Deposit and Title Guaranty Company, says an announcement from the Board of Governors of the Reserve System, which further stated that on June 20 the **Politania State Bank of Pittsburgh, Pa.,** a State member, was likewise absorbed by the Mellon National Bank & Trust Co.

* * *

In its July 21 "Bulletin" the office of the Comptroller of the Currency announced that the capital of **McDowell National Bank of Sharon, Pa.** was increased on July 18 from $300,000 to $750,000 by a stock dividend of $450,000.

* * *

The issuance of a charter on July 15 for the **City National Bank of Millville, N. J.** with a capital of $150,000 was announced by the Office of the Comptroller of the Currency on July 21. Howard Rieck as President, and C. Robert Brown as Cashier make up the primary organization.

* * *

The Board of Directors of **The South Shore National Bank of Chicago,** has announced the appointment of Herbert M. Batson, Executive Vice-President, as a Director of the bank, effective July 15. Mr. Batson began his banking career in the Chicago area over 20 years ago. He joined the staff of The South Shore National Bank in 1941.

* * *

As of July 17 the capital of the **Commercial National Bank of Chicago, Ill.** was increased from $300,000 to $400,000 by the sale of $100,000 of new stock.

* * *

Advices made available by the Board of Governors of the Federal Reserve System report that the **United Savings Bank of Detroit, Mich.,** a State member, was absorbed on July 1 by the **Manufacturers National Bank of Detroit.** The quarters of the United Savings Bank are now operated as a branch of the Manufacturers National Bank.

* * *

The sale of new stock to the amount of $500,000 by the **Liberty National Bank & Trust Co. of Oklahoma City, Okla.,** has served to increase the bank's capital from $3,000,000 to $3,500,000 as of June 30, 1952.

* * *

Effective July 1 an addition of $1,000,000 was made to the capital of the **First National Bank of Birmingham, Ala.,** by a stock dividend of that amount, the capital thereby being raised from $6,000,000 to $7,000,000.

* * *

An increase in the capital of the **Commercial National Bank & Trust Co. of Laurel, Miss.,** occurred recently (June 16) the amount having been enlarged from $150,000 to $300,000, as a result of the sale of $150,000 of new stock.

* * *

Frank L. King, President of **California Bank of Los Angeles** announces the bank's board of directors at a regular meeting on July 14 elected Glenn B. Gossett, F. S. Huber, A. O. Otsea, A. R. Puchner, and Gustav Riedlin to the office of Vice-Presidents. G. J. Carter, J. W. Fromm, G. J. Hoskin, O. G. Keiper, J. W. Kenney, E. S. Liljeberg, C. F. Schwan, and L. C. Small were elected Assistant Vice-Presidents and J. R. Van der Zee was elected Assistant Cashier. Vice-President Glenn B. Gossett, a member of California Bank's staff since 1937, is assigned to the bank's Bell Office in Bell, Calif. He began his banking career with the old First National Bank in Anaheim, Calif., in 1922 after attending Pomona College. From 1924 to 1936 he was associated with banks in Fullerton, Calif., and before joining the staff of California Bank he was in the investment securities business in Los Angeles. Mr. Gossett was appointed manager of California Bank's Bell Office in 1946 and was elected assistant Vice-President in 1949.

* * *

In advices July 5 the Board of Governors of the Federal Reserve System indicate that as of July 1 the Security Trust & Savings Bank of San Diego, Calif. a State member, absorbed the **Valley Commercial & Savings Bank of El Cajon, Calif.,** an insured nonmember. The former main office of Valley Commercial & Savings Bank and its Lakeside branch will be operated as branches of Security Trust & Savings Bank of San Diego.

Continued from page 7

Secrets of American Capitalism

which recently has been accomplished in a few years with the unavoidable consequences of increase in costs and prices.

Mass markets are to be ascribed mainly to the policy of low prices for manufactured goods. Mass markets on a non-inflationary foundation have been made possible largely by the fact that American industry was able to transfer technological progress into lower prices of finished products for the benefit of all consumers; thus has been accomplished whatever there is healthy and durable in economic progress. However, I share with many other economists the opinion that in the past this policy has not been pursued with the single purposeness and perseverance which was desirable. In a recent article Mr. Herbert Hoover has not hesitated to impute partially to this fact the responsibility of the 1929 depression.

I regret to have to state that in recent times, under the nefarious influence of demagogic politics, aided by the economic power acquired by the labor unions, there is practically nothing left of this essential cause of economic progress which consisted in continually reducing the prices of manufactured goods in order to make it possible for a larger and larger number of consumers to purchase them. Thanks to the politicians and to labor unions, we have come to sustain our economic activity more and more by inflation of money and credit.

I wish further to draw your attention to the fact that the productivity per man hour of the American economy as a whole has increased only by a little more than 1% per annum between 1940 and 1950. I do not hesitate to predict that the end of this new experiment in inflationary wage policies will be most damaging to our economic progress and to our social order.

(4) Another important characteristic of the American economy is the existence of a certain number of large businesses. Apparently these big businesses not only have not hampered economic progress but they have made it possible. Many productivity teams attribute higher productivity of labor and plant to large units of plant in large works. Besides, big business can undertake research on a scale unattainable by small businesses.

III

We shall now look inside the American machine, so to speak, and endeavor to explain why American capitalism is of a different species than the European capitalism, and the circumstances or actions which can explain the "why" of the aforementioned main characteristics of the American economy.

Let us first give their due to a few evident factors which have contributed to what has come to be known as the American economic miracle:

(a) Inasmuch as I have mentioned Europe, I must remind us all of the fact that the United States has not had to suffer the destruction of two wars and that the losses in men have been proportionally considerably less than those of the European nations like France and England. In point of fact, the two wars have made it possible for the United States to expand its capacity of production.

(b) The United States was blessed with considerable natural resources which for a long time were disproportionately high with respect to its population. However, the mere existence of resources does not suffice inasmuch as they have to be put to use.

(c) A considerable increase of the population. During certain periods in the 19th century, the American population increased by one-third every ten years. The American population was five million in 1800 and grew to be 76 million by 1900. But here again we all know some countries where an increase in population, far from being a factor of economic progress, is tending to reduce the standards of living of the whole population.

(d) The American market was large from the beginning, expanding rapidly and without tariff barriers to hamper the movement and exchange of men and goods.

(e) Many people attribute the American economic progress to keen competition and to the anti-trust laws enacted at the end of the 19th century. The issue of cartels has been the subject of many elaborate and fruitless debates between Americans and Europeans. I am afraid that the discussion of this question is not usually approached with the necessary objectivity.

I have the deep conviction that cartels are antagonistic to economic progress. I am equally sure that the keen competition in American business is one of the secrets of American prosperity and productivity, but I agree with Europeans that cartels, or rather what they call "ententes," can be useful for limited periods of time when exceptional circumstances have upset the economy of a country.

There is in American economic history a strange coincidence of events which might give weight to the opinion of those who maintain that American-brand competition and our anti-trust laws are the main explanation of the productivity of the American economy. Here is what I am referring to:

The anti-trust laws were enacted in the United States at the end of the 19th century. At that time in 1900, if we are to believe the statisticians, the electric energy per worker was about the same in Western Europe as in the United States. It is since 1900—hence since the enactment of the anti-trust laws—that electrical energy per worker and American output per capita made considerable advances in the United States as compared with Western Europe. These coincidental facts would lead one to the reasonable conclusion that the anti-trust laws are to be credited with the progress of American economy.

Yet the economic history of the United States proves that the conclusions which may seem obvious may also not be true. Indeed, from 1864 to 1895 the average income per head in the United States increased from $42.22 in 1864 to $142 in 1895, if we compute the income in dollars of the same purchasing power. Now from 1895 to 1914 — in eighteen years — the average income per head increased only about 25% in dollars of the same purchasing power, while it increased by more than 200% in 32 years between 1864 and 1895. Consequently, even if we allow for a part of error in the statistical comparison, particularly because of the base years chosen, it is nonetheless true that it is a gross oversimplification to attribute to the anti-trust laws the remarkable economic progress since 1900.

On the other hand, it is a fact that competition among manufacturers and retailers in the United States is extremely keen. I am rather of the opinion that American-brand competition is a social fact which can be explained by the American political and social structure as I shall endeavor to show very shortly.

I wish also to make the following statement. It is paradoxical to attribute the American economic progress to the anti-trust laws while the United States is tolerating the most powerful monopoly the world has ever seen, namely, the American-brand labor unions. Wages represent the most important part of the cost of goods, and if we take wages out of competition it simply means that unionism is destructive of the price mechanism.

It is important to mention the close cooperation among manufacturers despite the keen competition among them. As a matter of fact, Mr. Paul Hoffman expressed the view that the co-existence of competition and cooperation among American businessmen is one of the most important secrets of American productivity. For instance, in the automobile industry there is an exchange of patents between manufacturers. In contrast, in most European countries the manufacturers have a very secretive and non-cooperative attitude one to another.

* * *

Let us now analyze the circumstances or facts less apparent or evident, which will enable us to understand American-brand capitalism and the main characteristics of the American economy.

(A) In the first place I would like to put the American Revolution and the American Constitution. The American Revolution had as its immediate cause the desire of the American people to gain independence from Great Britain, but it was also a social revolution. I found considerable agreement to characterize the American scheme by the general notion—individual liberty. The fathers of the American Republic meant by individual liberty not only the usual political and civil liberties, but above all, equality of rights and the abolition of all privileges. The architects of the American Constitution wanted to make sure that power, economic and political, would be fragmented. No one would have excessive power. They wanted to make sure that the people of the United States would be free to plan and choose their goals; that they would be provided with an equality of opportunity to act in pursuit of those goals and that they would be permitted to retain the fruits of their labor. They abolished the laws of Entail and Primogeniture, they broke up the Tory Estates, and they suppressed titles of nobility. The consequences of the political arrangements have been to give rise to a society without social classes, provided the words "classless society" are defined properly. If by a classless society we mean that no one is so much richer or poorer than his neighbors as to be unable to meet them on equal terms, then the American society was never classless and is not classless. The American society can be called classless in the sense that everyone considers himself equal to everybody else and that everyone has an equality of rights and opportunity in the pursuit of his individual goals. This is in my opinion the real meaning of the statement that the American Constitution has given rise to a classless society. As a matter of fact, the conditions of life of the pioneers were not favorable to the formation of social classes. The foundations of the American society were religious and individualistic, and the very conditions of their privitive lives in constant fight for the conquest of nature made every individual self-reliant and responsible. Besides, the lack of a feudal tradition and the abundance of land favored the emergence of an individualistic classless society.

The lack of social stratification has had as a result a great social fluidity. The consequences of the social fluidity in turn were extremely important:

(1) The feeling of equality of rights and equality of opportunity gave everyone the hope that no position in life was beyond one's ambition and capabilities. This gave considerable self-confidence to every individual.

(2) This self-confidence born of the equality of rights and opportunity has resulted in *a keen competition among individuals. This is perhaps the most distinguishing characteristic of American-brand competition.* Individuals who are working in a business compete strenuously one with the other for the attainment of high positions which they know are in their reach if they are capable of filling such positions.

(3) Social fluidity gives the American people the readiness and willingness to change jobs whenever a better opportunity is offered to a person for the use of his capabilities. Besides, the American has no prejudice against manual labor. In substance, the American system, born of the Revolution and the Constitution, has had as a consequence *an optimum utilization of human capabilities.* The American scheme favored the full development of the capabilities of all individuals and their utilization for the good of the society because from the beginning there was equality of rights and a great social fluidity.

It is interesting to note that Adam Smith's "Wealth of Nations" appeared in 1776 and that the incipient industrial revolution found in the United States a situation favorable to its full scope because of its self-reliant, energetic and individualistic people.

(B) The American educational system contributed to the development of individualism by forming open, uninhibited minds. It may well be that the equality of opportunity and lack of social stratification would not have given the same results without the American-brand education.

(C) The Pioneers of this country were courageous, adventurous and enterprising. To clear and conquer the land, and simply to be able to live in the circumstances under which the pioneers came to this continent they had to know all kinds of crafts. The relative abundance of the natural resources made the rewards great, which encouraged them to be bold and enterprising. These circumstances and the lack of social stratification favored the rise of those who were most capable and energetic.

(D) There was a scarcity of workers in relation to the natural resources to be exploited. According to Professor Slichter the productivity of the worker and his wages were already high as compared with Europe before the modern industry was born. At that time the employers in cities had difficulty in securing workers because they wanted to live on the farms where conditions of life were more favorable. As a result of the competition between agriculture and industry for the available manpower the wages were high. Until 1865 the American tariffs were rather moderate so that the American manufacturers had to compete with European imports which were manufactured with cheaper labor. Under these circumstances there was a great incentive to give the workers the best tools available in order to increase their productivity. This was also an encouragement toward savings and the formation of capital.

(E) Professor Slichter also mentions that in important parts of the United States, and particularly in the East, North and Middle West, farming was in the hands of small landowners. This fact had two consequences:

(1) It gave rise to a type of people independent, self-reliant and energetic, and who were willing to take risks. It is from among these people that the towns recruited enterprising businessmen.

(2) The second consequence was that these small landowners, who were in great numbers and made good money, constituted a market for industrial products, and also for consumption products which were not of prime necessity.

(F) The immigrants were of working age. Inasmuch as the unexploited resources were considerable, the newcomers were adding at the same time to the capacity of production and to the expansion of consumer goods markets.

(G) The workers were not opposed to technological progress.

(H) The American manufacturers endeavor to standardize many parts of finished goods, or even the finished goods, whenever possible and whenever acceptable to the consumers. However, contrary to what many people think in Europe, the variety of products available to the consumer is probably larger in the United States than in Europe.

(I) The price of automobiles, together with the possibility of buying them by instalment, has been a considerable factor in the economic progress of the last 30 years of the history of the United States.

Most people desire to possess an automobile perhaps more than anything else. It gives them pleasure and it seems to give them a feeling of importance. Besides, the possession of a nice-looking car is a visible evidence of success, and gives many people a feeling of pride.

The mere fact that the purchase of an automobile has come within the reach of the average person stimulates his ambition to exert himself so as to be able to buy one.

(J) The American women are great boosters of consumption. Besides, the American women are exacting and most of them want to "Keep up with the Joneses." In contrast, it is noticeable the extent to which the French women will try to save and to use their wares and implements as long as they last. The explanation of the psychology of the American women can certainly be traced in American social history.

(K) Retailers together with manufacturers are not waiting passively to sell their wares. They aggressively promote the sale of goods and create the desire of the consumers to change the goods already in their possession.

(L) Sales by instalment of high priced durable goods like automobiles, radios, refrigerators, etc., are certainly an important factor in the expansion of markets when times are good. On the other side, the debts incurred by people hamper the markets in times of business recession.

Sales by instalment may have facilitated considerably the sale and use of second-hand cars because they make it possible and encourage many people to buy new cars.

(M) The monetary policy of the United States had since its beginning an inflationary bias. The American Revolution itself had to be financed by inflation because the Thirteen Colonies did not have enough money to meet all the necessary expenditures. It is most probable that the rapid increase of an energetic, dynamic population together with the availability of unused resources created a demand for constant increase of monetary means which was met by the issuing of bank-notes and by bank-credit. Besides, the American people were borrowing substantial sums of money from abroad. The b o r r o w i n g from abroad and the readiness of banks to expand credit explains why the economic progress was not at times hampered by the amount of savings which otherwise might have been inadequate to meet all the demands made on them.

In the U. S. A. the resort to paper issues has attended every great financial crisis of the government Treasury, and the call for money has become regularly associated with every period of serious industrial depression.

Murray Wildman, writing about the economic conditions after the Civil War, makes the following statement in his book "Money Inflation in the United States":

"It was the special contribution of the inconvertible currency in the industrial revolution to transfer the conduct of affairs from the hands of the conservative to those of the speculative element of society. It was these men who became associated with the rising machine system of production and exchange, and they have to a great extent dominated American business operations since the war. It was men of this class who found an immediate chance to exercise their peculiar qualities of mind in the rapid development of the West."

A well-known French economist, Francois Simiand, has written a remarkable book on the alternation of inflation and deflation in the United States. It was his considered judgment that the remarkable American economic progress can be explained by the *sum* of inflation and deflation, both being necessary to economic progress.

Until recently the American economy, spurred by inflation at various periods of its history, was not able to have a durable development of its own independent of the world economy. The domestic inflationary propensities were contained by economic facts and events outside the boundaries of the U. S. A. Up to the first World War agricultural products were a large part of our national product so that prices in our economy were tied up closely with prices in international markets.

Lately, the economic power of the United States has become so preponderant vis-a-vis the rest of the world, that since World War II we are witnessing a new experience. The government of the U. S. A. has adopted a nationalistic monetary policy in support of a grandiose dream of an American perpetual boom. To the extent that its policies are incompatible with economic facts in the rest of the free world, it has chosen to pull the economies of the free countries in its wake by gifts or aid. While it is true that the newest inflationary experiment is made in a country with a tremendous capacity of production, we should be aware that in this experiment the very future of economic liberalism is at stake. I doubt the successful end of the policy to maintain our economy at a high level of activity by inflationary means. I am certain that our nationalistic monetary policy is incompatible with our professed goal to restore world-trade on a multilateral non-discriminatory basis.

* * *

Conclusions

Besides some natural advantages, there are essentially three factors which can explain the exceptional A m e r i c a n economic progress: (a) the abundance of individualistic, enterprising businessmen; (b) the optimum utilization of human capabilities; and (c) competition between businesses and particularly between individuals.

Many circumstances have contributed toward the development of these three factors, but none was more important than the "American scheme" as expressed in the Declaration of Independence and in the Constitution. The "American scheme" and the lack of feudal tradition made possible the formation of a human society wherein the people would be free to plan and choose their goals; they would be provided with an equality of opportunity to act in pursuit of those goals; and private property would be recognized as the keystone of freedom.

For the last 30 years the price of automobiles, together with their sale by instalment have been one of the most powerful stimulants of our economy.

World War II and the huge monetary and credit inflation since 1940 have powerfully stimulated the American economy, and the industrial capacity of production of goods has practically doubled.

In the last few years government and labor unions have adopted inflation as a way of life in violation of a fundamental tenet of economic progress, namely, that increases in productivity should lead to lower market prices for finished goods. Vested interests are using their influence in favor of protectionism and high tariffs, and our government is pursuing a nationalistic monetary policy, both incompatible with our professed goal to restore free international multilateral trade.

The future of economic liberalism in the world, and therefore the future of economic progress, will be decided in the next few years in the United States.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market is very nervous and recent selling, reportedly to obtain funds to pay for municipal and corporate bond issues, pushed prices down sharply on somewhat enlarged volume. Uncertainty as to what may happen to short-term rates, especially with respect to the refunding of impending maturities of certificate issues, is one of the main reasons for the cautiousness that overhangs Treasury obligations. Both investors and traders are inclined to play their cards pretty close to the chest, pending developments in the money markets. Tight money is expected to continue and this is not usually conducive to rallying tendencies in the government market.

The 2⅝s due 1958 went to new lows under the pressure of not too heavy selling in a tight money market but a modest recovery has taken place in quotations of this obligation. To be sure, this is still a very desirable security for bank investors, but there is the fear that lower prices might be registered with slightly higher rates for short-term Treasury issues. Non-bank investors, that is the pension funds and private trust accounts, continue to make purchases of selected issues of the tap bonds. The recently eligible bonds, the 2¼s of June 1959/62 and the 2½s of 1962/67, are being bought by some of the deposit banks.

A tight money market continues to keep the Government market on the uncertain side, because investors and traders are still concerned as to what the immediate future developments in short-term rates are likely to be. Irrespective of what does happen, it seems as though there will be pressure on the money market for a while yet. Seasonal factors are coming into play, and these forces usually bring about tight money conditions unless there is help from Federal. For the time being, it appears as though the powers that be are content to let the money market continue in its present vein.

2%, 16-Month Refunding Issue Forecast

The big bone of contention in the market at this time seems to be over what the monetary authorities will do about the impending maturities of Treasury certificates. The tight money conditions appear to indicate that somewhat higher rates might be used by the Treasury in taking care of the maturing certificates. Whether this will be the case or not is still anyone's guess. However, if there should be an increase in the rate, it is believed now in many quarters that it will not be brought about through the issuance of a one-year obligation. It is felt that a fifteen- or sixteen-month issue would be more likely, with a 2% rate. Trying to mastermind future Treasury refundings is always a hazardous business, but at this time it seems as though a somewhat longer-term issue than a certificate, with a 2% rate, has the largest following among the most important money market operators.

Despite the belief in some quarters that a 2% obligation might be used by the Treasury in the refunding of maturing certificates, there are still many others who hold to the opinion that the August 15th certificates will be paid off in cash at maturity. It is being pointed out that the issue is a small one, and the Treasury is financially able to make a cash settlement of this obligation. An increase in the weekly offering of Treasury bills or an issue of tax bills could be made to build up the funds that would be used to pay off the August 15th maturity of certificates. A cash retirement of the August certificates would no doubt have a favorable psychological effect upon the market. However, it is not believed this would have more than a temporary influence upon the whole picture.

Speculative Holders of 2⅝s Eliminated

The decline in price of the recently offered 2⅝s brought some new buying into this obligation, but it was not too sizable because most of the commercial banks do not have the available funds that can be used in purchasing this issue. Not a few of these institutions are at least temporarily pretty well bought up at higher prices as far as the 2⅝s are concerned. Likewise the drop in quotations of the 2⅝s of 1958 has shaken out most of the speculative owners of this security, according to reports. This is not an unfavorable development because when securities are moved into strong hands, as has been the case of the new 2⅝s, it generally has a favorable influence upon future market action of the issue.

Considerable discussion is being heard in the financial district, about what might be the average price of the holdings of commercial banks in the recently issued 2⅝s of 1958. While there is no way in which this or any average price could be definitely proved, it is believed that 100.10 to 100.11 is about the figure that many commercial banks have as an average price for their holdings of the new 2⅝s of 1958.

By keeping the money markets tight, the monetary authorities have prevented the purchase of the 2⅝s by the deposit banks from having inflationary implications, because reserve bank credit has not been used for these acquisitions.

Mutual Funds

By ROBERT R. RICH

Old Man to Stay on Mountain

That old man mountain climber, the State of Business, who's either breathing hard on a mountain peak or struggling through a depressed valley jungle, is going to sit on his uneasy perch on a mountain summit for sometime to come, according to consensus of mutual fund managers' business forecasts.

Although some of the forecasts make reference to the crumbling rock beneath his perch, most fund managers agree that when old man State of Business does come down from the mountain, he will probably slide on the seat of his pants, so the rate of fall won't be precipitous, and, if we're lucky, the bramble of increased consumer spending may catch at his coat and hold him at cloud level for several years after the tonic effects of private plant and government expenditures wear off.

Incorporated Investors expects business activity to increase for at least a year with the likelihood of some minor recession some time thereafter. The fund commented that, in its judgment, however, the rate of business activity during this recession will fall to level only slightly lower than at present.

Bullock Fund thinks that business volume for the year as a whole can be expected to be somewhat higher than last year; but narrowed profit margins and higher taxes may result in moderately lower corporate net earnings.

Bullock Fund, labelling our present economic situation one of an uneasy balance, remarks that current indications point to a moderately rising trend of business activity in the second half of the calendar year.

The fund believes that the prospective rate of defense spending should serve to offset the anticipated moderated reduction of private spending for capital goods. The fund thinks that the recent elimination of Regulation W and the modification of Regulation X applying to consumer credit can be expected to give at least mild stimulus to consumer buying; and that soft consumers goods industries appear to be in the process of recovering from their slump of the past year.

Whitehall Fund, one of the Broad Street clan, in putting its viewpoint before shareholders, said that, "At the close of the half year, developments point to the maintenance of good business activity and especially toward recovery in the weaker lines.

"Aside, then," the fund concludes, "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."

Johnston Mutual Fund, although believing that prospects for the second half of this year appear to be satisfactory, predicts that further ahead there are signs of a potential downturn in business, but notes that planned outlays for new plant and equipment and expenditures for defense should assure a satisfactory level of production for some time to come.

Harold X. Schreder of Distributors Group commented a while ago that, "we are working our way into one of those periodic over-expansion business phases and that we are much closer to a peak in the stock market than we are to a bottom . . . . but it is not a contradiction to think that the longer term direction of stock prices is up, and also to believe that the current potential elements of danger require a cautious investment policy at this time."

Lord, Abbett Sales Respond to New Range, Sales Charge

The amount of the sales charge is obviously more of a sales deterrent on large orders than on small orders and can represent the difference between making a sale and not making a sale, Lord Abbett & Company reported as it analyzed the sales results for Affiliated Fund and American Business Shares for the first month in which a new price range and a lower sales charge were in effect.

The company on June 1 introduced a new price range in which the sales charge on single orders of $15,000-$25,000 was reduced to 5¾% and the dealer's concession was set at 5%.

Lord, Abbett reports that in June it received 27 orders in this particular price range, totaling $448,000, while in the preceding eight months it averaged nine orders a month totaling $154,000 in the same price range.

"Expressed another way," a company spokesman said, "in June our dealers earned $22,400 in commissions on sales in the new price range, while, in the preceding months they earned an average of $9,240.

"Our dealers in June sold approximately three times as much business with a 5¾% sales charge in the new price range and we are confident that as this range is better understood the increase in sales will be even more impressive."

On June 1, in addition to creating a new price range with a 5¾% sales charge and with a 5% dealer concession, Lord, Abbett & Company also reduced its sales charge in the $5,000-$10,000 category from 7½% to 6¾% with the dealer share remaining steady at 6% and further established the policy that on single sales between $5,000-$100,000 the Lord Abbett part of the sales charge would be ¾ of 1% and on single sales of $100,000 or more it would be ½ of 1%.

Monthly sales on American Business Shares and Affiliated Fund together are now running at $7,000,000—substantially ahead of last year.

Mutual Fund Notes

FUNDAMENTAL INVESTORS, in its 78th quarterly report to over 36,000 shareholders, explained to them why Hugh W. Long & Co. and its cluster of mutual funds, had moved from New York to Elizabeth, New Jersey. Charles J. Vollhardt, Treasurer, in the letter, cited New York City's increase of 100% in its tax on financial businesses and reported to shareholders that the new tax rate is eight times that which was in effect as late as 1946 and four times the rate assessed against other kinds of business in New York.

As a result of the wide publicity the Hugh W. Long & Co. received when it moved, the company has received a number of letters from shareholders expressing their approval.

Shareholders of Hugh W. Long's various mutual funds will save over an estimated $160,000 this year as a result of moving a few miles at no inconvenience to the company operations or to its dealer servicing.

JOHN G. KINNARD and Company of 133 South Seventh Street, Minneapolis, reporting the results of its booth at the Minnesota State Medical Association Convention, said that 760 of the 1,800 doctors registered with Kinnard and Company for the chance to win five shares of Affiliated Fund. Of the 760, four hundred have turned out to be excellent prospects, and, to date 86 doctors have purchased mutual fund shares in amounts running from $500 to $16,000.

Kinnard and Company reported that, "With our sales organization of 42 men, we are covering Minnesota and North Dakota and find that professional people are, and have been, very lax in regard to their investments. It was surprising to us to find the amount of money that these men have accumulated in banks and savings and loan associations. After mutual funds have been explained to these people, an entirely new concept of the securities business has been opened to them."

RETAIL PRICES of consumers' goods and services moved up 0.2% from mid-May to mid-June and the consumer price index is now 1.7% higher than a year ago and 9.9% higher than the pre-Korean level. The index is 83.6% higher than the 1935-39 average.

THE FIRST list of investments of Canadian Fund since the fund commenced investing in May, 1952, has just been published and shows holdings as of July 15, 1952 in 59 companies, Dominion of Canada bonds and three Canadian banks.

Investments in common stocks account for 63.65% of total holdings; Canadian Government obligations, 16.22%; bank stocks, 0.59% and industrial bonds, 0.15%.

Canadian Fund, under Calvin Bullock management, is the first-offered United States mutual fund to provide investors with an opportunity to participate in a diversified interest in Canada's economic and industrial growth.

On May 14, 1952, Canadian Fund entered the mutual fund field following a successful underwriting by a nation-wide group of investment firms. On July 22, 1952 the Fund's assets had a market value of $15,598,000.

Of the common stocks held on July 15, 1952, oil and gas shares amounted to 22.20% of total holdings; non-ferrous metals shares, 12.91%; pulp and paper company stocks, 10.21%; miscellaneous, 6.70%; and steel and iron ore stocks, 3.17%.

Principal holdings among the oils and gas stocks include: Anglo-Canadian Oil—5,000 shares; British-American Oil—13,000; Calgary & Edmonton Corp.—5,000; Calvan Consolidated Oil & Gas — 9,000; Canadian Superior Oil of California — 10,000; Federated Petroleums — 10,000; Gulf Oil Corporation—6,500; Imperial Oil—8,000; Socony-Vacuum Oil — 10,000; Texas Company—6,000; Tidewater Associated Oil—8,000; and Western Leaseholds—8,000.

Leading the common stock holdings in pulp and paper companies are: Consolidated Paper—13,000 shares; Fraser Companies—10,000; Powell River Company—14,000; and Price Bros. & Co.—11,425.

Prominent among the holdings in the non-ferrous metals class are: Hudson Bay Mining & Smelting Co. of Canada—10,000 shares; International Nickel Co. of Canada

CORRECTION

In the July 24 issue of The Chronicle the total net assets of Knickerbocker Fund were, because of mechanical error, erroneously reported as $10,076,563. Total net assets of Knickerbocker Fund on May 31, 1952 were $16,076,563.

—14,000 shares. Also shown in the portfolio are 13,500 shares of Dominion Textile and 12,300 shares of Canadian Pacific.

WELLINGTON FUND will be included in the radio network show "Stop the Music," which reaches an estimated 2,000,000 people every Sunday night from 8 p.m. to 9 p.m. eastern daylight time, over the American Broadcasting Company's network covering 306 cities, including parts of Canada and Hawaii.

Fifty shares of Wellington Fund will be offered as one of the prizes in this program. The announcement of the prize of 50 Wellington shares will be repeated every week on this program until the giant jackpot has been won, which usually takes 6 to 7 weeks.

OPEN-END REPORTS

FUNDAMENTAL INVESTORS, one of the largest mutual funds investing primarily in common stocks, reported total net assets of $134,108,715 in its 78th report to shareholders dated June 30, 1952.

This is a gain of more than eighteen and one-half million dollars in total net assets since Dec. 31, 1951 and reflects investments in the Fund by 4,812 additional shareholders since the end of the year. Both in number of shareholders and total net assets, the June 30, 1952 totals were the highest reported by the fund in its 20-year history.

During the first six months of 1952, two quarterly dividends from investment income, totaling 40 cents per share, were paid to holders of the Fund. This compares with like amount per share distributed in the first half of 1951. The June 30, 1952 net asset value per share was $20.35, eighty cents greater than the 1951 year-end figure of $19.55.

Securities added to the Fund in the six months to June 30, were the common stocks of Southern Company (received as a distribution from Electric Bond and Share Co.) and Southern California Edison Co.

Securities eliminated were Firemen's Insurance Co. of Newark, N. J. and United States Steel Corp. common stocks and Standard Gas & Electric Company $4 preferred stock.

Largest investments of the fund on June 30, were in petroleum and natural gas securities (17.3% of total net assets), in public utilities (11.4%) and in common stocks of railroad companies (9.6%).

THE TRUSTEES of Shareholders' Trust of Boston report that at June 30, 1952, there were outstanding 292,373 shares, an increase of 28,586 since Dec. 31, 1951. The net asset value per share was $27.02, an increase of $1.12 a share from $25.90 at the 1951 year end. Total net assets at June 30 were $7,900,701.

Commenting on the present outlook, the report remarks that "Business conditions as a whole continue to hold a high degree of stability in spite of adjustments taking place in individual securities, and international tensions are such that arms production will undoubtedly tend to lend considerable support to the general economy.

"On the other hand, the importance of the large industrial expansion program as a supporting factor in the present economic situation must not be overlooked. When expenditures for this purpose begin to decline and the new facilities come into production, pressure on prices and profits is likely to become aggravated."

This last consideration and the fact that the economic situation in Europe, particularly England's financial position, appears more threatening, are pointed out as the factors primarily responsible for the more defensive investment policy pursued by the Trust during the past six months period.

JEFFERSON Custodian Fund, a diversified investment company of the managed open-end type, reports net assets on June 30, 1952, of $420,041.36 or $10.94 per share for the 38,400 shares outstanding as against $259,748.75 or $10.64 per share for the 24,413 shares outstanding as of Dec. 31, 1951.

PERSONAL PROGRESS

NATHAN D. LOBELL, former Executive Adviser to the Securities and Exchange Commission has joined the executive staff of Hugh W. Long and Company.


Nathan D. Lobell

A graduate of Columbia Law School in 1937, and a member of the New York Bar, Mr. Lobell, has specialized in finance and financial law throughout his career. He served with the S.E.C. from 1939 to 1951, when he resigned to enter the financial field as a specialist in investment company operation and promotion.

Prior to his appointment as Executive Adviser to the Commission in 1947, Mr. Lobell was head of the S.E.C.'s Opinion Writing Division, and a member of the interagency committees on credit control, foreign finance and administrative practice. He was a coordinator of the government program to revise the securities laws. While with the Commission and since his resignation he has worked closely with the mutual fund industry on its regulatory, operational and sales problems.

In announcing Mr. Lobell's association with the company, Hugh W. Long, its President, stated:

"Mutual funds have grown enormously in the past few years. Out of the simple idea of bringing professionally supervised investment to people in all walks of life has grown a multi-billion dollar industry. The responsibilities have grown, too. As managers of mutual funds and national distributors of mutual fund shares our organization is continually seeking the talent to improve our service to our correspondent investment dealers throughout the country."

FRANK D. NEWBERRY, consulting economist to National Securities & Research Corporation, speaking at a luncheon given at the Stock Exchange Club made the following comments about future business:

"The Gross National Product over the next five years will approximate or exceed the all-time peak attained in 1951.

"We can be confident about the future course of business over the next five years irrespective of the party winning the fall election."

Mr. Newberry predicted a high level of business based primarily on governmental expenditures and private investments.

Said Mr. Newberry, "Little or no money inflation is likely over the next five years."

NEW PROSPECTUSES

BOND FUND OF BOSTON has just released a new prospectus dated July 15, 1952 which is available from 111 Devonshire Street, Boston, Massachusetts.

FIRST MUTUAL TRUST FUND'S newest prospectus is dated July 27, 1952 and copies are available from 120 Broadway, New York 5, New York.

CLOSED-END INVESTMENT COMPANY STATISTICS
For the quarter Ending June 30, 1952

Investment Company—	Market Price June 30	Approximate Net Assets Per Share	Discount or Premium June 30	Discount or Premium Mar. 31	Dividend Latest Fiscal Year	Six Months Price Range
Non-Leverage, General Portfolio:						
Adams Express	33⅛	$41.86	—20.9%	—20.3%	b $1.59	35⅜-30⅞
American International	23½	27.57	—14.8	—20.7	c 1.03	23½-20⅛
Boston Personal Property Trust	a 27½	32.54	—15.5	—18.1	1.40	28 -24¼
Connecticut Inv. Mgt. Corp.	x 4	5.35	—25.2	—26.6	d 0.18	Unlisted
Consolidated Inv. Trust	a 29¾	32.13	— 7.4	— 5.3	1.50	Unlisted
Insuranshares Certificates	a 13⅝	g 15.77	—13.6	—11.0	0.32	13¾-11¼
Lehman Corporation	81¼	h 74.38	+ 8.5	+ 7.1	e 2.08	81¼-70¾
National Shares Corporation	a 32⅞	37.13	—11.5	—12.7	f 1.15	33 -30¼
Niagara Share "B"	a 16 5/16	j 24.53	—33.5	—34.7	0.64	18⅝-15½
Shawmut Association	x 20⅛	30.33	—33.6	—35.6	0.87	20 -17¼
Tobacco & Allied Stocks	a 98¼	142.92	—31.3	—35.0	2.75	99 -88
Non-Leverage, Specialized Portfolio:						
National Aviation	21¼	22.77	— 6.7	— 8.1	k 0.87	22⅞-19
Petroleum Corporation	22⅛	26.92	—17.8	—16.1	m 1.15	23¾-20⅛
Conservative Leverage:						
American European	32	35.00	— 8.6	—13.0	n 1.11	32 -29¾
Carriers & General	12	16.26	—26.2	—23.1	1.00	12½-10⅞
First York Corporation	3	4.01	—25.2	—17.4	0.25	3½- 2⅞
General American Investors*	30⅝	27.30	+12.2	+ 3.5	o 0.70	31 -26⅛
Overseas Securities	a 19 13/16	16.08	+23.2	+24.1	p 0.63	20⅝-17¼
Railway & Light Securities	a 20 3/16	24.13	—16.3	—17.7	q 1.05	20¾-19
Medium Leverage:						
Capital Administration "A"	22⅞	r-s 38.14	—40.0	—37.3	1.35	24¼-21½
Equity Corporation	1⅞	3.04	—38.3	—43.4	0.15	1⅞- 1⅝
General Public Service	4	4.81	—16.8	—22.6	t 0.15	4 - 3⅜
U. S. & Foreign Securities	69	92.68	—25.6	—23.4	u 1.92	73 -54⅜
High Leverage:						
Capital Administration "B"	a 4½	v 4.64	— 3.0	— 5.3	0.35	Unlisted
Central-Illinois Securities	a 3⅝	5.39	—32.7	—20.2	None	4⅛- 3½
North American Investing	a 10⅝	13.00	—18.3	—20.2	None	13¼-10
Pacific American Inv.	a 6⅛	6.71	— 8.7	—15.0	y 0.26	Unlisted
Tri-Continental Corporation	15	w 24.31	—38.3	—37.4	0.95	15½-13½
U. S. & International	9	12.52	—28.1	—24.6	None	9⅝- 7¼
Options:						
American Superpower	1¼	----	----	----	----	1⅝- ⅞
Tri-Continental Warrants†	4¼	----	----	----	----	4⅜- 3¾

FOOTNOTES:

*Leverage consisting of preferred stock offset by holdings of government securities.

†Each perpetual warrant entitles the holder to purchase 1.27 shares of Tri-Continental common at $17.76 a share. The asset value of the common was $24.31 on June 30, 1952 but the market price of the common was less than the exercise price of the warrants.

a Mean between bid and asked prices.

x Bid price.

b-f Plus the following amounts paid from realized capital gains: b $0.54 c $0.81 d $0.22 e $2.33 f $1.64.

g After deducting $2.22 a share reserve for taxes on unrealized appreciation.

h Before deducting ordinary dividend of $0.78 and capital gain dividend of $2.03 declared on July 2, 1952. Reported asset value, after deducting such dividends, was $71.57 on June 30, this year.

j After deducting $0.94 a share reserve for taxes on unrealized appreciation.

k Plus $1.53 paid from realized capital gains.

m Plus $0.50 paid from realized capital gains.

n-q Plus the following amounts paid from realized capital gains: n $1.72 o $2.18 p $4.12 q $0.85.

r After deducting $5 a share for taxes on unrealized appreciation.

s Entitled in liquidation to $20 per share in preference to Class B stock and thereafter, as a class, to 70% of remaining assets.

t Plus $0.15 paid from realized capital gains.

u Plus $2.58 paid from realized capital gains.

v After deducting $1.28 a share reserve for taxes on unrealized appreciation.

w After deducting $3.53 a share reserve for taxes on unrealized appreciation.

y Plus $0.59 paid from realized capital gains.

Source: National Association of Investment Companies.

Railroad Securities

Missouri Pacific

The seemingly endless process of reorganizing Missouri Pacific and its subsidiaries was blown wide open again last week. An examining board of the Interstate Commerce Commission recommended that the plan be reconsidered in the light of changed conditions and earnings in the intervening years since it was originally presented. The present plan was approved by the Commission in 1949. Since then the proceedings have followed a slow and tortuous path through the various Federal courts. Consistently the courts have upheld the various phases of the plan. Nevertheless, last winter the examining board was appointed to look into the matter and decide whether changed conditions justified re-examination.

Announcement of the board's recommendation was greeted with mixed feelings by the financial community. The old preferred and common stocks attracted sharply increased speculative interest at advancing prices. The bonds were generally under pressure. Naturally hopes were raised that if the plan is reconsidered some equity will be found to exist for the old common which is eliminated under the present plan, and that treatment of the old preferred may be liberalized. Holders of the bonds, on the other hand, were justifiably disappointed over the outlook for further lengthy delays. Also, there is considerable feeling that if the plan is liberalized to any extent the larger capitalization will necessarily detract from the investment status of the various new securities.

At this juncture obviously no one can judge the final outcome nor even just how much further delay may be involved. One thing, however, may be taken for granted. That is that the process will not be a speedy one. The time will more likely be measured in years than in months. First, the Commission itself will have to decide whether to approve the examiners' recommendations. The ICC has allowed 45 days for all interested parties to make known their position on the board's report. Thus, it will be at least a couple of months before it is even known definitely whether or not the plan will be reconsidered. The recommendations of examining boards are by no means binding on the Commission, although in this case it seems almost certain that the recommendation will be accepted.

Once the decision is made to reconsider the plan the long process of hearings on reorganization plans and proposals will get under way. Then if an altered plan is finally brought forth, or if the Commission comes to the conclusion that new conditions do not warrant any liberalization of the plan, the whole thing will again have to go all the way through the courts. The question of whether or not the plan should be liberalized will depend very largely on the opinion of the Commissioners as to whether, and to what extent, the improved earnings of the past few years may be considered permanent.

The Commission has a reputation for conservatism, so unquestionably considerable weight will be given to the theory that our economy is not always going to enjoy the stimulus of a defense boom. Nevertheless, it does seem that the chances very much favor some increase in the allowable capitalization. Certainly, the examiners appear to have been impressed by the earnings, which have been running well ahead of the estimates on which the present plan was based.

While the case for some liberalization of the capital structure may be strong, the case for optimism over the equities can not be considered so compelling. No matter how the situation is viewed one must always come back to, and recognize the fact that during the trusteeship huge amounts of interest have accumulated. Unpaid interest ranks equally with bond principal. It must be taken care of, and at least theoretically made whole, with new securities before stockholders are entitled to anything. Considering the long delays there have been it seems quite possible that bondholders may not now be so willing to compromise these claims as they were a few years ago.

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As We See It

Both Have Their Troubles

Both candidates face onerous tasks in smoothing ruffled feathers, healing wounds opened in the prenomination days, and reconciling (or finding some way to win without reconciling) sharp differences within their parties. While the existence of some such situation as this is hardly new, there are elements in it this year which are not common even in these days of political anomalies. In past years such differences often centered largely in frustrated political ambitions, the fervor of professional reformers, or vested interests of relatively small groups of citizens who were under the necessity of influencing many others in one way or another to make themselves effective. Such elements are, of course, present today—and troublesomely present—but in recent years the really vested interests are such groups as the farmers, the labor unionists, and racial minorities with very large strength in key states. Much that has of late years gone under the style and title of "reform" has in reality been nothing more or less than paternal subsidies at the expense of other taxpayers.

Of the two, we should expect Mr. Eisenhower to have the easier task. We doubt if there is very much in the Republican legislative record that he would wish to disown. The Democratic candidates, of course, would have us believe that that record is hardly less than a national scandal. Roosevelt used it effectively in each of his last campaigns and President Truman harped upon it incessantly in 1948. But apart from lack of real leadership, a tendency toward me-too-ism all too often in evidence, and the usual obstructionism of the opposition, the charges were hardly supported by the facts, however effective they may have been in the hands of rabble rousers. All that is really necessary in the present instance, so far as this matter goes, is to rid the issue of the hypocrisy and cant with which President Truman has clothed it.

Pity Mr. Stevenson

This may or may not be an easy task or one which is within the capabilities of Mr. Eisenhower and his aides, but think what Mr. Stevenson has to contend with! Unless all reports about his views and, indeed, his own words on various occasions are to be greatly discounted, Mr. Stevenson is not greatly in sympathy with much of the New Deal or the Fair Deal. It was obvious on the floor of the convention that his managers were anything but in sympathy with the extremists who would have "let the South go." Of course, he would not want to carry the burden of the Hisses and the others or the onus of the red-herring label President Truman undertook to fasten upon any and all attempts to clean out these Augean stables. He would without question like to be free of the load that corruption has placed upon the Democratic Party.

Ordinarily, he might succeed in having these cups pass from his lips, to employ one of his own allusions. His own record is, so far as known to us, free of such taints. It is difficult to see how he can run on a Democratic ticket and at the same time be Laodicean about established Democratic programs, but it is conceivable that a capable, persuasive, and sincere candidate might succeed in doing so in ordinary circumstances. But are the circumstances surrounding the present situation normal? President Truman is an obdurate man. Long ago he placed the party on notice that its candidate, who ever he might be, would have to run on his record and that of his predecessor in office. He made it clear enough at the convention the other day — and that may well have been his main motive in going there—that he has not in the least changed his mind or weakened in his resolution that precisely this must come to pass. He has repeatedly said that he intended to make another "whistle stop" campaign in support of the Democratic candidate—and there is nothing to suggest that he has even entertained the idea of giving such plans up.

What Can He Do?

What can Mr. Stevenson do in these circumstances—assuming that he really does not want to carry the Truman sins on his shoulders? Is there any reason to suppose that he could persuade the President to refrain? The President's personal characteristics and his record hardly suggest an affirmative answer. In point of fact, signs are already in evidence that the "unholy alliance" of self-seeking minorities which has enabled the Democratic Party to remain in power for two decades is beginning to crack at the seams. Apparently Mr. Stevenson, quite possibly out of a feeling of closer affinity for the more conservative wing of the party than his predecessor, apparently chose to try to keep southern dissidents in line rather than to appease northern extremists eager for the negro vote. Loss to Mr. Eisenhower either of substantial sections of the south or the northern states with large negro votes could be disastrous to the Democratic Party this year. Is there some political magic by which President Truman can hold one element of the party in line while a candidate known not to be in sympathy with him appeals successfully to the other?

For our part, we are quite willing to leave politics to the politicians. The fact is though that at present all these facets of the situation are fraught with meaning for business, and with much more than mere political significance for each and every one of us, and each of us must make it a point to do what he can to get basic issues settled in the right way this November.

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Summer Rally Prelude To a Bear Market

stock market, for, to a great extent, the present level of stock prices rests upon the fear or expectation of a continuing inflation.

On the other hand, many observers argue that the high level of stock prices is not nearly so significant as the relatively low price-earnings ratio and the relatively high dividend yields. They contend that prices are actually low when compared with earnings and that earnings and dividends could therefore continue to decline without pulling the stock market down as well.

Using the broad Standard and Poor's "Indexes," one can agree that the current price-earnings ratio of about 10½ and dividend yield of 5¾% are conservative when compared with what they were in 1929, 1937, and 1946. But the investor senses the insecurity of the present situation and now feels **entitled** to high yields from common stocks. Can we be sure that he would be content to retain his holdings if earnings and dividends declined further?

It is important to realize that a price-earnings ratio of 10½ with a dividend yield of 5¾% represents an earnings pay-out of 60%. If earnings declined only 20% (say, because of a sales decline of only 10%), then the price-earnings ratio — with no change in stock prices—would rise to 13.2. And if, because of a stringency in working capital at the same time, the dividend pay-out is cut to 50%, then the resulting yield would be only 3.9%. Would common stock prices remain steady in the face of these possibilities?

Present Price-Earnings Ratio Deceptive

The price-earnings ratio is, after all, only a reflection of a number of factors which determine investor attitudes and expectations. No price-earnings ratio is sacrosanct, and it does not have to go to 20 for the bull market high to be reached. In actuality, the present price-earnings ratio is considerably less conservative than it appears at first glance:

(1) Earnings per share have been declining steadily since the first quarter of 1951, and are now about 20% below that point. **Indeed, per share earnings are now slightly lower than they were when this upward market move began during the 1949 recession!**

(2) The price-earnings ratio is higher than it has been at any time since the first quarter of 1947 and it is nearly double what it was in the second quarter of 1949.

(3) The spread between dividend and bond yields—particularly after taxes—has narrowed considerably.

(4) If the current price-earnings ratio is low relative to the ratio at other bull market highs, one could argue with equal force that at the upturn which began in 1949, the price-earnings ratio was very much lower than it was at other bear market lows since 1929.

Why Are the Bulls Overstating Their Case?

(1) **The Government Deficit.** After running a cash surplus in the first half of 1952, the Federal Government will be paying out more than it is taking in between now and the end of the year. Supposedly, this cash deficit will reinvigorate the inflationary impulses in the economy.

But some very reliable estimates indicate that the cash deficit from July 1, 1952 to Jan. 1, 1953, will not amount to more than $9 billion. Including attrition on market refundings, the Treasury will need altogether about $10 billion. Of course, this is a lot of money. On the other hand, it is less than $5 billion above the cash deficit in the last half of 1951, when the deficit was not sufficient to offset quite pronounced deflationary influences throughout the economy. Furthermore, probably little more than half of the cash deficit will have to be raised from the banking system (most of it was already covered by the new issue of 2⅜s), in view of the fact that corporations will be accruing tax liabilities faster than they are paying taxes (due to the Mills plan) and will accumulate over $5 billion in cash that way—and this cash is likely to be invested in short-term Treasuries or tax anticipation notes. Sales of savings bonds are also likely to improve as a result of the more favorable terms now available.

(2) **Civilian Demand.** Any increase in construction of all types, business expenditure on new plant and equipment, and consumer spending are all likely to be offset by further reductions in manufacturers' inventories and in exports.

More important, any marked rise in the general price level is most unlikely, even though aggregate demand may expand somewhat. Sufficient emphasis cannot be given to the vital fact that the vast expansion in our productive capacity in recent years will be more than adequate to keep pace with the demand for goods and services, and the now familiar sight of disappearing shortages will become increasingly commonplace. Difficulties caused by the steel strike are likely to be relatively brief. Wage increases, however, will continue to press upon profit margins—and may perhaps press hard.

The substance of this position is that there is a significant divergence between the outlook for business activity, which may be pretty good for the next six months, and the outlook for earnings, which appears likely to continue relatively unfavorable.

(3) **1953?** By the first quarter of next year, government spending will have reached its peak and will no longer be a stimulating influence. Exports will be lower. Plant and equipment expenditures will also start to contract, particularly since most new defense plants will be completed by then. Renewal of inventory accumulation or of consumer buying sprees will be most improbable.

A rather gradual decline in business activity is therefore likely to develop. But the steep rise in break-even points since 1950 and the strong probability of excess productive capacity in many lines can cause a cut in earnings which will be much sharper and deeper than the let-up in output and employment.

Conclusion

Stock prices have been high for some time, but one must recognize that psychological influences could give the market a buoyancy it might not rationally deserve. The "summer rally" in the face of the business outlook appears to be the final burst of this irrational development.

Metals & Chemicals Stock at $3 a Share

An issue of 200,000 shares of common stock of Metals and Chemicals Corp. was offered publicly by Beer & Co. and associates "as a speculation" at $3 per share.

The net proceeds are to be used to pay off indebtedness incurred for interim financing during the preparation of the financing program. The remainder will be used for exploration purposes.

Metals and Chemicals Corp.'s primary interest is in exploration for manganese and lead. It is not presently engaged in the chemical business and it has no present plans to engage in such business. The corporation owns 100% of the capital stock of a Costa Rican corporation formed for the purpose of acquisition and exploration of manganese and lead deposits located in the Provinces of Guanacaste and Puntarenas in the Republic of Costa Rica.

With Beer & Co.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La. — Mrs. Katherine B. Bonner is now with Beer & Company, 233 Carondelet Street, members of the New York and New Orleans Stock Exchanges.

Two With Keller Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Albert W. Barassi and Eugene Sullivan have become connected with Keller & Co., 50 State Street.

Bonnett Brokerage Co.

PROVO CITY, Utah — Orvel J. Bonnett is engaging in the securities business under the firm name of Bonnett Brokerage Co., from offices at 402 West Center Street.

Arthur Davidor Opens

OKLAHOMA CITY, Okla. — Arthur Davidor has opened offices at 1412 N. W. Thirty-eighth Street, to engage in a securities business.

Ernest C. Gibson Opens

(Special to THE FINANCIAL CHRONICLE)

MONROE, La. — Ernest C. Gibson is engaging in a securities business from offices at 1315 Forsyth Lane.

Tri-States Secs. Co.

LAKE PROVIDENCE, La. — William B. Mitchell is engaging in a securities business from offices on Lake Street, under the firm name of Tri-States Securities Co.

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)	Aug. 3	45.4	15.3	13.3	101.5
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 3	943,000	317,000	277,000	2,029,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 19	6,078,350	6,075,050	6,155,000	6,165,700
Crude runs to stills—daily average (bbls.)	July 19	¶6,819,000	7,013,000	6,805,000	6,406,000
Gasoline output (bbls.)	July 19	23,014,000	23,251,000	22,258,000	21,363,000
Kerosene output (bbls.)	July 19	2,301,000	2,417,000	2,179,000	2,477,000
Distillate fuel oil output (bbls.)	July 19	10,128,000	10,184,000	10,387,000	8,721,000
Residual fuel oil output (bbls.)	July 19	8,779,000	8,943,000	8,595,000	8,963,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	July 19	117,380,000	118,332,000	121,613,000	131,483,000
Kerosene (bbls.) at	July 19	25,128,000	24,306,000	21,865,000	28,773,000
Distillate fuel oil (bbls.) at	July 19	77,361,000	72,515,000	60,905,000	79,709,000
Residual fuel oil (bbls.) at	July 19	49,596,000	48,395,000	42,822,000	44,970,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 19	608,957	572,387	643,860	805,378
Revenue freight received from connections (no. of cars)	July 19	521,892	461,787	570,570	652,067
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	July 24	$278,166,000	$295,779,000	$365,117,000	$251,875,000
Private construction	July 24	130,806,000	114,166,000	202,536,000	114,995,000
Public construction	July 24	147,360,000	181,613,000	162,581,000	136,880,000
State and municipal	July 24	118,133,000	88,405,000	114,564,000	105,224,000
Federal	July 24	29,227,000	93,208,000	48,017,000	31,656,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 19	6,570,000	*5,190,000	7,880,000	10,152,000
Pennsylvania anthracite (tons)	July 19	687,000	521,000	739,000	812,000
Beehive coke (tons)	July 19	17,200	*9,600	17,900	150,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	July 19	82	83	98	81
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 26	7,328,231	7,180,328	7,317,817	7,005,261
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 24	137	103	163	184
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 22	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	July 22	$52.77	$52.77	$52.77	$52.69
Scrap steel (per gross ton)	July 22	$40.75	$39.33	$39.50	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 23	24.200c	24.200c	24.200c	24.200c
Export refinery at	July 23	35.350c	33.925c	35.455c	27.425c
Straits tin (New York) at	July 23	121,500c	121.500c	121.500c	106.000c
Lead (New York) at	July 23	16.000c	16.000c	15.425c	17.000c
Lead (St. Louis) at	July 23	15.800c	15.800c	15.075c	16.800c
Zinc (East St. Louis) at	July 23	15.000c	15.000c	15.000c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 29	98.28	98.66	98.31	97.63
Average corporate	July 29	109.79	109.79	110.15	110.52
Aaa	July 29	114.27	114.08	114.27	114.85
Aa	July 29	112.19	112.19	112.75	114.08
A	July 29	109.42	109.42	109.60	109.42
Baa	July 29	103.97	104.14	104.14	103.97
Railroad Group	July 29	106.92	106.92	107.27	106.92
Public Utilities Group	July 29	109.42	109.42	109.60	110.34
Industrials Group	July 29	113.31	113.31	113.50	114.08
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 29	2.62	2.59	2.61	2.66
Average corporate	July 29	3.18	3.18	3.16	3.14
Aaa	July 29	2.94	2.95	2.94	2.91
Aa	July 29	3.05	3.05	3.02	2.95
A	July 29	3.20	3.20	3.19	3.20
Baa	July 29	3.51	3.50	3.50	3.51
Railroad Group	July 29	3.34	3.34	3.32	3.34
Public Utilities Group	July 29	3.20	3.20	3.19	3.15
Industrials Group	July 29	2.99	2.99	2.98	2.95
MOODY'S COMMODITY INDEX	July 29	442.4	441.6	435.9	466.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 19	168,607	161,404	191,104	176,346
Production (tons)	July 19	201,443	120,463	210,043	225,732
Percentage of activity	July 19	80	51	85	94
Unfilled orders (tons) at end of period	July 19	417,253	452,504	374,791	589,330
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	July 25	109.94	110.07	109.67	115.75
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 12	23,128	23,232	25,800	25,428
Number of shares	July 12	651,861	664,551	717,829	710,236
Dollar value	July 12	$30,276,295	$30,532,031	$37,526,319	$32,380,715
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 12	20,065	19,819	21,888	21,448
Customers' short sales	July 12	61	62	99	404
Customers' other sales	July 12	20,004	19,757	21,789	21,044
Number of shares—Total sales	July 12	549,530	557,787	603,346	572,416
Customers' short sales	July 12	2,058	1,914	3,128	14,706
Customers' other sales	July 12	547,472	555,873	600,218	557,710
Dollar value	July 12	$23,265,275	$23,634,075	$25,152,770	$23,680,128
Round-lot sales by dealers—					
Number of shares—Total sales	July 12	160,850	153,100	182,200	137,030
Short sales	July 12	------	------	------	------
Other sales	July 12	160,850	153,100	182,200	137,030
Round-lot purchases by dealers—					
Number of shares	July 12	251,670	241,400	299,390	320,660
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	185,250	175,460	258,050	322,970
Other sales	July 5	5,665,070	6,716,250	6,353,400	5,357,720
Total sales	July 5	5,850,320	6,891,710	6,611,450	5,680,690
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	July 5	544,510	605,080	695,140	539,860
Short sales	July 5	103,170	109,480	124,880	142,870
Other sales	July 5	457,890	494,550	540,770	464,850
Total sales	July 5	561,060	604,030	665,650	607,720
Other transactions initiated on the floor—					
Total purchases	July 5	127,800	146,100	165,650	109,830
Short sales	July 5	4,900	2,600	9,000	13,500
Other sales	July 5	177,160	191,120	154,760	158,050
Total sales	July 5	182,060	193,720	163,760	171,550
Other transactions initiated off the floor—					
Total purchases	July 5	220,860	258,920	256,129	214,060
Short sales	July 5	42,180	28,430	62,750	60,050
Other sales	July 5	273,983	287,620	322,790	229,902
Total sales	July 5	316,163	316,250	385,540	289,952
Total round-lot transactions for account of members—					
Total purchases	July 5	893,170	1,010,100	1,116,919	863,750
Short sales	July 5	150,250	140,510	196,630	216,420
Other sales	July 5	909,033	973,490	1,018,320	852,802
Total sales	July 5	1,059,283	1,114,000	1,214,950	1,069,222
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	July 22	111.2	111.1	110.7	------
Farm products	July 22	109.6	109.4	105.5	------
Processed foods	July 22	109.2	109.2	108.2	------
Meats	July 22	113.8	113.7	110.9	------
All commodities other than farm and foods	July 22	112.0	111.9	112.3	------

*Revised. ¶Includes 505,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of May	80,803	76,880	67,720
Stocks of aluminum (short tons) end of May	10,371	10,239	14,549
AMERICAN GAS ASSOCIATION — For month of May:			
Total gas (M therms)	3,577,673	4,790,956	3,730,400
Natural gas sales (M therms)	3,315,512	4,473,019	3,465,100
Manufactured gas sales (M therms)	103,002	128,970	129,900
Mixed gas sales (M therms)	159,159	188,967	135,400
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of June	1,639,000	8,201,000	8,662,348
Shipments of steel products, incl. carbon alloy & stainless (net tons)—Month of May	‡	‡	‡
AMERICAN PETROLEUM INSTITUTE—Month of March:			
Gas consumption—Grand total, U.S. (gallons)	3,456,544,000	3,361,099,000	3,421,751,000
Daily average, U.S. (gallons)	111,501,000	115,900,000	110,379,000
AMERICAN ZINC INSTITUTE, INC.—Month of June:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	77,210	84,188	77,679
Shipments (tons of 2,000 lbs.)	47,125	74,665	79,299
Stocks at end of period (tons)	63,031	32,946	15,791
Unfilled orders at end of period (tons)	39,428	41,494	73,304
COAL OUTPUT (BUREAU OF MINES)—Month of June:			
Bituminous coal and lignite (net tons)	31,405,000	36,755,000	43,536,000
Pennsylvania anthracite (net tons)	3,102,000	3,203,000	3,743,000
Beehive coke (net tons)	110,000	450,000	627,700
CONSUMER PURCHASES OF COMMODITIES — DUN & BRADSTREET, INC. (1935-1939=100)—Month of June	352.3	*352.9	342.4
COPPER INSTITUTE—For month of June:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	79,588	*92,946	87,103
Refined (tons of 2,000 pounds)	92,151	97,593	105,127
Deliveries to customers—			
In U. S. A. (tons of 2,000 pounds)	98,416	105,362	114,103
Refined copper stock at end of period (tons of 2,000 pounds)	70,856	55,351	60,912
DEPARTMENT STORE SALES (FEDERAL RESERVE SYSTEM—(1947-49 Average=100) Month of June:			
Adjusted for seasonal variations	108	*108	105
Without seasonal adjustment	102	*107	99
EDISON ELECTRIC INSTITUTE:			
Kilowatt-hour sales to ultimate consumers—Month of April (000's omitted)	27,765,654	28,452,603	26,002,167
Revenue from ultimate customers—month of April	$494,079,800	$504,333,900	$458,907,600
Number of ultimate customers at April 30	47,294,356	47,141,561	45,501,322
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of June:			
Contracts closed (tonnage)—estimated	167,492	*209,888	207,966
Shipments (tonnage)—estimated	125,486	*244,222	257,066
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE) — Month of June:			
Deliveries (number of cars)	6,411	6,857	9,644
Backlog of orders at end of month (number of cars)	61,825	103,910	147,725
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of May:			
Automatic gas water heater shipments (units)	159,300	156,900	160,400
Domestic gas range shipments (units)	161,100	173,600	177,800
Gas-fired central heating equipment shipments (units)	54,600	40,200	42,100
Gas-fired furnaces (units)	32,000	22,000	26,900
Gas-fired boilers (units)	3,700	4,000	3,300
Gas-conversion burners (units)	18,900	14,200	11,900
HOUSEHOLD VACUUM CLEANERS—STANDARD SIZE (VACUUM CLEANER MANUFACTURERS ASSN.)—Month of June:			
Factory sales (number of units)	206,936	216,969	194,548
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of June (1935-39 average = 100)	118.3	122.2	125.2
METAL OUTPUT (BUREAU OF MINES)—Month of May:			
Mine production of recoverable metals in the United States:			
Copper (in short tons)	82,246	*80,332	83,779
Gold (in fine ounces)	150,981	*137,107	161,494
Lead (in short tons)	33,575	*34,363	33,706
Silver (in fine ounces)	3,236,334	*3,218,835	3,607,042
Zinc (in short tons)	62,150	*60,443	58,779
RAILROAD EARNINGS — CLASS I ROADS (ASSOCIATION OF AMERICAN RRS.) — Month of May:			
Total operating revenues	$870,315,262	$847,478,130	$888,608,471
Total operating expenses	676,418,308	667,433,379	691,045,672
Operating ratio	77.72%	78.76%	77.77%
Taxes	$97,350,092	$93,229,105	$103,785,651
Net railway operating income before charges	82,970,254	72,312,900	76,717,336
Net income after charges (est.)	55,000,000	45,000,000	51,000,000
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE — August, 1909-July, 1941=100—As of April 15:			
Unadjusted—			
All farm products	290	288	309
Crops	272	265	275
Food grain	250	251	247
Feed grain and hay	229	229	222
Tobacco	435	435	438
Cotton	313	309	363
Fruit	179	176	209
Truck crops	308	265	225
Oil-bearing crops	279	284	385
Livestock and products	306	310	340
Meat animals	372	372	428
Dairy products	291	305	273
Poultry and eggs	180	177	215
ZINC OXIDE (BUREAU OF MINES)—Month of May:			
Production (short tons)	13,747	14,739	19,050
Shipments (short tons)	12,279	15,873	16,556
Stocks at end of month (short tons)	31,980	30,512	13,562

*Revised figure. ‡Not available due to steel strike.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

The final two sentences of last week's column said, "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."

* * *

I repeat the above in the light of what has happened in the past few days. The low point in the Dow Averages was 273 and a fraction. As this is being picked out on the Underwood, the averages are back to about 280.

The same question "what, from here on in," is now uppermost in trader's minds. To answer it you'll have to look at the action of the negative stocks—that is, negative in the past few days—and see what they're doing. Should these so-called negatives continue in a downtrend, the suspicion would arise that a new down-move was in the making. You can use the same method in a down market. In the latter the down stocks obviously dominate the major trend. If a few stocks which had been early weak sisters, firm up and start advancing, or even refuse to go any lower, you can almost be certain that an end to the downmove is in sight.

* * *

For the past few weeks the down-movers were such stocks as City Service, Standard of New Jersey, Richfield Oil, Kennecott, Smelters and Anaconda. It wasn't their decline in actual points that was so significant as their behavior while doing it. A down close one night, followed by a lower opening the following morning, usually signifies more down to come.

* * *

In the past few days, however, it was significant to note that a down close was no longer followed by a down opening. The reasons for this are many and probably varied. At this point you can let your imagination roam. The answer to the trader, however, is that a halt has been called; the reasons are unimportant.

* * *

The fact that this halt was within previously determined technical ranges gives it added significance.

* * *

A few weeks ago I said in this space that after a reaction to about 270 (five points within that figure its influence would be felt) there would be a rally that might carry them well across the 300 mark. At this writing the latter figure is still some distance away. But if the previous action is any harbinger, it won't be too long before that figure is approximated.

* * *

Time element is something else. Practically all the buying and selling going on today comes from the investment trust field. Obviously there is no unanimity among the handlers of these funds, though within wide ranges, many of the funds see eye to eye.

* * *

From here on the position should be to hold on and watch. Sudden shakeouts can occur, and probably will, but basically the trend is up.

[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.]

Continued from page 5

The State of Trade and Industry

fore the agreement was finally reached, says "Steel," the weekly magazine of metalworking.

The modified union shop feature accepted by the companies is an extremely watered-down version compared with what the union originally demanded. The whole agreement falls short of the Wage Stabilization recommendations for which the steelworkers had fought. It remains to be seen whether the union shop provisions will be acceptable in four states which have basic steel capacity of 1.2 million tons and which have statutes outlawing compulsory unionism. Those states are Georgia, Tennessee, Texas and Virginia, according to this trade weekly.

It will be months before distribution—for both civilian and military uses—will resume the prestrike pattern, continues "Steel." Emergency directives will be used on some desperate matters, such as tinplate for the canning industry.

The eight-week strike cost the average steelworker $637 in lost wages; it cost the economy $4 billion in total lost sales and wages; it cost the steel users 15.3 million tons in lost ingots. The ingot loss will be more before we're through because it takes from 10 days to two weeks to get a steel mill back to normal operations, this trade paper declares.

After steel production finally does get back to normal, another problem caused by the strike will come to haunt us next winter—shortage of iron ore. Because most Great Lakes ore ships couldn't operate during the strike, shipments this year are some 15 million gross tons below what they were at this same time last year. That means trouble when the ore fleet can no longer operate in winter because the normal stocks won't be built up for the seasonal fleet layoff.

All that adds up to this, continues "Steel." The nation's steel mills will do well to turn out 70 million tons of finished steel this year, the lowest output since 1949. Decontrol of steel will not be possible for at least another 11 months. So, there's an increased interest in foreign steel, but it can be only a partial answer to a steel consumer's needs. Most foreign producers, while anxious to sell to the dollar market, are already sold out for the next four or five months.

Earlier weakness in demand for steelmaking and foundry grades of scrap is disappearing. Waning operations in the metalworking industry are choking off the generation of scrap, and the prospect of an iron ore shortage presages heavy usage of scrap concludes this trade journal.

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 45.4% of capacity for the week beginning July 28, 1952, equivalent to 943,000 tons of ingots and steel for castings. In the week starting July 21, the rate was 15.3% of capacity and output totaled 317,000 tons. A month ago output stood at 13.3%, or 277,000 tons.

Electric Output Continues to Climb

The amount of electric energy distributed by the electric light and power industry for the week ended July 26, 1952, was estimated at 7,328,231,000 kwh., according to the Edison Electric Institute.

The current total was 147,903,000 kwh. above that of the preceding week when output amounted to 7,180,328,000 kwh. It was 322,970,000 kwh., or 4.6% above the total output for the week ended July 28, 1951, and 1,138,133,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Advance 6.4% in Latest Week

Loadings of revenue freight for the week ended July 19, 1952, which were affected by the steel strike, totaled 608,957 cars, according to the Association of American Railroads, representing an increase of 36,570, or 6.4% above the preceding week.

The week's total represented a decrease of 196,421 cars, or 24.4% below the corresponding week a year ago, and a decrease of 221,119 cars, or 26.6% below the comparable period in 1950.

United States Auto Output Rose In Past Week About 29%

Passenger car production in the United States the past week, according to "Ward's Automotive Reports," rose 29% to 29,238 units, compared with 22,634 (revised) units in the previous week and 94,075 units in the like week a year ago.

The main reason for the rise was the return to production of all 15 Ford division plants. These plants will be closed next week, however, and according to "Ward's," production will plunge "to unheard of depths" with only 16,000 cars and about 1,000 trucks to be built.

Total output for the past week was made up of 29,238 cars and 6,275 trucks built in the United States against 22,634 cars and 3,763 trucks (revised) last week and 94,075 cars and 29,255 trucks in the comparable period a year ago.

Canadian output last week was placed at 4,807 cars and 1,110 trucks. In the preceding week 4,663 cars and 995 trucks were built. In the like week last year 5,769 cars and 2,499 trucks were built.

Business Failures Rise Modestly

Commercial and industrial failures increased mildly to 137 in the week ended July 24 from 103 in the preceding week, Dun & Bradstreet, Inc., reports. Despite this rise, casualties remained far below a year ago when 184 occurred and were also below the 1950 total of 160. Less than one-half as many businesses failed as in the comparable week in prewar 1939 when 291 failures were recorded.

Liabilities of $5,000 or more were involved in 119 of the week's casualties, rising markedly from 81 last week but remaining below the 149 a year ago. Small failures, those with liabilities under $5,000, dipped to 18 from 22 in the previous week and 35 in the similar week of 1951.

Wholesale Food Price Index Moves Downward for First Time in Four Weeks

The wholesale food price index, compiled by Dun & Bradstreet, Inc., moved lower last week for the first time in four weeks. The index fell to $6.59 as of July 22, from $6.61 the week before. It compared with $6.90 a year ago, or a drop of 4.5%.

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 Declines Moderately To Lowest Level in Close to Two Years

Following the comparative steadiness of the previous two weeks, the Dun & Bradstreet daily wholesale commodity price index turned downward to reach the lowest level in almost two years. The index closed at 289.21 on July 22, as compared with 290.09 a week earlier, and with 302.76 a year ago.

Leading grain markets continued irregular last week. Despite huge market receipts, wheat prices showed a moderate rise, aided by a lack of hedge pressure and the disappointing outlook for the Spring wheat crop in the Northwest. Corn prices worked lower under pressure of continued excellent growing weather and the outlook that the Government goal of 3,375,000,000 bushels will be reached.

Oats were slightly firmer while rye declined quite sharply due mostly to free liquidation by longs. Trading in grain and soy bean futures on the Chicago Board of Trade was more active last week, averaging 36,000,000 bushels per day, against 31,000,000 bushels the week before and 30,000,000 in the same week last year.

Raw sugar prices moved sharply lower as the result of liquidation induced by the reallocation of the beet sugar deficit.

Spot cotton prices moved in a narrow range the past week. Following early declines the market strengthened but closed slightly below the preceding week. The continued easiness was largely influenced by widespread beneficial rains over a large part of the belt. Buying was stimulated at times by scarcity of offerings, reports of increased activity in the goods market, and the publication of the official report on consumption for June showing a total of 696,000 bales for the period. This was slightly more than had been expected, and compared with 687,000 bales in May, and 817,000 in June last year. On a daily rate basis, consumption last month showed a small decrease, averaging 34,800 bales per day, against 35,200 in May, and 40,900 bales in June a year ago. Interest in new crop cotton showed considerable improvement. Reported sales in the ten spot markets rose moderately to 48,000 bales last week, from 31,000 the previous week, and 27,100 in the corresponding week a year ago.

Trade Volume Turns Lower as Heat Wave Slows Buying

The waves of enervating heat which swept over large areas of the nation were instrumental in reducing spending slightly in the period ended on Wednesday of last week. Shoppers generally limited their buying to their most immediate needs. While the selling of most lines lessened perceptibly, there was a steady rise in the call for some seasonal merchandise. Clearance sales of Summer goods attracted spirited response in most sections.

However, in those cities where labor-management disputes resulted in mounting layoffs there was a palpable rise in consumer hesitancy.

Retail dollar volume in the week was estimated to be from unchanged to 4% higher than the level of a year ago. Regional estimates varied from the levels of a year ago by the following percentages; New England —1 to +3, East and Midwest —2 to +2, South +3 to +7, Northwest and Southwest +1 to +5, and Pacific Coast +2 to +6.

While the consumer demand for apparel slackened slightly last week some items, particularly sportswear and beachwear remained in wide demand.

Clearance sales, which were much more frequently encountered than at this time last year, helped to sustain shoppers' interest.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended July 19, 1952, rose 1% above the level of the preceding week. For the four weeks ended July 19, 1952, sales rose 1%. For the period Jan. 1 to July 19, 1952, department store sales registered a decline of 3% below the like period of the preceding year.

Retail trade in New York last week continued to be hampered by warm weather which resulted in the volume holding well below the like period a year ago. The decline was estimated to be about 11%.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended July 19, 1952, decreased 11% below the like period of last year. In the preceding week a decline of 13% was recorded from that of the similar week of 1951, while for the four weeks ended July 19, 1952, a decrease of 11% was registered below the level of a year ago. For the period Jan. 1 to July 19, 1952, volume declined 10% under the like period of the preceding year.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

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

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 Bosch Corp., Springfield, Mass.
July 22 (letter of notification) 3,500 shares of common stock (par $2). **Price**—At the market. **Proceeds**—To William S. Wasserman trust account (500 shares) and Investment Co. of Philadelphia (3,000 shares). **Office**—3664 Main St., Springfield, Mass. **Underwriter**—None.

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.

★ Anderson-Farmer Corp., Maumee, Ohio
July 18 (letter of notification) 3,000 shares of cumulative preferred stock to be offered to patrons of the Anderson Elevator Co. or exchanged for acquired credits. **Price**—At par ($100 per share). **Proceeds**—For new facilities, or for loan to Anderson Elevator. **Office**—Illinois Ave., Maumee, Ohio. **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.

★ Armstrong Rubber Co., West Haven, Conn.
July 25 (letter of notification) 500 shares of class A common stock (no par). **Price**—At market (estimated at $21 per share). **Proceeds**—To James A. Walsh, Chairman of the Board, who is the selling stockholder. **Underwriter**—Gruntal & Co., New York.

★ Associated Grocers' Co. of St. Louis (Mo.).
July 24 (letter of notification) 3,000 shares of common stock, to be sold to shareholder-members and to new members. **Price**—$100 per share. **Proceeds**—For working capital. **Office**—5030 Berthold Avenue, St. Louis, Mo. **Underwriter**—None.

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

★ Big C Chocolate Corp., N. Y.
July 24 (letter of notification) 200,000 shares of 6% cumulative callable preferred stock (par 50 cents) and 200,000 shares of common stock (par one cent) to be offered in units of one share of each class of stock. **Price**—51 cents per unit. **Proceeds**—To purchase and install additional equipment; to purchase raw materials, and for working capital. **Underwriter**—Prudential Securities Corp., New York.

★ Brick Discount Corp., Buffalo, N. Y.
July 24 (letter of notification) $130,000 of 3% 10-year debenture notes and 1,500 shares of 6% non-cumulative preferred stock (par $100). **Price**—At par. **Proceeds**—For working capital. **Office**— 1420 Genesee Bldg., Buffalo 2, N. Y. **Underwriter**—None.

★ Campbell Chemicals, Inc., St. Louis, Mo.
July 22 (letter of notification) 1,000 shares of 5% cumulative preferred stock (par $10) and 4,000 shares of common stock (par 25 cents). **Price**—At par. **Proceeds**—For additional working and general corporate purposes. **Office**—Room 407, 406 Market St., St. Louis, Mo. **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.

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.

NEW ISSUE CALENDAR

August 4, 1952
Chase Chemical Co. — Common
(Aigeltinger & Co. and Vickers Brothers)
Lunn Laminates, Inc. — Common
(S. D. Fuller & Co. and Vermilyea Brothers)
McCarthy (Glenn), Inc. — Common
(B. V. Christie & Co.)
Newcomer Products, Inc. — Debs. & Common
(McKelvy & Co.)
Working Capital, Inc. — Common
(W. Harry Young 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
Texas Gas Transmission Corp. — Common
(Dillon, Read & Co. Inc.)

August 8, 1952
Seaboard Air Line RR. — Debentures
(Bids noon EDT)

August 11, 1952
Motorola, Inc. — Common
(Hickey & Co.)
Mountain States Power Co. — Common
(Bids 10:30 a.m. CDT)
Parsonnet TV-Film Studios, Inc. — Debs. & Com.
(Trinity Securities Corp.)

August 13, 1952
Texas City Chemicals, Inc. — Debs. & Com.
(Glore, Forgan & Co.)
Warren-Bradshaw Exploration Co. — Common
(Paul H. Davis & Co.; Paine, Webber, Jackson & Curtis and F. S. Moseley & Co.)

August 14, 1952
Chicago, Milwaukee, St. Paul & Pacific RR. — Equip. Trust Ctfs.
(Bids noon EDT)
Cincinnati Enquirer, Inc. — Debentures
(Halsey, Stuart & Co., Inc.)

August 18, 1952
Pillsbury Mills, Inc. — Common
(Goldman, Sachs & Co., and Piper, Jaffray & Hopwood)

August 21, 1952
Texas Eastern Transmission Corp. — Preferred
(Dillon, Read & Co.)

September 8, 1952
Tennessee Gas Transmission Co. — Debentures
(Bids to be received)

September 9, 1952
Arkansas Power & Light Co. — Bonds
(Bids to be invited)

September 23, 1952
Appalachian Electric Power Co. — Bonds & Notes
(Bids 11 a.m. EDT)

September 30, 1952
Washington Water Power Co. — Bonds
(Bids to be received)

October 20, 1952
Carolina Power & Light Co. — Bonds
(Bids to be received)

December 15, 1952
New Orleans Public Service Inc. — Bonds
(Bids to be received)

★ Cincinnati Enquirer, Inc., Cincinnati, Ohio (8/14)
July 25 filed $3,500,000 of 15-year sinking fund debentures and $2,500,000 of 10-year convertible debentures. **Price**—To be supplied by amendment. **Proceeds**—To pay notes issued to, the Portsmouth Steel Corp. **Underwriter**—Halsey, Stuart & Co., Inc., Chicago & New York.

★ Cincinnati Enquirer, Inc., Cincinnati, Ohio
July 25 filed 400,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Underwriter**—None.

Cinecolor Corp., Burbank, Calif.
May 9 filed $452,350 of five-year 5% subordinated sinking fund debentures due May 1, 1957 (with common stock purchase warrants attached) to be offered for subscription by common stockholders at rate of $1 of debentures for each two common shares held. **Price**—At par. **Proceeds**—To purchase voting control of Cinecolor (Great Britain), Ltd. and for working capital. **Business**—Two-color film process. **Underwriter**—None. **Warrants**—Will entitle holders to purchase 452,350 shares of common stock at par ($1 per share). They are exercisable to May 1, 1955.

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.

★ Consolidated Grocers Corp., Chicago, Ill.
July 23 (letter of notification) 925 shares of common stock (par $1.33⅓) to be offered on the New York Stock Exchange. **Price** — At market (approximately $14.25 per share). **Proceeds**—To the Executors of the Estate of Ruth K. Cummings. **Office**—135 South La Salle St., Chicago, Ill. **Underwriter**—Farwell, Chapman & Co., Chicago.

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. (8/5-7)
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.

★ Dry-Ore Concentrator, Inc., Redmond, Wash.
June 30 (letter of notification) 2,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To develop commercial model of mineral separating machine and to establish sales organization. **Office**—Putnam Building, Redmond, Wash. **Underwriter**—None.

Duquesne Natural Gas Co.
May 28 (letter of notification) a maximum of 92,703 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.

★ Electronic Computer Corp., Brooklyn, N. Y.
July 25 (letter of notification) 52,500 shares of class B common stock (par $1) of which 15,000 shares are to be offered first to persons who sought to purchase stock under the offering which commenced in February, 1951, but whose purchases could not be consummated. The other 37,500 shares to be offered to stockholders of record

Continued on page 30

Continued from page 29

Aug. 10 at rate of one new share for each four shares of class A and/or class B stock held; rights to expire on Sept. 10. **Price**—$3 per share. **Proceeds**—For working capital. **Office**—265 Butler Street, Brooklyn, N. Y. **Underwriter**—Pioneer Enterprises, Inc., Bluefield, W. Va.

● Excalibur Uranium Corp., Denver, Colo.
July 10 (letter of notification) 28,350 shares of class B capital stock being offered only 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.

★ Fireman's Fund Insurance Co., San Francisco, Calif.
July 23 (letter of notification) not exceeding 4,783 shares of capital stock to be purchased by participating employees under Savings and Supplemental Retirement Plan.

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.)
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**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Expected today.

General Contract Corp. (formerly Industrial Bancshares Corp.), St. Louis, Mo.
May 26 filed 110,000 shares of common stock (par $2), 15,500 shares of 5% cumulative convertible preferred stock (par $100) and 50,000 shares of 5% cumulative convertible preferred stock (par $20) 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.

★ General Fuse Co., South River, N. J.
July 22 (letter of notification) 960,000 shares of common stock (par 10 cents) to be offered for subscription by stockholders of record Aug. 8 at rate of one new share for each share held; rights to expire on Aug. 13. **Price**—25 cents per share. **Proceeds**—For expansion of Puerto Rican factory operation and for working capital and general corporate purposes. **Underwriter**—None.

★ Hebron's Home Telephone Co., Hebron, Me.
July 22 (letter of notification) 400 shares of 6% cumulative preferred stock (par $25) and 2,180 shares of common stock (par $5). **Price**—At par. **Proceeds**—To improve and expand telephone service. **Underwriter**—None.

★ Helio Aircraft Corp., Norwood, Mass.
July 21 (letter of notification) 3,000 shares of non-cumulative preferred stock (par $1) and $3,000 shares of common stock (par $1) to be offered in units consisting of one share of preferred and one share of common stock. **Price**—$25 per unit to subscribing stockholders and $27.50 per unit to public. **Proceeds**—To continue development of "Courier" model aircraft and to design and develop "Helioplane" type of aircraft. **Office** — Boston Metropolitan Airport, Norwood, Mass. **Underwriters**—Chace, Whiteside, West & Winslow, and H. C. Wainwright & Co., both of Boston, Mass.

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

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

Huyck (F. C.) & Sons
May 16 filed 60,000 shares of cumulative convertible prior preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To redeem $5 class B preferred stock and for working capital. **Business** — Mechanical fabrics for industry and blankets and apparel cloth. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Postponed indefinitely.

Idaho Maryland Mines Corp.
June 6 filed 200,000 shares of common stock (par $1). **Price**—At market (on the San Francisco Stock Exchange). **Proceeds**—To selling stockholder (Gwendolyn MacBoyle Betchtold, as executrix of the last will and testament of Errol Bechtold, deceased). **Office**—San Francisco. Calif. **Underwriter**—None.

Inland Oil Co. (Nev.), Newark, N. J.
Feb. 26 (letter of notification) 599,700 shares of class A common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For drilling and equipping well and for working capital. **Office**—11 Commerce St., Newark, N. J. **Underwriter**—Weber-Millican Co., New York.

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 25 (letter of notification) 75 shares of capital stock (par $50). **Price**—At market (estimated at approximately $140 per share). **Proceeds**—To Clyde J. Walsh, selling stockholder. **Underwriter**—None, but Josephthal & Co. will act as agent.

★ Louisiana Supply Co., Lake Charles, La.
July 24 (letter of notification) 10,000 shares of capital stock (par $1) to be offered for subscription by present stockholders at rate of one new share for each five shares held. **Price**—$12.50 per share. **Office**—306 Pioneer Bldg., Lake Charles, La. **Underwriter**—None.

● Lunn Laminates, Inc., Huntington, N. Y. (8/4)
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.

★ Major Studio Picture Corp., Las Vegas, Nevada
July 24 (letter of notification) 10,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To produce a movie called "The Rodeo Story." **Office**—113 South 4th Street, Las Vegas, Nev. **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. (8/4-7)
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.

★ McCormick & Co., Inc., Baltimore, Md.
July 21 (letter of notification) 500 shares of 5% cumulative preferred stock (par $100), 1,000 shares of voting common stock (no par) and 7,161 shares of non-voting common stock (no par). **Price**—At par for the preferred, and $25 per share for the common. **Proceeds**—For additional working capital. **Office**—414 Light St., Baltimore 2, Md. **Underwriter**—None.

★ Mineral Exploration Corp., Ltd., Toronto Canada
July 29 filed 2,000,000 shares of common stock, each share to have attached an "A," "B" and "C" warrant, each giving the holder the right to purchase one additional share for each two shares held in two, three, or five years, at $1, $2 and $3 per share, respectively. **Price**—For 2,000,000 shares, $1 per share—Canadian. **Proceeds**—For exploration, development and acquisition of properties. **Underwriter**—Brewis & White, Ltd., Toronto, Canada. Names of United States underwriters to be supplied by amendment.

★ Minnesota Fund, Inc., Minneapolis, Minn.
July 28 filed 125,000 shares of common stock (par one cent). **Price**—Asset value, plus sales charge. **Proceeds**—For investment. **Distributor** — Minneapolis Associates, Inc., Minneapolis, Minn.

★ Modoc Mines & Exploration Co., Reno, Nevada
July 24 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (5 cents per share). **Proceeds**—For mine development and exploration. **Office**—140 North Virginia Street, Reno, Nev. **Underwriter**—None.

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. (8/11)
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 as of Aug. 11; rights to expire on Aug. 23. **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.

★ National Plumbing Stores Corp.
July 25 (letter of notification) $23,000 of 3½% 20-year non-convertible income notes due Oct. 1, 1971. **Price**—At par (in denominations of $500 and $1,000 each). **Proceeds**—For general corporate purposes. **Office**—79 Cliff St., New York, N. Y. **Underwriter**—None.

★ Nekoosa-Edwards Paper Co., Port Edwards, Wis.
July 21 (letter of notification) 1,498 shares of capital stock (par $25) to be offered to employees under stock option plan. **Price** — $29.50 per share. **Proceeds** — For general funds. **Underwriter**—None.

Nev-Tah Oil & Mining Co., Salt Lake City, Utah
June 12 (letter of notification) 600,000 shares of common stock (par 5 cents). **Price**—10 cents per share. **Proceeds** — For expansion of operations. **Underwriter** — Cromer Brokerage Co., Salt Lake City, Utah.

★ New England Fund, Boston, Mass.
July 28 filed $986,500 of shares of beneficial interest in an amount of $986,500. **Proceeds**—For investment. **Underwriter**—Coffin & Burr, Inc., Boston, Mass.

★ New Era Specialties Co., Inc., Benton Harbor, Mich.
July 22 (letter of notification) 22,553 shares of common stock to be issued at par ($1 per share) to creditors in exchange for claims. **Office**—Benton Harbor, Mich. **Underwriter**—None.

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.

★ Newcomer Products, Inc., Latrobe, Pa. (8/4)
July 25 (letter of notification) $175,000 of 5% convertible sinking fund debentures dated Aug. 1, 1952 and due Aug. 1, 1962, and 10,000 shares of common stock (no par). **Price**—Of debentures at par; and of stock, $5 per share. **Proceeds**—To repay bank loans, to buy equipment and for working capital. **Underwriter**—McKelvy & Co., Pittsburgh, Pa.

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.

★ Parancor Co., Denver, Colo.
July 22 (letter of notification) $30,000 of callable 5-year registered 6% convertible notes, dated Aug. 1, 1952 (convertible into common stock on the basis of one common share for each $100 of notes). **Price**—At par. **Proceeds**—For working capital and increased inventory in manufacture of rust preventive products. **Office**—220 Colorado National Bank Bldg., Denver 2, Colo. **Underwriter**—None.

★ Pennsylvania Coal & Coke Corp.
July 23 (letter of notification) 18,612 shares of capital stock (par $10). **Price**—At market, but not less than $13 per share. **Proceeds**—For working capital. **Underwriter**—Blair, Rollins & 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.

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.

★ **Pillsbury Mills, Inc., Minneapolis, Minn. (8/18)**
July 29 filed 160,000 shares of common stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—For general funds. **Underwriters** — Goldman, Sachs & Co., New York, N. Y., and Piper, Jaffray & Hopwood, Minneapolis, Minn.

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 $1 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.

★ **Ryerson & Haynes, Inc., Jackson, Mich.**
July 15 (letter of notification) 20,000 shares of common stock (par $1) plus $49,216 to be delivered to the Wesley Corp. in exchange for 50,000 shares of common stock (no par) of Helfinger-Jackson Corp., making the latter company a wholly owned subsidiary of Ryerson & Haynes. **Office**—2301 East Ganson St., Jackson, Mich. **Underwriter**—None.

Reflexite Corp., New York
July 3 (letter of notification) 158,350 shares of capital stock (par 50 cents) being offered first to stockholders at rate of two new shares for each three shares held as of July 11; rights to expire on July 31. **Price**—$1 per share. **Proceeds**—To repay notes and accounts payable and for working capital. **Office**—Room 1415, 63 Wall St., New York. **Underwriter**—Henry Mann Securities Corp., New York.

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.

★ **Sheridan Brewing Co., Sheridan, Wyo.**
July 23 (letter of notification) 600,000 shares of common stock, of which 265,000 will be offered to the public, the remainder to be issued to stockholders in exchange for present stock held by them. **Price**—To the public, $1 per share. **Proceeds** — For capital improvements and liquidation of indebtedness. **Underwriter**—None.

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.

● **Steak n Shake of Illinois, Inc.**
July 11 (letter of notification) 22,000 shares of common stock (par 50 cents) being offered to stockholders of record July 1 (excepting members of the Belt family, who own about 60% of the common stock) at rate of one share for every 20 shares held, with an oversubscription privilege; rights to expire on Sept. 15. **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.

★ **Strevell-Paterson Finance Corp., Salt Lake City, Utah**
July 21 (letter of notification) 313,668 shares of common stock in units of 100 shares each. **Price**—$72.66 per unit. **Proceeds**—For additional working capital. **Office**—54 West 7th South St., Salt Lake City, Utah. **Underwriter**—None.

★ **Suburban Propane Gas Corp.**
July 24 (letter of notification) an unspecified number of shares of common stock (par $1), sufficient to sell for a total of $20,675. **Price**—At market (around $17 per share). **Proceeds**—To SBN Gas Co., the selling stockholder. **Underwriter**—None, but Eastman, Dillon & Co., New York, and/or Bioren & Co., Philadelphia, Pa., will act as brokers.

★ **Sunflower State Oil Co., Inc., Denver, Colo.**
July 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To complete well and other drilling. **Office** — Silver State Bank Bldg., 1636 Welton St., Denver, Colo. **Underwriter**—Israel & Co., New York. **Offering**—Now being made.

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.

★ **Supervised Shares, Inc., Des Moines, Iowa**
July 25 filed 300,000 shares of capital stock (par 25 cents). **Price**—Net asset value plus sales load. **Proceeds**—For investment. **Distributor**—T. C. Henderson & Co., Des Moines, Iowa.

★ **Sweet Grass Oils, Ltd., Toronto, Canada**
July 29 filed 375,000 shares of common stock (no par). **Price**—To be related to quotation on the Toronto Stock Exchange at time of offering. **Proceeds**—For working capital. **Underwriter** — For 30,000 shares only: Group headed by Aetna Securities Corp., New York.

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.

★ **Telecomputing Corp., Burbank, Calif.**
July 24 (letter of notification) 989 shares of capital stock to be issued to Chalmers L. McGaughy, upon exercise of stock option. **Price**—$6 per share. **Proceeds**—For general funds. **Office**—133 East Santa Anita Avenue, Burbank, Calif. **Underwriter**—None.

★ **Texas City Chemicals, Inc. (8/13)**
July 23 filed $3,000,000 of 5¼% subordinated sinking fund debentures due Jan. 1, 1963 and 300,000 shares of common stock (no par) to be offered in units of $1,000 debenture and 100 shares of stock. **Price**—To be supplied by amendment (probably at $1,150 per unit). **Proceeds**—For construction of dicalcium phosphate and a contact sulphuric acid plant. **Underwriter**—Glore, Forgan & Co., New York City.

★ **Texas Eastern Transmission Corp., Shreveport, La. (8/21)**
July 28 filed 190,000 shares of first preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For general funds. **Underwriter** — Dillon, Read & Co., New York.

● **Texas Gas Transmission Corp. (8/6-7)**
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.

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.)

★ **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.

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.

● **Warren-Bradshaw Exploration Co. (8/13)**
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 (expected around $6.50 per share). **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.

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. (8/4)
July 21 (letter of notification) 239,800 shares of common stock (par five cents), with 119,900 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.

★ **Zonolite Co., Chicago, Ill.**
July 24 (letter of notification) a maximum of 60,000 shares of common stock to be offered during the next year under a stock option plan to key employees. **Price**—Not exceeding $5 per share. **Proceeds**—For working capital. **Office**—135 South La Salle Street, Chicago 3, Ill. **Underwriter**—None.

Prospective Offerings

Aeroquip Corp.
Jan. 4, Don T. McKone, Chairman, announced that consideration was being given to the possibility of equity financing. On Feb. 18, stockholders voted to increase the authorized common stock to 1,000,000 from 750,000 shares, and to issue 37,500 shares as a 5% stock dividend. **Underwriter**—Watling Lerchen & Co., Detroit, Mich. **Proceeds**—For additional working capital.

Allis-Chalmers Manufacturing Co.
May 12 it was reported company may do some financing, the nature of which has not yet been determined. **Underwriter**—Blyth & Co., Inc.

American Barge Line Co.
May 27 stockholders approved a proposal to increase the authorized common stock (par $5) from 330,000 to 430,000 shares and approved a waiver of preemptive rights to subscribe for any of the additional shares. **Proceeds**—To finance purchase of equipment and terminal and warehouse facilities. **Traditional Underwriter**—F. Eberstadt & Co., Inc., New York.

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American President Lines, Ltd.
June 12 it was announced Riggs National Bank, Washington, D. C., will advertise for bids within 90 days for the sale of the stock of this company at an upset price of $13,000,000. **Proceeds**—To be divided equally between the government and the Dollar interests. If stock is not sold for $14,000,000 or more, the stock would be divided equally between the two parties, the Government to then dispose of its holdings. **Registration**—Expected within the next two months.

★ **Appalachian Electric Power Co. (9/23)**
July 25 it was reported that the company expects to issue and sell $17,000,000 of first mortgage bonds due 1982 and $6,000,000 of serial notes due 1956 and 1957. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Harriman Ripley & Co. Inc. **Bids**—Expected to be received by company at 11 a.m. (EDT) on Sept. 23. **Registration**—Expected about Aug. 27.

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. **Offering**—Expected in August.

● **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.

★ **Bishop Oil Co.**
July 22 it was announced directors have appointed an executive committee to make recommendations for financing, organization and development of a program for expansion by Canadian Bishop Oil, Ltd., a subsidiary.

● **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 are being offered for subscription by common stockholders of record July 9 on a 2-for-5 basis; 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 22 it was announced stockholders will in the fall receive the right to subscribe for $1,700,000 of 5½% first mortgage (convertible) bonds on a pro rata basis. **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 Palmer Stendel Oil Corp.
April 18 it was reported that 1,820,857 shares of common stock are to be offered for subscription by stockholders of Palmer Stendel Oil Corp. on a 1-for-2 basis. **Price**—At par (25 cents per share). **Underwriter**—Burnham & Co., New York.

Carolina Natural Gas Corp.
May 19 company sought FPC authority to a new 40-mile transmission line estimated to cost $3,150,000, to be financed by the issuance of $1,600,000 first mortgage bonds, $750,000 15-year debentures and $800,000 common stock. **Traditional Underwriter** — R. S. Dickson & Co., Charlotte, N. C.

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.

★ **Chicago, Milwaukee, St. Paul & Pacific RR. (8/14)**
Bids will be received by the company at Room 744, Union Station Bldg., Chicago 6, Ill., up to noon (CDT) on Aug. 14 for the purchase from it of $3,990,000 equipment trust certificates, series QQ, to be dated Sept. 1, 1952,. and to mature in 30 semi-annual instalments of $133,000 each. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co.

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 later this year 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.
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. **Traditional Underwriter**—Eastman, Dillon & Co., New York.

Glass Fibres, Inc.
April 7 stockholders voted to increase authorized common stock from 1,000,000 shares (approximately 938,000 shares outstanding) to 1,250,000 shares to provide additional stock for future expansion needs. **Traditional Underwriter**—McCormick & Co., Chicago, Ill.

Globe-Wernicke Co.
March 26 stockholders increased authorized common stock from 300,000 shares (par $5) to 600,000 shares (par $7), placing the company in a position to consider from time to time stock dividends and the giving of stock rights or warrants to present stockholders. **Underwriters**—May include Westheimer & Co., Cincinnati, O. Previous public financing handled by W. E. Hutton & Co. and W. D. Gradison & Co., also of Cincinnati.

Haloid Co.
June 18 it was reported company may sell this Fall an issue of convertible preferred stock. **Traditional Underwriter**—The First Boston Corp., New York.

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 29 stockholders were to approve 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. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); Equitable Securities Corp. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.

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.

★ New Orleans Public Service Inc. (12/15)
July 24 company announced plans to issue and sell $6,000,000 of first mortgage bonds due Dec. 1, 1982. Proceeds—For new construction. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly). Registration — Expected about Aug. 14. Bids—Tentatively set for Dec. 15.

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 Studios, Inc. (8/11-15)
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—Expected week of Aug. 11.

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.

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.

★ Seaboard Air Line RR. (8/13)
Bids will be received at the office of Willkie, Owen, Farr, Gallagher & Walton, 15 Broad St., New York, N. Y., up to noon (EDT) on Aug. 13 for the purchase from the company of $25,000,000 25-year sinking fund debentures due Sept. 1, 1977. Proceeds — Part of proceeds may be used in connection with redemption on Aug. 29 of $26,931,800 general mortgage 4½% income bonds due Jan. 1, 2016. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Bear, Stearns & 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 first mortgage bonds. 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 25 it was reported that the corporation may issue and sell in the early Fall $60,000,000 of debentures. Proceeds—To retire bank loans and for new construction by company and its subsidiaries. Underwriters—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly); Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly). Offering—Expected late in September or early in October.

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 & Webbster Securities Corp.; Union Securities Corp.; Salomon Bros. & Hutzler.

• Washington Water Power Co. (9/30)
July 24 it was reported company plans issue and sale of $30,000,000 first mortgage bonds due 1982. 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). Registration—Tentatively scheduled for Aug. 28. Bids—To be opened about Sept. 30.

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.

Our Reporter's Report

The high-grade corporate bond market, which has been more or less ignoring the reactionary mood of the Treasury list, as exemplified by the behavior of the new 2⅜s, this week was more disposed to take greater cognizance of the movement of governments.

Presumably institutional buyers, who provide the bulk of the market for gilt-edge corporates, under the present order of things, got around to figuring that, unless there is a change in the direction of Treasury values, high-grade corporates might be expected to experience some adjustment.

At any rate there was an evident slowing down in demand for the latter, though in the absence of any appreciable volume of offerings the effect on prices and yields was not particularly severe.

Among those who follow things closely in the secondary market attention was drawn to the fact that Tuesday was pay-day for those who had taken down allotments of the Ohio Turnpike Commission's record-making issue of $320,000,000 marketed several months back.

Litigation which attended this undertaking served to delay the day of reckoning for a time, but the buyers finally had to put their money on the line. The issue appealed largely to institutions.

Accordingly the feeling is that perhaps the current heaviness in Treasurys may reflect, to some extent, selling by such sources to put themselves in the necessary funds.

Just Coasting

For the moment things are pretty much at a standstill in the new issue market. Aside from Pennsylvania Power & Light Co.'s offering of 100,000 shares of 4.40% preferred stock, at $100 a share, with demand bringing a quick premium of a point on the bid side, there was little doing.

Underwriters and dealers alike were giving most of their attention to the job of working off the bits and pieces left over from recent offerings. And the sum total of this inventory was not much to be reckoned with.

The group handling Georgia Power & Light's recent issue made further steady progress in whittling down its unsold balance and dealers who had taken down lots of Public Service Electric & Gas bonds in order to have "working stock" for the dull period were virtually out of bonds.

Utility Rates—Capital Needs

Public utility companies cite the long lag between rising costs and rate adjustments to absorb such increases as making their lot difficult on more than one count.

The top officials of Columbia Gas System, Inc., for example, note that "earnings in which stockholders are entitled to share must absorb the higher costs during this lag period," and contend "this is not fair."

They have advised regulatory bodies of the effects of uncertainty of earnings during this lag period. And taking the matter to stockholders, Stuart M. Crocker, Chairman, and George S. Young, President, point out that "the company may not be able to sell additional securities, except at unfair cost to present stockholders."

Yet, they point out, new securities must be sold to finance extension of facilities "if we are to meet our obligations as a public service company."

Looking Well Ahead

Indications now are that Labor Day will probably pass before there is any real reawakening of the new money market. There is not much on the calendar for August, but some potential borrowers currently are making their plans.

Largest of new prospects to crop up this week is United Gas Corporation, which is reported to be preparing to enter the market late in September or early October. The big utility is considering its needs in terms of $60,000,000 or thereabouts in 20-year debentures.

Meanwhile, Pillsbury Mills, Inc., has filed with the Securities and Exchange Commission the necessary registration to cover 160,000 shares of additional common stock. This offering, on a negotiated basis, is scheduled for offering within a fortnight, provided market conditions are right.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Charles B. Fleming, Jr. is now connected with Waddell & Reed, Inc., U. S. National Bank Building.

Joins Renyx, Field & Co.

ATLANTA, Ga.—Paul E. Smith is now connected with Renyx, Field & Co.

Continued from page 14

The Surplus Problem Confronting Mutual Savings Banks

deposits, invested in sound earning assets, it is questionable that it would be justified in having present depositors make further sacrifices in the form of receiving a smaller current return on their savings merely to permit larger interest-dividend payments to future generations of depositors.

This same reasoning holds true of the accumulation of a larger undivided profits account to stabilize the interest-dividend rate in the face of only temporary fluctuations in earnings. Once reasonable provision has been made for it, further additions from earnings become more difficult to justify.

Were these three the only purposes for which surplus accounts are maintained, one could see the ratio of surplus accounts to deposits decline from the existing relatively high level with equanimity. But this statement does not apply to surplus accounts accumulated to provide a cushion to absorb future losses. Their function as a reserve, allocated and unallocated, against loss is thus the key to the determination of what is an adequate surplus ratio for a savings bank.

The adequacy of surplus to absorb potential losses is not accurately measured, however, by its relation to deposits. That is because deposits are a liability, whereas losses are incurred on assets in which funds received on deposit and earnings retained are invested. A more accurate way to measure the adequacy of surplus for this purpose is to relate it to the quality and quantity of assets held by the bank.

A survey of the attitude of supervisory authorities towards commercial bank capital ratios recently published by the New York State Bankers Association shows a decided trend towards relating capital funds to a bank's holdings of risk assets, rather than to its deposit liabilities. This is logical, since the risk of loss is considerable only for risk assets. Mutual savings banks would be equally justified in relating their surplus accounts to risk assets in determining how large a surplus is required to protect depositors against loss.

Commercial banks, at the end of 1951, reported capital accounts equal to 17.2% of assets other than cash and United States Government securities. On the same date the ratio of surplus accounts to assets other than cash and government securities of mutual savings banks was 19.3%.

A very recent thinking on this subject is that a reserve against loss is required, not against all risk assets held, but only those acquired with depositor funds. A Committee on Risk Asset Study of the New York State Bankers Association has proposed that the adequacy of a commercial bank's capital accounts should be measured by the ratio of capital funds to deposits of the bank, less cash accounts and riskless assets held. Among riskless investments, the Committee would include FHA-insured mortgages and the guaranteed portions of GI-guaranteed mortgage loans. This is in accordance with the principle, endorsed by the Committee, "of calculating bank capital ratio standards in accordance with the risk involved in bank portfolios."

This Committee has indicated its preference for a minimum capital ratio of 20% of total deposits less cash accounts, United States Government obligations, FHA mortgages and the guaranteed portions of GI mortgage loans.

Mutual savings banks similarly could consider a ratio of surplus accounts to deposits at risk of 20% a reasonable minimum standard. "Deposits at risk" would equal deposits less cash, Government securities, FHA mortgages, and the guaranteed portions of GI mortgages. Reserves against mortgages could properly be considered, for this purpose, a supplementary surplus account. In addition, mutual savings banks could be expected to maintain a small percentage of surplus against long term non-risk assets.

A mutual savings bank operates virtually as a demand deposit institution. Depositors put money in the savings bank with the understanding, backed up by a long record of successful performance, that their funds are withdrawable on demand. The depositor further expects a fairly steady interest-dividend rate. In order to meet its requirements as a virtual demand deposit institution, the mutual savings bank holds a substantial amount of U. S. Government obligations for liquidity purposes. In consideration of the savings banks' reliance on government obligations as a source of liquidity, and the fluctuations in market prices to which government bonds are now subject, it seems reasonable that a small percentage of surplus be maintained to absorb losses on sales.

FHA and GI mortgages held, though insured or guaranteed, are nevertheles subject to foreclosure and related expense.

A reasonable standard for a surplus accounts ratio, therefore, would be 2% of combined long term government securities, FHA mortgages, and the guaranteed portions of GI mortgages held, in addition to the minimum standard of 20% of "deposits at risk."

Let us take a hypothetical savings bank with deposits of $100 million, cash and government securities aggregating $45 million, and insured and guaranteed mortgages totaling $15 million. This bank, under our formula, would require surplus and reserve accounts of $8 million, or 20% on its $40 million of deposits at risk.* It would require an additional 2% on its government securities coming due in five years or longer and on its insured and guaranteed mortgages, which would be, say, $1 million in the above case. Thus this savings bank would need $9 million of surplus and reserves on its existing assets.

The final requirement is for surplus to margin future growth. A reasonable allowance would be 20% of the additional risk assets that a savings bank expects to acquire in, say, the next three years. This would assure continued adequate protection for depositors and continued accommodation to home owners and other worthy mortgage borrowers in the event that material additions to surplus cannot be made from earnings in the near future.

In the hypothetical savings bank we are considering, let us say that it expects an average annual increase in deposits of $6 million in the next three years, and that two-thirds of these new funds will be invested in risk assets. This bank would thus add $12 million in risk assets in the three-year period, and would require $2,400,000 of additional surplus and reserves to margin these additional assets. Also, it would need $120,000 of additional surplus if the rest of the new deposits are placed in long term Governments and insured and guaranteed mortgages. The total surplus accounts required, under the formula, by this hypothetical savings bank would thus be $11,520,000, which happens to be just about 12% of its existing deposits.

*To simplify this illustration, "deposits at risk" are reduced by the total amount of GI mortgages instead of by the guaranteed portions thereof only.

Virtually all savings banks will find their surplus accounts more than adequate today under this formula which relates surplus accounts to deposits at risk. The major problem is not the present adequacy of surplus but the maintenance of surplus at an adequate level as the bank grows and acquires more risk assets.

Maintaining the Surplus Ratio

A bank that is growing can maintain its ratio of surplus accounts to deposits at risk by the following measures:

(1) Acquiring higher yielding assets, such as real estate mortgages and limited amounts of equities where permitted by law, to step up earnings so as to permit larger annual additions to surplus accounts.

(2) Acquiring FHA and GI mortgages, as well as government obligations, in lieu of corporate and municipal bonds, to hold down, or even reduce, the amount of deposits at risk.

(3) Adopting a more flexible interest-dividend policy for the future, which would include a readiness to reduce the rate paid should deposits expand so rapidly as to lower unduly the ratio of surplus accounts to deposits at risk.

So long as the adequacy of a savings bank's surplus is measured by the older standard of the ratio of surplus accounts to deposits, the true functions of the surplus accounts will remain obscure. Many banks will experience difficulty in maintaining their existing ratio of surplus accounts to deposits if deposits continue to increase at the current or a faster pace. Managements will be under great pressure in that event to acquire more risk assets and to reduce government security holdings to accelerate the growth of surplus to keep pace with rapid deposit growth, thus aggravating the surplus problem for the future.

But if the adequacy of surplus accounts is related to deposits at risk, defined as proposed by the New York State Bankers Association committee, the surplus problem becomes more manageable. Then a bank that grows rapidly can maintain its surplus ratio by investing a larger proportion of new deposits in FHA and VA loans and government securities, so that the rise in deposits need not lead to a corresponding increase in holdings of assets at risk against which large amounts of additional surplus would be required.

Conclusions

The rapid growth of mutual savings bank deposits, at a time when interest-dividend rates and expenses have risen and these institutions have been subjected to Federal income taxation, makes the maintenance of the ratio of surplus accounts to deposits particularly difficult, and for faster growing banks virtually impossible; and in certain essential respects ill advised.

Since the chief function of the surplus and reserve accounts of a savings bank is to provide a cushion to absorb losses on assets now owned or to be acquired in the future, and so to maintain the savings bank in a sound condition to continue business, a change in the method of measuring the adequacy of surplus in terms of the actual risk of loss on assets would be logical. Such a change is being urged for commercial banks by the New York State Bankers Association. Regulatory authorities also have modified their views about the measurement of the adequacy of commercial bank capital accounts since the 1930s.

The minimum standard proposed for measuring the adequacy of a savings bank's surplus accounts is the ratio of these accounts to deposits at risk, the latter being defined as deposit liabilities less cash, government securities, FHA mortgages, and the guaranteed portion of GI mortgages. A minimum ratio of 20% is suggested. In addition, a savings bank could properly be expected to maintain, say, a 2% surplus for long term government bonds, FHA-insured mortgages, and the guaranteed portion of GI mortgages, to cover the small risk of loss on such assets due to market fluctuations and foreclosure and related expense. To this surplus requirement would be added a like allowance for the estimated increase in asset holdings over, say, a three-year period, resulting from deposit growth.

If supervisory authorities should decide to adopt this standard in substance for savings banks within their jurisdiction it would facilitate the maintenance of surplus account ratios at the desired level by mutual savings banks under the more difficult conditions now prevailing, at the same time lessening the pressure upon savings banks to expand unduly their holdings of risk assets.

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Investment Company Portfolio Management

and reports on broad economic conditions and trends and undertakes forecasts of the trend of industrial production, the national income and the gross national product as a background of our industry studies. As common stock values and prices are essentially a capitalization of earnings, we devote a major share of our investment analysis not only to historic earnings but more particularly to earnings forecasts. These forecasts are based essentially on the forecasts of the economist's division with respect to the trend of industrial production and the national income.

The economist's division also concerns itself with the study of the trend of the money market and the so-called technical study of the stock market.

We are not chartists in the sense of basing our investment decisions on purely technical stock market studies. Our decisions are based on considerations derived from our economic studies but we do use technical market analyses as a check on our conclusions.

Our investment research work is compartmentalized. Each man covers a limited and specialized field and devotes himself exclusively to the study of his industries and the major companies within his industries. One is responsible for the utilities. A second has as his specialized field the study of the railroads—each of the others covers certain groups of industries — capital goods, consumers goods, extractive industries, financial companies, etc.; and these industries are so combined that each group has certain common characteristics and denominators of investment analysis.

Each man conducts a running study of the trends in his industry; and these studies as a whole provide a background for the broad trend studies of the economics division.

Each man also follows closely the principal companies in his group. Time does not permit a detailed discussion of the methods of investment analysis. It suffices to say that each man conducts a periodic balance sheet analysis of his companies and a running survey of their operations, following closely sales trends, as well as the trends of operating expenses and net earnings.

We try so far as possible to obtain sales and earnings figures at least quarterly and in the case of many companies which we follow we get sales and earnings estimates monthly. We make a careful comparative analysis of sales and earnings trends of the major companies of each industry.

Our office studies are supplemented by field investigations. These consist principally of interviews with senior officers of companies in which we have an investment or an investment interest. In these conferences we seek to become fully informed with regard to the nature of the company's operations, its plans with respect to research, products and plant expansion, the opinion of management in respect to the industry outlook and such other facts as may have a bearing on the appraisal of its securities.

Each member of the research department has had long years of experience in his specialized field and is a thoroughly seasoned analyst of proven judgment.

Each member of the research department keeps a steady stream of reports on his industries and companies flowing into the hands of the portfolio administrator and his two deputies who are the economist and the senior member of the research staff. The portfolio administrator with the advice of his deputies has the final responsibility for placing orders for purchase and sale based on the policies established by the board and the advisory committee and the studies and recommendations of the research department members with respect to individual selections.

In addition to its own studies the organization makes use of a wide range of outside facilities including company reports and field trips, the work of all of the principal statistical agencies, all pertinent Government reports, specialized studies of economic organizations and the reports of the research departments of certain of the leading brokerage and investment banking organizations.

The research department once a week constitutes itself a committee of the whole and meets for an exchange of views on economic and industry trends as well as the outlook of the securities markets. Each man discusses the principal developments in his groups and the economist leads the discussion with a review of basic economic trends. This is a fruitful discussion.

The Approved List

Once a month the portfolio administrator prepares an Approved List based on the studies and recommendations of the research staff. This list carries all sections of securities — high-grade, medium-grade and speculative bonds and preferred and common stocks. The common stock section is set up on a percentage basis, taking the full investment in the common stock segment as 100. A percentage figure is assigned to each industry, as for instance, 15% to oil and natural gas, 12% to electric utilities, 10% to rails, 9% to retail trade, 7% to drugs and chemicals, et cetera. In turn these percentages are broken down into an allocation to each company within an industry which we currently favor for investment.

Thus the portfolio administrator has before him at all times as a guide in setting up his purchase and sales program this hypothetical ideal investment portfolio, buttressed by the policy decisions of the board of directors and advisory committee and the reports of the research staff.

From this background the portfolio administrator and his deputies set up programs of purchase and sale for each investment company under our direction. Each morning this program with price trends of each security is carefully reviewed and decisions are reached with regard to orders to be placed that day. Orders are placed with the trading desk at the market opening. The amount and price limits on these orders are carefully defined and the orders are followed closely throughout the day. All orders are closed out at the end of the day. It is not the practice of my organization to place orders for the sale or purchase of large blocks of securities at the discretion of the broker; but the trading desk of the investment company handles the adopted daily programs. Though discretionary orders are not placed, nevertheless substantial blocks of securities are frequently bought or sold over the counter and at times when it seems more efficient and economical, secondaries are resorted to in the distribution of blocks.

At the end of another month the circle is complete. The board of directors having previously established the broad directives of policy now has presented to it for scrutiny and approval the actual purchases and sales made during the period; and then renews consideration of policy for the next month. This is the pattern of our operations. This is the picture of men at work—seasoned men with years of experience in the field of investment management striving zealously and earnestly and using every resource available to them to do a difficult and socially constructive job, that is, investing other people's money.

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The Bank for Int'l Settlements Today

the most important aspect of the experience of the past two years is the fact that it has been found possible to finance the rearmament by the peacetime methods of balancing budgets and tightening credit policy, instead of by the employment of direct controls and deficit financing. This is deemed a very remarkable achievement with, for the ordinary citizen, the important advantage that there has been no general rise in consumer-goods prices. Indeed, these have even fallen in some important lines, such as textile and leather goods, refrigerators, etc. This has happened not only in the United States, but also in the majority of European countries, including recently both Great Britain and France, where (especially in France) prices had been allowed to rise too steeply in the autumn of 1951. This means in fact, that countries with a western type of economy are mastering the situation by the means of action proper to systems of their type and particularly by the application of a flexible credit policy, BIS officials hold. Thanks to these methods it has been possible to expand the volume of international trade and generally to utilize the available resources in a much more rational way than would otherwise have been possible.

In the conclusion of its recently published Twenty-second Annual Report, the BIS draws attention to the striking fact that the countries which were among the first to switch over to a resolute but flexible monetary policy (e.g., Belgium and Italy) have all remained faithful to that policy. On the other hand, countries which for years maintained extreme cheap money in important sections of their markets have one after another reversed their attitude, the two outstanding examples in 1951 being the change in the monetary policy of the United States and the increase in short-term rates in Great Britain.

Advocates an International Monetary System

As to future policy, the BIS considers that before long some constructive action should be taken towards re-establishing a monetary system which is not regional but genuinely international and which will have the full participation of the United States—a country which by its postwar exhortations and to a certain extent also by its own practice has indicated that it does not intend to retire within the confines of an increasingly closed economy. To get away from the present artificial situation, BIS officials say, it is necessary to re-establish real exchange markets in which currencies can be bought and sold freely at single rates, so that no balances will be left over to seek transfer in other ways and thus cause a multiplicity of rates to be quoted in free, grey and black markets. The world is tired of dual prices, multiple rates, arbitrary decisions and distorted markets and longs to return to a more simple and honest system.

The BIS thus champions convertibility and wants to see steps taken in that direction without undue delay. From an American point of view, this is a very interesting attitude, since it is completely in line with traditional American policy and undoubtedly corresponds to the interests of the United States. BIS officials make no secret of their conviction that an international monetary system can only work smoothly if the United States, mindful of its position as the world's foremost creditor nation, is willing to increase its direct imports from Europe and to help bring about the conditions necessary for triangular trade. It is better, they add, to have a straightforward, outspoken friend, who does not conceal his real views, than to continue to support policies which so far have only led to one financial crisis after the other and have benefited nobody.

LEGAL NOTICE

State of New York } ss: 2936
Department of State }

I Do Hereby Certify that a certificate of dissolution of SWEENEY LITHOGRAPH COMPANY, INC. has been filed in this department this day and that it appears therefrom that such corporation has complied with section one hundred and five of the Stock Corporation Law, and that it is dissolved.

Given in Duplicate under my hand and official seal of the Department of State, at the City of Albany, this fifteenth day of July, one thousand nine hundred and fifty-two.

Thomas J. Curran, Secretary of State: By Sidney B. Gordon, Deputy Secretary of State.

The dissolution of this New York State corporation is only a routine procedure; the Company was reincorporated in the State of New Jersey on December 26, 1951, and as of January 1, 1952 the New Jersey corporation became the corporate successor to the dissolved New York State corporation.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—One of the inevitable consequences of the prolonged steel strike will be a terrific battle between the Democratic politicians, on the one hand, and the Defense Department and the materials controllers, on the other.

As of the present moment, the plans of NPA, DPA, et al, are to put tough controls on the use of steel, so that the steel that finally comes out of the mills shall be shipped first to urgent defense needs. Such an order or orders probably will have been published by this time.

If the Defense Department had its way, then steel for autos and washing machines and all the other good things of life would be largely absent during a certain critical period terminating with the election day. It is not the absence of consumer durables as such that would cause the howl, but the absence of steel to provide work in the factories making the durables.

Aggressive left-wingers in the Senate, such as Senator Blair Moody of Michigan, cannot be counted upon to sit back and wait for these orders to create a certain prospect of considerable unemployment for the weeks preceding the election.

These gentlemen are far too alert to sit back and wake up about the middle of October to the fact that there is a hopeless situation which cannot be relieved before the election.

Consequently, it is a reasonable expectation that the clamor for a share and share alike with civilian production will be heard almost before the ink is dry on the new orders. It is rumored that Harry Truman is somewhat concerned with things like the election and may hear the clamor.

Hence, the bright boys around this town are betting that it is defense production which will take the licking, and the true prospect is that the mythical "peak rate of production" for defense, always set back about as fast as a new date is announced, will be postponed another six months.

* * *

Harry Truman's boys pulled a neat one a few weeks before the end of the Congressional session, one that seems to have escaped the Congress entirely.

This stunt is to provide orders which in effect will require that foreign bids for U. S. defense materials shall be given especial consideration and shall be awarded, barring certain routine considerations.

Some two years ago Harry Truman is effect repealed the "Buy American" law, under which foreign bids are not considered unless there is a differential against an American bidder of 25%. The President did this by Executive order, and in December, 1950, the Assistant Secretary of the Air Forces issued a directive which especially declared that Canadian orders for the Air Forces should be taken freely.

This repealer of the "Buy American" law, did not result in any substantial foreign business, however, so the Defense Department issued a departmental directive saying that the secretary of each of the three services should personally have brought to his attention any foreign bid for a sum of as little as $25,000 or more.

These secretaries may award a contract on even a higher U. S. producer's bid, however, under such routine considerations as where the foreign source of supply is endangered; where for considerations of strategy it is preferable to have the source of supply within the United States even at a higher cost, or where it is a "small business" bidding in the U. S., or where a U. S. bidder would relieve serious unemployment if he had the contract.

This entire move of opening up U. S. defense work to foreign bidding was taken at the instigation of Canada which, according to Defense Department sources, already has slightly higher U. S. orders than Canada has placed in the U. S. for her own forces. Some European bidders might get an occasional chunk of the business, but the move was sparked by the motive of helping "poor" Canada, whose dollar has gone to a premium almost four cents above the U. S. dollar.

This is a footnote on that particular exchange situation: Mutual Security Administration has paid for $2.4 billion of Canadian merchandise given to clients for foreign economic aid.

* * *

While this town knows little of Adlai Stevenson except from hearsay, it does know Johnny Sparkman, the amiable likable Senator from Alabama, selected by Stevenson and the Democratic Convention as the Vice-Presidential nominee.

Sparkman is pretty much to the Left. He usually ends up supporting most Fair Deal things, and he has been an outstanding advocate of easy money for housing.

Sparkman, however, is Left with a difference. Unlike most of the ardent lefties, the Alabama Senator seems genuinely to like persons with whom he has differing opinions. If he ends up left of center, he does it after a certain amount of mature deliberation, and without registering automatically for everything which is the party line.

He also is a man with a sense of humor and proportion. Unlike some notable zealots, he doesn't hate to breathe the same air as capitalists. Furthermore, while representing a state which, in part because of its steel industry and a large infusion of the CIO as far from a typical conservative southern state overall, Johnny will give the opposition a chance to talk it out with him and is known to compromise. He doesn't particularly go for free spending just for the fun of it.

* * *

A bill to get, study, and keep handy in your file for certain future reference was introduced just before the close of the session of Congress. Its author is Rep. Jacob K. Javits, the Fair Deal Republican from New York City.

This bill is important, because it is the vehicle which the public housing—ADA crowd will make its goal. The bill would provide for a vast program of direct government financing for families of "intermediate" income. It is HR 8431 of the second session of the 82nd Congress.

This proposal ranks on a parity with public housing. Public housing was agitated in Congress for many years with indifferent success. It got enacted prematurely in 1937, largely because Congress did not know what it was doing. When such outstanding conservatives as Representatives Jesse P. Wolcott (R., Mich.) and Eugene Cox (D., Ga.) figured out that the scheme was merely one of pretended loans but actual Federal gifts, then Congress all but choked it off. That was in 1938.

The lefties, however never gave up. They agitated for a new public housing act, putting members on the spot, and finally got it enacted again in 1949.

This same crowd backs the new Javits bill, although not yet formally. It carries out all the recommendations of the National (public) Housing Conference of last spring. The real goal of the Javits bill is cooperative housing, directly government financed.

It is a safe bet that even should the new Congress remain as conservative as the present, that the left-wing crowd will never give up their advocacy of the Javits housing bill even if it takes them another dozen years to get this new pillar of statism also put in place.

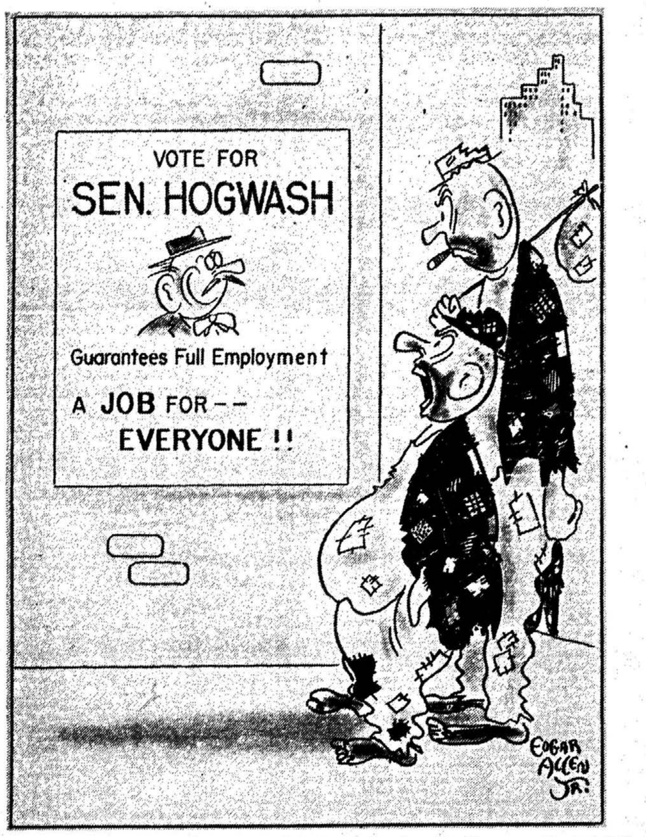
Although under FHA there is already a liberal system of mortgage insurance for cooperative housing, the bill would set up $2 billion for direct Treasury loans for cooperative housing or limited dividend corporations. The loans would run to 95% of value for a period of up to 50 years, and the interest charge would be only one-half of 1% higher than the rate paid on the latest issue of long-term Treasury obligations.

The term families of "intermediate income" is so loosely defined that this program would open the way for government housing, via a cooperative facade, for all housing except the upper bracket bureaucrats or such few well-to-do private individuals as may remain unliquidated after the time of its enactment.

While "limited dividend" corporations theoretically would be eligible for these easy loans, the restrictions are so severe that no private enterpriser would be allowed a nickel of profit.

(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



"Some nerve! Remind me not to vote for that guy, Butch!"

F. P. Breckinridge With Bear, Stearns

CHICAGO, Ill.—Bear, Stearns & Co., 135 South La Salle Street, have employed Frank P. Breckinridge to set up a statistical department in their Chicago office, L. M. Stein, Resident Manager, has announced. Mr. Breckinridge is a former President of the Chicago chapter of the American Statistical Society and has been associated with Breckinridge and Company, investment counsellors, since 1928.

Mr. Breckinridge's association with the firm was previously reported in the "Chronicle" of July 24.

Joins Kidder, Peabody

(Special to The Financial Chronicle)

BOSTON—Mass. — Gerard L. Regard is now with Kidder, Peabody & Co., 75 Federal Street.

E. E. Mathews Adds

(Special to The Financial Chronicle)

BOSTON, Mass.—Henry F. Friel is now with Edward E. Mathews Co., 53 State Street.

Deposits of Mutual Savings Banks Show Continued Increase

On June 30, total deposits of the 529 mutual savings banks of the nation stood at the record high figure of $21,750,000,000, according to Robert M. Catharine, President of the National Association of Mutual Savings Banks and President, Dollar Savings Bank of the City of New York. During the first six months of 1952, deposits increased $883,000,000, or 4.2%, as against $374,000,000, or 1.9%, during the corresponding period of 1951.

Robert M. Catharine

The greater gain in 1952 than in 1951 reflects the fact that for the first six months of 1952, regular deposits were 12% higher, as compared with the same period in 1951, whereas withdrawals were down 4%. During this period, two-thirds of the growth in regular deposits, as against one-third for the corresponding period in 1951, represented new savings, as opposed to dividend credits. This occurred despite the fact that there has been an increase of almost one-third in the amount of dividends paid.

During the month of June alone, total deposits gained $211,000,000, well above the $163,000,000 shown in June, 1951. Except for January the increase each month this year in regular deposits has been greater than in the corresponding month in each year since 1947. The greater gain this June than last reflects the fact that deposits in regular accounts were 8% greater than in June, 1951 and withdrawals were only up 2%.

Mortgage lending continued to provide the chief outlet for savings bank investment during June. The gain of $139,000,000 in the banks' mortgage portfolios brought holdings to $10,412,000,000. Cash showed a seasonal gain of $148,000,000 and corporate and municipal securities $42,000,000, while holdings of U. S. governments fell $134,000,000.