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EDITORIAL

As We See It

Possibly all of us by now should have grown accustomed (we should have said reconciled) to the cold-blooded, *ad hominem* tactics with which the politicians at election time aim to corral this, that and the other element in the population. We should suppose all good Americans with the best interests of the country as a whole at heart would, however, find it difficult to accept this behavior with equanimity. The columns of the daily press during the past week have borne distressing evidence, in any event, that precisely this sort of "realistic politics" is now definitely the order of the day.

All this is nowhere more in evidence than with respect to the issue now known as "civil rights." There was a time when the term "civil rights" had a wide and pervasive connotation; today it has about two special meanings. One of them has to do with attitudes toward certain racial minorities. The other refers to certain almost inevitable results of the discovery of incredibly widespread disloyalty throughout the Federal Government. Chief among these results is the fact that in the process of eliminating the Hisses, the Coplons and the like some innocent (but for the most part not altogether discreet) citizens have been and are being made to suffer. This latter aspect of the subject is usually linked with what has become known as McCarthyism.

It is in connection with the Negro population that "civil rights" have become loaded with TNT. Negroes have of late years migrated in increasing numbers to certain large cities in highly industrialized States where the two parties are more

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Common Stocks and Perplexities of Trustees

By JOSEPH W. WHITE*

President, Trust Division, American Bankers Ass'n
Vice-President, Mercantile Trust Co., St. Louis, Mo.

Prominent trust officer, in pointing out bad effects of inflation on investment policy, discusses the problems and perplexities of trustees in formulating sound trust portfolios. Reviews pros and cons of common stocks as trustee investments and states, "I would not hesitate to retain common stocks in well-managed, financially sound companies up to 50% to 60% of the account." Gives illustrations of trust experience with common stocks as investments.

The problems that lie ahead—inflation, with its bad effects, and the economic uncertainties of today—have most trust officers genuinely concerned about investment decisions. Never in the history of the trust business has a trustee had greater difficulty in formulating investment programs. So often, trust investment officers have told me that they almost hate to see new trusts come into their institutions with large amounts of cash, because of this problem.

Joseph W. White

Yes, Mr. Trust Officer is greatly perplexed. Each morning's mail brings him its quota of forecasts—some of them so rosy, so optimistic that he feels he is, indeed, a negligent trustee if he does not, that very day, try to convince his Trust Committee to go 100% in stocks before the market gets away from him. He reads about inflation, about the reckless spending by the Government, the reduced purchasing power of the dollar, and is certain that stocks are the only buy. Then, he reads a prediction by a more

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*An address by Mr. White at the 26th Western Regional Trust Conference of the American Bankers Association, Seattle, Wash., August 13, 1952.

Utilities Continue to Dominate Fund Purchases

By HENRY ANSBACHER LONG

Merchandising issues supersede rails as second most popular group in June quarter, although carriers are still popular. Building, food and natural gas stocks also liked. Enthusiasm for radio and chemical equities lessens. Profit-taking rules oils and steels. Few funds sell on balance, only one-third increasing cash positions.

[*Mr. Long's tables detailing second quarter portfolio changes and cash position appear on pages 23, 24 & 25.*]

Continuing a well-defined four-year trend, interrupted only in 1950 during a period marked by the outbreak of the Korean War, the buying of utility issues dominated the portfolio transactions of investment company managements during the second quarter of this year. Purchases of merchandising equities were stepped up 60% over those of the preceding three months and the rails, which had been the second most popular group in the preceding period, although still well bought, moved down to third place. Building stocks were among the top favorites, in contrast to their unpopularity of last year, and the food, insurance and paper companies also were bought on balance. The first quarter's enthusiasm for the chemicals, electrical equipment and radio groups was less pronounced, although all of these issues were still well-liked in the period under review. Increase of buying in the natural gas equities by approximately 50% presents an interesting contrast with the period's transactions in the petroleum issues. Profit taking in this latter group was responsible for most of the concentrated selling during the three months. Steel issues were also lightened as during the March quarter.

Henry A. Long

Liquidation Subsides

Over-all portfolio liquidation was considerably less than for some time. In fact, total purchase transactions

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

This Week's Forum Participants and Their Selections

Mullins Manufacturing Corp. — George L. Barone, Security Analyst, Van Alstyne, Noel & Co., New York City. (Page 2)

Hoving Corp.—Frank Y. Cannon, Manager, Trading Dept., J. W. Gould & Co., New York City. (Page 2)

GEORGE L. BARONE
Security Analyst
Van Alstyne, Noel & Co., N. Y. City
Members, New York Stock Exchange

Mullins Manufacturing Corporation

The security I like best is the common stock of a company which has proved itself to be a well-managed, aggressive and efficient organization with excellent long-term growth characteristics. Based purely on the company's present operations, the common stock of Mullins Manufacturing, currently selling at about 25, offers the investor a genuine value. A new factor has entered the picture however, which lends considerably more appeal to the stock than ever before. This unique development is a revolutionary new process for the cold extrusion of steel labeled "Koldflo" which may someday prove a bonanza to the company.

George L. Barone

The history of Mullins dates back to 1872 when it began producing metal roofing, statuary and building ornaments. Operations were moderately successful, although earnings remained unimpressive. In the years that followed the company produced the first successful steel boats and many of the first steel automobile bodies and porcelain enameled washing machines. In 1937, two changes occurred which changed the company's character completely. Mr. George Whitlock was elected President, and the Youngstown Pressed Steel plant at Warren, Ohio was acquired from Sharon Steel. Mullins then embarked on a new era. With the new facilities, and a capable leader, the company invaded a new and challenging territory, the kitchen appliance field.

The product was well chosen and sales began shaping a marked upward trend. Today, Mullins is the world's largest maker of steel kitchen equipment and accessories with more than 600 kitchen items now in production, among them wall cabinets, cabinet sinks, dishwashers and garbage disposers, to mention just a few. These products are being sold through 68 independent distributors who in turn sell to 10,000 retail dealers, in addition to selling directly to builders. Considerable emphasis is placed on the selling organization which has frequently demonstrated its ability to create markets where none existed before. Youngstown Kitchens have found their way into millions of American homes and incidentally, at a profit. What makes Mullins' success all the more significant is that it has been achieved in the face of competition from such industrial goliaths as General Motors. Westinghouse and General Electric.

Earnings have paralleled the large sales volume experienced in recent years. It wasn't until 1947 that Mullins began demonstrating its true earning power. Since then, earnings have stabilized at a relatively high level. A peak was reached in 1948 when $5.15 per share was recorded. The lowest per share income reported in the last five years was in 1949 when $2.35 was earned at a time when a general slump affected the entire industry. Although profits will undoubtedly continue to fluctuate somewhat, it appears certain that a permanently higher plateau of earnings has been achieved.

Dividends have been conservative. In recent years only about one-third of the profits have been distributed to stockholders, notwithstanding increased dividend payments in every year since 1946. The present $1.60 annual rate will probably be continued with a good possibility of an extra dividend in cash or stock.

Mullins has had a research program underway for many years and has conducted many experiments relating to the formation of steel from rounds and bars. However, it wasn't until recently that the company developed a genuinely practical process for the cold extrusion of steel on a mass production basis. The Koldflo method is much like squeezing toothpaste out of a tube. Its principal advantage is in the use of a solid block of metal which is pressed into the desired shape, thus eliminating waste, since only enough steel to form the finished piece is used. One of the first to use this process was Hypac Manufacturing Company, a producer of gas cylinders. Fabricating the cylinders using the old method involved stamping, welding and machining operations, starting with a piece of steel weighing 12.75 ounces. With Koldflo, Hypac is using a piece of steel weighing only 6.3 ounces and involving a single operation. Raw material costs alone were reduced by 30%. Results such as this cannot help but awaken interest throughout the metal fabricating industry.

Although the material cost saving factor is its primary asset, other cost advantages resulting from the use of Koldflo cannot be ignored. It reduces the number of operations in the manufacturing process, uses less floor space and no special machinery is required. Moreover, because Koldflo uses the metal in its cold state, it can impart to carbon steel characteristics which would otherwise require higher cost alloy steel. Koldflo is now being offered by Mullins under licensing arrangements whereby the company provides engineering and designing service plus technical knowledge. In return for these services Mullins receives 15% of the cost of the raw material used. Koldflo can literally revolutionize the steel fabricating industry. Although Mullins is currently using the process for shell casings only, a potentially wide market is open. This is particularly true in the automobile industry where it will be invaluable for the manufacturers of such products as gear blanks, hub and axle components, shock absorber cylinders, and bearing housings.

What Koldflo will mean to Mullins is difficult to determine at this time. There is a little doubt, however, that it will have a substantial effect on earnings as the process becomes better understood and the advantages of its applications are publicized. Income from licenses is not expected to reach any sizable proportions in either this year or in 1953. After this period, income from Koldflo may equal or even exceed profits from the company's normal operations.

Mullins, selling at a modest seven times earnings and yielding 6.4%, can be purchased for its intrinsic value and at the same time offer the investor an interest in a dynamically new development with an exceptionally bright future.

FRANK Y. CANNON
Manager, Trading Department,
J. W. Gould & Co., New York City

Hoving Corporation

From an offering price of 23½ in July of 1946, the common stock of Hoving Corporation seems to be well deflated at current figure of around 7.

Business is in better grade women's apparel as well as juvenile, operated by Bonwit Teller, Inc. a subsidiary, with stores located in New York City, Chicago, Cleveland, Boston, White Plains, N. Y. and Palm Beach, Fla., the latter being seasonal.

In 1948 Hoving Corporation acquired John David, Inc. operator of six men's shops in Greater New York, and on May 16, 1952 shareholders of Hoving were notified that the Corporation had agreed to sell to Colonel Ralph E. Ladue, President of John David, all the common stock of John David, Inc. for $2,375,000 in CASH. This dea. is to be finally consummated in August of this year. It was announced at the annual meeting of Hoving held June 9th that the Bankers Securities Corporation of Philadelphia owned 52% of the outstanding stock, thereby having control.

Capitalization of Hoving, as of Jan. 31, 1952, is simple: 675,000 shares of common stock, 30,000 shares class B common stock and a 3% note in the amount of $800,000 payable to the Chase National Bank. Terms of payment on this note are $200,000 annually beginning Feb. 1, 1953. In view of the fact that Hoving will have received $2,375,000 by August, the bank indebtedness will undoubtedly be paid.

Despite the fact that the soft goods industry has been in a depressed condition for quite some time Hoving Corporation has not during that period incurred a loss. From May 24, 1946 through Jan. 31, 1952, $5.23 was earned for the common stock; dividends of 90c per share were paid in 1947 and 80c in 1948, none since. Working capital as of Jan. 31, 1952 was re-

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Further Market Rise Ahead!

By JOHN M. WESTCOTT*

Analyst, citing market strength in face of numerous traditionally bearish business and technical indicators, predicts further advance of 10%. Emphasizes improved political climate, dividend maintenance, and possibility of tax relief, as bullish influences. Lists most attractive stock groups.

The bearish factors that faced this market in the first quarter of 1951 seemed overwhelming. Earnings of most industrial companies were headed lower due to higher taxes. The bond market was weakening. Business experts had forecast a considerably higher level for the Federal Reserve Board Index than actually took place. Instead of a figure of 230 to 235 being reached in 1951 and held through most of 1952, the index drooped slowly from 223 in April 1951 to an estimated low of around 195 last month. The textile industry has been witnessing one of its worst depressions. Retail trade slumped.

John M. Westcott

But the good old contrary stock market refused to go below 240 on the Dow-Jones Industrials and since August of last year hasn't been below 255. Breadth of the market studies, odd-lot statistics and volume indications have all been rather bearish for some time. Is it possible that many of these technical tools were designed to tell us how much speculative interest there is in the market at any one time? In the past when speculative volume was much greater than investment volume, this was a determining factor of the trend. Since the buying by pension funds, insurance companies, mutual funds and other institutions has become the major factor in the current demand for high grade equities, it is just possible that the negative signals apply chiefly to the speculative stocks ineligible for investment. Many of these stocks have been drifting for the last year or so.

However, it is dangerous to ignore completely the warnings of market indicators that have had such a good record in the past. I will certainly feel more comfortable long of stocks when James Hughes tells me his breadth-of-the-market studies have turned bullish.

Disregarding of Bad News

A market that doesn't retreat on bad news after a 100 point advance appears to have considerable internal strength left. This market refused to capitalize the abnormally high earnings of 1950 and 1951 at the average prewar multiplier of around 17 to 18. The Dow-Jones Industrials adjusted for changes in purchasing power of the dollar would have to rise over 10% to reach the 1946 high and about 30% to reach the 1937 high, so it is obvious that stocks have not kept up with inflation and in all likelihood will never catch up completely.

The Stock Market and Mountain Climbing

It is interesting, in my opinion, to draw an analogy between the stock market and mountain climbing. Let us consider the individual stocks as mountain climbers and the ascent up the mountain as a bull market—the descent from the top, a bear market.

From 1942 to 1946 we saw some of our less experienced climbers, the secondary stocks, scrambling like mad to the summit with very little rest on the way while the more experienced guides, our old AAA investment stocks plodded along slowly and steadily with no fanfare. Unfortunately, the rarefied air on mountain tops is hardly conducive to lingering long and when the less experienced climbers, our secondary stocks like Pepsi-Cola, Northwest Airlines and American Distilling, started down they found themselves completely exhausted and fell all the way back to the valley where they have been sleeping and recuperating ever since. On the other hand, our experienced guides, General Electric, General Motors, du Pont, etc. had only had a good warm up and, after a nice three year rest in the valley, began to climb a still bigger mountain in 1949. When climbing a really lofty peak it is considered good form to make a base camp at a fairly high altitude and stop there until one becomes acclimated. Our experienced guides in the market appear to have done just that for the last year and now are beginning their attack on the summit. It is unusual to find a base camp near the top of a high mountain and so it is likely that our experienced guides, the investment stocks, have some little distance still to go to reach the final crest from which even the strongest must descend rapidly.

"The Pause That Refreshes" For Secondary Stock

It appears to me that I now see signs of a reawakening down in the valley where our amateur or public climbers have been drowsing. After all, lying flat on their backs from 1946 to 1952 should give them the "pause that refreshes"! Over 50% of the listed stocks on the New York Stock Exchange are below the 1946 highs and nearly half of these are earning more today than then.

One little climber, in particular,

Continued on page 18

*A talk by Mr. Westcott before the New York Society of Security Analysts, Schwartz Restaurant, New York City, August 5, 1952.

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Regular Features

*See article by Henry Ansbacher Long on cover page.

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Textile Recovery Looms

By IRA U. COBLEIGH

Author of "Expanding Your Income"

An inquiry into whether the textiles, market laggards, may not now be ready to show something more than recent spindling profits.

Those who stress market selectivity can offer no better showcase example than the textile list in the last 15 months. While our general market has topped the 22-year Dow-Jones industrial marker, and the rails have defied their detractors by taking the bull market by the horns in recent weeks, the textiles have been going through a virtual depression, complete with standard phenomena — overproduction, incisive price mark downs, swollen inventories, soggy bank loans, and entries in profit and loss accenting the last syllable. Those who bought or held heavily in the textile group have thus viewed with some jaundiced jealousy the share price gains all around them, and have probably hoped that before their discouragement drove them to liquidation, a sharp textile upturn might occur. Well, perhaps that day is now at hand.

Ira U. Cobleigh

The highly cyclical nature of the textile industry is well known; the early 30's, 1937, 1949, and 1951, all witnessed periods of industrial distress here. In the 1930's, the rigors of the trade played havoc in the North, causing the closing of many obsolescent mills, and an important migratory trend, particularly in cotton manufacturing, toward the lower labor costs and nearness to raw material afforded by the South. 1937 was the culminating year of a vast over-production; 1949 the end of the postwar textile buying boom. The Korean War convinced the buying public that, once again, shortages would occur, and prices would soar. Thus another buying spree "revved" up mill production, induced a massive inventory increase, and set the stage for the price erosion and production readjustment which have become so painfully obvious in the last year and a quarter.

But, lest you think you've run afoul of a page or two of Gibbon's "Decline and Fall," I'll get off this gloom routine, and see what bits of logic we can muster in the incipient boom department. Before that, I ought to clear up a little technical ground. Textile is a big word and actually covers all the various treatments and handlings of cotton, wool and rayon from the bale to the ballroom. So just to create some order in this discourse, we'll talk about specific manufacturing lines—wool, rayon, cotton and miscellaneous; and about selected companies in those lines whose shares are publicly held, and wending their volatile way in our principal markets.

In cottons, among the outstanding names that come to mind are Cannon, Cone Mills, Pepperell Mfg. and M. Lowenstein. In this section, marginal producers have been virtually eliminated, manufacturing capacity heavily concentrated in the South, and the financial position of the leaders is of such solid nature as to arouse sustained solvency and survival. For example, Cannon Mills has paid dividends continuously for 61 years, and Pepperell for 100. These companies have not only provided sheets and pillow cases for America, but, on a long-term basis, provided their shareholders with peace-of-mind which has made slumber on the above products possible.

All of the above companies are quite modern in their machinery, have excellent war, and immediate postwar, earnings records, and can diversify their fabrics by the use and blending of synthetic fibers.

In contrast to cotton, the woolen industry has remained in the North and is composed for the most part of a lot of smaller privately owned corporations. Added to its problems of rigid labor costs and union restriction of output, are the traditional worries about inventory losses due to wide price swings in raw wool, and disturbances in the trade caused by artificial fibers substituting for wool. Just review the earning, dividends and price swings of American Woolen in the past decade and you will see a woolen textile at its volatile best.

The more sagacious savants in textiles today seem to favor the rayon yarn companies. Production here permits highly mechanized operations with a low wage cost factor; and output can be varied more easily to meet specific market needs. Another key advantage is the buying of raw materials in a more stable price market than wool or cotton. Four companies in rayon frequently appearing on investment lists are given, along with other groupings, in the table below. Of these American Viscose and Industrial Rayon appear to offer greater stability. Celanese has a bit of work ahead in consolidating its expansion program in Canada and South America; and its first half statement showing not only nothing on the common, but failure to cover preferred dividend for the period, was a little discouraging.

TABLE

Company	—Earnings— 1950	1951	Indicated Dividend	Market Price 8/8/52	Low 1952
Cotton—					
Cannon Mills	$3.48	$6.32	$3.00	51	46¾
Cone Mills	(see current prospectus)			27⅝	25⅛
M. Loewenstein	6.50	4.05	2.00	33¾	24½
Pepperell	9.10	11.36	4.00	69	61
Rayon—					
American Viscose	7.83	5.37	2.50	68⅜	58
Beaunit Mills	6.42	1.59	---	20⅜	19
Celanese	6.39	3.56	2.00	42⅞	36¾
Industrial Rayon	6.68	5.34	3.00	62¾	53
Wool—					
American Woolen	4.39	9.22	---	29¾	25⅞
Diversified—					
Burlington	4.43	1.93	1.00	18¼	15½
Pacific	6.39	.94	2.00	34¾	28⅛
J. P. Stevens	6.78	5.65	2.00	41¾	36½

Beaunit Mills has, I believe, in registration, an issue of $6,000,000 subordinated 5% debentures due 1972 carrying a privilege for conversion into common. The prospectus for this, when available, will make interesting reading as the company is progressive, and has been considered by some analysts as having long range speculative possibilities.

Three excellent entries in the miscellaneous, or across-the-board textiles are noted in the list below. All are first grade companies but it seems to me that Burlington within 3 points of its 1951-52 low might appear as the best current value.

Picking out individuals from the whole list, M. Lowenstein & Sons has turned in an impressive second quarter report. Sort of like an oasis in a textile desert, LST showed net profit for the June quarter above its 1951 figure. $1.21 was earned on each of the 1,323,000 shares of common against only 43c a year ago. Sales in the same period this year were up 22% over 1951 to $58 million. Lowenstein seems to be one company which has definitely turned the corner.

Somewhat overshadowed by its larger brothers in the rayon field is Industrial Rayon Corporation. It has not cluttered up its production with a wide assortment of wares, its sole product being viscose yarn. Its capacity to turn out 100 million pounds annually, of this yarn, is exceeded only by American Viscose and duPont. High operating efficiency and top quality yarns are achieved by the company's patented "Continuous Process" equipment.

Perhaps the most impressive thing about Industrial Rayon is its relative immunity to the woes that have beset other textiles. This is true partly because two-thirds of its output is high tenacity yarn for auto and truck tires—and demand in this market is, even now, ahead of supply. At any rate, Industrial Rayon has paid some dividends since 1930, with $3 cash dividends in each of the last five years, and this payment was never more than 60% of earnings. An extra 5% stock dividend was paid this year.

Magnificently solvent, 1951 year-end report of ILR showed current assets of $23.26 a share on the 1,757,978 shares of common —sole capitalization. Looking ahead, ILR plans to increase annual capacity to 120 million pounds by the end of next year; and is developing a new fiber, synthetically produced, which may well add a new dimension to earning power. Industrial Rayon, now selling at about 11½ times current earnings, has a crescendo corporate history, and an impressive record of financing sustained growth by retained earnings.

Of the diversified companies Burlington Mills appears at the moment to present an interesting value. BUR manufactures an assortment of products used by almost every section of the textile trade. Woven products for men and women's wear account for roughly 50% of sales. Largest in the ribbon field, Burlington is also important in the production of fabrics for upholstery, tablecloths and hosiery.

Burlington is a really big enterprise with $275 million in net working capital at the end of its 1951 fiscal year. Powerful leverage for the 6,685,000 common shares is created by $66 million in debt and three series of preferred stocks ahead. The common sold at 25⅝ in 1951 and although 1952 net earnings may not equal the $1.93 for 1951, continuance of the present $1 dividend seems a not unreasonable assumption. Management is regarded as highly competent, and if textiles in general improve, BUR would appear in a good position to share in the forward motion.

In the foregoing, some attempt has been made to paint a rough present picture of textiles in general, with some notes about companies where earnings, and possibly market, improvement seem not improbable. And as background for today's title, "Textile Recovery Looms," let me suggest that, on an overall basis, textile production has been running below retail sales for the past eight months, and inventories in the same period are down about 18%. A corner has been turned; and perhaps now a more favorable price pattern may be woven, into the market, for textile shares.

Alfred Nimmo With E. F. Hutton & Co.

E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange, announces that Alfred Nimmo formerly with Union Securities Company, is now associated with the firm in its institutional bond department.

Improved Outlook for Container Companies

Though metal shortages will handicap the can and closure manufacturers, good earnings gains are in prospect for the container industry in coming months, according to the United Business Service, Boston, Mass.

The immediate outlook for the industry hinges mainly on four factors — customer inventories, steel supplies, the whether, and price ceilings. Consumers overstocked heavily early in 1951, but have since worked their supplies down to a minimum and confined new container purchases to current needs. The steel strike has placed metal products in a tight position for the third quarter, to some extent fostering usage of glass and paper containers. Unusually hot whether in the Eastern states has hurt perishable food crops, but has stimulated demand for ice cream and beverage containers. Earningswise, the industry has been handicapped by OPS price ceilings in force since January, 1951, with only minor upward adjustments thereafter in some lines.

With customer inventories now low, the odds favor a good pickup in demand in the second half—especially benefiting the paper and glass firms in view of their relative immunity from supply problems.

The Government has authorized tin plate shipments only to can and closure manufacturers who certify that the material will be used for canning perishable foods. These companies have sufficient metal inventories to assure fairly stable production for "nonessential" canning—but can get no new tin plate for such purposes till the major crops are packed.

The steel strike has caused a boost of about $5.50 a ton in tin plate costs. OPS will soon grant compensating price increases for metal cans and closures, and may also make other adjustments for earlier cost advances. The Service concludes that most container equities seem reasonably priced in terms of prospective earnings.

J. R. Murrell Opens

(Special to THE FINANCIAL CHRONICLE)

NEW IBERIA, La.—J. Robert Murrell is engaging in a securities business from offices at 7 Serret Street.

With Norman Dacey

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Walter D. Whitaker is now affiliated with Norman F. Dacey & Associates, 114 State Street.

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The State of Trade and Industry

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

Many industries enjoyed further expansion of their industrial activities the past week but others continued to be hampered by the shortage of steel. As a consequence, total industrial production moved forward slightly in the week but failed to match the high level of a year ago. As a matter of fact, it remained noticeably under the all-time high reached during World War II. The general feeling was that within a few weeks the metal shortage would be alleviated.

In the latest week for which data are available, that ended on July 19, claims for unemployment insurance benefits increased 12% and were about 28% higher than a year ago.

Steel ingot production last week rising for the sixth consecutive week, advanced to 89.8%, but was down about 14% from a year ago.

Most steel mills are not going to be able to book much, if any, new civilian business for the rest of this year, according to "The Iron Age," national metalworking weekly, the current week. When this fact seeps home at the consuming level, the scramble for steel is expected to be accelerated.

So far consumers are more cautious than had been expected. It is true that they are putting terrific pressure on the mills, combing the conversion market for all it's worth; following many leads on foreign steel, and keeping in touch with warehouses to see how much they can help. But nearly all effort is aimed at short-term supply, this trade paper asserts.

Few steel users are willing to make expensive commitments for more than 3 or 4 months in advance. There are indications that some actually distrust the market for their manufactured products. One thing is sure, they don't want to take on any high-priced conversion or foreign tonnage until they are sure demand for their products warrants it. The alternative would be high-priced inventory. This they are avoiding like a plague.

The post-strike impact of military priority is beginning to be felt. With November set as the curfew for catching up on military and atomic energy orders, jammed mill schedules are being kept fluid by new directives.

Military setasides are not expected to be large enough to cover the influx of high priority orders. In the weeks ahead the military may take more than 30% of mill shipments.

The mills are more than 3 months behind on some civilian orders now, states this trade authority. It seems certain that June orders will carry over into September. Fourth quarter orders are expected to be subject to delivery by February. This means the Controlled Materials Plan can't be made realistic before the first quarter of next year, if then.

The National Production Authority plan for strictly limited inventory on the honor system is doomed to failure. Inventory controls were not effective when they were supposed to have teeth in them. NPA has asked steel firms to co-operate by turning in names of suspected inventory violators. It is hardly realistic to expect them to turn in their best customers, "The Iron Age" adds.

Auto makers are as slow to recover from the strike as they said they would be. Several companies do not even plan to start production until Aug. 18. Even then they have no real hope of smooth operation.

Conversion costs are running double, sometimes triple, regular mill prices. Consumers are paying as much as $110 a ton for ingots. In a few instances even higher prices have been paid. The average is around $100 a ton. To this must be added breakdown and rolling fees, extra handling and freight charges. Then about one-quarter of the ingot has to be lopped off as scrap, this trade authority states.

Auto production started to recover last week from the "most disastrous steel strike in the nation's history," according to "Ward's Automotive Reports."

United States plants turned out 33,946 cars the past week, or more than twice the 14,752 cars made in the previous week. However, this was still only one-third of pre-strike rates and in the corresponding week last year 73,552 cars were made.

This week. "Ward's" predicted, car assemblies will still be "subnormal." But the following week—beginning Aug. 18—"will witness the industry's first full-scale attempt at volume production since the steel strike sent it into a tailspin June 3."

Nash, Studebaker, Parkard, Ford Motor Co. and Chrysler Corp. divisions are scheduling fuller production at that time. All the Michigan plants of General Motors Corp. car divisions were producing last week, but their assembly units outside Michigan were still down.

Retail food prices, the Bureau of Labor Statistics reports, receded 0.6% in late July after setting a new high in the middle of the month. Price declines in fresh fruits and vegetables more than offset increases for most other foods. The bureau's food price index on July 28 stood at 233.7% of the 1935-39 average, but this was still 0.6% above the June 30 level. It was 15.1% above pre-Korean June, 1950.

Steel Ingot Rate Climbs to 95.4% of Capacity

Recovery by the steel industry from the strike is pretty much on schedule, says "Steel" the weekly magazine of metalworking. Both primary and finishing facilities are getting back into heavy production stride. Numerous closed metalworking plants are resuming operations with steel again flowing. But many loose ends remain to be tied firmly before "finis" is written to the longest and most damaging work stoppage in the steel industry's history. It will take at least another week or so for ingot production to

Continued on page 32

August to See Upturn In National Income

The national income produced in the United States declined from $20,702,000,000 in April to $20,535,000,000 in May, or to the lowest figure since July, 1950, according to the Alexander Hamilton Institute. The decrease from the income of $22,009,000,000 in May last year amounted to 6.7%. The national income in each of the preceding months of this year, with the exception of February, was also lower than a year ago. Consequently, the total for the first five months of this year dropped to $105,455,000,000 from $108,576,000,000 in the corresponding period of last year, a decrease of 2.9%.

With the steel strike a factor in the situation, indications are that the national income in June showed a further decline, and that there was little, if any, recovery in July, despite a seasonal increase in the shipments of agricultural products. It is evident that the income in both of these months remained below the level of a year ago. While the prospect is that an upward trend will start in August and continue through October, it is doubtful that this expansion will be sufficient to enable the national income for the full year of 1952 to reach the record high 1951 revised figure of $277,554,000,000.

Three With Inv. Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Elwood L. Brill, John W. Merriam and Homer A. Reid have become affiliated with Investment Service Corporation, 444 Sherman Street.

Joins Clement Evans

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Charles C. Brooks has been added to the staff of Clement A. Evans & Co., Inc., First National Bank Bldg.

Joins Reynolds Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Charles W. Brown is now associated with Reynolds & Co., 39 South La Salle Street. He was formerly with T. C. Henderson & Co.

Frank P. Daly

Frank P. Daly, Sr., associated with Merrill Lynch, Pierce, Fenner & Beane, New York City, passed away at the age of 55 following a heart attack.

Observations . . .

By A. WILFRED MAY

The Shareholders Stand Up to Be Counted

The comprehensive study of share ownership recently completed by the Brookings Institution,* together with the latest Federal Reserve Survey of Consumer Finances, have elicited voluminous comment of a serious nature with conclusions on questions ranging from the effectiveness of mass stock ownership as an antidote against inflation, to national wealth maldistribution, to opportunities for increasing brokerage business. This space must necessarily confine itself to a few selective modest observations on the findings.


A. Wilfred May

The Brookings' data concerning the total number of the country's shareholders are extremely important; particularly since previous popular guesses have been ranging all the way from five to sixteen million holders.

This study comes up with a census result of 6½ million shareholding individuals, which is on the suprisingly low side of the previous estimates. Not only is this figure small as a total, but half of them own shares in only one company. In many cases such single-company ownership indicates merely that there has been participation in an employee stock-ownership plan, or perhaps a single-shot stock promotion sale to a utility consumer —rather than a genuine investment "operation." In such instances even more than usually is the individual a stockholder very part-time; and a businessman, lawyer, or farmer, full-time.

It is further revealed now that only a total of 1,320,000 persons are real investors to the extent of owning stock in as many as five companies.

Also disappointing to those pinning broad expectations on mass stock distribution is the *concentration* in such ownership that is indicated. Both the Brookings and the Federal Reserve surveys disclose that share ownership is highly centered in those citizen groups who are already committed to the furtherance of capitalism; namely executives, supervisory personnel, the professional, and nonfarm groups. Twenty-five percent of all shareholders, possessing incomes of more than $10,000, comprise only 4.1% of the population.

The importance of the investment company movement, as the unique opportunity for broadening the population of shareholders, is authoritatively substantiated by the Brookings-Exchange study's finding that whereas stock is owned by 45% of business executives, a class familiar with "the stock market," only 13% of professional persons are so included. The report estimates that there are 630,000 individual shareowners of "Investment Funds," after eliminating duplications; in other words, only one in ten of all individual shareowners of publicly owned stocks are owners of investment company shares. Contrasted with stock ownership by only one family in ten; eight in ten families own life insurance, five in ten possess savings accounts, and four in ten have acquired the much-villified Series E U. S. Savings Bonds (the mechanics of whose purchase has been made easy by the payroll savings technique and the like).

That Distaff Side Angle

Although not at all important, the question of the proportion of feminine ownership of corporations has some interest because of the claims made by some women's stockholder organization protagonists hullaballo-ing for "stockholder rights" as distinguished by sex. Although women do no doubt outnumber men in shareholding in a few of the largest corporations, as to total shareholders, it was found by Brookings that the gentlemen slightly outnumber the ladies. Moreover, the average male stockholder has a larger holding than does the woman, by 34%.

Continued on page 38

* *Share Ownership in the United States*, by Lewis H. Kimmel, The Brookings Institution, Washington.

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From Washington Ahead of the News

By CARLISLE BARGERON

DENVER—A criticism of General Eisenhower has been that he is not so well up on domestic affairs, his life having been spent in the Army and his more recent years in Europe. By the time he leaves Denver and hits the road it is doubtful that criticism will apply. In the Brown Palace Hotel here he undoubtedly has the greatest collection of researchers ever brought together under one tent. The Eisenhower crowd uses two complete floors for offices alone. They hold onto about 100 more rooms for lodging for personnel and visiting firemen who are streaming in and out every day. Everything considered the General, in a couple of more weeks, should be as well informed about Washington bureaucracy as any man in the country.


Carlisle Bargeron

There is rather general agreement in the Eisenhower camp that his military background is at once both his chief liability and his greatest asset. He is the man who really understands Stalin, his camp claims, and who commands Stalin's respect. The emphasis of his campaign is going to be the Stalin menace and that the General is the best man to cope with it. It will likely be contended also that he will be able to meet this menace more efficiently and more cheaply than it has been met before.

On the other hand, every effort is being made to remove all military atmosphere from the campaign. There had been considerable wagging of tongues around Washington when Governor Sherman Adams' appointment was announced as that of chief of staff. It develops this was not the General's designation but a newspaperman's. The General's publicity handlers have been trying to get that designation out of print ever since. He is just the Chairman of the Strategy Committee.

However, and it is but natural, the General doesn't seem to be able to get away from military terminology altogether. A few days ago he said he wasn't going to announce his speaking engagements too far in advance. In war, he said, the idea was to surprise the enemy, not let him know where you planned to strike. This caused rising blood pressure among his publicity advisers.

The General has added an unique twist to his pre-campaign activities. Every day at noon he holds levee in the Brown Palace for the vacationers who want to come by and shake his hand. There are about a hundred on hand every day for this ceremony. Yet there is no effort to disguise the disappointment over his recent reception in Los Angeles where he went with Senator Nixon, the Vice-Presidential nominee, to address the Veterans of Foreign Wars. The auditorium, capable of seating more than 100,000, only had slightly more than 10.000. And in their motorcade through the streets of Los Angeles the two candidates attracted little attention.

This could be a blessing in disguise if it awakens the General's handlers and he, himself, to the fact that he can't coast into office on his popularity or glamor or any such highfalutin speeches as that he wants to restore unity and that he is conducting a crusade for peace. He has got to get down to earth on problems that are worrying the American people and get his teeth into them. There are indications that there is this realization in his camp; whether the General has been sold on it yet, I cannot say.

There is conflicting opinion in the camp on the question of really going after Southern States. I have written that the General would be foolish to waste much time, money or energy on the South. But Southern enthusiasts have been here and talked persuasively to the General about his prospects. Quite likely he will make some speeches in the South but there is the question of whether by shooting for Southern States he will not weaken his guns in the East.

There is the question of the FEPC. The General said in the pre-convention days that he thought this was a matter for the States. This is exactly the attitude of the Southerners.

But with the dissatisfaction among Negro leaders, at least the professionals, with the Democrats' Vice-Presidential nominee, John Sparkman, many Republican leaders are of the opinion the Republicans have an opportunity to get back a large part of the Negro vote which Roosevelt took away from them. Their thought is that the General should move away from his contention that the FEPC is a States Rights matter. He won't do this if he still cherishes the hope of carrying any Southern States.

The first Gallup Poll on the standing of the two candidates since the Chicago convention, uncomfortably close, had quite a sobering effect on the Eisenhower camp. There is very little cockiness here. It is more of a quiet determination.

CANADA---WARRANTS

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Housing Outlook and Pacific Coast Prospects

By BEN H. HAZEN*
President, United States Savings and Loan League

Asserting the postwar housing boom is waning and home building is likely to be less than peak reached in 1950, Mr. Hazen points out bulk of American homes are relatively new and high point in marriage rate has been passed. Does not see, however, probability of lower construction costs, and predicts no serious problem ahead in home financing. Calls attention to growing national opposition to public housing as evidenced by voters defeating proposed project in Los Angeles. Gives data on housing situation on Pacific Coast, and points out that California leads the nation in building, per capita savings and savings accounts.

The United States as a whole, as well as the Pacific Coast, has enjoyed a housing boom for some years.


Ben H. Hazen

Federal government has played a tremendous part. First, it established a Federal Home Loan Bank system in 1932 and gave savings and loan associations a new source of strength and liquidity. It established a Federal Savings and Loan Insurance Corporation to extend the public confidence. It promoted Federal savings and loan charters in every county but one in the country. That distributed local home financing to nearly every community.

Then it put the commercial banks into the home loan field and attracted the life insurance companies back into it by establishing Federal Housing Administration. This took some of the risk out of insured first mortgage residential loans. It opened a market in which such loans could be bought and sold. It extended the time of payment and, therefore, reduced the monthly repayment, induced the use of the already existing monthly repayment plan, set up a government-operated appraisal system, eliminated most of the second mortgage problem, and lent a guaranteed approval of higher percentage loans at a mortgage rate which became a sort of national standard, tending to bring down interest rates in areas previously devoid of competition. For the operative builder, it shifted most of the problem of financing to somebody else and gave him cash on nearly every sale. There was a rapid increase in the number of speculative builders.

Labor unions benefited by the need for a new supply of skilled workmen. Building trades unions not only grew in size, but in power and in the territory over which they exercised an influence.

Finally, there came the Veteran program. It conceived that every man who served his country in uniform — and every woman as well—is entitled to go into debt for a home far deeper than anyone else, under the beneficent guidance of a Federal bureau. It tells him how much to pay, guarantees a portion of the risk, sets the interest rate, and if he is delinquent decides whether the borrower is entitled to a pat on the back in the way of assistance, or a kick farther down for a failure to keep his credit good. Whether you favor it or not, it opened a new and tremendous market for housing.

The Pacific Coast

Growing faster than any other area in the country, the Pacific Coast has needed and provided more housing than the average.

The national increase in population during the census period, 1940 to 1950, was 14½%. The State of Washington grew 37%, Oregon 39.6%, and California 53.3%. California led the nation in percent of growth and only Florida, Arizona and Nevada exceeded the growth of Washington and Oregon. Average growth for the entire Pacific Coast in the 10-year period was 48.8%—a total of four and three-quarter million people. Three-fourths of this growth, or 3,678,000, was in California and nearly three-fourths of that was in the southern portion.

In all three states, the large cities grew handsomely, but the towns and country grew even more. Newcomers, including babies, have tended to give preference to town and country life. For example, Washington's average growth was 37%, but Seattle grew 25.6% and Spokane 31.5%. Oregon's average growth was 39.6%, but Portland grew 21.5%. California's average was 53.3%, but Los Angeles grew 31.1% and San Francisco 19.9%. Only San Diego, aided by the U. S. Navy under forced draft, exceeded the average, scoring 58.1% growth in 10 years.

Western Ratios of Home Ownership

Pacific Coast cities rank well toward the top in their ratio of owned-homes, although they are still behind Youngstown at 70%, Akron 69%, Duluth 66%, Toledo and Philadelphia 65%. The national average is now 55%.

In the census period, 1940 to 1950, San Diego jumped from 45% to 51% in ratio of homes owned by their occupants. Los Angeles from 40% to 56%, Portland from 55% to 64%, and Seattle from 51% to 62%.

Some Credits Where Due

I should like to pause here for confession. I am not an authority on housing, either in the United States or on the Pacific Coast. I have tried as a businessman to read enough opinions of experts, and reports from many sources to qualify as a researcher rather than a plagiarist.

There is a wealth of material available through the Departments of Labor and Commerce, the Federal Reserve and Federal Home Loan Banks, the Real Estate Departments of the universities, the cooperative private enterprise research agencies in the major cities, the National Association of Housing Officials, the Chambers of Commerce, the large insurance companies and banks which maintain research departments.

I do want to express my appreciation and gratitude to them and also absolve them from any responsibility for conclusions which I shall present as a result of my study of theirs. The blunders are all my own.

Also, as president of the United States Savings and Loan League, I want to express thanks to Dean Hugh Jackson for the compliment implied in his invitation, not only to the United States League, but to the many savings and loan representatives in this Conference.

I propose to discuss briefly a few interesting phases of the general housing situation, the Pacific Coast housing outlook, and then I will close with some conclusions.

The Present National Situation

It is now pretty certain that 1952 will be the third consecutive year in which urban housing starts have exceeded 1,000,000 family units. The 1950 starts were 1,395,600—an all time high. In 1951, the credit restrictions and some material shortages and restrictions held us to 1,100,000 units. This year Regulation X was expected to hold us to 850,000 units, but Congress has now proposed an approximate goal of 1,200,000 housing units. It has directed that credit restrictions be relaxed again if permanent non-farm housing starts for any consecutive three months shall fall below an annual rate of 1,200,000. This calculation has been assigned by the President to the Department of Labor, and the required announcements to the Federal Reserve Board, and the Housing and Home Finance Agency. The period of relaxation will be for one month at a time. It cannot start until at least Oct. 1, based upon June, July and August starts. It could be terminated at any time construction exceeds the 1,200,000 pace.

It should be noted that Congress did not deprive the Federal Reserve Board and the Housing and Home Finance Agency of its right to control credits. They have the power to relax credits further at any time. The new law merely requires them to do so under certain circumstances. It is not anticipated that they will relax them further as to house construction except under the new law. The benefit of such relaxation in October might help California, but it will come pretty late in the year.

Census Data

From preliminary reports of the 1952 census, we know that more families own their own homes, that the average size of the household is smaller, that rents are higher, and that fewer homes lack plumbing facilities than 10 years ago.

Eight and one-half million family units were built from 1940 to 1950, and the total number of housing units in the country then reached 45,875,000 which was an increase of 23% in number as against a population increase of 14½%. Only 6,500,000 of these are farm houses. Average occupancy was 3.4 persons per unit over all —3.2 persons in urban dwellings and four persons per unit in farm houses. Only 735,000, or 1.6% of the units available for occupancy, were vacant and either for rent or for sale. On the Pacific Coast such vacancies totaled 3%—partly because of large scale construction operations.

Home owners exceeded renters for the first time in any census—numbering 55% of the total. Actually, as to houses, the record is even better for that total included apartments. Of the single family detached homes, 73% are owner occupied. In 1940 the figure was 57%. If our three out of four house residents really understood their capitalistic interests, then let Socialism beware.

Congestion dropped materially in that 10-year period. The number of occupancies averaging more than one and one-half person per room dropped from 9 to 6%. Three-fifths of all homes had an average of only three-quarters person per room. Four-fifths of

*An address by Mr. Hazen at the Annual Business Conference of the Graduate School of Business, Leland Stanford University, Stanford, Cal., July 25, 1952.

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the urban homes had modern plumbing.

Debt-Free Homes

There is a little figure of 44% in the census reports that I think needs some comment. Only 44% of the urban houses were mortgaged, 56% were free of debt. This is the same figure that appeared in the 1940 census. When you remember that the tremendous housing production of that 10-year period was financed on monthly repayment plans, with a high percentage loan, it is encouraging to note that enough of the existing home debt was retired so that the proportion of debt-free homes remained the same.

We learned from the experience of the Home Owners Loan Corporation that if you give a home borrower a chance he will pay out. That great financial relief organization took $3 billion worth of our mortgages in deepest distress in 1933, extended considerable terms to the borrowers, and it liquidated a couple of years ago with a profit of a few million dollars for the United States Treasury. This is a tribute to the American home owner, the influence of home ownership on good citizenship, and the monthly repayment home plan which has made us the nation of greatest citizen ownership in the world.

The Boom Is Waning

These facts about our housing production, which has been running more than twice our rate of growth, our ratio of vacancies which is not now excessive but needs watching, and our handsome increase in the percentage of home ownership, are favorable aspects in our recent housing record. They do, however, point to the importance of recognizing that the boom is waning. Our national housing production in the next few years should be somewhat less than in these three peak years. It will be well for us if 1952 is the last million unit year for a while. We do not want to repeat the mistakes of overproduction on houses, made in 1927, 1928 and 1929.

Some experts believe that the satisfaction of our slum clearance needs, the replacement of obsolescent homes, and the needs of growing population will justify a continued production of a million houses per year. I doubt this and believe that the figure is at least 15 to 20% less, more probably 25%. The bulk of our present houses are fairly new. The high point of new marriages has been passed for a time, because our 20 to 30-year olds of the next few years will be the 1930 crop of babies and they were less in number than the crop of the '20s. Many of the large demands for mass production in newly populated areas have been fairly well satisfied.

Maybe the period ahead will offer private enterprise a chance to turn more actively to slum clearance and economical housing. That is one of our national challenges.

1952 Pacific Coast House Construction

Residential construction permits lagged on the Pacific Coast in January and February of this year due to uncertainties as to the supply of credit and strategic materials. They picked up in March and since then each month has surpassed the monthly record for 1951, ending the five-month period only 5% behind. Continued improvement may give us a 1952 with more permits than in the banner 1950.

Easing of credit and of building material restrictions are responsible for the extra activity.

Only Northern California has lagged. This was probably due to the 56 day carpenter strike from April into early June.

There is, and really has been no important building material shortage except in copper for which substitutes can usually be found. Credit restrictions have slowed the market for middle and high-priced houses although not completely. They now may be financed with loans of about a fifth more than Regulation X permitted last year and in the first half of this year. Even the present restriction imposed by authority of Congress, which amounts to requiring about a 40% equity by the purchaser or builder of a new home worth more than $12,000 may be eased later if a quarterly check indicates that the national total will be less than 1,200,000 units.

It may be said that the Pacific Coast will have a good housing year and a construction total probably in excess of any previous year. Nevertheless it must be admitted that sales are less brisk and that careful buyers are weighing the possibility of a possible later decline in costs.

As in other parts of the country, Federal dictation of credit terms has forced emphasis on small and low priced houses. They are still in demand, but the tightening of credits has slowed actual sales. We have some pentup demand for the better class of homes. A return to normal credit on home financing might easily provide just as much total value in house building, but by somewhat higher income groups, and reinstatement of Federal credit

Continued o npage 37

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Maturity	Yield	Maturity	Yield	Maturity	Yield	Maturity	Yield
1953	1.00%	1959	1.60%	1964	1.85%	1969	2.10%
1954	1.10	1960	1.65	1965	1.90	1970	2.15
1955	1.20	1961	1.70	1966	1.95	1971	2.20
1956	1.30	1962	1.75	1967	2.00	1972-73	2.25
1957	1.40	1963	1.80	1968	2.05	1974-75	2.30
1958	1.50					1976-77	2.35

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Economic Underpinning Of Our Foreign Policy

By WILLARD L. THORP*

Assistant Secretary for Economic Affairs, Dep't of State

State Department's chief economist reviews postwar foreign policy aimed at European economic recovery. Cites, as two alternative solutions of defense assistance and economic aid to meet balance-of-payments difficulties: (1) reduction of our exports, and (2) encouraging other countries to send more goods to us. Says United States must lower its barriers against imports, and defends U. S. European "economic underpinning" through foreign aid. Denies our aid to Europe threatens our economic health and concludes effectiveness of our foreign policy depends largely on how we use our economic resources.

You and I are continually being restricted unhappily by the limitations of our personal economic resources. We can never do or have all the things we want, and we are always being forced to make choices as to how to use such resources as we do have. Somehow we, with the aid or interference of other members of our families, must reach a decision as to what to have and what to do without, among such irresistible attractions as a trip to New York, a season's ticket to the symphony, an enlarged wardrobe, a new television set, or a larger contribution to the Community Chest. How far we can go in reaching our objectives, be they culture or pleasure or philanthropy or old-age security, is determined in large part by our economic resources and capabilities.

Willard L. Thorp

Metaphors are likely to be dangerous and must never be carried too far. Nevertheless, in this case it can be said that nations are faced with the same problems as individuals. They too can never have or do all the things they want, and are continually being forced to make choices as to how to use their limited resources. How much support should be given to housing or education or national defense or economic development or aid to veterans or public health—these are the sort of choices which nations must make. Like the case of the individual, the problem is not merely how best to use existing resources, but also how to find ways to increase them if possible. These two are interrelated. As income increases, the distribution of that income may change—percentage-wise more may go for education, for example, although no other activity is cut in actual amount.

When you and I come to make our choices, it is seldom that we do so without reference to other individuals. In today's world, the decisions made by nations likewise must take foreign policy relationships into account. We only need to think of the extent to which American resources since 1914 have been utilized in support of our foreign policy to see its importance in our national allocation of resources.

Our international objectives are not all economic, by any means. In fact, our greatest expenditures since 1914 have been in fighting the thrust of aggression. Although our objectives may be stated in such terms as increased capability for defense, political stability and international good-will, the pursuit of these non-economic ends usually leads fairly directly to the economic field, and depends in large part on the utilization and expansion of economic capacity by ourselves and by the various nations — on economic health and economic growth. We cannot escape from the basic fact that, when we as a nation consider the uses to which our own resources shall be put, the support of our foreign policy becomes one of the essential claimants.

Let us put this proposition in more specific terms. After the War, it was apparent that that great economic workshop — Europe — was in bad shape. Four years ago, we agreed with 18 European countries to give them assistance, so that they might increase production, bring stability to their internal financial situations, expand their trade, and develop their foreign earning capacity so that they could pay for their foreign requirements. We provided them with assistance under the Economic Recovery Program, and their progress was extraordinary.

I think that there can be little doubt but that the recovery program would have achieved its purpose in the four year period, had not new storm clouds darkened the sky. The failure of the Soviet Union to disarm after the War and the great emphasis placed on building further military strength, the seizure of Czechoslovakia, the addition of the atomic bomb to the Soviet arsenal, and finally the unconscionable attack on South Korea, made it clear that the Politburo constituted an imminent danger to the free world. The North Atlantic Treaty, originating as a political instrument, is now the basis for an international organization aimed at strengthening the defenses of all of us.

For the recovering economies of Europe, the burden of rearmament could not be easily undertaken, and once again, we agreed to assist them in the new undertaking of defense. Today, by far the largest part of our foreign aid is in the form of completed military equipment for the increasing number of their divisions. Yet our contribution covers only a fraction of the cost of defense, the remainder of which our allies must raise out of their own resources. Not only has the strain on their governmental budgets increased greatly, but the rise in raw material prices and the diversion of productive capacity from export to armament, have undercut their strenuous efforts to earn their own way. The sterling area suffered a tremendous loss in reserves, and its members as well as many other countries have had to cut back their foreign purchases drastically. Nations like individuals cannot long carry on beyond their resources. The North Atlantic Treaty Organization has had to try to match up defense requirements and economic capabilities in such a way as to share the burden among the cooperating countries as equitably as possible. American aid has been an important element in making the NATO defense plan possible.

Since the end of the War, the United States has continually given substantial assistance to other countries in one form or another in support of the objectives of our foreign policy. However, this is not a sound basis on which foreign relationships should be maintained indefinitely. There are times when individuals must be given aid, but it is standard social and psychological practice that the assistance should be directed toward making the individual independent once more. Similarly, the development of economic independence for all countries must be our international goal.

Two Solutions

Looking ahead, it is evident that, in strictly economic terms, there are only two solutions to this problem, if defense assistance and economic aid to meet balance-of-payments difficulties are ultimately to disappear. The first is for us to reduce our exports or, to say it the other way around, for them to reduce their imports. This would have a direct impact upon our own economy, of course. Last year, we sent abroad one-half of our wheat, one-third of our cotton, one-fourth of our tobacco, and large quantities of other items ranging all the way from motion pictures to machine tools and medicines. In turn, failure to obtain these goods would greatly constrain the economies of other countries. This is the course of contraction. It is a possible course in economic terms, but it would not only reduce economic activity at home and abroad, it would be destructive of many other objectives in our foreign policy.

The other alternative is the only one which can be regarded as forward-looking and constructive, namely, for us to encourage other countries to send more goods to us so that they can then pay their own way. They are already under serious handicaps in trying to sell in this country, perhaps the greatest of which is the efficiency and competitive strength of our own producers. In addition, there are transportation costs and tariffs to pay. Our complicated import regulations themselves are a barrier. And successful distribution in the United States is the matter of specialized skill. Frequently, foreign enterprises cannot produce in quantities necessary to break into a market of the size of ours. Nevertheless, this has been their effort and real progress has been made. When measured in quantity terms, imports are more than 40% above the prewar level, though much of this increase is in non-competitive items.

U. S. Must Lower International Trade Barriers

In this area, I believe that our over-all foreign policy, directed at economic health and economic independence of the nations of the free world, requires certain supporting and specific economic policies. We must lower the barriers to our market. This means further tariff reductions. It means customs simplification. It means admitting a greater degree of foreign competition. When compared with our total national product, the amount is small. If we spent 2% more of our national income for foreign goods and services, it would mean not only an increase in our exports, but much greater assurance of our receiving payment on our foreign investments. This is the path of expansion, and expansion rather than contraction has always been the American way.

I have been talking primarily about bringing our international affairs into balance, and some of the choices which we must make in that field. Now I want to talk really about expansion. In many

Continued on page 30

*An address by Ass't Secretary Thorp at Colgate University's Fourth Annual Conference on American Foreign Policy, Colgate University, Hamilton, N. Y., July 28, 1952.

Dealer-Broker Investment Recommendations & Literature

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

Canadian Warrants—Common stock warrants for many Canadian companies are traded on the Toronto Stock Exchange and in the United States—"Speculative Merits of Common Stock Warrants" by Sidney Fried discusses warrants in their different phases and describes current opportunities—$2 per copy—Dept. C, R. H. M. Associates, 220 Fifth Avenue, New York 1, N. Y. (Or send for free descriptive folder.)

Facts and Figures—Folder on Wellington Fund—Wellington Company, 1420 Walnut Street, Philadelphia 2, Pa.

Foreign Currency Bonds of the Japanese Government—Tabulation of date, maturity, etc., with subscribers—Nomura Securities Co., Ltd., 1-1 Kabuto-cho Nihonbashi, Chuo-ku, Tokyo, Japan. Also available is a bulletin of quotations on the Tokyo Stock Exchange.

Gold—Analysis in the current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a list of interesting low-priced stocks, list of Defensive Reserve Shares and a brief discussion of **Chase National Bank.**

Iron and Steel Industry—Volume X of an Engineering Interpretation of the Economic and Financial Aspects of American Industry—George S. Armstrong & Co., Inc., 52 Wall Street, New York 5, N. Y.

More—and More—and More—Booklet telling the story of the electrical industry's vast expansion program—National Association of Electric Companies, Mr. P. L. Smith, President, 1200 Eighteenth Street, N. W., Washington 6, D. C.

Railroad Earnings—Tabulation of revised 1952 estimates — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Southern Textiles—Quotation sheet—R. S. Dickson & Company, Inc., Wilder Building, Charlotte, N. C.

Turning the Corner—Discussion of three companies—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

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Alabama-Tennessee Natural Gas Company — Analysis — Scott, Horner & Mason, Inc., Krise Building, Lynchburg, Va.

American Airlines—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **Cutler-Hammer, Gamble-Skogmo,** and **Interstate Department Stores.**

Anglo-Canadian Oil—Memorandum—Osler, Hammond & Nanton, Nanton Building, Winnipeg, Man., Canada.

Baltimore & Ohio vs. New York Central—Railroad bulletin No. 105—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Central of Georgia.**

Boston & Albany Railroad Co.—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif. Also available is a memorandum on **Central Electric & Gas Co., Hoffman Radio Corp.,** and **Packard-Bell Co.**

Canadian Industries Limited—Memorandum—Collier, Norris & Quinlan, Aldred Building, Montreal, Que., Canada.

Central Public Utility Corporation—Card memorandum—F. S. Yantis & Co., Inc., 135 South La Sale Street, Chicago 3, Ill.

Chicago & Southern Airlines—Analysis—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Circle Wire & Cable Corp.—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Consolidated Paper Corp., Ltd.—Memorandum—McCuaig Bros. & Co., 276 St. James Street, Montreal, Que., Canada.

Electrical Products Consolidated — Memorandum — Pacific Northwest Company, Exchange Building, Seattle 4, Wash.

I. G. Farben—Analysis—Arnhold and S. Bleichroeder, Inc., 30 Broad Street, New York 4, N. Y.

General American Oil Company of Texas—Analysis—Sanders & Newsom, Republic Bank Building, Dallas 1, Tex.

Hinde & Dauch Paper Co.—Memorandum—Fulton, Reid & Co., Union Commerce Building, Cleveland 14, Ohio.

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

Howard Industries, Inc.—Report—Ames, Emerich & Co., Inc., 105 South La Salle Street, Chicago 3, Ill.

Continued on page 39

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The Government and Municipal Bond Market

By LEROY M. PISER*

Vice-President, Aubrey G. Lanston & Company Inc.

Specialist in government securities describes the extent and influence of market for government securities and the operations connected with it. Lists leading institutional buyers of government securities and use of government obligations by commercial banks as secondary reserves. Discusses factors which influence both long- and short-term government bond prices, and concludes "one of most important facets in market for government securities is the open market operations of the Federal Reserve System."

The subject that has been chosen for me today is "The Government and Municipal Bond Market." I am going to talk mostly about the Government bond market, however, and try to give you some detailed analyses of that particular market. In addition I want to point out, more briefly, some of the relationships between the Government security market and the municipal market.

Leroy M. Piser

The rate on Government securities constitutes the basic rate for all interest-bearing securities, and this, of course, includes municipals. In other words, in studying the market for municipals, the starting point is really Government securities. The yields on municipals follow rather closely the yields on Government securities. Municipal yields, of course, show certain differentials from Government yields and for the most part are lower. One of the factors that makes municipals higher in yield is the lower credit rating in some instances and the lesser marketability. The important factor that makes municipals lower in yield than Governments is the exemption from Federal taxation.

Credit rating and marketability vary with each individual municipal issue, and many people are engaged in studying these matters in the market. That is a subject that I do not want to get into. Of course, a large supply of municipals will tend to increase the yield, and a small supply will tend to lower the yield. The most important factor, as far as the municipal market is concerned, however, is the rate of taxation. The differential between municipals and Governments, of course, widens with rising Federal taxes, and prospective changes in taxes are also of importance in the market.

To get to the market itself, both the municipal and Government markets are dealer markets. The operations of dealers are quite different from the operations of brokers, which you have been studying up to this time. The main difference is that dealers are principals for most of the transactions that they handle. When they purchase securities from an investor, they increase their inventory of securities. When they sell securities to an investor, they decrease their inventory. Practically all of their business is done over the telephone and over the teletype machines. Although the market is called an over-the-counter market, there isn't any counter in any of the houses.

The reason for a dealer market rather than a broker market lies in the size of the average transaction and the fact that many transactions are negotiated. The difference between the dealer's bid and offering price is one of his sources of making a profit and paying the overhead of his business. Dealers are continually in touch with customers. These contacts with customers enable dealers to place securities when they come into the market or to find securities when there is a bid for them. They are also constantly in touch with other dealers, and this constant contact enables dealers to keep rather close to each other as far as their buying and selling prices are concerned. When a selling order comes into the market for a particular issue, the dealer may purchase the securities for his own portfolio. If he does not want to add to his position in that particular issue, he will try to find a buyer.

It is quite important that a dealer be able to judge the market. For example, from the early part of 1950 to the early part of 1952, a period of about two years, long - term Treasury bonds declined by about eight points. Consequently any dealer who had a long position continuously throughout that period would have found it a very costly operation. As a matter of fact, in running positions, dealers for the most part will have a long position in some issues and a short position in other issues. A dealer may acquire a long position in a particular issue that has been offered in the market in large size, and he may acquire a short position in an issue that has been temporarily in demand in the market.

As I said earlier, Government securities constitute the basic rate of interest in the market. I would like to spend most of my time going into some of the factors that influence the Government security market. This might be of more help to you than spending too much time on the techniques of how the market operates.

I would like to mention at the start that Government securities consist of many types. As far as public securities are concerned, they are marketable and nonmarketable. The nonmarketable securities consist principally of savings bonds, savings notes, and two investment series of Treasury bonds that have been issued at various times in the past.

In marketable securities you have six principal classifications. Treasury bills are the shortest in term, usually for three months. Certificates of indebtedness have an original maturity of up to one year, and notes are issued with an original maturity between one and five years. Bonds are issued with a longer maturity. Some of the bonds are restricted as to ownership to nonbank investors for a period of years. The remainder are eligible for purchase by commercial banks, but are divided into those that are fully taxable and those that are partially tax-exempt. I will refer to some of these classes of securities during the course of the discussion.

This discussion will include what I consider the most important factors. First is the flow of funds through the economy. Second is Federal Reserve policy. Third is Treasury debt management policy, including the deficit that the Treasury needs to finance right now.

In studying the flow of funds through various economic groups, it is important to distinguish several groups. First we have various nonbank financial institutions, such as life insurance companies, mutual savings banks, other insurance companies, and savings and loan associations. The essential fact to keep in mind, as far as they are concerned, is that Government securities are generally considered by them to be investments of last resort. This means that they generally prefer to own higher-yielding mortgages and corporate bonds. It is only if they have surplus funds that they are unable to put into private loans and securities that they will usually by Government securities. We can consider the potential demand for Government securities or the potential supply of Government securities on the part of these institutions only if we first take into account the total funds that they are likely to have over some period of time in the future and the likely amount of corporate bonds and mortgages that they will be willing to purchase.

In order to illustrate my point that nonbank financial institutions generally consider Government securities as residual investments, from the end of 1941 to the end of 1945, life insurance companies had an increase in their assets of $12 billion. That was the amount of new savings coming into their hands. During this period their holdings of private assets actually declined by $2 billion. In other words during the war there was such a small amount of residential building and new plant and equipment that the maturities from insurance company portfolios actually exceeded their new acquisitions by $2 billion. The insurance companies consequently placed $14 billion of their funds in Government securities.

This situation has been reversed since the end of 1945. The total assets of life insurance companies have increased by $25 billion in that period, but their holdings of private assets have increased by $35 billion. In other words, of the $14 billion of Government securities that they purchased during World War II, they have now sold $10 billion. Their present holdings may be close to the lowest that they want to carry, but of course this varies a lot by individual companies. During the past year their net sales of Government securities have been $1.6 billion. When we add life insurance companies, other insurance companies, and mutual savings banks, we find that total selling of Government securities during the past year has been around $2 billion. Another important point, as far as these institutions are concerned, is that their activities in the market usually have their principal effect on long-term securities, since they are generally long-term investors.

Coming back to life insurance companies, we find that during the past year they have purchased $3.1 billion of corporate bonds, $2.4 billion of mortgages, and about $600 million of other private assets. The increase in their admitted assets was $4.5 billion. As a result they sold $1.6 billion of Government securities. Mutual savings banks added $1.5 billion to their holdings of mortgage loans, added about $600 million of other assets, had an increase in total assets of $1.5 billion, and sold about $600 million of Government securities. Adding these two groups together, we find that their total investible funds increased by $6 billion, that they added to their holdings of private assets $8.2 billion, and that they sold $2.2 billion of Government securities.

As far as the future is concerned, I do not want to get into the forecasting business. I would like to point out merely that present indications are that the creation of new mortgages and new issues of corporate securities during the second half of 1952 may not be far different in size from the figures of the second half of last year. If this is the case, these institutions will continue to be sellers of Government securities on balance, unless, of course, their total investible funds increase at a much faster rate than they did during the comparable period of 1951.

Another factor in the long-term Government bond market is purchases by pension funds and State and local retirement funds. During the first half of this year, their purchases were an important factor in the strength of the market. It is unlikely, however, that they will provide a sufficient demand to take up the probable supply from nonbank financial institutions. Anyone who is interested in following the long-term Government market should give careful consideration to this factor as well as to developments at nonbank financial institutions.

Non-financial corporations hold largely savings notes and short-term marketable securities, principally bills. Corporations hold securities as liquid assets and against their Federal income tax liabilities, which they know will be payable at specific dates in the future. They have been important purchasers of Treasury bills during the past year, and probably they will be large purchasers of bills during the second half of this calendar year, since their income tax liabilities will increase more rapidly than their actual tax payments. They may be net sellers of bills in the first half of 1953. These activities are an important factor to watch in the short-term market.

The bulk of the holdings of Government securities by individuals is in the form of savings bonds. It is still too early to tell

Continued on page 20

*An address by Mr. Piser before the Second Annual Forum of the "Economics of the American Securities Business" sponsored by a Joint Committee representing the Association of Stock Exchange Firms, Investment Bankers Association of America, National Association of Securities Dealers, the New York Stock Exchange and the New York Curb Exchange, at New York University, New York City, July 18, 1952.

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LETTERS TO THE EDITOR:

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

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

We have received some more comments 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, July 17 and July. 31

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.

L. R. CLAUSEN
Chairman of the Board, J. I. Case Company

I agree completely with Mr. Robertson; the United Nations is inherently dangerous, defective and is bound to fail. It is corrupt beyond description and we have no business in it. It was conceived in iniquity and set up by Communists, as we now know.

If this country wants to be of any real help to the world we should do it as Mr. Robertson says by minding our own business and keeping ourselves strong with the understanding given to the world that at any time and all times we will act in our own interests in whatever direction we choose.

This will do more to bring world peace than any other one thing.

CLARK M. EICHELBERGER
Executive Director, American Association for the United Nations, Inc., New York City

The article, "The United Nations—Why It Is Doomed to Fail," combines ignorance of the United Nations with blindness of the world in which we now live.

The author reveals a nostalgia for the diplomacy of the 19th century; he longs for the past when America could make the French quit Mexico, or the British and Germans back down in Venezuela. But this is a different world, in which something more is required of diplomacy. The United Nations was created because of the necessity of organizing a community of nations based upon common standards of international morality and law.

Mr. Robertson blames the United Nations for difficulties that would have arisen anyway and then he confounds the error in not recognizing the part the United Nations has played in either settling these disputes or reducing the danger of world war. The United Nations has successfully dealt with disputes that at times have involved a fourth of the population of the world, most of which could have led to the outbreak of a world war.

As for what the author calls "a costly and bloody war in Korea," many people believe that when the United Nations, led by the United States, met aggression in Korea, it derailed the aggressor's plans and prevented World War III.

He observes that the very size and slow-moving machinery makes it incapable of conducting successful operations in either peace or war. The United Nations has demonstrated it can act quickly. Word of the Communist attack on the Korean Republic came at midnight. The United Nations Security Council met at two o'clock the next afternoon, by five o'clock had determined the facts of aggression and demanded that the aggressor withdraw, and 48 house later, had authorized the use of military force against the aggressors.

And for fear that the Security Council might be blocked by the veto in another instance, the Assembly of that same year provided machinery through the Assembly so it could act within 24 hours if the Security Council were blocked by the veto.

As for Mr. Robertson's objection to the United Nations having 60 members, most people hope that it will soon have 80 members, and that it will eventually be universal. The United Nations can never be an aristocracy of privileged members that would run the world. The charter specifically authorizes the development of regional bodies so that the people of each neighborhood can solve their own problems. One should remember that the Charter specifically provides that in case of difficulty, the Security Council will ask the people in the neighborhood to try to meet their own problem first. But at all times the over-all machinery of the United Nations will take precedence.

Unfortunately, the article ignores a great part of the United Nations activities particularly in the economic and social fields. There is no mention of technical assistance, the Food and Agricultural Organization, the World Health Organization, the International Bank—these and other specialized agencies of the United Nations, which are developing a cooperation equally important to the political. These are the activities to help people live better lives.

I find no reference to the work of the United Nations in the case of millions of people in the trusteeship areas, or in the growing responsibility of the United Nations for several hundred million people in other dependent areas. The author may be skeptical on human rights, but to many of us the expansion of human rights is of immeasurable importance to the self-interest of this country because the greater the area of human rights throughout the world, the lesser the danger to human rights in this country.

Like Mr. Robertson, I do not like to see military budgets grow or the centralization of power that comes with war mobilization. But I say that we will not avoid these evils by a return to the finesse of 19th century diplomacy to which he refers with such longing. We will only reduce the dangers which he fears by building a world-wide system of security so strong that aggression will not take place; by removing causes of war through economic cooperation; by extending the area of human freedom.

The United Nations has held the nations together in a degree of moral unity which has prevented the breaking up of the world into anarchy and a third world war. It is the duty of all of us to help it succeed, for only through its success may we attain permanent peace.

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Marshall Company Adds to Staff

MILWAUKEE, Now associated with The Marshall Company, 765 North Water Street, are two new representatives:

Leon E. Griese, formerly manager of the Sheboygan Falls branch of the Citizens Bank of Sheboygan, and Edward Ruhl, a retired member of the Milwaukee Fire Department, who has been a member of the Fire Department's Pension Board.

Joins First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Harry E. Gilmore is with First California Company, Inc., 300 Montgomery Street.

With Reinholdt & Gardner

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mo.—Lewis R. Barron is with Reinholdt & Gardner, 209 South Jefferson Avenue.

With Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Joseph J. Bava is with Hooker & Fay, 340 Pine Street, members of the New York and San Francisco Stock Exchanges.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert P. Brock is now with King Merritt & Co., Inc., 1151 South Broadway.

How's This for Security?

By JOHN DUTTON

For several years the popular feature, "The Security I Like Best" has given the readers of the "Chronicle" some outstanding investment suggestions. They have been selected by a cross section of the nation's leaders in the investment field. I would not have had the temerity to offer a suggestion that might be included with the other many carefully, and expertly selected opportunities, had it not been for a most fortunate event that happened just a few weeks back.

I have been told of an investment that gives a larger return than any other that has ever been offered to any investor at anytime heretofore. Besides, it is backed up by the Government, and full taxing power of the United States itself. It guarantees a return of almost 800% a year on the original investment. It pays the investor on a monthly basis. No coupons need be cut, clipped or cashed. The mail man brings your check every month. I am serious about this. Believe it or not, it is true. Top this, you experts, if you can!

There is a man who lives in a town adjacent to the one in which I live. For many years this fellow has conducted a small retail business. Some years he barely earned a meagre living. Other years he did a little better. One bright morning a few years ago someone told him that from now on he was eligible for social security. Under the law he became a self-employed contributor to this now accepted, and much applauded boon to mankind, and certain facts were explained to him.

He was told that if he might arrange to pay the sum of $81 into this social security affair, by way of a tax on his income of $3,600 for the year 1951, and if he did the same for the year 1952, that both he and his wife would be eligible for a life annuity as follows:

$90 a month for him as long as he lived, and $45 a month for the Missus as long as she lived. You see he was at an age where he could retire, since he was 71 years old and the law allowed retirement and full payment of benefits to all those over 65.

But there was a catch in it. This old fellow had never shown a profit of $3,600 a year net before taxes on his storekeeping in all his life. But to get the maximum payment benefits from the social security tax payments he had to show full social security tax payments for at least a year and a half (what the social security people call six quarters). Besides he had to give up the store to obtain the income that his investment of social security tax might bring him. (If the store's net income after tax should not exceed $900, he would not even have to take the step of disposing of it.)

He therefore filled out an estimated taxable income of $3,600 and sent in his Federal income tax for last year based on this estimated profit. In addition, he paid the full $81 social security tax. Then, at the proper time he applied for a tax refund calculated on his actual income, and obtained a refund of his "overpayment." But he let his social security tax payment remain at $81. (This operation would, of course, have been upset in the event—quite unlikely—of the tax and social security administration people clearing with each other.)

He has done the same thing in 1952 and he now has his store up for sale. As soon as it is sold he expects to retire on social security for the rest of his life. He and his wife will have an assured income of $135 a month for life from a total investment of twice $81; namely his social security payments for 1951 and 1952.

And who do you think told him how to work out this little trick? Why, of course, it was none other than the social security administrator for the district in which he lives.

There is the story—told to me by a reliable source—fantastic—untrue—perhaps so—perhaps no—but if any of you investors, or security experts can work out a better proposition than this I'd like to see it.

That is the way I heard it—and I don't know where you can find a stock or a bond anywhere that can top it. God Bless America!

Thomas Grace Elected By Lawyers Mortgage

The Board of Directors of the Lawyers Mortgage and Title Company, 115 Broadway, New York City, has announced the election of the Honorable Thomas G. Grace, formerly State director of Federal Housing Administration for New York State, as Chairman of the Board.

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. 4, 1952 (New York City)
Security Traders Association of New York Bowling season opens at the City Hall Bowling Center.

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. 2, 1952 (New Jersey)
Bond Club of New Jersey member-guest Dutch treat Golf Day and Beef Steak Dinner at the Essex County Country Club, West Orange, N. J.

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.

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Role of Consumer Credit in the American Capitalist System

By THOMAS C. BOUSHALL*
President, The Bank of Virginia, Richmond, Va.

Prominent Virginia banker, after recalling work of Arthur J. Morris in the development of consumer credit, discusses its widespread growth and application. Says consumer type of banking is instrument by which millions of Americans have increased their incentives to produce and raised their living standards. Avers consumer credit thus fulfills an important role in maintaining the American capitalistic system.

You have heard and read much about the Industrial Revolution when the change-over was made from production by hand labor to production by machinery. Workers were displaced by machines. Great unrest occurred. Great hardships were endured until the machines began to require more people to run them than had been employed in hand labor. But all this transition took more than a century to get integrated into the economy, to the wellbeing of worker, producer, and consumer.

Thomas C. Boushall

Even now labor people at first resist new labor-saving equipment for fear fewer people will be employed. Yet more people are required to fill developed consumer needs when the new machinery makes more products or services available at more reasonable prices.

Back in 1910 a financial revolution was begun. Arthur Morris—a young Norfolk lawyer—organized and opened the office of the first industrial or people's bank in America. It was a little thing. Small attention was paid to it. The idea succeeded. It took; it began to spread; it caught national attention. Eighteen years later, when Morris Plan banks were operating in 36 States of the Union, The National City Bank of New York—the largest bank in the United States—adopted Morris' idea—lock, stock, and barrel. Today 12,000 of the 14,000 banks in this country offer Morris Plan services to the American people.

When Morris opened his institution less than 20% of the people could use bank services to meet their remedial or constructive needs. Today more than 80% of the people are using bank services to repair and maintain their homes; to educate their children; buy their automobiles, home appliances, and equipment; pay their bills and fulfill their aims, ambitions, and dreams.

That revolution occurred in a little over a quarter of a century. Instead of displacing working people, it has put millions of people to work in jobs undreamed of 30, 40, and 50 years ago. Mass production has only been possible through mass consumption, financed on Arthur Morris' idea of making bank credit available to men and women collateralized by their character and earning capacity and adapted for repayment according to their income periods over a long enough time to make the amount of the instalment payments come within the purview of the borrower's income.

Honor to Arthur Morris

It is for this reason that we are gathered here this evening, on the first day of the Consumer School of Banking located at the University of Virginia — the Alma Mater of the founder of consumer banking in America.

We do him honor this evening. And we are honored ourselves by his presence, astounding as it is to the people of this country that Arthur J. Morris has not been long gathered to his fathers. The fact is that in April, 1910, Arthur Morris was but 28 years old, and so today is the vigorous Chairman of the Board of The Morris Plan Corporation of America — parent organizer of the Morris Plan banks in this country.

In summary, 62 million people are at work in this country owning and driving 48 million cars and trucks. These cars are driven over 700,000 miles of highly improved roads that lead to successful farms and between great and small cities and villages. 74% of all workers reach their jobs by automobile, 8 million trucks carry 75% of the total U. S. tonnage. 89% of all our food and farm products reach their first market by truck. Practically every American home is equipped with electricity and has in it a radio, mechanical refrigerator, washing machine, dish washer, television set, electric stove, oil-burning furnace, and has a weather-proofed exterior.

And but for consumer banking, only a pitiful fraction of all this would be true. For proof, study the statistics of countries where consumer credit facilities have not been made available to the people.

So you students here in this newly-established school have come to study one of the major elements in the most successful economy that the world has ever known. You are here to learn more about how the American Free Enterprise System — Capitalism, if you please—has enabled us to see a distribution of wealth and an enjoyment of the material products of a whole people beyond the dream of all social theorists, all revoutionary leaders, and all the enemies of our capitalistic system that they can only hope to see defeat itself by its too rapid expansion.

Communism thrives only in an atmosphere of frustration, poverty, and defeat. Consumer banking is, therefore, an important element in seeing to it that here in America we have an atmosphere of fulfillment and not of frustration: that we have a record of acquisition of material goods—or wealth, if you like—and that we are able to offer honest and realizable hope to all industrious men and women who seek through their own efforts to achieve the aims, goals, and ambitions they hold for themselves and their children. For in such a land of wealth creation, distribution, and enjoyment, the paralyzing effects of a creeping socialism can be avoided through an appreciation of a fulfilling capitalism.

You see, then, that I am talking to you about the longer aspects and attributes of consumer banking, rather than its technical conduct and problems.

Let me tell you this fact that may be dismaying to you in one sense but uplifting in another: Arthur J. Morris has not made his money out of the origination and founding of consumer credit or the Morris Plan. True, he is a successful and well-to-do capitalist. But that wealth has come from outside activities; in fact, he has invested more money in the Morris Plan idea than he has ever taken out.

Human Attributes of Consumer Credit

I tell you this because tonight I want to interest you in consumer credit for its human attributes, its usefulness and service to mankind, more than I want to hold out to you financial reward within the field. The great satisfactions in the consumer credit field have come to those who have entered into it as a way of life rather than as a way to wealth.

True, one can be well enough paid for a successful career in the field. But success in the field has more often come to those who have sought to bring consumer banking to increasing thousands of people more than it has to those who have only sought to earn increasing thousands of dollars by bringing consumer credit to a limited few.

Please do not misunderstand me that I am preaching a doctrine of socialized banking or banking as a social service, or presenting a program that compares with the function of the Family Service Society. In fact, I am not even talking about remedial lending to those who have fallen behind in their bills or who face calamitous medical and hospital costs.

I am talking about this consumer type of banking as being an instrument by which millions of American people have found a larger constructive expression of their lives on their own initiative through the developed services of banks that are dedicated to serving the man in the street and have organized their facilities down to the needs of the people of this country. For this service has come to be one of the basic, vital, and essential elements in the whole functioning of the American economy. This result has brought us to the forefront of the world in terms of economic achievement. As a consequence we are the leaders of the free world and the last and great hope of all men of good will on both sides of the Iron Curtain.

It would seem that the unhappy proponents, defenders, and imposers of Communism on their own and their satellite peoples have dropped an Iron Curtain between their people and ourselves because they wish to blot out the view of the golden haze that hangs above the activities of the workers in America. This haze has so become the envy of both the free and the slave world that not only have we become obligated to maintain our high level of economy but on top of it we must build up an undefeatable armed force for ourselves and supply equipment for such a force in the other free lands in Europe, Asia, and Africa.

Strangely enough, and to the consternation of the Soviet powers, we are increasing rather than lowering our standards of living while developing a fighting force and the arms to equip it and supply our allies besides.

And so, you have come here to study a form of banking relatively recent in concept — 1910 — and more recently adopted by banking generally throughout the nation—10 to 20 years ago—and only now being recognized in its true function as a basic undergirding part of our whole economic, social, and national life.

It is not so much the past accomplishments of this revolution in banking that I commend to you; rather, it is its prospect of yet untold service and usefulness in the further fulfillment of the American Capitalistic System, the American concept of a free people in the exercise of free enterprise. For not only can we see an enlarging and broadening economy; we can see a greater portion of the people sharing in the production of the wealth we are creating and in the enjoyment of the use of that wealth. We can see a strengthening of our economy through the greater dependence of the people on private enterprise in contrast to government agency. We can see a lessening of dependence on a central government and greater use of local agency within the community. We can see the rising emphasis on the dignity of the individual and the lessening of the idea of a master state. We can sense a growing demand that the state become a servant of the people, an agency of use, and not a power over our lives.

It is no long-drawn bow to tell you that if you rightly appraise the function of consumer banking it is an essential dynamic factor in the fulfillment of these democratic American concepts. I hope, therefore, that in your studies of its technical aspects you will approach the whole subject as one of the greatest importance; and that you can, in performing your part in its functioning, be a real and great contribution to the preservation, maintenance, and enlargement of the American dream of a free people fully expecting the maximum potential of their individual lives.

*Remarks by Mr. Boushall before the Monday Evening Forum of the School of Consumer Banking, University of Virginia, Charlottesville, Va., Aug. 11, 1952.

N. J. Bond Club to Hold Golf Day Oct. 2

Fred J. Brown, White, Weld & Co., President of The Bond Club of New Jersey, announced today that the annual Member-Guest Dutch Treat Golf Day, and Beef Steak Dinner, of The Bond Club of New Jersey, will be held on Thursday, Oct. 2, 1952, at Essex County Country Club, located in West Orange, New Jersey.

The complete beef steak dinner served outdoors is a highlight of the party, and one of the features that has made this outing one of the most eagerly anticipated of the many outings held by groups in the financial district.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb. — Gordon L. Evans has become associated with Waddell & Reed, Inc., Continental National Bank Building. He was formerly with the First Trust Company of Lincoln.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Holden Wilson, Jr. is now with Merrill Lynch, Pierce, Fenner & Beane, Dixie Terminal Building.

Westheimer Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—James S. Marsh has become affiliated with Westheimer & Company, 30 East Broad Street.

Joins Slayton Co.

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — Anthony Sowers is with Slayton & Company, Inc., 1126 Oakwood Avenue.

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

August 13, 1952

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Business Activity to Continue at High Level

Resumption of steel production seen reinforcing upward trend in industrial activity in many fields with new peaks in output and sales likely to be reached before end of current year. Gradual increase in consumer buying cited, particularly in previously heavily depressed lines. Current trends in dividends and security prices termed favorable indicator pointing toward stability and high level of business activity indefinitely.

(From August "Business Bulletin" issued by the LaSalle Extension University, a Correspondence Institution, Chicago, Ill.)

Divergent trends among major segments of business and industrial activity have been the predominant characteristic of economic conditions during the last few weeks. Industrial production, employment, and transportation have dropped sharply because very little steel has been produced since the latter part of May and operations had been curtailed even before that time. Many plants have also been closed during the vacation period. In contrast to the decline in production has been the gradual but upward trend in retail sales and general business activity. The total volume of business transactions has been running close to 5% higher than last year and indications point toward further advances. The resumption of steel production will reinforce this trend by speeding up industrial activity in many fields. New peaks are expected before the end of the year.

Widespread Effects of Steel Strike

Work stoppages in a major industry, such as steel, adversely affect not only that industry but also have increasingly cumulative effects throughout all aspects of the economic system the longer they are continued. The direct loss has amounted to well over 15,000,000 tons of steel. The strike has brought industrial production down to the lowest level in two years, although output of factories in July was larger than in the first part of 1950. Incomes of workers affected both directly and indirectly have been reduced enough to lower total national income by a substantial amount. Freight car loadings on the railroads have fallen to the lowest level in many years.

With the resumption of production costs and prices will be higher, not only for the steel industry, but also for all industries using steel in the manufacture of goods. The effect will be to give another boost to the price level. Some of the higher costs may be absorbed and result in lower earnings for many corporations unless demand from all classes of buyers becomes larger than it has been so far this year. Recovery in industrial activity to the level which prevailed in the first months of the year will be slow. To bring operations in the steel mills up to full capacity will require two or three weeks. After that, much time will be needed to replenish depleted stocks of steel in many factories which have been compelled to curtail production due to shortages.

High-Level Business Activity Prolonged

Long-run effects of the interruption in the production of steel will be somewhat different from the ones which are now evident. To make up the loss in steel output and to meet the large demand from the users of steel, the industry will have to keep operations at a peak for an extended period. During the first few weeks after operations are resumed in the mills, lack of steel will continue to handicap production for many manufacturers until the flow of steel reaches them. For a succeeding period, output of steel as well as output in many other fields will be larger than usual to meet the many unfilled orders which have accumulated, and to restore the stocks that have been reduced greatly and in many cases entirely exhausted.

Not all the loss in steel output as well as in other lines represents a reduction in the total annual output. Some curtailment would have taken place even if there had been no interruption due to the strike. Rising inventories of steel have demonstrated that production capacity is greater than even the current enormous demand, and a slowing down was inevitable at some time in the future. The strike has brought it about sooner than it would have normally taken place. In the meantime demand has continued in large enough volumes to maintain a high level of business and industrial activity for an indefinite period.

The stretching out of the defense program also tends not only to make the current demand for military supplies and equipment a little less intense than it was expected to be but also pushes further ahead the time when peak output is to be reached. The revised schedules call for gradual but steadily increasing output during the next 10 or 12 months, after which these expenditures will remain relatively stable on a high plateau. The shift from a period of rising expenditures to one in which spending is stable will involve a readjustment in industrial activity, but that change will be postponed until later next year. In the meantime further advances are likely to take place.

Consumer Buying Picks Up

Most significant among current trends is the gradual increase in consumer buying. Improvement began to appear several months ago and has become more prominent in recent weeks. Consumers are now buying close to 6% more goods than they were a year ago. Most of this increase has been in the physical volumes of goods, because the price level of retail items is but little higher than it was at this time last year. Prices of some goods are lower. The improvement has been most noticeable in many of the lines which had previously declined most. More textiles are being sold than previously. Sales of shoes, furniture, and tires are considerably better although they are still lagging in some items. Automobiles have been selling faster than they were being produced even before the recent shutdowns due to lack of steel. Household appliances are being sold in larger volume, although inventories of these items have been so large that sales have been made from stocks and only moderate increases in factory production have taken place. Yet the improved consumer demand is a factor which will tend to push industrial activity higher just as soon as more steel is available.

Trends in consumer buying are important because this field is the largest single area of demand for goods. Monthly retail sales amount to over $13,000,000,000 and this figure is a measure of the demand for goods from factories. This spending is supplemented by other expenditures made by consumers to bring the total that consumers are paying for goods and services up to well above $17,000,000,000 monthly. It can be maintained indefinitely because individuals are receiving incomes after taxes large enough to support it. Monthly disposable personal income is currently running close to $19,000,000,000. Consumers also have record amounts of liquid savings which can be used for purchasing goods, although in recent years these have not been major factors in determining the volume of retail sales.

Quite as important as the financial position of the consumers are the attitudes which people have toward buying. There is no doubt that the current purchasing power is large enough to maintain a high level of business activity, but changes in psychology during the last two years have brought about wide variations in sales. These variations have affected industrial production and account for some of the lull which has taken place since the peak of factory output in the first part of 1951, which coincided with the peak of the buying splurge in that year and with the peak in commodity prices. The effects of that buying splurge have evidently worn off and now the large stocks which were then purchased must be replenished. These considerations constitute another factor in the current upturn in consumer buying. Increases have been moderate and there have been no signs of excesses nor any considerable tendency to buy in advance of needs.

Commodity Price Trends Varied

Prices of many commodities are at the lowest level in considerably over a year. Changes have naturally been greatest among those sensitive commodities which move quickly in response to changes in conditions of supply and demand. The index of 28 basic commodities which is prepared by Dun & Bradstreet has dropped close to 10% during the last 12 months. A similar one prepared by the United States Bureau of Labor Statistics has dropped even more and is 25% below the peak. About half the gain since the first part of 1950 has been lost. The general level of wholesale prices as measured by the more comprehensive index which is prepared by the United States Bureau of Labor Statistics and which includes over 900 commodities sold in wholesale markets is 4% below the level of a year ago and very close to that amount below the peak. The period of declining prices coincided with the period of declining retail sales.

Some of the most recent indications have pointed toward a reversal in the downward trend. Some food prices have gone up, even though the production of food this year is very large. Consumer prices are at a new peak and some items in retail stores have been marked up. These indications are also helping to stimulate consumer buying as many persons feel that the downward movement in the price level may have extended as far as it will go at this time. Even the much slower moving general index of wholesale prices showed some firmness during the last few weeks. A price movement which lasts considerably more than a year, as the current one has, is usually followed by at least a moderate move in the opposite direction. Unless consumer buying picks up much more rapidly than is now indicated, however, or unless business and government spending increase much more than is now scheduled, no sharp price rises are expected during the next few months.

Security Prices Show Confidence

Trends in security prices are determined by somewhat different factors than those which influence commodity prices, but both are important indicators of current conditions as well as prospects for the future. Security prices have often forecast business conditions even further in advance than have changes in commodity prices. They reflect the opinions of many investors and speculators as to what the future conditions of business volume and corporation earnings will be. Allowance must be made also for the fact that earnings are sometimes capitalized at a higher figure than at other times. That situation is likely to be especially true in a period when a feeling of optimism prevails.

Prices of securities have risen to the highest level in over 20 years. Trends throughout this year have been most favorable in the prices of the securities of railroad companies. The Dow-Jones index of railroad securities has risen close to 103, an advance of almost 15% above the high point last year and the highest level since March, 1931. The gain is significant in that it has been made at the same time that freight car loadings have been declining. Net income of the railroads, however, has risen due to improved efficiency in operation. During the past month the Dow-Jones index of industrial securities advanced to exceed slightly the high level of last year. Although recent gains have been moderate and not all of them have been maintained, present prices of these securities are also the highest in over 20 years. As usual there are wide variations among different individual securities.

Security prices reflect not only business activity and past corporation profits but also the future outlook for profits and dividends. Many companies are being steadily squeezed by higher operating costs which leave them extremely vulnerable to any declines in sales volume or in selling prices of their products. Profits so far this year have been somewhat less than the close-to-record profits of last year. A survey of a number of leading corporations which have published reports shows that earnings after taxes have declined 10%. Dividends have increased 6%, although a number of corporations have been compelled to reduce their payments to stockholders. The fact that most corporations have increased their dividends, however, is significant in two ways. It indicates that boards of directors consider that the outlook for the future is favorable enough to justify paying out larger percentages of earnings rather than retaining them as working capital. It also indicates that many expansion programs are being completed and not so much will be needed for capital expenditures in the future. Current trends in dividends and security prices constitute a favorable indicator pointing toward stability and a high level of business activity indefinitely.

Bond Prices Up

Bond prices have recovered slightly from the low point of several months ago, but are still almost 5% below the peak of the first part of last year. The downward trend was closely connected with the rise in interest rates, although other factors have also been important. Uncertainty as to a possible resumption of the inflationary tendencies of recent years has tended to reduce the demand for bonds. A divergence between stock prices and bond prices has often marked the final phase of a boom or a period of rising business activity. It has not yet extended far enough to be relied upon as an indicator under present conditions but it does suggest caution. It should be watched carefully during the next few months. Yields of high grade corporation bonds have risen to over 3% which is the highest in many years. Yields on some government bonds have gone up to 2½%. As compared with previous periods of prosperity, however, interest rates are still much lower than they have been before a downward trend in business activity.

Most other financial indicators are favorable. Business failures remain at a lower level than normal and so far this year have been even less than the relatively small number a year ago. Evidently business firms have been successful in meeting the problems of rising costs and lagging selling prices. During fluctuations in business activity, failures usually remain low until some time after the trend in industrial production and sales has turned downward.

Bank deposits are steadily increasing and the rate of gain has speeded up in recent weeks. Some of the increase has been due to the financing in connection with the government deficit. Much of the additional money needed for the defense expenditures has been raised through the banks rather than through sales of bonds of investors. Total bank deposits are at peak levels and further increases are expected as additional financing will be needed during the last half of the year.

Consumer Credit Soars

Even though production has been falling off, there has been a substantial increase in the amount of bank credit needed to finance business and also to finance the rise in the use of consumer credit. Efforts to restrict the use of credit by consumers were only moderately successful and now most of those restrictions have been removed. The trend is upward, although at a somewhat reduced rate than prevailed during previous years. Consumer credit outstanding has increased more than $1,000,000,000 during the last year and is now well over $20,000,000,000. It is very close to the peak. Not only are consumers more heavily in debt than they were a year ago, but also they have reduced their holdings of government bonds and savings accounts. Savings as represented by equity in savings and loan associations, insurance, pension reserves, and repayments on mortgage debts have increased. The total volume of consumer credit outstanding, however, is not high in comparison with the current volume of retail sales. Yet the fact should be kept in mind that an increasing percentage of retail sales has not yet been paid for, and at some time in the future the trend in consumer credit will be changed and the result will be at least a temporary falling off in demand. No signs have yet appeared to indicate that such a point has yet been reached or that it will be in the near future.

Bank credit used by business has increased somewhat more than consumer credit. Commercial, industrial, and agricultural loans made by member banks of the Federal Reserve System in leading cities are now $1,500,000,000 larger than they were a year ago. For the banking system as a whole the increase has been larger in amount, but the percentage gain has been less than 10%. Real estate loans have increased about 4%, even though there has been a falling off in residential construction. Other types of loans have increased 8%. Most of these increases are smaller than those of recent years and indicate a moderation in the expansion of bank credit which is constructive. The more nearly bank credit can be kept in line with the changes in the volume of business and industrial activity the more favorable it will be.

Inventory Changes Varied

Commercial bank credit is used largely to finance inventories and to supply current working capital. The total inventories for all business reached a peak $71,400,000,000 in March and have since

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declined. The increase which took place throughout last year was the smallest in recent years and was confined almost entirely to manufacturing. Both wholesale and retail inventories are lower than they were a year ago and are somewhat better balanced in relation to current sales. In the manufacturing field the increase was 10% and was confined to the stocks of durable goods. Manufacturers held smaller amounts of nondurable goods, although stocks of some items are still high. Until recently inventories were high in relation to sales but that trend has been reversed. Figures are not yet available to indicate how much total inventories have been reduced by the interruption in the output of steel. Data are also not available to show how the strike has affected unfilled orders and new orders. When that information is published a much better estimate as to future trends can be made.

Inventories are not yet excessive, although the trends of recent years cannot be continued indefinitely. The fact that the rate of expansion is slowing down without seriously affecting production is a favorable indicator. Probably conditions have improved in many fields during the last two months as undoubtedly some excess stocks have been worked off. The ratio of current inventories to orders is lower than it has been at many times in the past. Among retail and wholesale establishments the ratio of inventories to sales has declined. In the retail field inventories are equal to current sales for less than one and one-half months.

Under present conditions large inventories have many favorable aspects. They tend to lessen inflationary pressures as they tend to prevent price rises which would take place if supplies were smaller in relation to demand. They are also proof that industrial capacity is large enough to turn out enormous quantities of goods and consumers need fear no serious shortages that would induce them to indulge in much advance buying. There is also evidence that large quantities of military supplies and equipment can be turned out to meet all defense needs. Large inventories are, of course, an adverse factor whenever demand falls off sharply, but signs have not indicated any marked reduction in any type of buying. Government expenditures will continue large even though the amount of the future increase will be less than the increases already made. Business expenditures for new plants and equipment continue to rise gradually, although they are not expected to advance much further. They are likely to remain relatively stable. Consumer demand is also holding up well.

Even though demand will apparently remain high, new orders received by manufacturers have declined and for the first time in the last two years are below sales. They are also lower than they were a year ago. The decline has been greater in durable goods than in the nondurable items. Some of that difference is due to the stretching out of the defense program and also to the fact that orders were unusually large a year ago. Along with the decline in new orders in comparison with sales has been a slight reduction in the amount of unfilled orders. They remain, however, 10% higher than a year ago and are equal to sales for three months. They have recently become higher in comparison with current production, due to the decline in factory output. Variations among different classes of products are also significant. Unfilled orders for nondurable goods equal one-third of monthly sales, while those of durable goods amount to sales for more than five months. There has been much more ordering in advance for durable goods items.

Constructive Forces Predominate

Business and industrial activity has been sustained during the last year primarily by government and business spending, while consumer spending was lagging. In the last two months that situation has been modified by the increase in consumer spending, while other types of spending tended to remain more nearly stable. Business spending for plants and equipment has been running about 9% higher than last year, but estimates made by the Securities and Exchange Commission and the United States Department of Commerce indicate only moderate further advances. This type of expenditure has come close to reaching its expected peak and from now on will be a stabilizing influence rather than one which would boost industrial activity as it has in the past two years.

Government spending is scheduled to increase but by somewhat smaller amounts than the increases in either of the last two years. The increase will be based on borrowed money to a larger extent than the previous spending and will thus tend to be somewhat more inflationary, especially if it should come at the same time consumers are buying more energetically. The connection between government deficits and prices or production is not nearly as close as is sometimes thought. For example, the deficit during the last year was about $4,000,000,000. In other words, the government spent that much more than it received from the taxpayers. Yet the price level is lower than it was a year ago. Many other factors need to be taken into account in order to ascertain what forces determine inflationary pressures and the level of prices. Similar complex groups of forces determine the level of business and industrial activity.

Agricultural Prospects Very Good

Outlook for large production on the farms has improved during the summer, and the prospects are for bumper crops. If weather conditions remain favorable during the remainder of the growing and harvesting season total production this year will be the second largest ever achieved, and but very little below the record crops of 1948. The number of acres planted in crops was not quite so large as last year but yields are much better. Total output is estimated at 32% above average. In 1948 it was 35%.

Increased production will be offset somewhat, however, by lower prices, higher operating costs for farmers and by some increase in mortgage debt. Prices of farm products have been declining in recent weeks as crop prospects have improved. They are now close to 5% lower than they were a year ago. Farm income is holding up well, however, and monthly farm income is currently running well above $2,000,000,000.

Among leading crops, the best results have been achieved in the production of wheat. The crop now being harvested will total more than 1,240,000,000 bushels. The decline in the production of spring wheat has been more than offset by the exceptionally large output of winter wheat. In only two previous years has a larger wheat crop been raised. The total supplies this year will be larger than expected domestic consumption and anticipated exports.

Quincy Cass Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Robert W. MacNair is with Quincy Cass Associates, 523 West Sixth Street, members of the Los Angeles Stock Exchange.

The Coming Elections

By ROGER W. BABSON

Mr. Babson, characterizing Democratic Party as party appealing to masses, says, because of overwhelming majority of wage earners, Republicans will have to strike hard between now and November 4, if they are to win. Holds Korea is Democrats' vulnerable point, and concludes "America must have a spiritual awakening to be saved."

The Democratic Party has many supporters who have always been wealthy. The Party, nevertheless, aims its appeal primarily at the masses who depend for their living on wages. The Republican Party aims also to help the masses in basic ways; but has not tried to increase money wages. Labor, therefore, believes it must uphold the Democrats to retain the so-called "labor gains" achieved since 1932.

Roger W. Babson

6,500,000 Owners vs 54,000,000 Employees

The importance of the foregoing is brought out by some statistics recently compiled on the ownership of shares of stock in this country. According to the latest authoritative estimate, there are approximately 6,500,000 owners of stock, after elimination of duplications.

As the civilian labor force of the country, exclusive of agricultural labor, is around 54,000,000 (including 15,000,000 union members) it is obvious that the direct owners of stocks and bonds are overwhelmingly outnumbered by wage earners. Victory on November 4th will fall to the candidate who can get a majority of the wage earners to vote to protect the stocks and bonds owned by the life insurance companies and banks in which they have their savings.

Democrats Avoid Harming Labor?

The Republicans will have to strike hard indeed between now and November 4th if they are to win. This is because most of the "sins" they ascribe to the Democrats are not greatly resented by wageworkers, as these sins are mostly against capital or property, not against "labor."

To many voters whose principal asset is their weekly wage charges of corruption are noises from another world. What do they care if some big shot is accused of cheating the Government? The apparent effect on their pay is nil. They suspect, moreover, that crookedness is the usual thing among higher-ups in politics and business.

Taxes and Inflation

Republicans will harp on the tax burden; but the wage earner feels the impact of taxes too little. They are concealed from him or withheld from his pay. His income tax never gets into his pocketbook. He never experiences the pain of parting with his tax money. The tax situation will not cause many wage earners to desert the Democrats.

Although the wives of wage earners are becoming increasingly irked by the rise in the cost-of-living, not even this will cause wageworkers to vote Republican. Up to now wages, in many lines, have kept abreast of rising costs. The wageworker, however, fears unemployment more than a rising cost-of-living. Many can recall that when there was no inflation and the cost-of-living was low, jobs were scarce. Higher prices and a pay check are infinitely preferable to low prices and no pay check!

Korea Is Democrats' Vulnerable Point

One Republican charge will find sympathetic listeners among wage earners. They all share resentment of the humiliating bungle of the Democratic Asian policy. Eisenhower, with his aura of invincibility, will have a strong appeal for wage earners when thinking of Korea.

I have intentionally segregated agricultural from industrial workers. Most farmers and farm workers have been Republicans traditionally; but many were lured into Democratic ranks by crop price "parity." This defeated Dewey in 1948. This time the Republicans are promising gravy to the farmers. With farmers back in the Republican fold, and with wage earners disgusted over Korea, Eisenhower and Nixon may win; but it will require very hard work to beat Stevenson and Sparkman.

Where Do the Churches Stand?

The real hope of the United States and the World lies with neither the Republican nor the Democratic Parties, *per se*. Notwithstanding the appeals of all candidates for the "help of Almighty God," God's Will is 95% ignored when it conflicts with "practical politics." America must have a spiritual awakening to be saved.

Under present conditions, both the political and labor leaders are able to ignore our 60,000,000 Church Members because we are equally divided between the two major Political Parties. Should not confessed followers of Jesus refuse to be tied to any single Party? Let us be the silent independent voters for such local, state, and national candidates who will work hardest for Righteousness. This is the great need.

Waldemar Stein to Join Benedicts

Waldemar L. Stein

Waldemar L. Stein, partner in Bramhall & Stein, 1411 Fourth Building, Seattle, Washington, will join the ranks of the benedicts on Aug. 28.

Mr. Stein and his bride will leave immediately following the wedding for a four or five week trip to Southern California.

These Bonds are not being offered to the public.

$36,000,000

Ketchikan Pulp Company

First Mortgage 4¼% Bonds, Series A

Due October 1, 1972

The Company through the undersigned has entered into agreements with certain institutions for the sale of a maximum of $36,000,000 of its First Mortgage 4¼% Bonds, Series A, to be delivered within specified times between October 1, 1952 and December 30, 1953, inclusive.

MORGAN STANLEY & CO. ***DILLON, READ & CO. INC.***

August 12, 1952.

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LETTER TO THE EDITOR:

Raising Official Price of Gold Would Be Dishonest Act!

Frederick G. Shull, Connecticut Chairman of the Gold Standard League, warns against move to further devalue the U. S. dollar.

After breathing somewhat more easily at finding that the Republican Party has included a gold-standard plank in its platform—even though, to be more exact, it is only one-half a true gold-standard plank—it is something of a blow to find that a few professional economists are are giving some encouragement to the dishonest idea that the official price of gold should, perhaps be raised. Let's call it "ignorance," however, rather than "dishonesty" on their part; for they are really honorable men. They have merely overlooked what the "dean" of all modern economists had to say on this subject, many years ago.

Frederick G. Shull

Nearly 200 years ago, Adam Smith ("The Harvard Classics," Vol. 10, page 589) made this significant statement: "The raising of the denomination of the coin has been the most usual expedient by which a real public bankruptcy has been disguised under the appearance of a pretended payment."

In 1933, our political leaders "raised the denomination of the coin"—they took what had been a $20 gold piece for 96 years and declared it to be a $35 gold piece, approximately. That was "raising the denomination of the coin," and, in the words of Adam Smith, it was "disguising a real public bankruptcy under the appearance of a pretended payment." In 1933, that increase in the official price of gold from $20.67 to $35 a fine ounce automatically devaluated the dollar by 41%; and it robbed the people of some $50 billion of the real value of their savings put away in the form of Government bonds, bank deposits and life insurance benefits already paid for with the higher "value" dollar. And to raise the official price of gold today above $35 a fine ounce would, again, be "raising the denomination of the coin"—but with far more detrimental results; for, today, the people own on the order of $500 billion of Government bonds, bank deposits and life insurance benefits already paid for.

Certain gold-producing interests are asking that the official price of gold be raised to $75 an ounce—meaning a 53.3% devaluation of the dollar; and, as already stated, they have been given some encouragement by a very few, fortunately, of our well-known economists. But here is how such an increase in the price of gold would work out on balance:

(1) The average production of gold in the U. S. for the 10 year period 1941 to 1950, inclusive, (World Almanac, page 672) was approximately 2,300,000 troy ounces per year; and an increase of $40 an ounce would give the gold producers about $90,000,000 of added annual revenue in depreciated dollars.

(2) But, a 53.3% "devaluation" of the dollar, occasioned by the $75 price, would, at one fell swoop, rob the people of some $265 billion of the real value of their savings in Government bonds, bank deposits and life insurance benefits already paid for with "$35 per ounce" dollars.

Both political platforms have a great deal to say about "Civil Rights"—rights of a comparatively small minority of our population to fair employment practices, free from discrimination because of race, creed or color; but how about the "civil rights" of our entire 160,000,000 people to receive our Government's assurance that their billions of accumulated savings shall be protected against a repetition of the dishonesty that was inflicted on this nation in 1933 when the "dollar," which had stood unchanged at $20.67 a fine ounce of gold from 1837 until 1933, was, overnight, reduced in "value" by 41%? Any rise in the official price of gold would be a "repetition" of that dishonest act of treachery.

It is reasonable to assume that General Eisenhower, for years, has been too occupied with other matters to have found time or inclination to pay much attention to this economic problem; but if he were to receive a sizable number of letters asking him to broaden the plank reading "a dollar on a fully convertible gold basis" to read "a dollar on a fully convertible gold basis at $35 a fine ounce of gold," it would, in all probability, cause him to take this much-needed forthright step.

Very truly yours,

FREDERICK G. SHULL

Connecticut Chairman,
Gold Standard League
New Haven, Conn.
August 12, 1952.

Continued from first page

As We See It

or less evenly divided. Here they hold, or are believed to hold, a sort of balance of political power, assuming, of course, that they vote as a bloc. Here it is, accordingly, that both parties are bidding or preparing their bids for the favor of this racial minority. As to all this, there could be no complaint if both of the parties were disposed to tackle the question in a sincere, intelligent, statesmanlike way. The trouble is that neither is proceeding in any such manner. Instead, weasel words, shiftiness in approach, a certain tendency in both camps to wince and relent and refrain when it comes to living up to sensible words spoken by both candidates when the political pressure was less severe, characterize activities both at Denver and Springfield.

The Basic Question

We pass over the question that might be raised as to the low opinion evidently held of the intelligence of the minorities themselves. We do so that we may get at once to the more vital phase of this matter. The real root of the conditions complained of is found, of course, in the basic attitudes of the large sections of the population at large. These attitudes are deeply imbedded in the minds and emotions of the people. A visitor from Mars would doubtless find it difficult to understand their presence, as a good many foreigners often do when in our midst. These attitudes may be foolish—often they unquestionably are; they may do great harm to their victims—of that there can be little doubt. But there they are, and who in his right mind supposes for one moment that this element of American folkways can be excised by legislative fiat?

The fact is that most legislation, and all proposed Federal legislation, merely demands that employers act as if no such attitude existed in the minds of their customers. It is quite easy to talk of "equal employment opportunities." In the abstract, and viewed superficially, it is an appealing ideal, but, of course, "equal employment opportunity" for one individual implies an obligation upon other individuals to provide it. This latter aspect of the case is not often thought of by those who concern themselves with "civil rights," but it is not easy to square with the "civil right" of any man to hire or not to hire whom he pleases. It is certainly not easy to square with any hope of succeeding in many lines of business—so long as existing attitudes among the people at large remain what they are.

The Farmers, Too

But not far behind this issue of "civil rights" comes another where the tendency of the major parties must cause thoughtful men and women to feel ashamed. The Republican candidate is currently reported to have been advised that he must "come across" with promises of substantial "benefits" to the farmers of the Middle West if he hopes to recall a number of these States to Republican fold. He is being told, by all accounts, that these States were lost to Dewey in 1948 because the Democrats outbid him. Meanwhile, the Administration at Washington is licking its chops over the opportunity the drought has brought it to "prove" by liberal aid that it is "the" friend of the farmer.

It appears to be conceded that here again we have a situation where a minority (the voters of a half dozen "doubtful" States) might very well control the returns next November. The remedy to which the politicians turn naturally is subsidy — the purchase of the desired votes. And there is all too much to suggest that this is precisely what the contending parties intend to do this year. As things now go, other elements in the population which must provide the funds for the subsidies are much too occupied in trying to get theirs to raise any very serious objection to what is being promised the farmer. Who is there who has even raised the question seriously as to whether all this is good for the country or even for the farmer in the long run?

Then there are, of course, the "underprivileged." It was Franklin Roosevelt who popularized the term—and the technique of corralling their votes. Of course, many of those who used possibly to be entitled to some such description are today anything but underprivileged. But such considerations as these cause no hesitation. The Republican candidate has already made a bid in the form of a proposal for higher social security payments. The Democrats have long been active trying to push these payments higher and higher. Are we now to witness a marathon of liberal promising during the remainder of this campaign? Where is all this to stop? Is there any one in public life who has paused long enough to consider where all this is leading? If so, it is time he spoke out.

How Elections Are Won

The list might well be lengthened a great deal. But to what purpose? Enough has been said to make it plain as a pike staff that national politics in this country have now come to a pass where elections are won or lost (or so it is believed, apparently) not on the basis of whether this candidate or that or this party or that best understands national problems and has the sanest and soundest ideas how to meet them, but on the basis of promises made to minority groups.

If this is really the way elections must be won today, then we are on the way to sad days. We can only hope that greater understanding may come to us before it is too late.

N. Y. Security Dealers Association Asks Revision of Proposed SEC Rule X-10B-6

In a letter to Securities and Exchange Commission, Paul A. Gammons, Vice-President of the Association, says rule as written, is impracticable and suggests an alternate procedure.

Paul A. Gammons, Vice-President of the New York Security Dealers Association, and President of Bradley, Gammons & Co., Inc., New York City, has released a copy of a letter he sent to the Securities and Exchange Commission on Aug. 8 protesting against the adoption of a proposed rule (Rule X-10B-6) of the Commission relating to notification by broker - dealers of transactions with any partner, officer, director or employee of another broker or dealer.

The text of Mr. Gammons' letter to the SEC follows:

Securities and Exchange Commission,
425-2nd Street, N. W.,
Washington 25, D. C.

Re: You release No. 4725 dated June 30, 1952, proposed Rule X-10B-6 under the Securities Act of 1934.

Gentlemen:

This Association would like to record with you our observations regarding the above mentioned Proposed Rule as follows:

(1) (a), (1) and (b) Under these passages a broker or dealer is obliged to give actual notice before effecting a transaction with any partner, officer, director or employee of another broker or dealer.

(2) We believe the purpose of the rule is good and in the public interest. However, in keeping with established practices in the securities business, we do not see why as a practical matter broker-dealers should be called upon to give the notice required under (a), (1) and (b). It would be not only a great inconvenience but in a fast moving market it might result in loss to the Buyer or Seller.

(3) The Rule as written is discriminatory and would deprive citizens engaged in the securities industry of certain of their fundamental constitutional rights.

(4) We believe that the necessary protection can be obtained by the giving of the desired notice by delivery of a duplicate confirmation to such other broker and dealer in ample time prior to the consummation of any transaction.

(5) In view of the weight and extreme severity of the penalty for violation here, we strongly recommend that the Proposed Rule be rewritten so as to make it practical for broker-dealers to operate under it in keeping with the established practices of the securities business, and give full and complete protection to the public.

If the Commission feels that we can be of any assistance in this matter, we shall be glad to have you call upon us.

Very truly yours,

(Signed) Paul A. Gammons,
Vice-President, New York
Security Dealers Association

With Mannheimer-Egan

ST. PAUL, Minn—Harriet Nieland is now associated with Mannheimer-Egan, Inc., First National Bank Building. Miss Nieland was formerly with Dayton & Gernon and M. F. Leighton & Co.

John Hassan Adds

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif.—Melville J. Vickerman is now associated with John S. Hassen Co., 151 Second Avenue.

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Problem of Denationalization In Britain

By PAUL EINZIG

Dr. Einzig, commenting on the pledge of the present British Government to denationalize the steel industry, calls attention to intricate problems involved in the "unscrambling" process. Foresees considerable delay before denationalization is fully provided for, and, in meantime, return of Socialists to power may thwart move.

LONDON, Eng.—The British Government has now definitely pledged itself to introduce in the autumn a bill providing for the denationalization of the iron and steel industry nationalized by the Socialist Government in February, 1951. Details o fthe denationalization plan were published at the end of July. They show that the implementation of the decision raises a number of highly involved problems. Evidently it is easier to scramble the eggs than to unscramble them even if the process of scrambling was checked before it progressed very far. In the case of the coal industry, transport, gas and electricity the National Boards set up by the Socialist Government achieved a high degree of integration before the change of government so that the nationalized firms lost their identity to a very considerable degree. In many instances it would be impossible to restore the units as they existed before nationalization. In the case of road transport the Conservative Government's denationalization scheme does not even attempt at restoring the *status quo* but intends to create entirely new units for sale to private buyers.

Dr. Paul Einzig

Had the Socialist Government remained in office for another year or two the Iron and Steel Corporation which took over the nationalized firms would undoubtedly have gone a long way towards scrambling the eggs. As it was, the new Government prevented any further progress of integration in the iron and steel industry as soon as it assumed office. The present position is that all the firms taken over by the Government in 1951 have retained their identity. They operate under their own management and for the most part under their old boards of directors. All that happened in February, 1951, was that the State controlled Iron and Steel Corporation became their sole shareholder. All that should happen in order to reverse the change would be the resale of their stocks into private ownership. This operation is not so simple, however, as it may appear.

One of the major difficulties is that since it cost £240 million to nationalize the industry, the Government will have to realize through the sale of the firms a comparable amount in order to avoid hostile Socialist criticism on the ground of sacrificing the taxpayers' money for the sake of denationalization. Compensation paid by the Socialist Government to the stockholders was fixed on the basis of Stock Exchange quotations during a boom period. In the meantime, Stock Exchange prices in general declined considerably and there can be no doubt that if iron and steel stocks had not ceased to be quoted after nationalization they would be well below the level on the basis of which compensation was fixed. This means that, generally speaking, the investing public would only be prepared to buy the stocks at prices well below the figures paid in compensation.

It is not the Government's intention, however, to fix the sale price of iron and steel stocks on the basis of the figures of compensation translated into terms of present day Stock Exchange level. In a large number of instances the Stock Exchange prices quoted even during the highest level of postwar boom bore no relation whatever to the intrinsic value of the assets, goodwill and earning capacities of the firms. This was partly because ever since 1947 there was an unofficial ban on dividend increases as a result of which iron and steel stock prices, and industrial stocks in general, were quoted at an artificially low level. In a number of known instances the visible assets of the firms taken over by the Government exceeded considerably the compensation paid for them. The balance sheets of old-established firms—which are the sole basis on which the Stock Exchange is apt to judge the value of their stocks—did not do justice to their inner strength.

Presumably when the agency to be set up under the denationalization bill will offer the stocks for sale, the prospectus of the new issues will give a full account of the real value of the firms' assets. Their goodwill has not suffered during the period of nationalization because all firms continued to operate as before. Rearmament and the export drive ensures the industry a steady market for many years to come. Their problem is, indeed, not to find buyers for iron and steel but to supply the whole demand. In these circumstances it should be easy, in theory at any rate, for the Government to secure reasonably good prices. The trouble is that all firms are not equally attractive for the investing public to buy. The equipment of some of them is rather obsolete. While the agency would find ready buyers for the good firms it is in danger of being left landed with the bad ones. Should such a situation arise the Government would be subject to severe criticism. To avoid it an attempt will be made to join the assets of firms which would be difficult to realize with those of other firms and together are expected to constitute a more easily marketable unit than the bad firms alone. This would necessarily reduce, however, the attraction of the stocks of good firms.

An even bigger obstacle is the Socialist threat to renationalize the industry if and when another Socialist Government should assume office. Authorized spokesmen of the Socialist Party have made it plain that in that event the compensation payable to private owners would in no circumstances exceed the amount to be received by the Government through the sale of the stocks of the denationalized firms. The Socialists are prepared to make allowances for additional capital investment after denationalization. On the other hand it is their declared intention to deduct from the compensation any dividends paid by the denationalized firms in excess of the 3½% interest of the steel nationalization stock. The result of this threat will be that iron and steel stocks will become highly speculative investments. They are bound to fluctuate with the chances of a return of a Socialist Government. There is a danger that majority holdings would be acquired by speculators with no interest in the future of the firm, who would vote for themselves big dividends and then sell out.

From every point of view it is deplorable that an agreed solution could not be reached. The Conservative Government made a gesture of compromise by the decision to create an Iron and Steel Board with very extensive statutory powers over all sections of the industry. Its control would be in some ways even more extensive than that of the Iron and Steel Corporation which is to be wound up under the new bill. The Socialists consider, however, this gesture inadequate. Nothing short of State ownership satisfies them. Nevertheless, since it will take the best part of a year before the denationalization bill is likely to become law and several years before the law could be put into full operation, there is ample opportunity for reason to prevail in the interest of an industry which is vital to the welfare of the country.

Railroad Securities

Denver & Rio Grande Western

Considering the steel strike, and the importance of operations in the Provo-Geneva area to Denver & Rio Grande Western, the road did not do at all badly in June. Gross revenues were off only 5% from a year earlier. Maintenance work was not curtailed to any great extent and income taxes were practically at the same level as in 1951. What was particularly impressive was that the transportation ratio of 32.3% was only 7/10ths of a point higher than in June 1951. The over-all operating ratio was up less than a point. Net income of $319,583 for the month was highly satisfactory under the conditions.

Aside from the steel strike, Denver & Rio Grande Western was hit hard in the early months of the current year by unusually severe winter snows and low temperatures. Snow removal costs were very heavy in the period, besides which the storms interfered with traffic movement and involved increased transportation costs. Despite all of these handicaps net income for the full six months was off only 13% from the opening half of 1951, amounting to $2,720,519. The transportation ratio, while modestly higher than a year ago, remained well below the industry average at 33.3%. The over-all operating ratio at 72.96% was also well below that of the Class I carriers as a whole.

July operations naturally continued to feel the influence of the steel strike, with the added pyramiding effect of the curtailment or cessation of operations by other industries because of the shortage of steel. Nevertheless, it appears likely that the company was again able to control its operating costs and continue to show profits after fixed charges and contingent interest. From here on, at least over the balance of 1952, the prospects are far more favorable trafficwise. Therefore it still appears likely that results for the full year 1952 will at least match, and may better by a modest margin, the $19.07 a share earned last year, before sinking and other reserve funds.

Aside from the immediate prospects for traffic and earnings, most analysts look with considerable favor on the long-term status of Denver & Rio Grande Western. Probably no road has so completely changed its character in the past 15 years or so. For one thing it has virtually been rebuilt as a heavy duty line, with a large amount of Centralized Traffic Control. It has acquired a large amount of diesel power which is particularly effective in the mountainous territory in which it operates. This physical improvement and the new equipment have resulted in a quite significant increase in operating efficiency. This is a permanent consideration, and the full effects may not even yet have been realized.

The other important consideration has been the substantial increase in the traffic potential. Part of this has stemmed from the growth of the iron and steel complex in the Provo-Geneva area of Utah which, in turn, has attracted other industry to the area. Also, the road, since its physical rehabilitation, and the physical rehabilitation of connecting carriers, has become a much more important factor in transcontinental freight movement. In the past year or so, its position in this respect has been further bettered by construction of a new yard at Denver that has materially expedited movement of freight through that gateway.

With these basically favorable considerations the road's securities are considered by many analysts still to have considerable appeal. The common stock in particular, which has not done much in the past few months, is viewed as attractive for intermediate term price potentialities. It is selling only a little over four times last year's earnings and these earnings should at least be duplicated this year. Also, eventual increase in the current $4.00 dividend rate appears as a distinct possibility, barring an unexpected collapse in our general economy. The present dividend itself affords a return of over 5%.

Stanley Pelz Opens Washington Branch

John P. Germain

WASHINGTON, D. C.—Stanley Pelz & Co., Inc. announce the opening of a new office at 915 Eye Street, N. W. under the management of John P. Germain.

John Arthur Ritchie

John Arthur Ritchie, head of J. A. Ritchie & Co., New York City, passed away suddenly at the age of 67.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Melvin N. Pazol is with Waddell & Reed, Inc.

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News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Harry L. Dalton, Vice-President of the American Viscose Corporation, has been appointed a member of the advisory committee of the 45th Street branch of the **Chase National Bank of New York.**

* * *

Leonard G. Hanson, Vice-President and Treasurer of Philip Morris & Company, Ltd., Inc., has been appointed a member of the Advisory Board of the Fifth Avenue Office of **Manufacturers Trust Company, of New York,** it was announced on Aug. 11 by Horace C. Flanigan, President of the trust company. Mr. Hanson has been Treasurer of Philip Morris since 1933 and was made a Director in 1934. He was appointed Financial Vice - President and Treasurer in 1945.

* * *

Modernization of the 72nd Street Branch of the **National City Bank of New York,** at Broadway and 72nd Street, is announced as now complete. Acquisition of additional space on the 72nd Street side made possible enlarged quarters, which have been air conditioned. The Branch was originally opened Mar. 1, 1924. George B. Humphrey, Jr., is Manager.

* * *

"Window on Scandinavia," a display telling the story of travel in the Scandinavian countries through their arts and crafts, folklore and way of life, as being presented jointly by the national travel offices of Denmark, Norway and Sweden in the windows of the Rockefeller Center branch, 50th Street and Rockefeller Plaza, of the **East River Savings Bank of New York,** from Aug. 11 through Sept. 2. The exhibit will emphasize the "life-seeing" aspect of travel in Scandinavia — the opportunity to meet the Danes, Norwegians and Swedes in their homes and to get a close-up view of their achievements in many fields.

* * *

The law firm of Wandmaker & Neumann, of 26 Court Street, Brooklyn, has been appointed Counsel to represent the **Peoples National Bank of Brooklyn.** Waldemar J. Neumann, one of the partners of the firm, and a director of the bank, is also affiliated with **The Lincoln Savings Bank of Brooklyn.** He is a Trustee of the latter institution and was recently elected Secretary of that bank.

* * *

The New York State Banking Department approved on June 26 a certificate of increase of capital stock of the **Orange County Trust Company of Middletown, N. Y.** from $400,000 consisting of 4,000 shares (par $100 each) to $500,000 in 5,000 shares (par $100 each).

* * *

A proposed merger of the **First National Bank & Trust Company of Floral Park, Long Island,** and the **Franklin National Bank of Franklin Square, N. Y.,** under the name and charter of the Franklin National, was jointly announced on Aug. 7 by Charles H. Wheelock and Arthur T. Roth, Presidents of their respective institutions. The directors of both banks have unanimously approved the consolidation. The office of the comptroller of the currency has given preliminary approval subject to approval of the agreement of consolidation and approval of the stockholders. The new institution will have total resources of about $140,000,000 upon completion of the consolidation. The resources of the Franklin National Bank on June 30 were $123,000,000 and those of the First National Bank of Floral Park were $16,589,000. The consolidation will be effected by an exchange of 9 shares of Franklin National Bank Stock for each share of stock of the First National of Floral Park. An underwriting agreement is being concluded which will premit stockholders of the First National of Floral Park to receive $414.00 per share for their stock in the event they decide not to exchange their stock for that of the consolidated institution. Charles H. Wheelock will become Vice-President in charge of the Floral Park office and a director of the Consolidated Bank. The other members of the board of directors of the First National Bank of Floral Park will be invited to become members of the Advisory Board of the Floral Park office.

It is expected that the banks will be consolidated about Sept. 19. A merger of the two banks will give the Franklin National Bank offices located at Franklin Square, Elmont, Levittown, Rockville Centre, Farmingdale and Floral Park. A consolidation of **the Bank of Farmingdale, at Farmingdale, N. Y.,** with the Franklin National Bank was noted in our May 22 issue, page 2144. Plans to increase the capital of the Franklin National from $3,025,000 to $3,100,000 by the sale of $50,000 of new stock became effective Aug. 1.

* * *

The Worcester County Trust Company of Worcester, Mass., officially opened for business on July 28 it new office at 295 Park Avenue, Worcester. A public preview of the office took place on Saturday, July 26 and a month-long promotional campaign preceded the opening, culminating in the release on July 25 and 26, of 100 helium-filled balloons bearing certificates good for $10 and $1 when returned to the new office. With a large customer parking area and two-way drive-in annex, it is stated that the office will, in effect, be an "auto" bank. As builders of New England's first drive-in bank in 1941 the bank hopes that the introduction of this new type of office will prove equally popular as a time-saving convenience. The bank has two offices on Main Street, Worcester, one at 446, and the other at 344, as well as an office at 57 Pearl Street. William T. Sweeney, Assistant Vice-President of the bank, is Manager of the Park Avenue Office.

* * *

Approval by the directors of the **Citizens National Bank of Collingswood, N. J.** of a plan for the merger of their institution with the **Camden Trust Co. of Camden, N. J.,** subject to stockholder approval on Sept. 5, was reported in the Philadelphia "Inquirer" of Aug. 8, which further said:

"Under the plan, Camden Trust will acquire the assets of Citizens National by purchase at an agreed figure and also would assume all of the deposit and other liabilities of Citizens National. Stockholders of latter bank who might desire to continue as shareholders of the enlarged institution will be able to purchase, under an option, one share of Camden Trust for each share of Citizens National presently owned, at $20.75 a share.

"The announcement said that there would be no change in the manner in which Citizens National presently functions and its personnel would continue to operate exactly as at present.

"All Citizens National directors would become advisory directors of Camden Trust, electing their own Chairman and Vice-Chairman. E. T. Seaman, President of Citizens National, would become a director of Camden Trust. Stuart W. Frazer, Cashier of Citizens National, would become an Assistant Vice-President of Camden Trust in charge of the Collingswood office. Edwin G. Beaumont and William Grant, Assistant Cashiers, would be named Assistant Managers."

* * *

An agreement to merge the **South Philadelphia National Bank of Philadelphia** with the **Central-Penn National Bank of Philadelphia** was approved on Aug. 7 by the directors of both banks, subject to the approval of the stockholders and the Comptroller of the Currency. According to the Philadelphia "Inquirer" of Aug. 8, the joint announcement by C. A. Sienkiewicz, President of Central-Penn, and C. Russell Arnold, President of South Philadelphia National, said that the basis of exchange would be 1¼ shares of Central-Penn stock for each share of South Philadelphia National. The "Inquirer" also said in part:

"The merger will give Central-Penn total assets of over $206,000,000, deposits of approximately $190,000,000 and capital, surplus and undivided profits of about $17,900,000. The consolidation also will increase the number of Central-Penn's banking offices from 10 to 12 through the addition of South Philadelphia's offices at 2nd and Pine Streets and Broad and South Streets.

"All employes and officers of South Philadelphia National will be retained, the announcement said. Mr. Sienkiewicz will be President of the consolidated bank. Mr. Arnold will become a Vice-President of Central-Penn. Norman C. Ives, Board Chairman of South Philadelphia National will become a director of Central-Penn.

* * *

New stock, to the amount of $500,000, increased the capital of the **Mercantile National Bank of Chicago,** effective June 25, from $1,250,000 to $1,750,000.

* * *

The Calcasieu-Marine National Bank of Lake Charles, La. recently (June 24) increased its capital from $1,000,000 to $1,500,000 as a result of a stock dividend of $500,000.

* * *

Charles A. Hart was elected a director of the **United States National Bank of Portland, Oregon,** at a recent meeting of the board of directors, according to E. C. Sammons, President. Mr. Hart, a Portland attorney, fills the vacancy on the board caused by the resignation of A. L. Mills, Jr., who earlier this year became a Governor of the Federal Reserve System in Washington, D. C. At the same time, Mr. Sammons announced that Robert Treat Platt, General Counsel for the United States National Bank, was retiring from that position on Aug. 1 under the bank's pension plan. Succeeding him as General Counsel will be Mr. Hart's law firm, Hart Spencer, McCulloch, Rockwood & Davies. Mr. Hart is a member of the Multnomah County, Oregon State, and American Bar Associations. Mr. Platt, became General Counsel for the old Lumbermen's National Bank in 1906. When that bank was merged with the United States National in 1917 he became General Counsel for the latter institution.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market is trying to adjust its position to the new level of interest rates, which are being brought about by the money tightening policy of Federal. As a result there have been some rather wide and sharp gyrations in prices, with enlarged volume in certain instances, while in other cases, volume has been very light with prices down mainly because they were quoted down by the professionals. Buyers have been and apparently still are on the cautious side, which means they are not inclined to do more than limited scale buying until there is further evidence as to whether or not interest rates are to be stabilized around current levels.

Higher Prime Bank Rate Possible

To be sure, the monetary authorities have the answer as to what will take place in the money markets, but this will be determined in no small measure by the trend and strength of the inflationary forces. Also the length of time that the pressure will be on the money markets will be determined by the duration of the inflation. A let-up in the inflationary pressure and the return to a more balanced economy would most likely have a favorable influence upon the money market. For a while yet, it looks as though the money tightening forces will have the upper hand. The increase in rates of brokers loans from 2½% to 2¾% could be the forerunner of a higher prime bank rate.

Considerable discussion is going on about the effects upon the money markets as a whole of the Treasury refunding which resulted in a 2% certificate being used to replace the 1⅞% obligation of August and September. The main point of concern in the Government bond market at the moment seems to be over the kind of yield pattern that is likely to evolve from the higher return for one-year obligations, along with the tight money policy of the monetary authorities. Also the time element is important in these considerations because it is believed in some quarters that the money markets are pretty much on a touch and go basis. This would appear to indicate that changes in monetary policy could come about rather quickly if economic conditions should show signs of returning to the balance which was evident not so long ago.

Yield Pattern Based on 2% Certificates

Certain followers of the money markets, looking at the situation mainly from the technical and mechanical viewpoint, have worked out yield schedules based upon the 1-year 2% certificate rate. These yields are somewhat as follows: For a 5-year obligation the return, it is indicated, should be about 2⅜%, according to these calculations. Looking at the recently issued 2⅜s of 6/15/58, not as a 5-year but as a 6-year obligation, it would seem as though the new bond is selling at a level that gives a yield which should pretty well discount developments that might come with the 2% certificates rate. Ten-year maturities, it is pointed out, should show a return of about 2⅝%. There are no set 10-year maturities in the Government list, but the 2½s of 1962/67 are being used for comparative purposes, despite the fact that this bond might not be called prior to maturity in 1967. The recently eligible 2½% of 1962/67 are presently giving a yield that likewise appears to have fairly well taken into consideration the 2% certificate rate in the curve of interest rates.

Fifteen-year obligations, it is indicated, should have a yield of approximately 2.75% with the 1-year 2% rate. Again there are no specific 15-year maturities in the list that could be used as a definite basis for comparison. However, looking at the longest Treasury obligation the 2½% of 12/15/67-72, and the yield which this bond is showing at the present time, would seem to indicate it is pretty much in line with the new yield curve expectations. For a longer term Treasury obligation, say one of 25 to 30 years, the yield in order to be in line with the curve based upon a 2% certificate would have to be in the neighborhood of 3%. There are no marketable Government obligations that run that long so no yield comparisons can be made.

Market Observers Discuss 3% Rate

However, the fact that a long-term 3% Government obligation has cropped up even in discussions has brought about rather varied reactions. Some money market followers do not feel that a long 3% bond would get as good a reception as many are inclined to expect, if it were to be offered now, which is certainly not the case. On the other hand, there are a great many operators in Government obligations who hold the opinion that a 3% long-term bond when, as and if it should be offered by the Treasury would go like sugar.

As indicated previously there has been no mention or even talk of any long-term high coupon financing by the Treasury and the only way the 3% return came into the discussion was by means of the theoretical yield curve calculation. Nonetheless, it seems as though every time a 3% yield for a long-term Government bond comes to the surface it always attracts attention and creates more than a passing amount of interest as far as most operators in Treasury bonds are concerned.

While the opinion has been expressed in some quarters that the Treasury may have to use an 11-month 2% issue to take care of the October certificate, it still seems to be a little early to give too much consideration to such a development. To be sure, there could be a further tightening of the money markets if the monetary authorities deem it advisable because of the inflationary pressure. However, it is felt in some parts of the financial district that the 2% rate for 1-year money is likely to hold for a longer period of time than just a month or so.

Despite the caution and uncertainty that faces the bond market there have been and still are some fairly sizable scale-down buying orders in there mainly from non-bank investors. Some of these were executed in the last decline and this helped to bring stabilization into the whole market.

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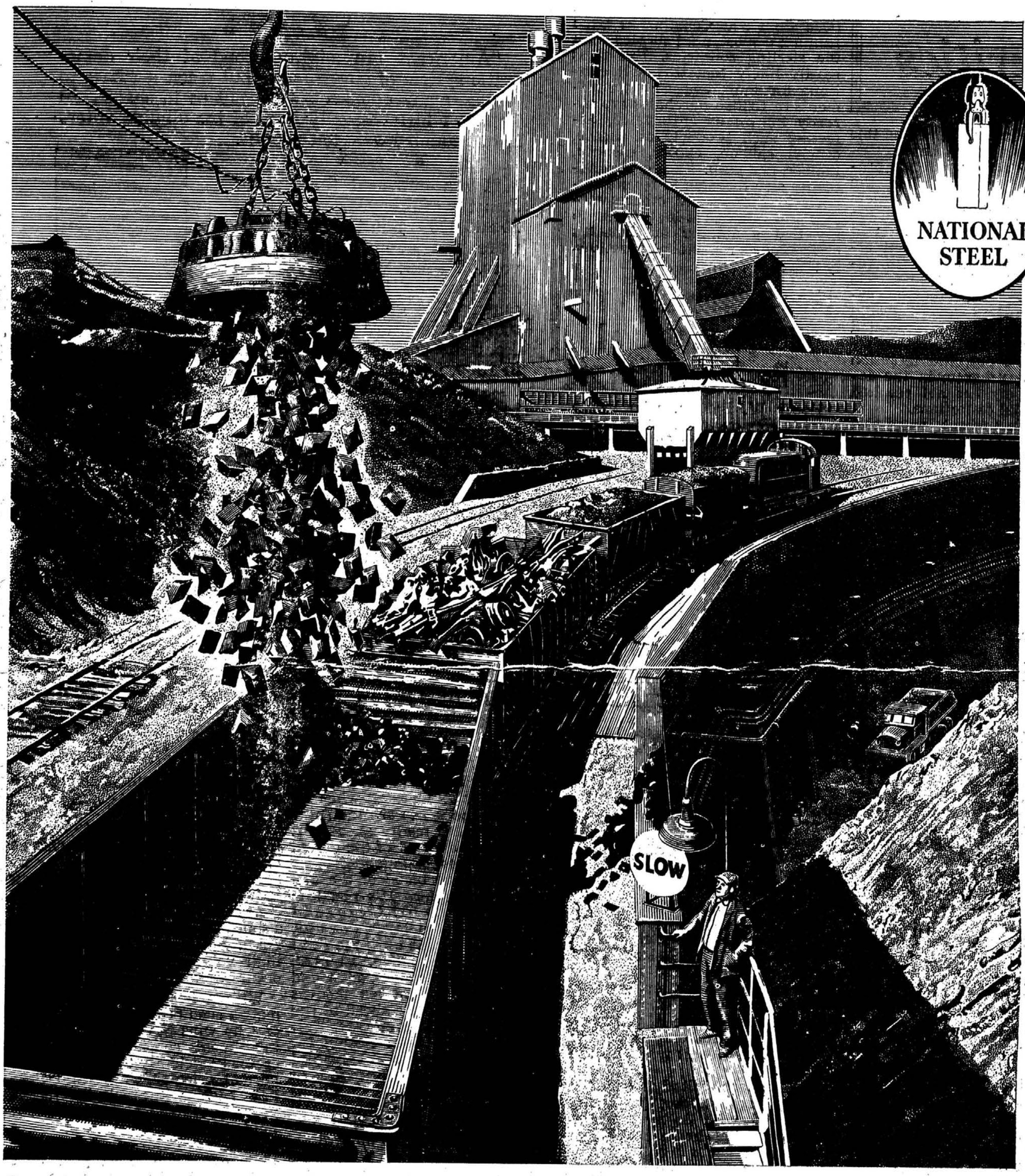
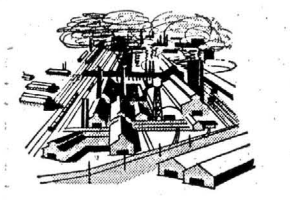


SEVEN GREAT DIVISIONS WELDED INTO ONE INTEGRATED STEEL-MAKING STRUCTURE



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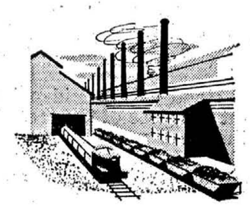
Weirton, W. Va. World's largest independent manufacturer of tin plate. Producer of many other important steel products.



GREAT LAKES STEEL CORP.

Detroit, Mich. A major supplier of standard and special carbon steel products for a wide application in industry.

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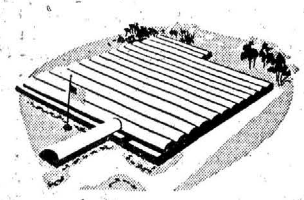
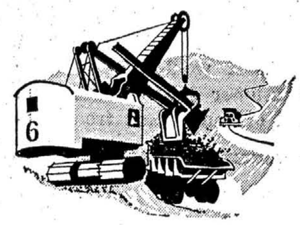


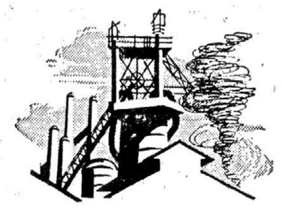
NATIONAL STEEL PRODUCTS CO.

Houston, Texas. Warehouse and distribution facilities for steel products in the Southwest.



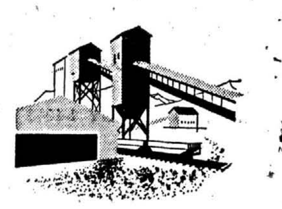
HANNA IRON ORE COMPANY

Cleveland, Ohio. Produces ore from extensive holdings in the Great Lakes region.



THE HANNA FURNACE CORP.

Blast furnace division located in Buffalo, New York.



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This is National Steel

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Since National Steel introduced Nailable Steel Flooring to America's railroads, more and more freight cars are performing double duty.

This unique car flooring—which withstands heavy loading impact yet can be nailed to for blocked loads—is one of the many important applications of National's famous N-A-X HIGH-TENSILE steel. A low-alloy steel with exceptional properties that provide greater strength without increase in weight, N-A-X HIGH-TENSILE is widely used in the automotive, defense and transportation industries . . . for everything from automobile hub caps and bumpers to all-steel truck trailer bodies.

N-A-X HIGH-TENSILE is a product of the versatility that makes National Steel the world's largest independent tin plate manufacturer, parent of the Quonset building, and a leading producer of all forms of sheet and strip steel. It is a product of the facilities and resources that give National Steel complete steel-making integration from raw materials to finished products.

Most of all, N-A-X HIGH-TENSILE is a product of the vision and vigor that will build National Steel's annual capacity to a tremendous 6,000,000 tons of ingots by early 1953 . . . that will make National Steel even more productive for America's needs in the years ahead.

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SERVING AMERICA BY SERVING AMERICAN INDUSTRY

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Canadian Securities

By WILLIAM J. McKAY

Reviewing the mid-year situation in Canada has been carried on by the leading Canadian banks as well as the economists of the Canadian Government. While it is generally admitted the Canadian economy presents a general atmosphere of progress and stability, there is still some question regarding the ultimate impact of the new trends induced by both unusual domestic and international developments. This problem is discussed by the Canadian Bank of Commerce in its Mid-Year Review and Outlook, contained in the July issue of its monthly "Commercial Letter."

Concerning Canada's present economic situation and the immediate prospects ahead, the review concludes:

"As we stand at the mid-point of 1952—at the close of the second year of the 'grey war'—it is possible to look back on economic changes and developments and express the conviction that so far the meshing of a preparedness program with the domestic economy has not resulted in serious dislocations. The combined economy that has emerged has successfully weathered the initial stresses and strains.

"In the months ahead attention will be increasingly directed first to the balance of payments and to the international trade position generally, and, secondly, to the volume and rate of consumer purchasing. The third basic ingredient in the generally buoyant state of the economy—capital investment—now seems to be established at a higher level than was previously anticipated.

"On the international side of our economic outlook the preoccupation with their currencies and foreign balances of certain countries with which we are accustomed to trade exposes our exports and imports to the possibility of modifications. We have yet to experience the effects of the projected changes in foreign demand; nor can specific changes be forecast with any accuracy.

"The generally unsettling effects of the outbreak of the Korean war have now been dissipated, although there continue to linger in statistical comparisons the unprecedented demands by business and individuals which followed. It would now appear that consumer expenditures have levelled off and apart from seasonal variations will continue this course in the months ahead.

"Preparations for defense production have now reached the stage where more and more orders can be filled. The increase in the rate of defense expenditure will undoubtedly have a buoyant effect, particularly in certain regions and industries. The effects of such outlays at present or currently anticipated levels should not, however, be over-estimated as an inflationary potential. As already pointed out, the inclusion of a military program in the domestic economy has not resulted in fundamental distortions.

"Up to the present, wage-cost movements have not developed into a clear-cut pattern, and it is difficult, therefore, to assess the possible impact of further wage increases on price levels. The varying degree of importance to individual products of three of the factors involved, labor costs, raw material costs and a possible increase in productivity, can have quite diverse effects on the end price. The benefits of improved productivity, moreover, may in some cases be passed on to the consumer, in others to labor in the form of increased wages.

"Barring changes in the international scene, and assuming that production continues its generally steady improvement, it is the consensus that business will continue a stable course through the remainder of the year and that gross national production will reach a new high in 1952."

Commenting on business conditions in Canada, and the problems ahead, another large Canadian banking institution, the Bank of Nova Scotia foresees no likelihood of a renewed outburst of inflation which might be expected from the increase in individual incomes and the widespread prosperity which has characterized the Canadian economic picture during the last year.

"The pick-up in consumer demand in this country and in the United States is, of course, a welcome development," the recent "Monthly Review" of the Bank states. "But it should not be taken to mean that inflationary forces are on the verge of taking over again. After all, the most important factor in the sharp rise of prices after the outbreak of war in Korea was the rush to build up inventories. Unless there is a marked increase in international tension, the likelihood of another such wave of buying is rather remote, and the unsatisfactory experience of many businesses in the last inventory boom will certainly incline them to caution."

"As far as Canada is concerned," the Review continues, "there are also developing problems in export markets working against a renewed outburst of inflation, even though exports have been very high in recent months. Already, Canadian exports are being affected by the recent declines in the prices of pulp, some kinds of lumber, and lead and zinc; and, of course, the U. S. embargo against Canadian livestock and meat has depressed livestock markets. Looking further ahead, there is also some question about the market for wheat both because of the good crops in prospect on this continent and in Europe and because of the very large carryover of low-grade wheat. Another influence of some significance working to keep prices down is the premium on the Canadian dollar which has been reducing export returns and increasing competition from imported goods.

"What is perhaps of most concern is the limited buying power of Britain and the Sterling Area. So far this year, Canadian exports to the Sterling Area have in fact been high and Canada has been running a substantial surplus with the sterling countries. But it is hardly likely that this will continue for long; and new curtailments in British purchases are already known or anticipated, affecting such products as cheese, canned salmon, apples, tobacco, lumber, and pulp. Exchange difficulties also threaten to reduce exports to Europe and other overseas areas though it is still true to say that a number of Canada's basic exports remain comparatively scarce."

CANADIAN BONDS

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Free Scholarship At College Offered By Roger Babson

Roger W. Babson, who has a weekly column in the "Chronicle" is offering a unique free scholarship in his new college at Eureka, Kansas, the "center of the U. S. A." Its *utopian* feature is that a young person may combine a College-Campus experience, covering six weeks, with later Home-Study covering 26 weeks. Thereby, through a leave of absence, the person can continue to hold his or her job. This Utopian Plan of education covers Salesmanship, Marketing Surveys, Economics, Journalism and other subjects paving the way to becoming a successful business executive.


Roger W. Babson

The college is small because Mr. Babson insists on accepting only young people of character, energy and ambition. The scholarship includes full tuition and room for six weeks on the Campus; and full tuition for the Home Study covering the balance of the year. The student needs only to supply the books and meals while on the campus.

This means "Studying while Earning" and getting personally acquainted with instructors before beginning home studies. A reader may get a free catalogue and further details by writing to Gordon M. Trim, Chairman, at Babson Park, Massachusetts.

Fitzgerald Aids Kenny Fund Drive

Vincent Fitzgerald, President of Fitzgerald & Co., 40 Wall Street, New York City, has volunteered to serve as Chairman of the investment bankers group in the Commerce and Industry division of the 1952 Sister Elizabeth Kenny Foundation Fund Appeal.

Mr. Fitzgerald is one of more than 100 prominent New York City business, industrial and financial leaders who have agreed to head units in the Commerce and Industry drive, which opens Aug. 20.

Funds raised in the campaign will be used to maintain the New York Kenny Treatment Center at 71 Park Avenue and the Eastern Area Sister Kenny Institute in the Jersey City Medical Center, to train Kenny Therapists to give the Kenny Treatment under doctors' supervision and to carry on research that may ultimately lead to the discovery of a cure for the crippling disease.

The Kenny Foundation, which provides free Kenny treatment without regard for race, creed, color or place of residence, has no source of income other than public contributions.

Why?

"Americans are mighty proud of their democratic system of government, but when it comes to voting, many other countries put us to shame. In 1948, for instance, only 51% of the eligible voters in this country went to the polls.

* * *

"I am informed that, as of January of this year, more than 29,000,000 adult Americans were not even registered to vote. I think we should all be disturbed by the fact that all during this century more and more citizens are staying away from the polls. In the election in 1900, for instance, more than 73% of our citizens voted, and in 1880 more than 78% of the eligibles voted.


President Truman

"The privilege of voting is one of the most treasured rights on earth, as those who live in totalitarian countries can testify."—President Truman.

When asked why he thought voters did not go to the polls in larger numbers, the President is said to have been quite critical of those who fail to vote.

But we cannot help wondering if a substantial part of what the President complains of is not traceable to a sense of futility on part of the citizen stemming from the slipperiness of the politicians.

Continued from page 3

Further Market Rise Ahead!

has always intrigued me because he gets very exhilarated when he gets close enough to see the summit and dashes madly ahead but has to descend ahead of the crowd because of his exhaustion. This climber has the blood of the experts in his veins. His name is Tri-Continental. Tri-Continental usually sells at a large discount from its asset value until the final stage of the bull move. In 1929, 1936 and 1945 this stock advanced around 100% within six months and reached its peak ahead of the general market in each case. Tri-Continental has been resting for 10 months in about a 1½ point range, but within the last week or two this agile little fellow evidently caught sight of the summit through the clouds of pessimism and began to scramble upward. If he follows his usual pattern he should now advance nearly 100% from his last low of 13½ or much nearer to his present asset value of about $28.30 (or $24.76 after reserve for tax on unrealized appreciation) without making allowance for dilution through possible conversion of warrants, the exercise of all of which would reduce the asset value to $21.28 and reduce the unusually large current discount. This fellow has been a good judge of the weather in the past and starts down ahead of the crowd so it is encouraging to the bulls to see him scamper up from the base camp as it should mean at least a few more months' life for the current bull market. But if Tri-Continental should suddenly double in price, sharply reduce or eliminate its discount, and decline for several months, then I believe the party is over for some little time. The reason for selecting Tri-Continental is that it typifies the market action of a high leveraged investment company.

It is very much like a man on a street corner offering good $1 bills for 55c with very few takers at first, but let him keep it up long enough and word will get around the bills are authentic and people will pay up to 99c for them—then look out for a counterfeit!

Mountain climbing is extremely hazardous and so is forecasting the success or failure of any particular expedition but I'll stick my neck out and call this one the way I see it.

10% Advance Ahead

The current bull market should climb at least 10% higher or to 220 on the 365 Standard & Poor's Industrials and 310 on the Dow-Jones Industrials. 1953 should see a sharp readjustment but probably not a severe bear market unless high volume distribution should occur first.

With a healthier political climate a good probability regardless of who wins the coming election, investment confidence may increase sufficiently to allow a more normal price-earnings ratio than has been witnessed in recent years. Dividend payments should hold up well since most companies have largely completed their expansion. Last year only about 60% of earnings were distributed by the average industrial company against 88% in 1946. The price-dividend ratio has only been about 16 since 1948 against a more normal prewar figure of over 20 and extreme figures of over 30 in 1935 and 1946. The market may begin to discount a reduction or elimination of the Excess Profits Tax even though this may not occur for several years. A revised capital gains tax could restore more normal volume to this apathetic market. Lack of public interest can be seen by observing the ratio of monthly trading on the New York Stock Exchange to number of shares listed. On a 12 months moving average basis, this figure is approaching 1% or about the same as in 1942 and 1949 before the market advanced. In 1946 a 2% figure was reached and in 1936 over 3%.

Attractive Groups

In conclusion, the following groups appear to be among the more attractive:

Airlines
Aircraft Manufacturers
Electrical Equipments
Coppers
Foods
Golds
Machinery Stocks
Leverage Investment Trusts
Utilities

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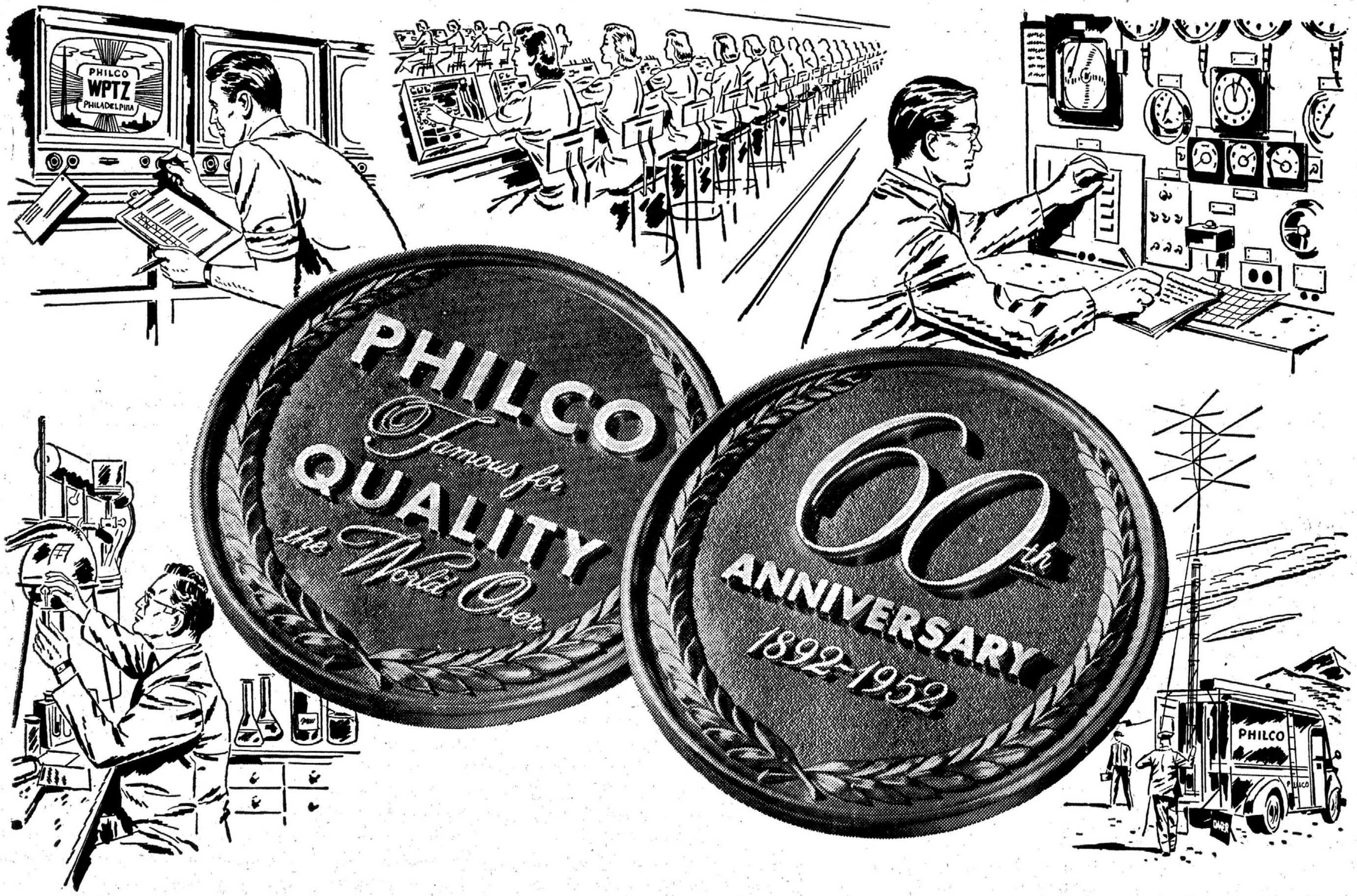

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The Government and Municipal Bond Market

what the results of the recent revision of terms will be, but so far the results have not been particularly impressive. To the extent that the Treasury can increase its sales of securities to individuals, it can reduce the amount that it will have to sell to commercial banks in financing this year's deficit. If this should cut into savings bank deposits, of course, it would really be no net gain to the Treasury, because what they would get from individuals directly in demand for their securities would be lost from savings banks.

I have omitted discussion up to this point of commercial banks as one of the economic groups, because I want to include it in the consideration of Federal Reserve policy. In understanding the investment policies of commercial banks, I think we have to take into consideration that most commercial banks are really a combination of two types of financial institutions, both commercial banks in the strict sense of the word and savings banks. Commercial banks that have a very high proportion of time deposits and relatively large amounts of capital funds are generally longer-term investors than are commercial banks that hold almost entirely demand deposits or that are relatively weak in their capital position. Commercial banks, when their liquidity drops below the amount that they want to keep, may try to raise that liquidity either by calling loans, or, preferably, by selling longer-term securities and investing the proceeds in short-term securities. If commercial banks as a whole have a small amount of short-term securities, they may become more restrictive in their lending policies and in their policies as to investments in long-term securities.

If there were only one commercial bank in the country, that one bank would have very little need for liquidity. The bank would have no problem as far as payments made by one group of depositors to another group is concerned. This would have no effect on the total funds at the disposal of the commercial bank in the hypothetical case that we are taking up now.

The actual fact, however, is that instead of one commercial bank we have 14,000. As far as the individual banker is concerned, it doesn't help his problem one bit to know that total deposits in the country are rising if his own deposits are falling or if he is making loans and the proceeds are promptly being paid out to some other bank. Because of that situation, as it develops in our individual banks, the individual banker has to keep a fairly large amount of short-term securities among his Government holdings.

The drains of funds on a commercial bank are usually reflected in the balance that the bank carries at its Federal Reserve Bank. The amount that any individual bank needs to carry at any time, of course, depends partly upon the amount and type of deposits that the particular bank carries and partly upon the reserve classification of the bank. At any particular time some individual banks will be losing deposits, and other banks will be gaining deposits. A bank that is losing deposits has to transfer reserve balances to a bank that is gaining deposits.

When a bank loses deposits, its reserve requirements decline by a small percentage of the loss in deposits. Most banks carry only a very limited amount of excess reserves, that is, reserves in excess of their reserve requirements. When a bank loses deposits, therefore, it generally finds that its reserve balance has declined below its reserve requirements, and the individual bank generally replenishes its reserve balance by selling short-term Government securities. Contrarywise, when a bank gains deposits, its reserve balance increases by more than the increase in its reserve requirements. The bank that has gained deposits, therefore, has excess reserves, which it may invest in short-term Government securities. The transfers of ownership of short-term Government securities take place in what is known as the money market, with this trading done generally over the telephone, largely through dealers in Government securities. This continual flow of funds among individual banks is an important reason for holding secondary reserves in the form of short-term Government securities.

In addition to this continual flow of funds among individual banks, there are various other factors that result in gains and losses of funds to all banks as a whole. One of these is changes in Treasury deposits at the Federal Reserve Banks. When these deposits increase, it means that the Treasury has withdrawn more funds from commercial banks than it has paid out to them. At such a time, however, all banks are in pretty much the same situation. So, in times like that, when the Treasury is withdrawing funds, we find that many banks are in the market to sell short-term Government securities, and only a few banks are in the market to buy them. If the Federal Reserve or other investors do not step in at this point and buy the short-term securities, banks will generally be forced to borrow from the Federal Reserve.

Of course, when the Treasury is paying out funds on balance, by reducing its deposits at the Reserve Banks, commercial banks may use the funds to purchase short-term Government securities. In that kind of situation, the Federal Reserve Banks may sell short-term Government securities, or commercial banks may repay borrowings from the Reserve Banks, or both. This again is a situation that affects commercial banks generally.

Another important factor that affects commercial banks as a whole is changes in the amount of currency in circulation. When a commercial bank pays out currency to a depositor, it reduces its vault cash. When vault cash is reduced, commercial banks will generally replenish their vault cash from the Reserve Banks. This reduces their reserve balances. When there is a decrease in money in circulation, banks gain reserves, which they can use for purchasing short-term Government securities.

A third important factor is changes in the gold stock. When the Treasury pays for gold from its balances in the Reserve Banks, the Treasury does not have to withdraw an equal amount of funds from commercial banks, because the Treasury gives to the Reserve Banks a gold credit. An increase in gold stock, therefore, adds to the reserves of commercial banks as a whole, and a decrease reduces their reserves.

The final item of importance in the money market is uncollected items. If all checks that go through the Federal Reserve Banks were collected on time, the Federal Reserve Banks would have no net uncollected items. When there is a delay in the collection of checks, however, the bank that deposits the check receives credit on time, but the bank on which the check is drawn is not charged until the check is actually collected by the Federal Reserve Bank. Increases in uncollected items, therefore, give commercial banks excess reserves. This is generally temporary, however, because an increase in uncollected items is usually balanced by a decrease fairly shortly afterward.

Other items affecting the money market are usually of fairly minor importance. The net of all of these factors adds up to what may be called the involuntary factors affecting reserve balances, and at any given time their net effect may be either to increase or decrease reserve balances. I have called them involuntary factors, because they are factors over which neither the Federal Reserve Banks nor the commercial banks have any real control.

In addition, member banks need to provide for increases in their reserve requirements. Increases in reserve requirements take place, of course, when total deposits in the country rise. Banks may allow for their increases in required reserves by selling some of their securities or by borrowing from the Reserve Banks. If they cannot sell short-term Government securities to other investors or to the Reserve Banks, the commercial banks will need to borrow from the Reserve Banks.

If no factors come into the picture to relieve their position and if the Reserve Banks still don't purchase the securities that the commercial banks want to sell, the latter may need to borrow from the Reserve Banks for a relatively long period of time. If that is the case, they are likely to take steps to reduce their borrowing. A commercial bank will also ordinarily take steps to correct its position if its short-term Government securities, its secondary reserves, decline below the minimum that it feels it needs to hold. The only thing that a bank can do, if its secondary reserves are low, and if it is borrowing from the Federal, is to sell other securities or to reduce loans. As far as commercial banks as a whole are concerned, if they do that, they will, of course, show a decline in their deposits and a decline in their reserve requirements.

In periods of inflation, if this kind of pressure can be put on commercial banks and if the increase in bank credit can be stopped, the inflation will have to be financed from existing deposits. If bank credit can be kept from increasing, at least it doesn't add further to the fuel of inflation. Commercial banks will obtain reserves ultimately either by selling Government securities to the Federal Reserve Banks or by borrowing from the Federal Reserve Banks, but the condition of the money market and of the short-term Government security market reflects essentially whether reserve balances are finally obtained by one method or the other.

As a practical matter Federal Reserve policy is generally reflected in whether the Reserve Banks purchase Government securities, when banks are short of reserves, or whether they force banks to borrow. If the Federal Reserve purchases Government securities freely, commercial banks can obtain reserves easily and can expand their loans and investments. If the Reserve Banks refuse to purchase Government securities and thereby force commercial banks to borrow, the Federal Reserve puts pressure on commercial banks not to expand their loans and securities. Since this policy is carried out through Government securities, it follows that it is very important to the Government security market.

In trying to interpret what is likely to happen in the Government security market, it is important to watch from week to week the reaction of the Federal Reserve to the problem that is presented by the various factors that influence excess reserves. You can't always tell their reaction over a short period such as a week. Generally speaking, I might say that the Federal Reserve should not attempt to offset minor and irregular changes in reserves, but should permit adjustments for such changes to be made by borrowing. If, over a period of time, the Federal Reserve offsets these factors more or less exactly, they are probably following a neutral policy with respect to bank credit. In general, you then will find stability in the money market and probably in the short-term Government security market as well. If the Federal Reserve more than offsets losses from these factors, they are probably following an easing policy in the market. The result will work itself out finally in whether banks have large excess reserves or find it necessary to borrow.

Prior to World War II, Federal Reserve policy operated more or less as I have been describing it to you. In periods of inflation the Reserve Banks forced commercial banks to borrow for the purpose of retarding the expansion of the loans and investments of commercial banks. In periods of deflation they bought Government securities, which permitted commercial banks to repay borrowings and to add to their excess reserves.

During World War II, however, one of the purposes of open market policy was to assure the success of Treasury financing. A pattern of rates was established that consisted of financing rates for various maturities that the Treasury and the Federal Reserve agreed would continue in effect for the duration of the emergency. Although this financing plan enabled the Treasury to raise funds readily, the wide difference between short-term and long-term rates very clearly added to the expansion of bank credit during that period. Despite the fact that the pegging of rates at relatively low levels was quite inflationary, the Treasury and the Federal Reserve were both very slow to change this situation after the war. This, of course, came into very direct conflict with the policy of restraining the expansion of bank credit during an inflationary period by limiting the availability of bank reserves. Eventually, a little more than a year ago, the long-term market was set free to reflect the normal relationship between saving and investment.

One of the difficulties with the breaking of support in Government securities was that it took place at a time when the Treasury had both a cash deficit and large refunding to finance. As a part of the accord between the Treasury and the Federal Reserve, the latter agreed to assure the success of Treasury financing. To the extent that the Federal Reserve has to support Treasury financing, it adds to bank reserves, and these reserves can be used by the banks for a further expansion of bank credit.

From this discussion I think that it should be clear to you that one of the most important facets in the Government security market is the open market operations of the Federal Reserve. Under inflationary conditions we can generally expect Government securities to be in supply in the market from purely natural factors. The particular issues that are in supply, whether they are short-term or long-term, will depend upon who is financing the inflation and the general state of confidence in the security market. Unless the Treasury has a sufficiently large surplus in these circumstances to absorb the supply of securities by retiring them, they can be absorbed only by the Federal Reserve System. If the Federal Reserve is following a restrictive policy, it may then purchase only part of the offerings, and yields will rise as holders endeavor to effect sales of additional securities. Potential sellers who are unable to find a buyer except at a considerable price decline may begin to withdraw from the market. Since a boom generally can continue only if it can be financed by an expansion of credit, at some stage this probably will bring the boom to an end.

Under deflationary conditions Government securities usually will be in demand in the market. If life insurance companies have funds to lend and are confident of the general market situation, they may purchase long-term bonds. If it is the commercial banks that have the surplus funds, the greatest strength is likely to be in the short-term market. During such a period the Treasury will probably have a cash deficit. If the Federal Reserve is following an easy money policy, it may then be a willing purchaser of Government securities at rising prices. Tthis puts funds in the hands of nonbank investors, and it puts reserves in the hands of commercial banks. Of course, the objective is to facilitate a recovery in business, by making it easy to borrow for capital and inventory purposes, to the point where we have high employment of labor and high employment of capital resources, but without bringing about inflationary conditions in the commodity markets.

The final subject is the Treasury's debt management policies. The Treasury is now faced with a substantial cash deficit and substantial refunding of maturing securities during the second half of this calendar year. The policy that the Treasury follows in managing its debt also will have an important effect on the Government security market.

If the Treasury has a deficit in times of deflation, it can help to reflate the economy by designing its debt management policy to sell the maximum of securities to commercial banks, which can be accomplished principally by selling short-term securities and medium-term securities maturing in about five years or less. To the extent that such a policy is successful, bank holdings of Government securities will rise, and of course bank deposits will rise. During an inflationary period, fiscal policy calls for a surplus. If the Treasury has a surplus during such a period, it should use the surplus to bring about a decline in Government securities held by commercial banks.

We now have a deficit in a period where business seems to be more or less in balance. The Treasury is trying to sell its securities to nonbank investors who will hold the securities, particularly to individuals. This involves selling savings bonds to individuals, savings notes and short-term marketable securities to corporations, and long-term marketable securities to insurance companies and mutual savings banks. As near as we can see at this time, the possibilities of selling a large amount of securities to nonbank investors who will hold them are not very great.

The Treasury can obtain, at least temporarily, a few billion dollars from corporations against their accruing tax liabilities. Something could also be accomplished by offering an attractive marketable bond to life insurance companies, mutual savings banks, and other nonbank financial institutions. The amount that could be sold is problematical, because these institutions, generally speaking, will prefer higher-rate mortgages and corporate bonds, but the situation has changed ma-

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terially over recent years. The mortgage holdings and corporate holdings of insurance companies and mutual savings banks have increased materially both in dollar amount and as a percentage of total assets. Many more institutions, therefore, would be attracted today to Treasury issues bearing a rate above that required by their expenses than heretofore has been the case. No one knows how to weigh these factors in terms of the amount that might be available to the Treasury, because the market has yet to be tested by the Treasury through an orthodox offering. The Treasury recently, however, sold intermediate bonds that eventually will wind up mostly with commercial banks.

The refunding policies of the Treasury are not essentially different from the policies already mentioned with respect to cash financing. During a deflation, the Treasury should try to refund its maturing securities into types that will be purchased by commercial banks. During an inflation a budget surplus should be used to retire securities held by commercial banks, and whatever securities have to be refunded should be sold as far as possible to investors other than commercial banks.

I would now like to try to bring all of this together and to indicate the factors that I think it is important for you to watch in studying the security market. In judging the municipal market, there are two things, aside from the credit rating of individual issues and their marketability. First, there is the spread between municipals and Governments and the question of whether or not this spread is reasonable in the light of existing tax rates and possible future tax rates. Second, there is the trend of the Government security market itself.

With respect to the long-term market, the most important factors are residential building, which leads to the creation of mortgages, and new corporate bond issues. Both mortgages and corporate bonds form the principal investment media for non-bank financial institutions. If the available supply of these private loans and securities exceeds the funds flowing to these institutions, they are likely to be sellers of Government securities, which may result in a lower price trend. If the reverse is true, they may be buyers of long-term Treasury bonds, which may result in a high price trend. A new and growing factor in this market is pension funds and State and local retirement funds.

With respect to the short-term Government market, the most important factors are Federal Reserve policy and non-financial corporations. Corporations are an important factor principally in the market for Treasury bills. The most important factor, however, is Federal Reserve policy. We have seen how various factors, such as money in circulation, are continually operating in the money market to increase or decrease bank reserves. The Federal Reserve then enters the picture in determining whether to purchase Government securities when banks are short of reserves or to force banks to borrow. The condition of the money market reflects essentially whether reserve balances are finally obtained by one method or the other.

Under inflationary conditions we can generally expect Governernment securities to be in supply in the market. If the Federal Reserve is following a restrictive policy, it may then purchase only part of the offerings that come into the market, and yields on securities will generally rise and their prices will drop. Under deflationary conditions Government securities will be in demand in the market, and the Federal Reserve may be a willing purchaser at rising prices.

Finally, Treasury debt management policy should be adjusted during deflationary periods to selling types of securities that commercial banks like and during inflationary periods to retiring securities held by commercial banks. We now have a situation of a large deficit during a period when business seems to be about in balance. The Treasury is making efforts to sell securities outside of the banking system, but we may very well end up with substantial net sales to commercial banks.

My primary purpose in this lecture has been to try to indicate to you the factors that I believe you should watch with respect to the Government security market as an aid to your understanding of the municipal market and the Government security market itself. The principal factors to watch are the flow of funds, Federal Reserve policy, and Treasury debt management policy. I have also tried to point out to you that the Government security market is not a homogeneous market. There are different types of securities that are owned by different types of investors, and they sometimes behave quite differently in the market. I am sure that you will find that study of the Government security market will be of help in anaylzing the markets for other interest-bearing securities as well.

Note—The subject matter of this address is covered in more detail in "U. S. Government Bond Market Analysis," published by the New York Institute of Finance.

With William R. Staats

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Harry R. Maxwell, Jr. and William E. Pipal have become associated with William R. Staats & Co., 640 South Spring Street, members of the New York and Los Angeles Stock Exchanges. Mr. Maxwell was formerly Van Nuys representative for Marache, Sims & Co., with which firm Mr. Pipal was also associated.

Pyramid Oil & Gas Offering Completed

It is announced that the recent public offering of 162,000 shares of common stock of Pyramid Oil & Gas Corp. made by Willis E. Burnside & Co., Inc. at $1.50 per share has been completed, all of said shares having been sold.

Carl M. Brukenfeld, President of the Pyramid company, located at West Palm Beach, Fla., announced that the company has acquired a crown permit on approximately 200,000 acres located in the Fort Nelson area of British Columbia, Canada.

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Continued from first page

Utilities Continue to Dominate Fund Purchases

were more than twice portfolio sales, a margin which has not been equalled in several years. Thus, only seven of the investment companies included in this survey sold on balance during the period under review, while five times this number, or 35, favored the purchase side of the market.

Although, also, the number of funds increasing cash reserves during the June quarter represented only a third of the trusts surveyed, superficial conclusions as to a generally optimistic attitude toward the security markets on the part of fund managements are scarcely warranted. With particular reference to reduction in liquid reserves, a company such as Lehman Corp. with a fiscal year ending on June 30, used cash to pay large dividend distributions at this time. Tri-Continental, instituting quarterly dividend payments last year, now gears these to the approximate income for the period. The George Putnam Fund recently changed its policy to distribute extra income on hand at the end of the quarter rather than wait until December. Fidelity similarly recently changed its policy (although it was still able to up its reserves).

Switching to Fixed-Income Securities

Other companies, as also observed in last quarter's survey, while not adding to their holdings of cash and governments, have increased the percentage of their assets invested in better grade bonds and preferreds. For example, William Howard Schubart, President of Bowling Green Fund, in his semi-annual report to stockholders states: "Believing that the forces of inflation have been substantially diminished, at least for the present, and that we are approaching the latter phases of a ten-year advance in security prices, it has been the continuing policy of your management to invest an increasing proportion of our Fund's assets in bonds and preferred stocks, a number of which have conversion privileges."

Shareholders Trust of Boston, as noted in last quarter's survey, has also been "shifting the emphasis to fixed income securities and the more stable equities" since January. The trustees offer the following explanation for this policy in their quarterly report dated July 22: ". . . 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 consideration, and the fact that the economic situation in Europe, particularly England's financial position, appears more threatening, are the factors primarily responsible for the more defensive policy now being pursued."

Other managements also increased portfolio holdings of better grade senior equity and debt during the period under review to strengthen defensive positions. These included Investors Mutual, the Johnston Mutual Fund, Whitehall Fund, Mutual Investment Fund and American European Securities. Loomis-Sayles Mutual and Axe-Houghton "A" continued such a policy observed initially in the first three months of the year. The Johnston Mutual Fund hedges by emphasizing preferreds and debentures with conversion privileges; these now account for 14.1% of its total assets. The increasing interest of managements in this type of security was discussed in the quarterly surveys last year.

A Bearish Extreme

But one of the real extremes in bearishness on the outlook for equity prices is probably the Knickerbocker Fund, managed by Karl D. Pettit and Co. A common stock position of 92.8% in September, 1950, has been cut down to 24½% as of June 30 this year; 72% of assets are represented by cash and chiefly governments. Following is the explanation in part offered by Mr. Pettit for his fund's policy in the semi-annual fiscal report of May 31: "The present boom has been based largely on expenditures for additional industrial plant, encouraged by promises of armament contracts and accelerated tax depreciation. These are artificial stimulants which must wear off—the armament program has been stretched out and requires less plant capacity; favorable tax treatment is of importance only when profits are high. Plant capacity has almost doubled in the past decade, while our population grew only about 18% during the same period, suggesting the possibility of over-production of civilian goods." Pointing to additional weaknesses in the domestic economy, Mr. Pettit concludes that, "the economic difficulties that hamper our major allies abroad, the suspense of a national election year, and *our own technical research* (our italics), combine to justify a policy of cautious vigilance. . . ."

These notes of caution prompt thoughts once more to the disregard in some quarters of the time-proved value of diversification, a theme to which we have been constantly referring in our last two previous surveys. Mention has been made of the preponderance of assets in the securities of oil stocks. It is therefore interesting to note, in addition to overall sales of this group, some lightening of petroleum issues in the portfolios of such representative funds as Affiliated Fund, Axe-Houghton "A" and Tri-Continental. This quarter's survey would also not be complete, at this point, without reference to the formation of several new open-end funds to specialize in Canadian resources, commerce and industry.

Off-the-Beaten-Path Selections

Very few additions to portfolios of companies not too well known or recently organized occurred during the quarter. Sole representative in the former category was White Eagle Oil purchased by General Public Service. Oil and Gas Property Management, Inc., is "a new company formed primarily to engage in the business of acquiring, holding and managing oil, gas or other mineral working or royalty interests." Both American European Securities and the Lehman Corporation made initial commitments in this venture. But of more interest often than what new investment opportunities managements have discovered, are what they think of each other. During the June quarter Fidelity Fund upped its investment in Tri-Continental common, holdings now amounting to over $1 million. Overseas Securities shifted its affection among the Dillon Read sponsored closed-end companies, buying 5,000 shares of U. S. and International Securities and selling 2,000 shares of U. S. and Foreign.

Pacific Gas Favored

Pacific Gas and Electric, the leading utility company in one of the fastest growing sections of the country, was the favorite issue in the power and light group. Nine managements acquired a total of 39,200 shares, a part of which was bought through the exercise of rights. Six trusts made new commitments and only one small lot of 100 was sold. Gulf States Utilities was also one of the best liked companies in this group, a total of 43,000 shares representing five original purchases and one addition to existing holdings; there were no offsetting sales. New England Electric System, Southern California Edison and Wisconsin Electric Power were also each bought by six funds, while additional shares of the latter issue were increased in four more portfolios solely through the exercise of rights. Total shares bought of the New England System, also aided by rights, were 23,250; of California Edison 77,900; and of Wisconsin Electric 81,679. A block of 3,000 New England was the only sale among these three utilities. 64,883 shares of the Southern Company were added to 12 portfolios during the period, but several of these additions resulted from exercise of rights and distributions from Electric Bond and Share. One other fund sold 10,500 shares.

Continued on page 25

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Balance Between Cash and Investments of 63 Investment Companies

End of Quarterly Periods March, 1952 and June, 1952

	Net Cash & Gov'ts Thous. of Dollars —End of— March	June	Net Cash & Gov'ts Per Cent —End of— March	June	Invest. Bonds & Preferred Stocks Per Cent* —End of— March	June	Com. Stks. Plus Lower Grade Bonds & Pfds. Per Cent —End of— March	June
Open-End Balanced Funds:								
American Business Shares	7,994	8,729	21.9	22.5	31.1	29.0	47.0	48.5
Axe-Houghton Fund "A"	4,581	4,722	19.6	18.8	18.8	20.2	61.6	61.0
Axe-Houghton "B"	849	966	3.4	3.8	27.2	26.6	69.4	69.6
Boston Fund	2,116	1,084	2.6	1.3	43.9	43.5	53.5	55.2
Commonwealth Investment	3,841	3,473	8.0	6.7	22.0	22.3	70.0	71.0
Diversified Investment Fund—Diversified Funds, Inc.	418	581	1.6	2.1	20.8	20.6	77.6	77.3
§Dreyfus Fund	212	447	21.4	40.7	1.5	4.6	77.1	54.7
Eaton & Howard Balanced	6,497	6,384	7.8	7.4	31.1	31.9	61.1	60.7
Fully Administered Fund—Group Secs.	3,361	3,409	50.9	51.1	9.0	9.0	40.1	39.9
General Investors Trust	244	237	10.4	9.9	11.1	10.9	78.5	79.2
Investors Mutual	10,984	10,128	3.1	2.7	29.9	32.5	67.0	64.8
Johnston Mutual Fund	317	276	20.5	16.1	14.6	18.5	64.9	65.4
‡Mutual Fund of Boston	48	62	2.3	2.9	38.7	36.5	59.0	60.6
National Securities—Income	1,207	629	5.0	2.5	19.5	19.1	75.5	78.4
Nation Wide Securities	3,811	3,087	20.0	15.8	25.8	26.8	54.2	57.4
George Putnam Fund	3,695	2,533	6.7	4.3	22.7	22.8	70.6	72.9
Scudder, Stevens & Clark	6,191	6,160	16.3	16.0	29.7	31.3	54.0	52.7
Shareholders Trust of Boston	244	396	3.3	5.0	21.8	21.9	74.9	73.1
Wellington Fund	25,625	25,937	12.3	11.8	24.3	24.6	63.4	63.6
Whitehall Fund	139	56	5.8	2.3	42.7	45.9	51.5	51.8
Wisconsin Investment Co.	635	613	12.4	12.4	6.7	7.0	80.9	80.6
Open-End Stock Funds:								
Affiliated Fund	2,698	4,163	1.4	2.0	0.3	0.1	98.3	97.9
Bowling Green Fund	102	82	12.5	10.3	22.9	30.6	64.6	59.1
Blue Ridge Mutual Fund	1,576	1,385	7.1	6.4	None	None	92.9	93.6
Broad Street Investing	1,066	1,194	4.0	4.3	5.3	4.5	90.7	91.2
Bullock Fund	2,208	2,151	16.1	15.1	None	None	83.9	84.9
Delaware Fund	395	979	3.0	7.2	1.4	1.9	95.6	90.9
Dividend Shares	14,305	13,363	13.3	12.1	None	None	86.7	87.9
Eaton & Howard Stock	1,507	1,138	11.0	7.8	2.7	4.0	86.3	88.2
Fidelity Fund	3,901	4,511	5.5	6.0	1.2	0.7	93.3	93.3
Fundamental Investors	4,161	4,335	3.3	3.2	None	None	96.7	96.8
General Capital Corp.	2,113	2,617	16.2	19.3	None	None	83.8	80.7
Group Securities—Common Stock Fund	317	304	9.3	7.8	None	None	90.7	92.2
Incorporated Investors	6,304	9,306	5.1	7.3	None	None	94.9	92.7
Institutional Shs.-Stk. & Bd. Gr.	1,022	468	45.1	21.0	None	7.4	54.9	71.6
Investment Co. of America	3,004	3,161	16.9	16.6	None	None	83.1	83.4
Investors Management Fund	170	353	1.2	2.5	None	None	98.8	97.5
Knickerbocker Fund	11,249	11,828	69.9	72.1	5.0	3.4	25.1	24.5
Loomis-Sayles Mutual Fund	3,978	6,691	31.2	25.4	16.2	19.6	52.6	55.0
¶Loomis-Sayles Second Fund	3,549	¶	27.9	¶	19.1	¶	53.0	¶
Mass. Investors Trust	12,048	9,686	2.6	2.0	None	None	97.4	98.0
Mass. Investors Growth Stk. Fd.	2,268	2,678	6.2	7.1	None	None	93.8	92.9
Mutual Investment Fund	191	170	11.9	8.9	32.3	36.7	55.8	54.4
National Investors	683	580	2.4	2.0	None	None	97.6	98.0
New England Fund	1,112	1,245	21.0	22.1	10.4	9.8	68.6	68.1
Republic Investors	867	482	14.2	7.8	24.7	26.1	61.1	66.1
Selected American Shares	2,328	1,927	10.0	8.0	None	None	90.0	92.0
Sovereign Investors	12	10	2.3	1.7	6.3	5.6	91.4	92.7
State St. Investment Corp.	28,157	24,007	25.2	21.2	None	None	74.8	78.8
United Income Fund—Untd. Funds, Inc.	5,861	1,927	10.3	3.1	None	None	89.7	96.9
Wall St. Investing Corp.	656	668	19.2	19.2	None	None	80.8	80.8
Closed-End Companies:								
Adams Express	2,686	2,785	4.8	5.0	0.6	0.6	94.6	94.4
American European Securities	539	965	3.7	6.8	9.8	12.8	86.5	80.4
American International	1,043	1,085	3.9	4.1	0.8	0.8	95.3	95.1
Capital Administration	379	373	3.5	3.4	15.0	14.4	81.5	82.2
General American Investors	8,157	8,938	14.4	16.1	None	None	85.6	83.9
General Public Service	1,381	1,115	10.4	8.1	None	None	89.6	91.9
Lehman Corporation	17,633	15,913	11.5	10.6	None	None	88.5	89.4
National Shares Corp.	2,226	1,429	16.4	10.7	3.6	8.2	80.0	81.1
Overseas Securities	26	††	0.9	---	None	---	99.1	---
Tri-Continental Corp.	3,774	2,795	2.3	1.7	13.4	13.6	84.3	84.7
†U. S. & Foreign Securities	2,390	2,785	3.6	4.3	0.6	None	95.8	95.7
U. S. & International Secur.	5,019	5,277	7.4	7.8	0.4	0.1	92.2	92.1

*Investment bonds and preferred stocks: Moody's Aaa through Ba for bonds; Fitch's AAA through BB and approximate equivalents for preferreds. †Portfolio exclusive of securities in subsidiary or associated companies. ‡Name changed from Russell Berg Fund. §Name changed from Nesbett Fund. ¶Loomis-Sayles Second Fund merged with the Loomis-Sayles Mutual Fund on May 1, 1952. ††No net cash balance.

SUMMARY

Change in Cash Positions of 61 Investment Companies
(Period — Second Quarter — 1952)

Open-End Companies:	Plus	Minus	Unchanged	Totals
Balanced Funds	6	8	7	21
Stock Funds	11	13	4	28
Closed-End Companies	3	5	4	12
Totals—All Companies	20	26	15	61

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Changes in Common Stock Holdings of 45 Investment Management Groups

(March 31-June 30, 1952)

Transactions in which buyers exceed sellers—or sellers exceed buyers—by two or more management groups. Issues which more managements sold than bought are in italics. Numerals in parentheses indicate number of managements making entirely new purchases or completely eliminating the stock from their portfolios.

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
		Agricultural Equipment:		
None	*None*	*Caterpillar Tractor*	*11,800*	*2(1)*
1	*1,000*	*Deere and Co.*	*10,200*	*3*
None	*None*	*International Harvester*	*7,400*	*4(2)*
		Auto and Auto Parts:		
4(1)	7.400	Bendix Aviation	700	1(1)
2	3,450	Bohn Aluminum and Brass	None	None
3(1)	4,200	Borg Warner	None	None
5(2)	14,000	Chrysler	3,100	2
5	7,000	Doehler-Jarvis Corp.	8,700	1
7	48,500	General Motors	2,100	2
2(1)	10,400	Stewart Warner	None	None
3(1)	36,000	Studebaker	300	1
		Aviation:		
3	1,900	Douglas Aircraft	1,000	1
5(1)	6,000	Eastern Airlines	1,000	1
4	7,200	Lockheed Aircraft	400	1(1)
3(1)	11,500	North American Aviation	None	None
5(1)	16,000	United Aircraft	18,000	2
4	*2,950*	*Boeing Airplane*[1]	*850*	*3(1)*
		Beverages:		
2	6,000	Canada Dry Ginger Ale	None	None
2(2)	1,700	Coca Cola	None	None
		Building Construction and Equipment:		
4(1)	4,500	American Radiator	5,300	2
6(1)	20,000	American Seating Co.[2]	None	None
3	5,900	Armstrong Cork	None	None
2(1)	800	Flintkote	None	None
2	11,100	Glidden Co.	None	None
4(3)	2,100	Lone Star Cement	2,500	1
3(2)	2,300	United States Gypsum	4,900	1(1)
		Chemicals:		
2	8,000	Air Reduction	None	None
2(1)	2,000	American Agricultural Chemical	None	None
2(1)	4,700	Diamond Alkali	None	None
6(1)	10,200	duPont	300	1
2	7,000	Inter. Minerals & Chemical	None	None
3	3,000	Koppers Company	2,000	1(1)
None	*None*	*American Cyanamid*	*400*	*2(1)*
1	*24,800*	*Commercial Solvents*	*33,900*	*4(4)*
1	*500*	*Eastman Kodak*	*14,477*	*4(1)*
		Containers and Glass:		
13(5)	292,000	American Can[3]	None	None
3(2)	17,300	Continental Can	9,900	1
		Drug Products:		
3	31,600	Bristol-Myers	None	None
3	17,900	Colgate-Palmoline-Peet	None	None
3	11,000	Gillette Co.	None	None
3	11,500	McKesson and Robbins	5,900	1
4(1)	56,100	Merck and Co.	None	None
6(1)	23,300	Pfizer (Chas.) and Co.	1,000	1
1	*400*	*Parke Davis and Co.*	*5,600*	*3(1)*
1	*1,000*	*Squibb (E. R.) and Co.*	*40,800*	*3(2)*
		Electrical Equipment:		
7(2)	14,700	General Electric	12,600	1
3(1)	10,100	McGraw Electric	None	None
5	5,600	Motorola	1,000	1
5	13,200	Philco Corp.	9,000	3
4	9,800	Radio Corp. of America	3,000	2(1)

—Bought— No. of Trusts	No. of Shares		—Sold— No. of Shares	No. of Trusts
2(1)	4,000	Sprague Electric	None	None
3(2)	19,100	Square "D" Co.	6,800	1
3	3,900	Zenith Radio	None	None
		Financial, Banking and Insurance:		
3(3)	4,533	Aetna Life Insurance Co.	None	None
2(2)	2,500	Bank of America	None	None
2(1)	2,900	Chemical Bank and Trust Co.	None	None
4(1)	5,500	C. I. T. Financial Corp.	None	None
2	3,900	Continental Casualty Co.	None	None
2	6,375	Cont. Ill. Nat. Bank and Trust	None	None
4(1)	11,100	Firemen's Insur. Co. of Newark	9,000	1(1)
4(1)	8,800	General Reinsurance Corp.	None	None
2(1)	2,500	Hartford Fire Insurance Co.	None	None
3	5,100	Home Insurance Co.	None	None
2	1,300	Household Finance Corp.	None	None
2(1)	5,700	Lincoln Nat. Life Insurance Co.	None	None
2(1)	11,025	Manufacturers Trust Co.	None	None
3(1)	7,300	Marine Midland	None	None
3(2)	5,800	National City Bank of N. Y.	None	None
3	6,000	U. S. Fidelity and Guaranty Co.	None	None
		Food Products:		
2	17,300	Best Foods	None	None
2	7,100	Borden Co.	None	None
2	16,700	Corn Products Refining	None	None
4(2)	14,900	General Foods	None	None
3(3)	1,000	National Biscuit	None	None
3(1)	3,300	Standard Brands	None	None
2(1)	2,400	Sunshine Biscuit	None	None
9(3)	9,800	United Fruit	None	None
2(1)	8,900	Wrigley Company	None	None
None	*None*	*Cuban Atlantic Sugar*	*700*	*2(1)*
2	*2,500*	*National Dairy Products*	*13,900*	*4(3)*
		Machinery and Industrial Equipment:		
6(1)	11,600	Allis Chalmers	400	1(1)
2	2,200	Combust. Engin.—Superheater	None	None
5(3)	15,500	Food Machinery & Chem. Corp.	None	None
		Metals and Mining:		
7(2)	9,800	Aluminium, Ltd.	1,600	2
4	8,600	Aluminum Co. of America	1,200	2(1)
3	30,500	Climax Molybdenum	None	None
18(2)	211,900	Phelps Dodge[4]	13,900	3
3	*1,600*	*American Smelting & Refining*	*18,300*	*5(1)*
None	*None*	*Consolidated Mining & Smelting*	*700*	*2(1)*
None	*None*	*International Nickel*	*15,300*	*3*
1	*500*	*Kennecott Copper*	*8,300*	*5(2)*
		Office Equipment:		
4	2,095	International Business Machines	None	None
2	2,525	Remington Rand	None	None
		Paper and Printing:		
3	4,000	Container Corporation	3,300	1
3	22,700	Crown Zellerbach	800	1
2	1,200	Dixie Cup	None	None
8	13,000	International Paper	None	None
2	1,400	McGraw-Hill Publishing Co.	None	None
2	4,000	The Mead Corporation	None	None
10	186,881	Rayonier[5]	None	None
6(2)	19,600	Union Bag and Paper	None	None
None	*None*	*St. Regis Paper*	*4,200*	*2(2)*

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Bought No. of Trusts	Bought No. of Shares		Sold No. of Shares	Sold No. of Trusts
Petroleum:				
3(1)	7,600	British American Oil, Ltd.	200	1
3	2,000	Cities Service	2,000	1(1)
2(2)	18,660	Interprovincial Pipe Line 6	None	None
2(2)	18,000	Oil & Gas Property Management	None	None
2(2)	3,400	Richfield Oil	None	None
3	2,000	Signal Oil and Gas "A"	None	None
4(1)	20,000	Standard Oil of California	7,400	1
3(1)	7,050	Texas Pacific Land Trust	None	None
8	*74,850*	*Atlantic Refining Co. 7*	*25,450 (New)*	*5*
			2,000 (Old)	*1(1)*
1	*1,400*	*Creole Petroleum*	*9,300*	*3(2)*
3	*6,400*	*Gulf Oil Corp.*	*50,300*	*6(3)*
None	*None*	*Mission Corp.*	*1,000*	*2*
1	*80*	*Mission Development Co.*	*3,910*	*5(4)*
1	*100*	*Ohio Oil*	*5,300*	*3(2)*
2	*2,500*	*Phillips Petroleum*	*7,000*	*4(1)*
1	*500*	*Seaboard Oil (Del.)*	*1,500*	*3(1)*
1	*1,000*	*Standard Oil of Indiana*	*5,300*	*3*
1	*2,800*	*Texas Co.*	*13,500*	*3(2)*
Natural Gas:				
5(4)	29,980	Colorado Interstate Gas	None	None
4	25,625	Consolidated Natural Gas 8	None	None
2(1)	600	Mississippi River Fuel	None	None
3(3)	20,600	New Jersey Natural gas	None	None
2(1)	4,800	Peoples Gas Light & Coke	None	None
3(3)	11,100	Shamrock Oil and Gas	None	None
6	17,761	Tennessee Gas Transmission	None	None
3(1)	2,006	Texas Eastern Transmission	None	None
2	*32,050*	*Columbia Gas System*	*28,900*	*4(1)*
Public Utilities:				
2	2,000	American Tel. & Tel.	None	None
2(1)	5,400	Brooklyn Union Gas 10	None	None
3(1)	25,100	Carolina Power and Light	None	None
3	27,400	Central and Southwest Corp.	2,000	1
3(2)	28,000	Columbus & South. Ohio Elec.	None	None
3(1)	8,700	General Public Utilities	17,600	1
6(5)	43,000	Gulf States Utilities	None	None
2	2,000	Houston Lighting & Power	None	None
2(1)	2,900	Indianapolis Power & Light	None	None
2(1)	10,500	Interstate Power	None	None
2	22,100	Iowa-Illinois Gas & Electric	None	None
5	17,150	Iowa Power and Light 11	None	None
2	3,000	Kansas Gas and Electric	None	None
3(1)	9,000	Kansas Power and Light	None	None
4(1)	28,200	Middle South Utilities	17,200	2
2	2,100	Minnesota Power and Light	None	None
6(1)	23,250	New England Electric System 11	3,000	1
4(2)	54,800	New York State Elec. & Gas	500	1
4(2)	51,500	Niagara Mohawk Power Corp.	8,500	2(2)
7(2)	59,828	Northern States Power 12	None	None
9(6)	39,200	Pacific Gas and Electric 11	100	1
2(2)	15,400	Philadelphia Electric	None	None
3(1)	25,100	Public Service Electric & Gas	None	None
2	11,300	Rochester Gas and Electric	None	None
12(2)	64,883	Southern Company 11 13	10,500	1(1)
6(4)	77,900	Southern California Edison	None	None
9(1)	19,331	Texas Utilities	14,000	2
3	7,000	Utah Power and Light	None	None
11	33,550	Virginia Electric & Power 14	500	1
2	13,300	West Penn Electric	None	None
10(1)	81,679	Wisconsin Electric Power 15	None	None
3	5,915	Wisconsin Power and Light	None	None
None	*None*	*Cleveland Electric Illum.*	*5,700*	*2*
3	*35,900*	*North American*	*59,800*	*7(6)*
None	*None*	*St. Joseph Light and Power*	*2,400*	*2(2)*
Radio and Amusement:				
2	3,000	Columbia Broadcasting "A"	None	None
2	1,300	Columbia Broadcasting "B"	None	None
2(2)	2,000	Columbia Pictures Corp.	None	None
2(1)	1,500	Loew's, Inc.	None	None
None	*None*	*Twentieth Century-Fox Film*	*5,100*	*2(2)*
1(1)	*2,000*	*United Paramount Theatres*	*70,200*	*8(5)*
Railroads:				
8(3)	20,000	Atchison, Topeka & Santa Fe	3,200	3
2(1)	7,100	Baltimore and Ohio	None	None
3(1)	6,400	Chesapeake and Ohio	None	None
5(2)	27,500	Illinois Central	1,000	1
4(1)	10,800	Louisville and Nashville	None	None
3(3)	34,400	New York Central	500	1
2(1)	2,000	N. Y., Chicago and St. Louis	None	None
6(2)	11,800	Southern Pacific	6,300	3
5(2)	11,900	Union Pacific	5,100	2
1(1)	*1,000*	*Canadian Pacific*	*11,300*	*3(1)*
None	*None*	*Northern Pacific*	*4,500*	*2*
Railroad Equipment:				
2(1)	5,100	General Amer. Transportation	None	None
3(3)	5,700	New York Air Brake	None	None
2	1,000	Pullman	None	None
Retail Trade:				
5(1)	4,400	Allied Stores	None	None
3(1)	19,200	American Stores	None	None
3(1)	3,400	Associated Dry Goods	None	None
8(3)	9,600	Federated Department Stores	None	None
2	5,800	First National Stores	None	None
4	5,650	Grand Union 16	3,200	1
4(1)	11,500	Grant (W. T.) Co.	1,500	1
3(1)	9,300	May Department Stores	None	None
4	4,500	Montgomery Ward	10,000	2(1)
2	3,100	Penney	None	None
2(1)	3,800	Sears Roebuck	None	None
3(1)	6,000	Western Auto Supply	None	None
Rubber and Tires:				
3	10,600	Firestone	2,000	1(1)
5	*128,300*	*United States Rubber 17*	*25,700 (New)*	*2*
			2,700 (Old)	*3(3)*
Steels:				
2(1)	2,400	U. S. Pipe and Foundry	None	None
1	*1,050*	*General Refractories 9*	*5,300*	*2(2)*
None	*None*	*Jones and Laughlin*	*23,600*	*4(3)*
None	*None*	*Wheeling Steel*	*1,000*	*2(1)*
None	*None*	*Youngstown Sheet and Tube*	*7,600*	*2(2)*
Textiles:				
3(1)	4,300	Celanese Corp. of America	500	1(1)
2(2)	4,000	Lowenstein (M.) and Sons	None	None
2	2,500	Robbins Mills	None	None
6	25,700	Stevens (J. P.) Co.	None	None
Tobaccos:				
4	6,300	American Tobacco	None	None
4	4,500	Liggett and Myers	None	None
7(2)	7,300	Philip Morris	4,550	1(1)
Miscellaneous:				
2(1)	1,900	Robertshaw-Fulton Controls	None	None

SUMMARY

Balance Purchases and Sales Portfolio Securities—61 Investment Companies

	Bought	Sold	Matched	Total
Open-End Companies:				
Balanced Funds	14	2	5	21
Stocks Funds	20	3	5	28
Closed-End Companies	1	2	9	12
Totals—All Companies	35	7	19	61

FOOTNOTES

1 50% stock dividend.
2 13,800 shares received in two-for-one split-up.
3 93,000 shares received in two-for-one split-up, plus 100% stock dividend; rights exercised also for additional shares.
4 205,900 shares received in two-for-one split-up.
5 Additions with the exception of 5,500 shares received as 100% stock div.
6 Converted from Series "A" 4s of 1970.
7 Split two-and-a-half-for-one.
8 17,500 shares acquired through rights. Basis: One for eight.
9 100% stock dividend.
10 Excluding stock received in two-for-one split-up.
11 Part bought through exercise of rights.
12 31,125 shares acquired through rights. Basis: One for ten.
13 In part, represents a distribution from Electric Bond and Share.
14 Received through exercise of rights with exception of 540 shares. Basis: One for ten.
15 41,400 shares purchased through rights. Basis: One for five.
16 2,790 shares received as 5% stock dividend.
17 Excepting 2,100 shares, additions result from two-for-one split-up, plus 50% stock dividend.

NOTE—This survey covers 63 investment companies, but purchases or sales of funds sponsored by one management are treated as a unit. For example, the several funds sponsored by E. W. Axe and Co. are considered as having the weight of one manager. Individual portfolio changes of the Loomis-Sayles Mutual Fund are not surveyed.

MUTUAL INVESTMENT FUNDS

Investors MUTUAL

Investors STOCK FUND

Investors SELECTIVE FUND

FACE-AMOUNT CERTIFICATE COMPANY

Investors SYNDICATE OF AMERICA

☆

Prospectuses of these companies available at offices in 148 principal cities of the United States or from the national distributor and investment manager.

Investors DIVERSIFIED SERVICES, INC.

Established in 1894

MINNEAPOLIS 2, MINN.

GROWTH INDUSTRY SHARES, Inc.

A Mutual Fund

Priced at 103% of net asset value.

Prospectus from your dealer or

HARLAND ALLEN ASSOCIATES

28 EAST JACKSON BOULEVARD—CHICAGO 4, ILLINOIS

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Utilities Continue To Dominate Fund Purchases

Texas Utilities was also increased in eight portfolios and newly committed to another. Offsetting this total of 19,331 shares were two sales amounting to 14,000.

Other Utility Transactions

Middle South Utilities, New York State Electric and Gas and Niagara Mohawk Power were each liked by four managements. Additions totaled 28,200 shares, 54,800 shares and 51,500 shares respectively. 17,200 shares of Middle South were lightened in two portfolios, 500 shares of New York State Electric in one, while 8,500 shares of Niagara Mohawk were entirely eliminated from two others. Three managements each acquired shares in Carolina Power and Light, Central and Southwest Corporation, Columbus and Southern Ohio Electric, General Public Utilities, Kansas Power and Light and Public Service Electric and Gas. Additions to two portfolios of American Telephone and Telegraph totaled 2,000 shares; there were no sales of this leading communication issue.

Selling of the utilities was light and scattered. Only concentrated liquidation was in North American, a total of 59,800 shares being eliminated from six portfolios and lightened in a seventh. Offsetting, in part, were two purchases amounting to 35,900 shares.

The Merchandising Group

Federated Department Store was the best-liked company in the merchandising group. Two years ago it had also been the most popular retail issue, but since that time had found few new friends until last quarter when three managements displayed interest. Eight funds currently acquired a total of 9,600 shares, three making new commitments; no stock was sold. Allied Stores took second place in this group during the period under review, shares totaling 4,400 being added by four trusts and newly purchased by a fifth. There was no liquidation in this issue, either. W. T. Grant was liked by four funds, but another sold a block of 1,500 shares. 4,500 shares of Montgomery Ward were added to four portfolios, but there were two offsetting sales totaling 10,000 shares. Sears Roebuck made its initial appearance among the holdings of one management and was added by another, but there was no liquidation as in Ward. Three funds bought a total of 3,400 shares of Associated Dry Goods, 9,300 shares of May Department Stores, 6,000 shares of Western Auto Supply, 19,200 shares of American Stores and 5,650 shares of Grand Union. First National Stores and Penney were each acquired by two managements. A block of 25,000 shares of Woolworth, which had been top favorite in the first quarter of the year, was added to one portfolio.

Favorite Rails

Santa Fe and Southern Pacific, on both of which management opinion had been divided earlier in the year, were the favorite rails during the current quarter. 20,000 shares of Santa Fe represented additions to five portfolios and new commitments in three others. Three more trusts lightened a total of 3,200 shares. Six funds liked Southern Pacific, two of which made initial purchases. Three others also disposed of a total of 6,300 shares. Union Pacific and Illinois Central were

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Utilities Continue To Dominate Fund Purchases

each bought by five managements. These additions were partially offset by two sales of the former and one of the latter. Louisville and Nashville was increased in three portfolios and represented a new commitment in a fourth; there was no liquidation in this carrier. Of particular interest were three initial portfolio acquisitions of New York Central totaling 34,400 shares. One block of 500 shares was sold. Three trusts also bought Chesapeake and Ohio, purchases totaling 6,400 shares. Baltimore and Ohio and Nickel Plate were each liked by two managements, additions totaling 7,100 shares of the former and 2,000 of the latter. Profit-taking made its appearance in two roads heavily invested in oil lands, Northern Pacific and Canadian Pacific. Two funds disposed of a total of 4,500 shares of the former and three lightened holdings of the Canadian carrier. Opinion was divided on Rock Island, which had been the favorite in the two previous quarters.

Natural Gas

Colorado Interstate Gas was best-liked among the natural gas equities, four trusts making new commitments and a fifth adding to existing holdings. Purchases totaled 29,980 with no liquidation. Tennessee Gas Transmission and Consolidated Natural Gas were well-bought, but much of the buying of the latter was stimulated through rights. Three investment companies each acquired New Jersey Natural Gas, Shamrock Oil and Gas, and Texas Eastern Transmission (one of the previous quarter's top favorites). A total of 600 shares of Mississippi River Fuel and 4,800 shares of Peoples Gas Light and Coke were each added by two trusts. Only concentrated liquidation was in Columbia Gas System, 28,900 shares being disposed of by four funds.

Building Group

American Radiator and Lone Star Cement were most favored in the building group as four funds each acquired 4,500 shares of the former and 2,100 of the latter. Three purchases were made of Armstrong Cork and U. S. Gypsum with one offsetting sale of the latter. Glidden, Flintkote and American Seating were also liked. Existing holdings of the latter were also doubled through the stock split-up. Selling in this group was light and not concentrated on any particular issue.

Food Stocks

United Fruit was by far the favorite representative of the food stocks as nine trusts purchased a total of 9,800 shares, three of which were initial commitments. General Foods was bought by four companies with no offsetting portfolio liquidation. National Biscuit and Standard Brands also were liked, two funds each acquiring a total of 1,000 shares of the former and 3,300 shares of the latter. There was a complete absence of liquidation in these issues. Other companies to find acceptance of trust management in this group were Best Foods, Borden, Corn Products Refining, Sunshine Biscuit and Wrigley. Selling was pronounced in National Dairy Products as three funds eliminated the issue and another lightened holdings.

Electrical Equipments

General Electric was the favorite in the electrical equipment group, seven managements acquiring a total of 14,700 shares. Motorola and Philco were each liked by five trusts and four purchased Radio Corporation, which had been the favorite individual issue not only in the electrical field, but among all groups in the previous quarter. Also bought on balance were McGraw Electric, Square "D," Zenith Radio and Sprague Electric. Opinion was evenly divided on Westinghouse.

International Paper switched its position to the most popular stock of its group from one in which heaviest selling was concentrated in the two previous quarters. Eight managements bought a total of 13,000 shares and there was a complete absence of any selling. Union Bag and Paper was also bought by six managements. Three trusts each also bought Crown Zellerbach, Container Corporation and Rayonier.

Selling in Oils

Profit-taking in the oils was marked by selling of Gulf Oil by six managements and Atlantic Refining by five trusts. Phillips also was liquidated by four other funds. Other selling was concentrated in Creole, Ohio Oil, Seaboard, Standard of Indiana and Texas Corp. Steels, which also bore the brunt of the selling, were spotlighted by liquidation in Jones and Laughlin, Wheeling, Youngstown and General Refractories.

Aberdeen Fund
Est. 1933
A Mutual Investment Fund
Prospectus from your Investment Dealer or
61 BROADWAY, NEW YORK 6

Texas Fund INC
prospectus may be obtained from your investment dealer or
BRADSCHAMP & COMPANY
Union National Bank Bldg., Houston, Texas

THE AXE-HOUGHTON FUNDS
Mutual Investment Funds
Axe-Houghton Fund A
Axe-Houghton Fund B
Republic Investors Fund
Income Foundation Fund
Prospectus on request from your Investment Dealer or
730 Fifth Ave., New York 19, N. Y.
Gentlemen:
Please send me a Prospectus.
Name ....
Address ....
City .... State..........

TELEVISION-ELECTRONICS FUND, INC.
15th Consecutive Dividend
The Directors of Television-Electronics Fund, Inc. have declared a dividend of 11c per share from investment income, payable August 29, 1952 to shareholders of record August 15, 1952.
Chester D. Tripp
President
August 6, 1952
135 S. LaSalle Street, Chicago 3, Illinois

INVESTORS STOCK FUND
Investors STOCK FUND
Notice of 28th Consecutive Dividend
The Board of Directors of Investors Stock Fund has declared a quarterly dividend of eighteen cents per share payable on August 21, 1952 to shareholders on record as of July 31, 1952.
H. K. Bradford, President
Investors STOCK FUND
Minneapolis, Minnesota

H. L. Rice Joins First Investment Co.

LOS ANGELES, Calif. — Henry L. Rice has become associated with First Investment Company, investment counsel firm, 6363 Wilshire Boulevard. Mr. Rice was formerly in the investment department of the Union Bank and Trust Company.

E. T. Reel, Others Join Fairman & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Eugene T. Reel, Charles H. Hatch and Bertrand B. Bratton have become associated with Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. All were formerly associated with Jackson-Anderson Incorporated of Beverly Hills, of which Mr. Reel was Vice-President.

With Cantor, Fitzgerald

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—David M. Shayne is now connected with Cantor, Fitzgerald & Co., Inc., 224 North Canon Drive.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Roy M. Giles is now with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

Joins Franklin Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Maurice Leitch is now connected with Samuel B. Franklin & Company, 215 West Seventh Street.

Securities Salesman's Corner

By JOHN DUTTON

A good salesman will always do a substantial volume of business. He will do business even if he has to dig up the prospects himself. Men who have been in the securities business a long time know how to use radiation, and how to obtain new clients from well satisfied customers.

But there are many new men who have recently taken up the sale of Mutual Funds that have the potential future of becoming top-flight securities salesmen, but who do not have the background of experience that otherwise would enable them to satisfactorily develop their own prospects. Some of these men may be doing a fair job right now despite the handicap under which they are working. It takes "good leads," plus a sound plan of operations and cooperation between the salesman and his firm, to put even a good salesman up where he belongs in the high earnings brackets. For promising "new salesmen" a system of this type will almost insure the success of such men.

Here Is What One New Man Is Doing With Cooperation!

Several years ago a friend of mine who is a retail investment dealer in New York City decided that he was going to try and develop an organization of securities salesmen who would look upon their business as a professional man considers a career. He had many years of personal selling experience behind him, and he realized that if he could develop a mail system that created leads in sufficient quantity from qualified security buyers, that new men with a real sales potential could develop into top producers in a relatively short period of time.

After considerable study and "trial and error," he has perfected his advertising to the extent that each salesman in his organization is assured of at least an average of eighty leads a month. This is based upon a monthly working period of 20 days for each salesman. In other words, his men can be certain that they will have an average of four new prospects a day.

Imagine if you will, the confidence that men can have in their ultimate success when they know they can afford to be "independent" when they make a contact with a new prospect. They don't have to worry that they will have no one to see if a few prospects do not wish to see them. They can go on to the next. They can tell themselves, "I am too busy to bother with the deadheads—let's go where the pastures are greener."

Here is a case history of a man who never sold securities before in his life. The first year he was in the business his results from *Direct Mail Leads Exclusive of His Other Production* were:

Sales for 12 month period	$63,471.13
Average initial sale	2,946.60
Average holding of client at end of period	4,533.65

There were no bonanza sales in this record—the smallest sale was $77.28, and the largest $12,238.50.

For the first six months of 1952 on direct mail leads exclusively:

Total sales for 6 month period	$76,106.50
Average initial sale	4,701.82

Of course, this man did other business — some of it was the direct result of radiation obtained from the sales made from this firm's lead system. This is the actual case history of a new man. He is not even beginning to approach his potential earning power which will develop as he goes along and gains experience.

Does it pay? On the basis of results obtained so far this dealer says, "I believe that any good man who takes a real interest in our plan of client development should be able to develop sales of a minimum of $500,000 a year and a top man can go much higher. This dealer knows his costs per lead and it is admittedly high. But he also knows that no lead cost is too high if he obtains a large volume of business as a result of these expenditures.

Good leads, good men, and top cooperation will bring success.

Ketchikan Pulp Sells 4¼% Bonds Privately

Ketchikan Pulp Co. has announced that it has entered into agreements with four institutional investors for the sale of up to $36,000,000 of its first mortgage 4¼% bonds, series A, due Oct. 1, 1972 to furnish the major part of the funds for the construction of a dissolving pulp mill. The bonds will be delivered and funds will be furnished to the company as construction progresses. The financing was arranged through Morgan Stanley & Co. and Dillon, Read & Co. Inc.

Ketchikan Pulp Co., the common stock of which is equally owned by American Viscose Corp. and Puget Sound Pulp & Timber Co., is incorporated under the laws of the State of Washington and qualified to do business in Alaska. It was formed in 1947 for the purpose of constructing and operating an integrated dissolving pulp mill at Ward Cove near Ketchinikan, Alaska. It is expected that the mill, construction of which has already begun, will be completed in 1954. It will have an annual capacity in excess of 100,000 tons of high alpha pulp, suitable for the manufacture of rayon and cellophane. The company and the Forest Service of the United States Department of Agriculture have entered into a timber sales agreement which covers Ketchikan's timber requirements for a period of 50 years. The major portion of the production will be sold to American Viscose under a long-term contract.

The design and construction of the mill will be under the supervision of Puget Sound and operations after completion of the mill will be carried on through the joint efforts of both owner companies.

First California Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Walter M. Wells has been added to the staff of First California Company Inc., 647 South Spring St.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Norman M. Dahl has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street. He was formerly with John Nuveen & Co.

Joins Irving Lundborg

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — George P. McDonnell has become affiliated with Irving Lundborg & Co., 310 Sansome Street, members of the New York and San Francisco Stock Exchanges. He was previously with Davies & Co.

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Public Utility Securities

By OWEN ELY

California Electric Power

California Electric Power Company is a hydro-electric utility which buys a substantial amount of power from the Hoover Dam and from other sources. Revenues are about 83% electric, 11% telephone, and 6% ice. Electric revenues are some 38% residential and rural, 29% industrial, etc. The company supplies electricity in parts of southeastern California and southwestern Nevada. In the cities of San Bernardino and Riverside, it shares the business with Southern California Edison.

The areas served are not heavily populated, but have considerable diversity of agricultural, industrial and other loads. The principal agricultural activities are the growing of oranges, lemons, dates, deciduous fruits, alfalfa and vegetables, and the associated packing, canning, processing and by-product operations. In the industrial field are the recovery of chemicals, including soda ash, potash and borax, and the manufacture of cement. There is also the mining of gold, silver, tungsten, silica and iron. The residential and commercial business includes military establishments and desert resorts.

The company generates only part of its needs. Completion of a 100,000 KW steam plant (60,000 KW currently and 40,000 KW late in 1953) will materially reduce power purchases and decrease the average cost of steam generation.

Following statistics indicate the company's record since 1943:

Calendar Year	Revenues (Mill.)	Net Income (Mill.)	Common Stock Share Data Earnings	Dividends	Range
1951	$13.48	$1.61	$ .54	$ .60	8¼-7
1950	11.62	1.77	.68	.60	9¼-7
1949	10.91	1.92	.92	.60	8¾-6½
1948	9.82	1.51	.74	.60	8⅛-6⅝
1947	8.50	1.41	.77	.60	10 -6⅜
1946	7.62	1.33	.75	.60	13⅞18⅝
1945	7.19	1.38	.95	.55	13 -6¾
1944	6.61	1.28	1.06	.40	7¾-5⅝
*1943	7.15	1.17	1.14	.10	7⅜-1⅝

*Excludes results of properties sold from date of sale, Oct. 15, 1943.

The major factor in the earnings decline in 1950-51 was the sharp increase in the cost of purchased power and in cost of producing steam power. The dollar amount of this increase was so large in 1951 that it absorbed 89 cents out of each dollar of added revenue. Low water conditions at the company's hydro power sources, especially at Hoover Dam on the Colorado River, forced the company to buy or generate high cost steam power. Most of the reduction at Hoover Dam occurred in the very low-priced secondary power, so that the cost of replacing it was high. Also the increase of nearly 21% in KWH sales required the purchase of additional steam power. These factors affected earnings in the latter part of 1950 but became more acute in 1951. However, the anticipated new steam generating capacity should help remedy this situation and hydro operations have also been more satisfactory during early 1952.

Near the close of 1951 an electric rate increase averaging 6.4% of revenues was obtained. With the improved hydro conditions and the effect of the rate increase, earnings have now improved sharply, 29 cents being earned in the quarter ended June 30 compared with 13 cents last year; and for the 12 months ended June 30, earnings on the average number of shares were 83 cents per share compared with 56 cents for the previous period.

"Growth of residential and commercial revenue continues at a very high rate," President Cage recently stated, "and, with some minor exceptions resulting from the steel strike, business conditions throughout the company's entire territory are excellent. Good water conditions on both the company's own water shed and that of the Colorado River, forecast earlier this year, are being realized.

"Both of the two 30,000-kilowatt units at the company's new Highgrove Steam Plant are now in operation, one unit on a test basis. This plant has been brought in well ahead of schedule at a cost substantially under the estimate, and is operating in a highly satisfactory manner. Purchases of power have been reduced to the minimum.

"Plans for financing outlined in previous reports are now maturing. It is planned to issue and sell 350,000 shares of common stock about the first of October of this year. Further financing will be carried out early in 1953, at which time it is planned that all short-term bank loans will be paid and funds provided to carry out the heavy construction program arising from the rapid population and industrial growth in the company's territory. Shortly after the sale of the 350,000 shares of common stock in October, if market and other conditions remain favorable, the balance of the two convertible preference stock issues (5½% and 5.60%) remaining outstanding at that time will be called"

The common stock, which is currently selling around 9¾ on the Curb Exchange (range this year 10-8⅛), yields slightly over 6%.

With Gross, Rogers

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Basil Bancroft, Jr. has become associated with Gross, Rogers, Barbour Smith & Co., 559 South Figueroa Street, members of the Los Angeles Stock Exchange. Mr. Bancroft was previously with Fewel & Co. and G. Brashears & Co.

Two With Marache Sims

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Gordon C. Gillies and Richard S. Molnar have bceome affiliated with Marache Sims & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Molnar was previously with G. Brashears & Co.

Continued from page 2

The Security I Like Best

ported as $7,187,495 or a little over $10 per share on the combined stocks outstanding. This should be augmented by the cash to be received by the sale of John David, Inc., allowing for the payment of the bank loan of $800,000.

Earnings for the first quarter of the fiscal year, after taxes, amounted to $77,375. This amount represents no John David, Inc. figures in view of the contemplated sale.

From reports coming to hand the law of averages seems to be working towards a revival in soft goods. Consumer incomes from wages, dividends, etc. should remain high, and as women's wearing apparel is a semi-perishable commodity due to usage, change of styles, etc., a definite trend to increased replenishments appears very likely.

At the annual meeting on June 9th the subject of a dividend payment was broached by several owners of stock. The President, Mr. Walter Hoving, was receptive to a discussion of this important matter to stockholders, and it is possible that this will be on the agenda for Directors this coming Fall.

In my opinion Hoving Corporation stock is an attractive purchase at present levels, based on the change for the better that is evidently taking place in the soft goods industry, as well as the possibility of a resumption of dividend payments within the reasonable future.

Dillon, Read Group Offers Pipe Line Stock

Dillon, Read & Co. Inc. headed an investment group which yesterday (Aug. 13) offered to the public 350,000 additional shares of Texas Gas Transmission Corp. common stock at $17.37½ per share.

Of the net proceeds, $2,500,000 will be used to prepay part of the company's outstanding bank notes, and the balance added to general funds. Texas Gas is presently embarked on an expansion program designed to increase its delivery capacity by approximately 240 million cubic feet per day. The $34,000,000 program includes the construction of 408 miles of 26-inch loop lines, two new compressor stations and additional compressor capacity in six existing stations. The increased capacity will meet the growing requirements of customers, including firm sales to Ohio Fuel Gas Company of up to 65 million additional cubic feet per day and 20 million additional cubic feet per day to Louisville Gas, and 75 million additional cubic feet per day on an interruptible basis to Ohio Fuel Gas Company.

Texas Gas now owns and operates a 2,600-mile pipeline system extending from east Texas to western Ohio with a delivery capacity of approximately 669 million cubic feet of natural gas per day. Approximately 91% of sales are made to 31 public utilities serving 131 communities in Louisiana, Arkansas, Mississippi, Tennessee, Kentucky, Illinois and Indiana and to Texas Eastern Transmission Corp. and Ohio Fuel Gas Co. at a point near Middletown, Ohio.

For the 12 months ended April 30, 1952 operating revenues were $41,320,242 and net income was $3,960,003, before deducting preferred dividends.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Alfred M. Best Company, Inc., of 75 Fulton Street, New York City, recently announced the publication of the 1952 edition of Best's Fire and Casualty Insurance Reports.

This is the fifty-third annual edition of these reports and is the first time since 1914 that the combined fire and casualty reports have been published in one volume. Prior to the past several years most agents and companies were restricted to and interested only in either the fire or casualty lines.

In the last few years, however, legislation in different states has made it possible for insurance companies that have the financial resources to write all classes of business. Consequently the practice of multiple line underwriting has grown rapidly. This change has made it advantageous to consolidate the fire and marine reports with the casualty and surety reports rather than publish separate volumes as in previous years.

This has been done in the current volume and has made possible a better coverage of companies and more information available to users of the Reports.

As a recognized authority in the insurance industry for over 50 years, Alfred M. Best Company, Inc., in the current publication presents a comprehensive analysis of about 1,100 companies and associations operating in the United States and Canada.

Reports are given on the financial position, history and insurance operations of the different companies. Each analysis also comments upon the management, general underwriting policy, investment policy and operating record. Statistical exhibits are shown on such matters as underwriting by classes, classification of assets, earnings, dividends and share values. A five-year comparison of financial and operating records helps to place some of the figures in proper perspective.

Other parts of the 1952 edition are devoted to a discussion of the fire and casualty business in some of its broad aspects including the status of insurance as commerce within the meaning of the Supreme Court decision of 1944. The underwriting record experienced on different classes of insurance is also reviewed including some of the current problems.

One of the more interesting features of the Report is the discussion of multiple line underwriting. As pointed out in the current volume the trend towards this type of underwriting has been motivated by the desire on the part of the industry to simplify their merchandising problem as well as to serve the public in a better manner.

This development of multiple line operations has in turn started other trends in the industry. With different classes of insurance underwritten in a single carrier, the need for large group operations does not exist to the same extent as before. In fact there have already been several large consolidations where subsidiaries have been absorbed by parent organizations for more efficient operations.

Although there will undoubtedly be additional consolidations, the existing method of doing business is likely to continue for sometime. Not all groups are set up on a basis which permits physical merger. Others have specific reasons for continuing the present group organization.

In this connection it is interesting to note the leading stock groups as presented in the current edition of Best's Insurance Reports.

LEADING STOCK COMPANY GROUPS
(Net premiums written in thousands)

	1951 $	1950 $	1941 $	Ranking 1951	Ranking 1950	Ranking 1941
Travelers	365,535	301,222	104,814	1	1	2
Hartford	294,644	257,646	94,805	2	2	3
Aetna Life	285,952	236,852	82,395	3	3	5
America Fore	241,512	218,598	87,291	4	4	4
Home	209,840	184,227	107,054	5	5	1
Ins. Co. of No. Amer.	203,504	182,523	55,392	6	6	7
Royal-Liverpool	192,374	161,463	81,158	7	7	6
U. S. Fidelity & Guar.	143,410	124,547	45,631	8	9	9
Fireman's Fund	140,125	119,937	35,957	9	10	14
Loyalty Group	126,172	115,211	45,509	10	11	10
Aetna Fire	119,452	105,323	48,585	11	12	8
Continental Casualty	115,657	99,827	28,366	12	13	16
General Motors	112,008	127,762	41,070	13	8	11
Great American	106,672	96,364	32,539	14	14	15
St. Paul F. & M.	97,096	86,514	27,432	15	15	18
Allstate	83,973	66,311	6,837	16	19	—
Crum & Forster	83,289	78,059	39,030	17	16	13
Employers' Group	79,380	71,612	40,077	18	17	12
American of Newark	75,100	64,582	24,246	19	20	19
American-Associated	69,861	68,819	—	20	18	—

There are many other useful pieces of information and the 1952 edition of the Reports is considered a valuable reference manual for investors interested in insurance operations and stocks.

A. W. Morris Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Leonard Vandervelde has been added to the staff of A. W. Morris & Co., 325 West Eighth Street, members of the New York and Los Angeles Stock Exchanges.

With R. A. Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Ervin E. Stein is with Richard A. Harrison, 220 Sixteenth Street. He was previously with King Merritt & Co., Inc.

BANK and INSURANCE STOCKS

Laird, Bissell & Meeds
Members New York Stock Exchange
Members New York Curb Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BArclay 7-3500
Bell Teletype—NY 1-1248-49
(L. A. Gibbs, Manager Trading Dept.)
Specialists in Bank Stocks

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Says Free Enterprise Can Eliminate Materials Shortages

Guaranty Trust Company of New York, in its monthly "Survey," takes issue with Report of the President's Materials Policy Commission. Opposes government market manipulation of raw materials prices and advocates free markets for free enterprise.

In a leading article, entitled "The Materials Outlook and Free Enterprise," the August issue of "The Guaranty Survey," published by the Guaranty Trust Company of New York, takes issue with the conclusions in the recent report of the President's Materials Policy Committee, which holds that the United States and the rest of the free world faces grave future problems of raw materials supplies, and that private business enterprise cannot safely be relied upon to remedy the situation.

"A partial answer to the commission's doubts," says "The Survey," "is to be found in the record of private enterprise. In the case of petroleum, for example, the far-sighted acquisition of foreign reserves by private corporations has done far more than furnish supplementary sources of oil for civilian needs in the United States. It has also done much to buttress the military strength of the 'free world' in its efforts to provide safeguards against further Communist aggression. Similar foresighted action has been taken in steel, copper and other basic industries."

The Materials Policy Commission report, according to "The Survey," proposes a set of devices to meet what it calls the "problem of materials market instability" —this is, in plain language, to manipulate prices, production and exports by international agreement. "Multilateral contracts" on the model of the International Wheat Agreement would establish floor and ceiling prices. "Buffer stocks" would be bought and sold by a special international authority to offset natural fluctuations in supply and demand. "Quotas or restrictions on production and exports would be used in conjunction with the 'buffer stocks' to prevent long-continued downtrends in prices.

"The history of domestic and international trade bears witness to the difficulties and perils that arise from well-meaning but misguided attempts at market manipulation," "The Survey" contends. "Almost every basic commodity entering into world trade has been the object of such attempts at one time or another. The record, it would seem, ought to be enough to discourage further experiments along the same line."

"If free competitive enterprise is made truly free and truly competitive," concludes the editorial article, "there need be no fear that it will fail to make available all the materials needed on an economical basis. It is generally the doctrinaire 'social planner' who, ignoring the lessons of experience, argues that government can do it better."

Frank Knowlton Adds

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Rachel Felds is now with Frank Knowlton & Co., Bank of America Building.

Two With Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Enos L. Ashley and Joel F. Ewing have been added to the staff of Richard A. Harrison, 220 Sixteenth Street.

Continued from first page

Common Stocks and Perplexities of Trustees

conservative forecaster, warning that perhaps there will some day be an end to this boom, now in its 10th year, and inquiring: What if an armistice should come in Korea? What if Russia should show signs of turning to ways of peace? What will sustain this high economy when we complete our preparedness program? The warning is sounded that even now we are witnessing slow-downs in some industries, and so Mr. Trust Officer starts his day, or shall I say each day, with a mass of conflicting forecasts. Daily, he receives the usual quota of letters from disturbed beneficiaries, saying he must arrange to increase their incomes, because with everything so high they simply cannot get along. He carries these worries home and in his troubled dreams, investment programs pass in panorama before him. He sees stock ratios of 30%—50%—75%—80% in numerous accounts. Is he right or wrong in continuing these percentages? The widow Jones' trust rises in fancy before him and he wonders whether there will be enough income to maintain her and her five young children—yes, and to educate them, with principal encroachment when the time comes, without unduly depleting Jones' modest estate.

Trust Problems Multiply

Each day, as he reviews trust accounts the problems multiply. He sees account after account that started out five, six or ten years ago with 30% in equities. Then, as time went on and inflation and its effects became more apparent, his Committee increased the stock percentages to 50%. When the market continued to rise, the Trust Officer saw his common stock percentage increase because of market action, to 60% —65%—75% and in instances to 80% of the account. That's where he now stands.

What shall he do? Shall he sell back to 50%—to 30% in commons, or shall he maintain his position, intrenched behind a substantial book profit that could withstand a rather severe market shakedown before exhausting the profit? He knows that if he sells, a part of the profit goes out as capital gains tax, perhaps as much as 26%. He realizes also that the balance of the proceeds of sale should be invested in bonds or real estate mortgages. If municipal bonds are bought with say a 10-year maturity, a yield of from 1.35% to 1.40% will result. If government or corporate bonds, yielding from 2½% to 3¼%, or mortgages around 4% are purchased, the beneficiary must pay out a large part of the return in income taxes.

In addition to the reduction in income on a switch from stocks to bonds, consideration must be given to the reduced purchasing power of the income remaining after taxes. We all know that our dollar is worth perhaps only about 50% of what it was ten years ago, and this fact cannot be ignored when we are considering investment policies.

Again, we all have many accounts of testators and trustors who have been stock-minded all their lives and whose accounts come to us with 90% to 100% in common stocks, and with provisions in the will or trust instrument authorizing retention of originals in the trustee's discretion. These individuals realized that by retaining common stocks of large corporations in our basic industries they were partners in businesses that are a vital part of our economy, and that these businesses would grow and prosper as America grew and prospered. This philosophy has been shared by their families for generations and many of the great estates we are administering came into existence because of this policy. These large estates in the main were not created by speculating in stocks or commodities but principally by following a policy of buying into or starting some business in a fundamental industry and staying with it through fair weather and foul. Look at Ford — the duPonts — Duke. Their wealth grew as America grew.

The beneficiaries of these trusts strongly maintain this position and would fight bitterly any attempt to dispose of the holdings. In many instances they would resort to court action to prevent the sale of old family holdings. Shall these accounts be reduced to 50% — to 30% in commons, with the accompanying heavy capital gains tax and drastic reduction in income for the beneficiaries—beneficiaries, mind you, who in most instances are the testator's or trustor's chief concern?

Then, we have the large endowment funds for charitable and educational institutions with high percentages in common stocks. Most of these institutions are running deficits in these inflationary times and are praying for every possible dollar of income in order that their services need not be curtailed.

Shall these holdings of common stocks be reduced and if so, how will the institutions replace the income that will be lost by the switch out of commons into fixed income securities? A switch from stocks to bonds usually means a reduction of income of approximately 50% for tax-exempt institutions.

How Problems May Be Solved

These are some of the investment problems that confront the Trust Officer: How is he going to solve them? Shall he maintain a present high stock percentage, feeling that we will perhaps continue on in an inflationary cycle for an indefinite period? This position could be maintained with sound arguments. For example: That our high debt of 260-billion presages an easy money policy; that is, an attempt by the government to keep money rates low for a long, long time; that it is wise to be a partner in the large corporations, for they surely will be able to meet successfully any troubles that lie ahead, because of their great resources and outstanding management.

On the other hand, it has been argued that a trustee should never carry large percentages of trust accounts in equities, that to do so would be a departure from the old, accepted theory of trust investment; namely, to confine trust investments to fixed income securities. This theory was followed rather generally in the inflationary period of the twenties but did not prove too sound in the dark thirties. I am sure we will recall that in the 1920's the laws of many states did not permit trustees to buy stocks but required that investments should be limited to gilt-edge first mortgages, corporate bonds or governments. We all know that many of these first mortgages and corporate bonds in which trustees invested in those days turned mighty sour in the thirties. I think it is recognized that while stocks also suffered heavy declines during the depression, the leaders turned back sharply when business revived and stocks like General Motors, Standard of New Jersey, duPont and others are again our leaders today, while many of the inflated first mortgage investments of the twenties resulted in permanent, heavy losses.

Can Be No Fixed Investment Rule

Well, there you have the trustee's dilemma. What investment policy shall he follow? In my opinion there can be no fixed investment rule, unless you call the obligation to exercise good, sound judgment in investing all accounts a fixed rule. I feel that is why in 1830 the Massachusetts Court in the Harvard College case originally pronounced the Prudent Man Rule for the investment of trust funds. That Rule has stood the test of the years. More and more courts and legislatures are adopting it, with the result that 31 states, by statute or court decision, now follow the Rule.

Now, what does the Rule provide? That a trustee must carry 50% to 70% of an account in bonds? That he must have wide diversification of investment? That if he has a substantial profit in stocks they should be sold, notwithstanding the capital gains taxes to be paid and regardless of the reduction of income to the beneficiary? No, these are not the provisions. I know of no better way to summarize for you the famous old Rule than to quote the flowing language of the original decision:

"All that can be required of a trustee to invest, is, that he shall conduct himself faithfully and exercise a sound discretion. He is to observe how men of prudence, discretion and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income, as well as the probable safety of the capital to be invested."

On the question of diversification of investments, we read in the Restatement of the Law of Trusts, Sec. 228, the following:

"Except as otherwise provided by the terms of the trust, the trustee is under a duty to the beneficiary to distribute the risk of loss by a reasonable diversification of investments, unless under the circumstances it is prudent not to do so."

This section clearly indicates that under the Rule there are no fixed investment policies, that there is no substitute for a trustee's judgment and discretion.

The Prudent Man Rule is not mysterious or complicated. It merely requires a trustee to invest trust funds prudently. It should be noted that under the Rule a trustee must have in view not only the safety of the principal but also the duty of securing reasonable and regular income. I would say that a trustee with broad discretionary powers who bought nothing but government bonds was a lazy trustee, unless his reason for doing so was clearly a belief that at the particular time all other forms of investment involved undue risks. True, in the average case he is probably not endangering the dollar value of the principal, but, on the other hand, he is not producing the amount of income that a wise and prudent trustee should secure for a beneficiary.

Again, a trustee does not follow the spirit of the Rule by placing the principal in speculative investments, in the hope of obtaining a substantial principal appreciation, and thereafter investing the funds in conservative securities producing a reasonable income for the beneficiaries. I think all of us will concede that there is always some latent risk in any investment, but a prudent man does not make an investment when he feels that the risk of loss is out of proportion to the results which he expects to realize from the investment. It sometimes happens that a prudent man will make a speculative investment for the purpose of increasing his own wealth, but such an investment would not be a proper one for a trust account because it would violate that provision of the Rule which requires that the preservation of the fund must be a primary consideration in exercising the trustee's judgment.

I feel that if a trustee in the administration of a trust exercises reasonable care and prudence in investing trust assets, a court would be unwilling to surcharge the trustee because his judgment proved to be wrong. If this were not the case, a trustee would become a guarantor of his investment acts and would be judged not according to the facts as they existed when the investments were made but after the beneficiaries and the court, using hindsight, had had an opportunity to review them.

A Few Cases of Investment Problems

I could theorize indefinitely about the obligations of a trustee in the management of a trust account, but I believe the consideration of a few actual cases on investment problems which have come to my attention will do much to illustrate what I have in mind.

The first illustration is a trust created in May of 1944, consisting of $34,000 in cash. In the fall of that year the account was invested 64% in fixed income securities and 36% in stocks. The income amounted to $1,100.00. In June of 1948 the account was valued at $43,000, with 46% in fixed income securities and 54% in common stocks, and the income was $1,650.00. In April of this year, the account had reached a value of $60,000, with 41% in fixed income securities and 59% in common stocks, and the income had risen to $2,300.00. There has been an increase in the market value of the common stocks of $15,900, or 81.5%, and the income of the fund has increased 106.3% over the return received in 1945, the first full year of its existence. The stocks in the account are among the leaders in their industries, among them Borden Company, General Electric, General Motors, International Harvester, Procter and Gamble, Standard Oils of California, Indiana and New Jersey and Union Carbide and Carbon. The trustee of this trust has concluded not to reduce the stock percentages at this time, feeling that with conditions as they are today and with the large profit in the account there could be a very substantial reduction in market value and income before the account would show a loss. The beneficiary is, of course, very reluctant to have any of the stocks sold but is importuning the trustee to sell goverment bonds and increase the common stock holdings.

The next example is a larger trust which was created in October of 1944, amounting to $750,000, with an annual income of approximately $23,800 and consisting of 99% in fixed income securities and 1% in common stocks. The trustee at once began to increase the stock precentage.

In 1948, the account had increased in value to $880,000 with an annual income of $31,000 and consisted of 67½% of fixed income securities and 32½% in common stocks. In May of 1952, the account was worth $1,050,000, with fixed income securities about 42% and common stocks 58%. The annual income was $42,400.00

The common stocks held by the trust carry a profit of about $180,000 which represents a 43.4% ap-

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preciation in market value over the cost of the stocks. If the trustee should cut the common stock percentage to 33% it would be necessary to sell common stocks of a market value of approximately $265,000. These stocks are of high investment quality. The profit on them would amount to about $81,000 and the capital gains tax on this profit would be $21,000.

In this account, the common stocks were purchased from time to time since 1944 at prices which it was felt would yield a fair dividend return on cost and were not bought primarily with market appreciation in mind. The subsequent profit on the common stocks affords the trustee a substantial buffer against market depreciation. There could be a drop in the market value of the common stocks of almost $180,000 before the loss would equal the present book profit. It might be argued that by selling now and reducing the percentage of commons from 58% to 33% it would be possible to salt away the profit but to do so would reduce the income of the beneficiary. In other words, the income from the common stocks which would have to be sold amounts to $13,600 and after Federal income taxes the net would be about $6,200, or about $2,500 more than the income of $3,700 the beneficiary would receive if the proceeds of sale after capital gains taxes were invested in municipals maturing in about 10 years. If the net proceeds of sale after capital gains taxes were invested in government and corporate bonds to yield 3%, the loss in income by the switch would be even greater. A net yield on the bonds after taxes would amount to about $3,500 against the yield on the common stocks after taxes of about $6,200, or a reduction in income of $2,700.

The beneficiary of this trust is a married woman with three children. Her husband's income is negligible. They file joint returns and are in the 59% tax bracket. Here again, the trustee on the last review of the account concluded to make no change in the holdings for the present.

Let's take a final example: A charitable corporation with a very large endowment fund.

The study of the account made by a group of investment experts in February of 1952 was based on values as of December 31, 1951 when the industrial averages stood at $269.23. The purpose was to determine whether it would be advisable to reduce somewhat the percentage in common stocks. At that time the fund was invested as follows:

Bonds	10.7%
Preferred stocks	3.8
Common stocks	61.7
Total	76.2%
Real Estate	23.8
	100.0%

The common stocks in the fund have had a substantial appreciation. The following table shows the percentage of appreciation on the common stocks classified according to yield:

Yield	Appreciation
Under 3%	101.6%
Between 3% and 4%	126.1
Between 4% and 5%	68.8
Over 5%	35.8

The average appreciation of all the commons was 52.7%. The endowment fund is permanent and the income is very necessary in the operation of the charity. Many ideas and suggestions were advanced including the following:

By selling approximately $1,-850,000 of common stocks, the stock percentage could be reduced about 10% and a profit of $985,-000 realized. No capital gains tax would be involved because of the charitable ownership.

To raise this amount, those making the survey selected stocks giving an average yield of 3.03%. This was done because the proceeds of sale could be invested in bonds to yield about 3%, so that the net income of the charity would be affected very little by the switch.

The stocks to be sold, however, were of the highest grade in the entire portfolio and included many so-called growth companies and defensive stocks. After a long study of the account, the experts were unanimously of the opinion that the switch should not be made and so advised the trustees of the fund. The experts suggested to the trustees that if they were willing to hold the high-grade stocks through possible business and market declines which will occur, the final investment results would be better by retaining the present percentage of common stocks. The sale of other higher yielding stocks out of the account was not thought wise because to do so would substantially reduce the income.

After studying the report of the experts the trustees of the fund concluded that while some of the common stocks might reduce dividends during certain periods, nevertheless, it was felt that the total income over a period of time would be greater by retaining the present stock postion.

The trustees likewise followed the advice of the experts in not reducing the percentage of common stocks because they believed that in the long run a better principal result would be obtained by holding high-grade equities than by transferring to bonds, as there is little likelihood in a permanent endowment fund of this kind that any of the stocks would have to be sold at an adverse time.

These cases illustrate the care, attention and consideration which trustees are giving investment portfolios. The decisions reached by the trustees were based not only on present conditions, but the possible results to be obtained by holding securities of sound companies through changing business cycles. Undoubtedly, the history of past performance of sound stocks played a great part in bringing about these decisions. By that I mean the record of the come-back of many of the leading companies from the lows of the 1932 depression period.

To illustrate this, I give you some figures on two fine companies:

General Motors Corporation

	High	Low	Mean
Price Range 1929	46	17	31½
Price Range 1932	13	4	8½
Price Range 1952	55⅞	50	
Recent Market 55¾			

The recent market and price range have been adjusted to the 1950 split of two-for-one and represent a 77% increase over the mean price of 1929 and a 556% increase over the mean price of 1932. The dividend payments on this stock in 1929 adjusting for the two-for-one split in 1950 totaled $1.80 a share, as compared with the present $4.00 rate, or an increase of 122.2%. Based on the 63c dividend paid in 1932 the present dividend rate of $4.00 represents an increase of 535%.

Standard Oil Company of New Jersey

	High	Low	Mean
Price Range 1929	38	21	29½
Price Range 1932	17	9	13
Price Range 1952	85	73⅛	
Recent Market 78⅝			

The recent market and price range adjusted to the 1951 two-for-one split, represents a 166.5% increase over the mean price of 1929 and an increase of 505% over the mean price of 1932. The dividend payments on this stock in 1929 adjusting for the two-for-one split in 1951 were $0.85 per share, as compared with the $4.12½ paid in 1951, or an increase of 385.9%. Based on the 90c dividend paid in 1932 the present dividend rate of $4.12½ represents an increase of 358%.

A great many other substantial companies have had similar records.

While the dividends of outstanding companies were very low in the early thirties, we must remember that there were also numerous defaults in presumably high-grade first mortgages in that period. Many of these issues have not come back to this day. Another factor not to be overlooked is the fact that the dollar of 1932 had a much greater purchasing power than the 1952 dollar.

Timing Is a Factor

In measuring the investment results obtained by a trustee, timing is a great factor. For example: If one looked at the market and dividend return from General Motors held in a trust in 1932 but bought at the mean in 1929, I'm afraid many would have said it was not a very smart investment. But if the stock had been carried in that trust down to the present, as has been the case in many trusts, you, of course, would have to concede that a very fine job had been done by the trustee.

Trustees in retaining common stocks also take into consideration that this country has not reached its maximum expansion and that consequently, strong companies are bound to grow with the growth of the country; that while we will probably have, as we have had in the past, changing cycles—good periods and bad—soundly managed companies will meet the problems of each period and go foward with the progress of the country. Surely, this sort of reasoning seems sound—a prudent course for a trustee to follow.

Again, trustees are asking themselves such questions as these: How much farther is this inflationary cycle through which we are passing going to run? What will our dollar be worth if we must fight another long war? Most of our national leaders have told us time and again that at any moment an unlooked for incident might be the spark that would start another world conflagration. What if this preparedness goes on year after year into the future? If the past is any criterion, will there not be a great deal more protection in sound common stocks than in a dollar which has suffered a continuous depreciation for the past ten years?

No living person is sufficiently wise to guarantee the correctness of the answers to these questions, so would it not be prudent for a trustee to spread the risk between equities and fixed income securities, realizing that the great majority of beneficiaries are dependent on the income from trusts?

Could Place 50% to 60% in Stocks

Therefore, I would not hesitate to retain common stocks of well managed, financially sound companies up to 50% to 60% of an account at market value, with the balance in bonds, high-grade preferred stocks and mortgages. Would it not be more prudent for the trustee to reason as follows: "In the light of everything I can see, read and learn, I am convinced that in this period of world confusion it would not be wise for me to risk the safety of the entire trust by putting it all in bonds or all in stocks. Therefore, I will spread my risk and invest about half of the trust account in common stocks and the remaining half in fixed income securities.

There is nothing sacred about the percentages of 50% to 60%. Some may think that a little too high and prefer to carry from 30% to 40% in common stocks. The proportion to be placed in equities must be decided by the trustee in each trust, after taking into consideration many factors, for example: The amount in stocks at the creation of the trust, the wishes of the grantor or testator, the nature of the securities originally deposited, the needs of the beneficiary, the amount of other income available to the beneficiary, the terms of the trust instrument, the relationship of the beneficiary to the trustor, the age of the beneficiary, the remaindermen and their relationship to the trustor. In other words, a trustee cannot set a pattern or adopt a policy and say: This plan must be followed in all trusts.

I am also finding that trustees in general are up-grading their common stocks so as to eliminate their positions in marginal companies, particularly in cyclical industries.

Lastly, those of us who have Common Trust Funds find them a great help in investing trust assets, in these trying times. This plan is particularly valuable for use in small trusts, where a prudent trustee would hesitate to place a substantial portion of these trusts in individual common stocks because of the practical problem of obtaining diversification. However, by buying units in a common trust fund the trustee is not taking an undue risk. Trust institutions operating common trust funds find them excellent mediums for affording small trusts wide diversification and a fair income return.

I have endeavored to picture some of the investment problems with which we are all faced in our respective institutions and, oh, so much depends on the wisdom of our decisions. If it were given to us to turn forward the pages of history and read the happenings over the next decade we would be able to do a grand job for our beneficiaries. Such preview, of course, is not given to us mortals and so we have to follow our best reasoning and judgment. I sincerely trust that when the history of these uncertain times is written, intuition will not be imputed to us. I believe that in the future when our present investment decisions are measured in the light of conditions then existing, they will be proven sound. If they should not be, I am sure that our beneficiaries and others who may judge us will realize that our motives were sincere, that we had given serious consideration and deep study to our investment problems and that while our judgment may not always have been perfect, it was prudent in the light of known conditions at the time.

Joins du Pont Homsey

(Special to The Financial Chronicle)

BOSTON, Mass. — Boleslaw J. Tobiasz is now connected with du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges. He was formerly with Richard J. Buck & Co.

With Smith Hague

(Special to The Financial Chronicle)

DETROIT, Mich. — Fred L. Davis, Jr. has been added to the staff of Smith, Hague & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges.

Waddell & Reed Adds

(Special to The Financial Chronicle)

FLINT, Mich. — Weldon K. Moore is with Waddel & Reed, Inc.

Joins Minneapolis Assoc.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Robert Thedin has been added to the staff of Minneapolis Associates, Inc., Rand Tower.

Gearhart & Otis Group Offer Unusual Type Of Municipal Bonds

Gearhart & Otis, Inc. and associates on Aug. 12 offered $1,300,-000 City of Florence, (Ala.,) 5% first mortgage industrial development revenue bonds, maturing serially Sept. 1, 1954-77, at par.

The bonds are redeemable on any interest payment date at 105% plus accrued interest.

The proceeds of the offering will be used by the City of Florence to erect and equip a manufacturing plant which will be leased to Stylon Southern Corp., a wholly-owned subsidiary of Stylon Corp. The plant, equipment and machinery when completed will have a value in excess of $1,200,000.

Stylon Corp. has agreed that on Sept. 1, 1953 it will offer to exchange 500 shares of its common stock for each $1,000 bond, which offer will be good until Aug. 31, 1958. After that date for the next five years it will offer 333 shares of its common stock for each $1,-000 bond, then for the next five years it will offer 250 shares for each bond and after that until maturity it will offer 200 shares for each bond.

Florence, is strategically located in Lauderdale County, Ala. Its modern business establishment serves approximately 225,000 people within a radius of 75 miles. The principal industries in Florence are textiles, meat products, fertilizer, concrete products, frozen bakery goods, stoves, lumber and dairy products.

Associated in the offering with Gearhart & Otis, Inc. are White & Company and Sheehan, McCoy & Willard.

With King Merritt

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — Richard L. A. Hirsch and Francis F. Lewis are now with King Merritt & Co., Inc. Both were formerly with Waddell & Reed, Inc.

Three With Waddell Reed

(Special to The Financial Chronicle)

KANSAS CITY, Mo.—Floyd O. Davis, George W. Davis and Walter G. Dutoit have become affiliated with Waddell & Reed, Inc., 1012 Baltimore Avenue.

With Smith, Moore

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Thomas D. Adams is with Smith, Moore & Co., 509 Olive Street, members of the New York and Midwest Stock Exchanges.

Reinholdt Gardner Add

(Special to The Financial Chronicle)

SPRINGFIELD, Ill. — Don R. Ayre is now with Reinholdt & Gardner, Reisch Building.

Davies & Co. Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Stephen A. Toroni has been added to the staff of Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

V. M. Cantella Opens

WINCHESTER, Mass.—Vincent M. Cantella is engaging in a securities business from offices at 53 Swan Road.

McDermott in Jersey City

JERSEY CITY, N. J.—Frank J. McDermott is engaging in the securities business from offices at 81 Montgomery Street under the firm name of McDermott & Company.

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

If you've been tempted to sell everything after reading last week's column, I hope you resisted the impulse. There's little that occurred since last week to change the previous opinion that the market is either reaching for, or in the process of making a top. That, however, doesn't mean that the top has already been seen.

* * *

Tops are seldom made in any clear cut fashion, though there've been exceptions. If you're looking for a market top I think you'll find yourself groping in the dark. Stocks make their separate tops in an upward cycle and when enough of them show signs of inertia, or resistance to further advance, it can be described as a general market top.

* * *

Last week I wrote in this space that a few clouds have appeared on the horizon that pointed to a coming storm. The clouds are still there but they haven't grown any bigger. Leaving the weather similes aside for the time being, I would say that the signs of a reaction are slowly accumulating.

* * *

This doesn't mean that the reaction is right around the corner. As a matter of point there is an equally good chance that there'll be more plus than minus signs in the stock market tables in your paper for the next week or so. If some piece of news, now unforeseen, occurs, it may be that the expected change may be postponed for even a longer period.

* * *

Long experience has taught me that to disregard any signs is an expensive and painful experience. Sometimes I've misunderstood the signs; but more often looking and then running has prevented losses and sleepless nights. There's no assurance that what I think I see will actually come to pass in the immediate future. In fact, there's no assurance about anything where the stock market is concerned.

* * *

The policy from here on, it seems to me, should be of extreme caution. If you're carrying a lot of stocks I would suggest you use strength from here on, to lighten up. If you're carrying a comparatively light load, make it still lighter. If you're tempted to do any new buying at this stage, I suggest you resist it.

If there's any buying to be done at this late date, I suggest you wait for weakness to step in. Even then I think added insurance in the nature of stops might be employed. I'm well aware that stops in present day markets aren't the ideal. Perhaps a better hedge would be the buying of a put or call (or selling them if you've got the stock). But that is a question you'll have to answer yourself.

[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 8

Economic Underpinning Of Our Foreign Policy

parts of the world, this is the number-one economic necessity. In South America, in Asia, in Africa, peoples in many countries are demanding an escape from their abject poverty. In some cases, they have thought that their plight was the result of foreign oppression, and have demanded and achieved political independence. But the problem is still there, and the new and inexperienced governments are trying desperately to achieve rapid economic and social development. It is hard for many of us to visualize whole countries where starvation, disease and illiteracy are ever present. These countries are breaking out of the traditional social and economic structures by which they have been bound for centuries. The future pattern is yet to be determined. One thing is certain, that there will be great changes.

Our foreign policy cannot disregard this situation. It has great political significance, for these countries exceed the industrialized nations in number, population, area, and natural resources. It has great economic significance, for they can provide markets for American goods and are essential sources for raw materials, about which the Paley Commission has so recently reported so great a future need. A positive foreign policy toward economic development has roots in our own past. The development of our own country was greatly facilitated by foreign capital and skills, and we in turn have been helping other countries for many decades through many private philanthropic and religious organizations.

Our foreign policy therefore directs us to join in the great effort to accelerate the processes of economic development. To be sure, we can play only a supporting role. The countries themselves must be the chief actors. But we can furnish technical assistance, and we can help them to meet some of their requirements for capital. Much of this can be done through private channels. In fact, all that can should be done through private channels. But it remains the responsibility of government to see that we as a nation give our strong support to the realization of the aspirations of the peoples in the underdeveloped areas.

Does Our Foreign Policy Threaten Our Economic Health?

There are those who seem to feel that the economic support required by our present foreign policy is threatening the economic health of our own country. To be sure, it is an immediate and substantial economic cost. Nevertheless, the fact remains that despite the assistance which the United States has given in the postwar period, our economy has not only been strong but has become even stronger. We have seen new capital investment and personal savings at unprecedented peacetime levels. We have seen a further rise in our standard of living. This has been the record even during the period of our accelerate armament expansion, a process which has put a far greater burden on our national budget and our productive capacity than the goods which we have shipped abroad in the form of assistance.

But the real question is one of alternatives. Is it of value to use a small part of our resources in support of our foreign policy? If we cut out all defense and economic assistance, we could reduce current tax levels by something like 10%. If we continued the production of military equipment now destined for other countries and put it into our own military depots, the tax benefit would be greatly reduced but our own rearmament would be accelerated. On the other side, such an action would not only cripple the military programs of the NATO, but its economic effects would be severe, no small part of which would fall upon the sectors in our own economy which produce for export.

The assistance which we give to rearmament and to economic health and economic growth operates under the multiplier principle. For example, cotton which we sent to Germany in 1949 put textile mills and textile workers to work who would otherwise have been idle. The result was a quantity of textile products which far exceeded the value of the original raw material. Without American coal during the postwar years, many European factories would have been completely idle. The influence of our assistance in increasing the effective use of resources in other countries is usually much more important than the contribution of its own direct value. The effect therefore is not one of simple addition but rather of multiplication. If this process of extension is true in the economic field itself, it is even more true of the contribution made indirectly to the non-economic elements in our foreign policy. Take away the economic underpinning, and I hate to think of the difficulties which would be created in our political and security relationships.

I have been talking about our foreign policy and its economic underpinnings in extremely broad terms. However, as one who has been actively engaged in the actual operation of foreign policy for more than seven years, I must point out that even though general policy lines may seem to be clear the day-to-day problems involve specific choices which frequently involve conflicts among various foreign policy objectives, domestic interests and local pressures. Many different considerations—political, military, legal, economic—have been involved in determining our attitude in recent months towards Iran.

The foreign exchange decree of last January in Brazil raised a host of problems beyond its own narrow area. The problem of the purchase of tin has been more that a simple question of price. In the midst of specific and so-called special situations, it is easy to become short-sighted, although perspective is clearly a fundamental requirement.

As one looks at these many specific problems, it becomes apparent that, in the process of trying to build economic strength in the free world and in utilizing resources for common purposes, there is more involved than merely a series of immediate economic calculations. International relations are not built merely upon actions, but also upon assurances. Sometimes these may take formal form, such as the common defense against attack assurance in the North Atlantic Treaty. Sometimes, as in the case of our policy to lower trade barriers, they rest upon the multiple effect of declarations and actions such as the eighteen-year-old Reciprocal Trade Agreement program and the ECA efforts to encourage Europeans to seek to sell more in the United States market.

Must Make Assumptions Regarding Future

You and I must make certain assumptions in making our choices today—perhaps that our source of income will not suddenly disappear, that we will or will not have any more children, that prices will or will not rise any further, that there will or will not be greater opportunities for purchasing in the future than today. We watch with eagerness for signs to indicate how our assumptions, based on the past, should be modified with respect to the future.

Again, this holds true for nations. That is why any deviation becomes so important and so dangerous. The great concern in other countries over the action of the Congress in restricting imports of cheese far exceeded the importance of the trade in cheese itself. The question to them was—is this a sign of rising protectionism in the United States? To be sure, virtually every Congressman who supported the restrictive action took the line that he "believed in liberal trade policies but, in this specific case . . . etc., etc." However, it planted a doubt in the mind of the European businessman. "If I succeed in selling in the American market, may I not find new barriers suddenly raised against my product?" A small number of such actions, by weakening the important element of assurance as to American commercial policy, could more than offset all the manifold consistent actions directed at lowering trade barriers of the previous five years.

Unfortunately, there are other illustrations of this same point. Our programs of assistance have not always given to other countries the kind of assurance that they should. In 1947, the 80th Congress refused even to consider the Administration's proposal for an assistance program to help South Korea make itself economically self-supporting, and in January, 1950, the Congress delayed and then voted down a new proposal by the Administration for Korean economic aid.

Even though we had already given South Korea a substantial amount of assistance, and although Congress finally reversed its position, I have no doubt but that the actions of the 80th and 81st Congresses with respect to South Korea in this critical period contributed greatly to the notion that we had no real interest or concern for that unfortunate country.

One more illustration lies in the field of East-West trade. American policy now for several years has restricted the export to the USSR and her satellites of any products which might contribute to the Soviet bloc military potential. Most other countries in the free world have followed a similar general policy, but a very small amount of trade in quasi-strategic goods still persists, either because of contracts made some years ago or because the sale of a limited amount of some commodity would bring items in exchange which were even more essential to the country involved, such as coal, lumber or fertilizer.

American legislation known as the Battle Act declares that if there is a shipment of strategic materials to the Soviet bloc by some other country, American aid to that country must be terminated, unless the President determines and reports to Congress that an exception should be granted in the interest of our national security. But the discouraging fact is that, despite the existence of this legislation and the great progress which has been made in achieving its purpose, many Congressmen at the last session seemed to favor the adoption of the Kem Amendment, which would remove all flexibility from this area, and require automatic termination of aid regardless of the circumstances. The Amendment failed on procedural grounds. But had it passed, it would have denied all our efforts to make the defense of the free world a joint and cooperative effort, and it would have given this one objective, obviously very limited in its possible effects, absolute priority over the much more basic objectives of our foreign policy to build a common defense and to develop economic strength. In fact, such dictation to other countries could easily pull down our whole foreign policy position. Here again, an action of limited economic significance might have had devastating effects on far broader political and security objectives.

Basis of Effectiveness of Our Foreign Policy

We cannot avoid having a foreign policy. It may be one of constructive action or one of dead-handed passivity. Whatever it may be, it is tremendously important to each of us—and to the free world. It will be a major element in determining the future pattern of the world in which we and our children will live. I cannot believe that we as a nation will stand aside. The world is too small for that.

The effectiveness of our foreign policy depends in large part upon how we utilize our vast economic resources. And in turn the effectiveness of the economic instruments will depend not only upon the broad lines of our policy but upon the consistency with which we follow our objectives in each specific situation. We will gain nothing, in fact we will seriously damage our position, by statements of high objectives and professions of international responsibility, if in the process of carrying them out, we permit them to be undercut by partisan groups or narrow economic interests. The danger that we look at each problem solely within its own narrow limits is particularly present in the economic field. Rather, we must keep our broad purposes always clearly in our minds. We must present the world with such a consistent performance in the economic field day after day and year after year that the economic underpinnings will provide that solid strength required of any lasting foundation. On it we can build a foreign policy of constructive action.

Joins Mutual Funds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—I. J. Rodda is now with Mutual Fund Associates, 127 Montgomery St.

White, Weld Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Marshall L. Hoyt has joined the staff of White, Weld & Co., 231 South La Salle Street.

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Indications of Current Business Activity

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

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Aug. 17	95.4	89.8	15.2	101.5
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 17	1,981,000	1,866,000	316,000	2,029,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 2	6,132,150	6,070,850	6,102,450	6,200,750
Crude runs to stills—daily average (bbls.)	Aug. 2	¶7,033,000	7,108,000	6,753,000	6,488,000
Gasoline output (bbls.)	Aug. 2	23,318,000	23,413,000	22,557,000	21,446,000
Kerosene output (bbls.)	Aug. 2	2,678,000	2,575,000	2,440,000	2,425,000
Distillate fuel oil output (bbls.)	Aug. 2	10,510,000	10,237,000	9,629,000	8,762,000
Residual fuel oil output (bbls.)	Aug. 2	8,554,000	8,776,000	8,674,000	9,020,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 2	116,243,000	118,285,000	119,533,000	129,027,000
Kerosene (bbls.) at	Aug. 2	27,636,000	26,029,000	23,312,000	30,084,000
Distillate fuel oil (bbls.) at	Aug. 2	86,128,000	81,792,000	67,542,000	84,074,000
Residual fuel oil (bbls.) at	Aug. 2	51,414,000	51,052,000	46,172,000	46,465,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 2	732,920	607,271	447,396	813,388
Revenue freight received from connections (no. of cars)	Aug. 2	584,515	542,150	488,349	672,010
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 7	$253,106,000	$1,131,612,000	$381,742,000	$216,941,000
Private construction	Aug. 7	103,827,000	100,732,000	176,645,000	78,299,000
Public construction	Aug. 7	149,279,000	1,030,880,000	205,097,000	138,642,000
State and municipal	Aug. 7	85,770,000	73,858,000	73,180,000	89,860,000
Federal	Aug. 7	63,509,000	957,022,000	131,917,000	48,782,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 2	8,350,000	6,700,000	1,120,000	9,949,000
Pennsylvania anthracite (tons)	Aug. 2	714,000	661,000	53,000	737,000
Beehive coke (tons)	Aug. 2	23,300	19,600	4,300	145,200
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 2	87	79	79	88
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 9	7,495,322	7,404,913	6,987,796	7,069,890
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 7	123	152	156	149
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 5	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	Aug. 5	$52.77	$52.77	$52.77	$52.69
Scrap steel (per gross ton)	Aug. 5	$42.00	$41.75	$39.50	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 6	24.200c	24.200c	24.200c	24.200c
Export refinery at	Aug. 6	34.800c	34.850c	35.975c	27.425c
Straits tin (New York) at	Aug. 6	121.500c	121.500c	121.500c	103.000c
Lead (New York) at	Aug. 6	16.000c	16.000c	15.000c	17.000c
Lead (St. Louis) at	Aug. 6	15.800c	15.800c	14.800c	16.800c
Zinc (East St. Louis) at	Aug. 6	13.500c	15.000c	16.000c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 12	96.59	97.59	98.60	98.49
Average corporate	Aug. 12	109.79	109.79	109.97	110.70
Aaa	Aug. 12	114.27	114.08	114.08	115.24
Aa	Aug. 12	112.19	112.19	112.37	114.46
A	Aug. 12	109.42	109.24	109.60	109.79
Baa	Aug. 12	103.97	103.80	104.14	103.97
Railroad Group	Aug. 12	106.92	106.92	107.09	107.27
Public Utilities Group	Aug. 12	109.42	109.42	109.42	110.52
Industrials Group	Aug. 12	113.12	113.12	113.50	114.46
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 12	2.74	2.67	2.59	2.60
Average corporate	Aug. 12	3.18	3.18	3.17	3.13
Aaa	Aug. 12	2.94	2.95	2.95	2.89
Aa	Aug. 12	3.05	3.05	3.04	2.93
A	Aug. 12	3.20	3.21	3.19	3.18
Baa	Aug. 12	3.51	3.52	3.50	3.51
Railroad Group	Aug. 12	3.34	3.34	3.33	3.32
Public Utilities Group	Aug. 12	3.20	3.20	3.20	3.14
Industrials Group	Aug. 12	3.00	3.00	2.98	2.93
MOODY'S COMMODITY INDEX	Aug. 12	437.6	441.7	437.1	465.5
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 2	256,287	180,999	204,686	354,939
Production (tons)	Aug. 2	208,818	199,444	141,384	223,232
Percentage of activity	Aug. 2	84	82	56	94
Unfilled orders (tons) at end of period	Aug. 2	444,210	396,615	413,405	664,707
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Aug. 8	109.61	110.01	110.45	115.44
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 26	22,176	24,800	23,174	31,587
Number of shares	July 26	637,307	705,032	681,417	942,476
Dollar value	July 26	$30,115,619	$33,079,339	$31,472,824	$43,139,534
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 26	19,439	21,304	22,078	28,232
Customers' short sales	July 26	105	73	99	664
Customers' other sales	July 26	19,334	21,231	21,979	27,568
Number of shares—Total sales	July 26	536,070	592,385	623,186	794,676
Customers' short sales	July 26	3,606	2,644	4,970	20,521
Customers' other sales	July 26	532,464	589,741	618,216	774,155
Dollar value	July 26	$22,834,189	$25,423,602	$26,575,032	$34,535,137
Round-lot sales by dealers—					
Number of shares—Total sales	July 26	147,760	171,140	184,210	202,270
Short sales	July 26	------	------	------	------
Other sales	July 26	147,760	171,140	184,210	202,270
Round-lot purchases by dealers—					
Number of shares	July 26	260,340	274,960	252,750	384,530
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 19	207,000	201,060	177,700	367,630
Other sales	July 19	5,652,290	5,333,890	6,026,100	6,332,690
Total sales	July 19	5,859,290	5,534,950	6,203,800	6,700,320
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	July 19	540,800	550,760	549,570	646,180
Short sales	July 19	124,400	117,480	103,040	153,250
Other sales	July 19	458,450	484,680	462,530	534,630
Total sales	July 19	582,850	602,160	565,570	687,880
Other transactions initiated on the floor—					
Total purchases	July 19	88,460	108,830	114,000	138,500
Short sales	July 19	7,100	10,200	4,400	21,400
Other sales	July 19	140,460	179,950	135,380	147,230
Total sales	July 19	147,560	190,150	139,780	168,630
Other transactions initiated off the floor—					
Total purchases	July 19	207,875	185,110	259,055	276,100
Short sales	July 19	41,160	38,600	27,850	38,420
Other sales	July 19	264,762	235,773	288,990	327,738
Total sales	July 19	305,922	274,373	316,840	366,158
Total round-lot transactions for account of members—					
Total purchases	July 19	837,135	844,700	922,625	1,060,780
Short sales	July 19	172,660	166,280	135,290	213,070
Other sales	July 19	863,672	900,403	886,900	1,009,598
Total sales	July 19	1,036,332	1,066,683	1,022,190	1,222,668
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	Aug. 5	111.8	111.7	110.7	------
Farm products	Aug. 5	109.8	*109.7	107.6	------
Processed foods	Aug. 5	109.7	109.7	108.3	------
Meats	Aug. 5	115.8	115.3	110.4	------
All commodities other than farm and foods	Aug. 5	112.7	*112.5	111.9	------

*Revised. ¶Includes 640,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN PETROLEUM INSTITUTE—Month of May:			
Total domestic production (bbls. of 42 gallons each)	175,106,000	210,799,000	207,914,000
Domestic crude oil output (bbls.)	158,310,000	192,882,000	191,268,000
Natural gasoline output (bbls.)	16,770,000	17,878,000	16,640,000
Benzol output (bbls.)	26,000	39,000	6,000
Crude oil imports (bbls.)	16,903,000	16,170,000	16,051,000
Refined products imports (bbls.)	12,586,000	11,498,000	11,097,000
Indicated consumption domestic and export (bbls.)	210,735,000	228,884,000	216,989,000
Increase all stock (bbls.)	‡6,140,000	9,583,000	18,073,000
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. — U. S. DEPT. OF LABOR — Month of May (000's omitted):			
All building construction	$813,480	*$843,466	$845,406
New residential	506,286	*541,748	489,361
New nonresidential	203,598	*208,317	251,753
Additions, alterations, etc.	103,596	*93,401	104,292
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of June	7,835	7,915	6,810
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of July (000's omitted):			
Total U. S. construction	$2,310,504	$1,140,654	$1,378,640
Private construction	606,317	568,780	397,003
Public construction	1,704,187	571,874	981,637
State and municipal	449,703	375,068	533,494
Federal	1,254,484	196,806	448,143
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term credit in millions as of June 30:			
Total consumer credit	$20,941	*$20,298	$20,892
Instalment credit	14,404	*13,811	14,369
Sale credit	7,795	*7,421	7,809
Automobile	4,433	*4,171	4,372
Other	*3,362	*3,250	3,437
Loan credit	6,609	*6,390	6,560
Noninstalment credit	6,537	*6,487	6,523
Charge accounts	3,972	*3,921	3,961
Single payment loans	1,432	*1,431	1,431
Service credit	1,133	*1,135	1,131
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES—1935-39=100—Adjusted as of June 15:			
All items	189.6	189.0	185.2
All foods	231.5	230.8	226.9
Cereals and bakery products	193.3	193.8	188.4
Meats	275.9	271.7	273.1
Dairy products	209.8	210.6	203.9
Eggs	169.1	164.0	201.2
Fruits and vegetables	250.0	253.8	219.9
Beverages	346.5	346.6	345.2
Fats and Oils	140.1	139.9	175.2
Sugar and sweets	187.7	187.3	186.1
Clothing	202.0	202.3	204.0
Rent	141.6	141.3	135.7
Fuel, electricity and refrigerators	144.8	144.6	143.6
Gas and electricitl	98.4	98.2	97.1
Other fuels	203.4	203.1	202.8
Ice	156.8	156.5	156.0
House furnishings	204.4	205.4	212.5
Miscellaneuos	172.5	171.4	164.8
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX — 1935-39=100 (COPYRIGHTED) AS OF JULY 1:			
Composite index	105.1	105.3	107.4
Piece goods	96.7	97.3	101.8
Men's apparel	106.0	106.2	106.2
Women's apparel	100.9	101.1	103.2
Infants' and children's wear	105.6	105.9	106.3
Home furnishings	107.7	108.0	112.1
Piece goods—			
Rayon and silks	89.6	90.5	92.9
Woolens	108.8	110.0	113.8
Cotton wash goods	94.6	94.6	103.6
Domestics—			
Sheets	100.7	101.4	113.2
Blankets and comforters	120.3	120.3	124.7
Women's apparel—			
Hosiery	95.1	95.3	99.5
Aprons and housedresses	97.5	97.5	100.2
Corsets and brassieres	107.3	107.3	108.0
Furs	95.5	96.6	99.8
Underwear	100.1	100.2	102.2
Shoes	108.9	109.2	109.8
Men's apparel—			
Hosiery	106.5	106.6	106.6
Underwear	110.4	110.6	110.6
Shirts and neckwear	102.4	102.4	103.1
Hats and caps	100.2	100.2	100.4
Clothing including overalls	104.3	104.4	103.9
Shoes	108.4	108.6	112.5
Infants' and children's wear—			
Socks	102.9	102.9	102.3
Underwear	102.9	102.9	102.7
Shoes	111.1	112.3	112.3
Furniture	108.0	108.1	106.6
Floor coverings	117.4	117.7	126.1
Radios	102.3	102.8	103.1
Luggage	101.2	101.5	104.2
Electrical household appliances	105.5	105.9	107.5
China	100.7	100.7	102.9
INDUSTRIAL PRODUCTION BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, 1935-39=100 Month of June			
Seasonally adjusted	203	211	221
Unadjusted	204	212	223
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of July:			
Industrial (125)	5.41	5.48	6.38
Railroad (25)	5.61	5.64	6.46
††Utilities (24)	5.44	5.51	5.72
Banks (15)	4.52	4.56	4.79
Insurance (10)	3.21	3.18	3.35
Average (200)	5.39	5.45	6.20
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION —Month of May (000's omitted):			
Savings and loan associations	$557,269	$539,834	$470,350
Insurance companies	114,293	114,162	145,080
Bank and trust companies	303,179	293,095	296,915
Mutual savings banks	90,375	81,329	93,645
Individuals	233,659	234,946	215,545
Miscellaneous lending institutions	212,713	218,796	222,093
Total	$1,511,488	$1,482,161	$1,443,558

*Revised figures. ††Not including Amer. Tel. & Tel. Co. ‡Decrease all stocks.

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The State of Trade and Industry

regain pre-strike level, three weeks after official ending of the walkout. Still more time will be required for the rolling mills to attain capacity output.

As expected, reactivating of the nation's ponderous steel facilities is not being achieved without considerable toil and trouble. Local labor disputes are hampering resumption at some points. Contract details remain to be worked out with the union and these can prove troublesome and time-consuming, notes this trade paper.

Shortages threaten in the major steel products over coming months, especially for civilian goods manufacturers. Indications are there will be no substantial easing in general supply conditions until next spring.

To assure supplies for military, atomic energy, machine tool and component manufacturers the government ordered mill set-asides for fourth quarter. Certain percentages of the various products must be held for these requirements, and these tonnage reservations do not take into account priority orders placed under third quarter and earlier allotments, which must be filled by the mills, nor do they consider the steel destined for warehouse and further converters. Further, the set-asides are exclusive of any directives which the National Production Authority may issue, states "Steel" magazine.

Under the government regulations the mills must give preference to third quarter orders with all military requirements for the period to be filled by Nov. 30, even though this means delay in shipping civilian tonnage scheduled for earlier delivery. Civilian orders for third quarter and earlier shipment, however, carry a priority over all fourth quarter orders, including the military set-asides, and the mills are required to provide the warehouses with a minimum of 100% and a maximum of 120% of their base period receipts. All of which raises the question of how much fourth quarter advance allotments to civilian goods manufacturers, issued on the basis of 80% of third quarter allotments, are really worth. Indications are fourth quarter tonnage will extend well into first quarter next year, states this trade publication.

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 an average of 95.4% of capacity for the week beginning Aug. 11, 1952, equivalent to 1,981,000 tons of ingots and steel for castings. In the week starting Aug. 4, the rate was 89.8% (revised) of capacity and actual output totaled 1,866,000 tons. A month ago output stood at 15.2%, or 316,000 tons.

Electric Output Continues to Rise Following End of Steel Strike

The amount of electric energy distributed by the electric light and power industry for the week ended Aug. 9, 1952, was estimated at 7,495,322,000 kwh., according to the Edison Electric Institute.

The current total was 90,409,000 kwh. above that of the preceding week when output amounted to 7,404,913,000 kwh. It was 425,432,000 kwh., or 6.0% above the total output for the week ended Aug. 11, 1951, and 1,242,181,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Rise 20.7% Above Preceding Week

Loadings of revenue freight for the week ended Aug. 2, 1952 totaled 732,920 cars, according to the Association of American Railroads, representing an increase of 125,649 cars or 20.7% above the preceding week, following the reopening of the steel mills.

The week's total represented a decrease of 80,468 cars, or 9.9% under the corresponding week a year ago, and a decrease of 104.570 cars, or 12.5% below the comparable period in 1950.

United States Auto Output Registers Sharp Recovery In Latest Week

Passenger car production in the United States the past week, according to "Ward's Automotive Reports," made good progress following the steel strike by turning out 33,946 cars compared with 14,752 (revised) cars in the previous week and 73,552 cars in the like week a year ago. However, last week's car output was still only one-third of the pre-strike rate.

Total output for the past week was made up of 33,946 cars and 8,436 trucks built in the United States against 14,752 cars and 4,008 trucks (revised) last week and 73,552 cars and 21,509 trucks in the comparable period a year ago.

Canadian output which was also affected by the steel strike declined last week producing no cars and only 90 trucks. In the preceding week 2,246 cars and 1,142 trucks were built and in the like week a year ago, 1,674 cars and 617 trucks were turned out.

Business Failures Recede in Latest Week

Commercial and industrial failures declined to 123 in the week ended Aug. 7 from 152 in the preceding week, Dun & Bradstreet, Inc. reports. Casualties were down moderately from a year ago when 149 occurred but dropped considerably from the 1950 total of 194 for the similar week and the pre-war level of 252 in 1939.

Failures with liabilities of $5,000 or more dropped to 92 from 125 in the previous week and 115 last year. On the other hand, small casualties, those with liabilities under $5,000, increased slightly to 31 from 27 and were almost even with the 34 of a year ago.

The week's decline occurred in manufacturing and retailing failures. While wholesale trade remained unchanged, construction and commercial service mortality rose. Thel atter was the only line of business having more casualties than last year. The most marked decline in failures from last year appeared among retailers.

The Middle Atlantic States were largely responsible for the declining mortality during the week. Four other areas, including the New England and South Atlantic States, reported mild decreases. Casualties in the Pacific, East North Central and the West South Central States made slight advances. Four regions reported more businesses failing than last year; the most notable upturns from 1951 appeared in the New England and East North Central States. In the other five geographic districts, mortality was lighter than a year ago.

Wholesale Food Price Index Reaches New 1952 High

A weekly increase of two cents in the wholesale food price index brought the weekly figure to a new 1952 high of $6.65 on Aug. 5, according to Dun & Bradstreet, Inc. This was just over the $6.64 of Jan. 1, the previous peak; it was 5.4% above the 1952 low of $6.31 recorded April 22.

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

Wholesale Commodity Price Index Continues Higher Trend

The recovery in wholesale prices continued last week as quotations for most commodities moved irregularly upward after reaching a two-year low for a few weeks ago. The daily wholesale commodity price index compiled by Dun & Bradstreet, Inc., registered 293.84 on Aug. 5, compared with the 292.64 a week ago and 300.80 a year ago.

The drought which reached disaster proportions in the South and some parts of the northeast spurred trading in some commodity markets the past week. The most pronounced impetus was felt in the call for cotton and feed crops. The wheat crop which is largely harvested was not affected by the long dry spell. The receipts of wheat continued in a fair volume at generally steady quotations. The total carry-over stock of wheat was well above a year before.

The sharpest gains were scored in the trading in corn, oats, and soybeans.

Corn prices moved upward in expectation of heavy damage; it was estimated that the loss due to the drought would be about 100 million bushels, approximately 3% of the current crop.

In parts of the South cattle were run to market prematurely as the paucity of feed and water continued. The Main Corn Belt was generally unscathed so far.

The demand for domestic flour remained rather lethargic with activity limited to immediate fill-in needs. Orders for both Spring and Winter flour were scanty as buyers awaited price developments. Sales to the export market also continued to be sparse.

In contrast to some domestic commodities, trading in many imported commodities, particularly sugar, coffee, and cocoa, narrowed somewhat and prices edged lower.

The warehouse stocks of cocoa expanded to 125,609 bags from 122,470 a week ago and compared with 186,540 of a year earlier. There was a mild flurry of interest in refined sugar although the call for the raw product remained weak. The supplies of cattle entering markets were moderately larger than last week and the comparable week a year before; beef quotations were mixed and moved within a narrow range. The prices of hides broke noticeably as some buyers foresaw mounting supplies in the forced liquidation of cattle due to the drought. The lifting of the OPS ceiling in pork was followed by a sharp spurt in hog quotations.

Bullish influences were quite noticeable in the raw cotton markets last week; the unfavorable weather and the accelerated activity in the textile trade led many cotton buyers to bid steadily upward. However, despite the severe damage to the fiber in some Southern States, it was widely thought that the current crop would compare favorably with last year's near record of 15.1 million bales. In the nation's ten spot cotton markets sales increased sharply to 82,700 bales last week compared with 57,900 the previous week, and 46,800 a year ago. Exports of cotton were somewhat larger than a year before. Trading in cotton gray goods broadened perceptibly.

Trade Volume Turns Slightly Higher in Past Week

Shoppers increased their spending slightly in many parts of the nation in the period ended on Wednesday of last week. They continued to purchase perceptibly more merchandise than in the comparable week a year ago. Consumers turned their attention increasingly to household goods which were slighted during the recent surge of shopping for apparel. Retailers continued to rely on rather sharp price reductions to stir shoppers' interest.

Retail dollar volume in the week was estimated by Dun & Bradstreet, Inc., to be from 0 to 4% higher than a year ago. Regional estimates varied from the comparable 1951 levels by the following percentages:

New England and East —2 to +2; Midwest —1 to +3; Northwest +1 to +5; South, Southwest, and Pacific Coast +2 to +6.

The buying of apparel slipped slightly last week as a between-seasonal lull prevailed. Clearance sales of Summer merchandise were not as common as in recent weeks. The initial response to early promotions of Fall clothing stirred very scanty interest as hot weather continued over many parts. Shoes were among the most popular items last week.

Housewives increased their food budgets moderately and continued to spend more for food than in the corresponding 1951 week. The drought in the South and some parts of the northeast reduced the supplies of fresh produce and led to increased purchasing of canned and frozen foods. The sales of oleo-margarine noticeably surpassed the year ago level.

More household goods were sold than in the preceding week and about as much as during the comparable 1951 week.

Easy credit terms and sizable discounts were instrumental in lifting shoppers' interest. The demand for television sets was well above the low level of recent months; the political campaign, new stations, and new models were helpful in boosting buying. Decorating materials, automobile supplies, and incidental furniture continued to be widely popular.

Trading activity in many wholesale markets gained further momentum in the week as buyers made preparations for the coming Fall season. The total dollar volume of wholesale trade was slightly larger than a year before but about 10% below the all-time record reached during the early part of 1951 when apprehension about possible war-induced shortages boosted buying sharply. The increased optimism was evident both in the buyers of hard and soft goods. Inventories were generally much less burdensome than in the early part of this year.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 2, 1952, fell 2% below the level of the preceding week. For the four weeks ended Aug. 2, 1952, sales declined 1%. For the period Jan. 1 to Aug. 2, 1952, department store sales registered a drop of 3% below the like period of the preceding year.

Retail trade in New York last week failed to rally from its dull tone of preceding weeks and registered for the period a decline of about 11% below the level of a year ago.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Aug. 2, 1952, decreased 10% below the like period of last year. In the preceding week a decline of 9% (revised) was recorded from that of the similar week of 1951, while for the four weeks ended Aug. 2, 1952, a decrease of 11% was registered below the level of a year ago. For the period Jan. 1 to Aug. 2, 1952, volume declined 10% under the like period of the preceding year.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of J. Robert Lindsay to Raymond H. Sigesmund will be considered by the Exchange on Aug. 8. The firm of J. Robert Lindsay & Co. would then retire as an Exchange member firm.

Warren P. Smith & Co. will dissolve Aug. 15.

Federman & Rose will dissolve Aug. 30.

Now E. I. Shelley Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—The name of tht Colorado Securities Company, has been changed to E. I. Shelley Company and offices are now located in the Ernest and Cranmer Building. Ira E. Henry is now associated with the firm.

Hamilton Mgr. Corp. Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Donald M. Campbell, E. Eugene Martin, and Vincil W. Wise are now connected with Hamilton Management Corporation, Grant at Forrest Drive.

Joyce Joins Clayton

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—George L. Joyce has become affiliated with Clayton Securities Corp., 443 Congress Street. Mr. Joyce was formerly Portland manager for J. Arthur Warner & Co., Inc.

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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.

★ **Aluminum Specialty Co., Manitowoc, Wis.**
Aug. 5 (letter of notification) 28,751 shares of common stock (par $10). **Price**—$10.50 per share. **Proceeds**—For increased working capital. **Office** — 1616 Wollmer St., Manitowoc, Wis. **Underwriter**—None.

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

★ **American Mining & Smelting, Inc., Spearfish, S. D.**
Aug. 1 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mine development. **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 $1,000 and $500 each) and accrued interest. **Proceeds**—To purchase equipment and machinery. **Business**—Development of agriculture and commerce in Israel. **Underwriter**—None. **Offering**—Now being made.

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.

Arkansas Power & Light Co. (9/9)
Aug. 5 filed $15,000,000 first mortgage bonds due 1982. **Proceeds** — For new construction and other corporate purposes. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Suart & Co. Inc.; Equitable Securities Corp. and Central Republic Co. (Inc.) (jointly); Lehman Brothers and Stone & Webster Securities Corp. (jointly); Union Securities Corp.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane. **Bids** — Tentatively scheduled to be received at noon (EST) on Sept. 9.

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 withdrawn.

★ **Banff Oil, Ltd., Calgary, Alberta, Canada (9/4)**
Aug. 8 filed 1,000,000 shares of common stock (par 50 cents—Canadian). **Price** — To be supplied by amendment. **Proceeds**—For repayment of bank notes and for general funds. **Underwriters**—In the United States—Lehman Bros., New York, N. Y.; in Canada—W. C. Pitfield & Co., Ltd., Montreal, Quebec.

Beaunit Mills, Inc., New York (8/21)
Aug. 1 filed $6,000,000 of 5% convertible subordinate debentures, due 1972. **Price**—To be spplied by amendment. **Proceeds**—For capital expenditures and other corporate purposes. **Underwriters**—White, Weld & Co., and Kidder, Peabody & Co., both of New York.

★ **Briggs Manufacturing Co., Detroit, Mich.**
Aug. 1 (letter of notification) 2,735 shares of common stock (no par). **Price**—At market (estimated at $36.50 per share). **Proceeds**—To Estate of Walter O. Briggs. **Office**—3675 E. Outer Drive, Detroit 34, Mich. **Underwriter**—None.

★ **Brodie's, Inc., Seattle, Wash.**
July 30 (letter of notification) 1,000 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—To increase working capital. **Office**—2034 Fifth Ave., Seattle, Wash. **Underwriter**—None.

Canadian Palmer Stendel Oil Corp. (8/20)
July 31 filed 3,410,000 shares of common stock (par 25 cents) of which 2,000,000 shares are to be offered for subscription by stockholders of Palmer Stendel Oil Corp.; 400,000 shares to be sold to latter named company; 400,000 shares to New Superior Oils of Canada, Ltd.; 370,000 shares to officers and employees; and 240,000 shares to be under option to underwriters. **Price**—At par. **Proceeds**—To be added to general funds. **Underwriter**—Burnham & Co., New York.

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.

★ **Catholic Library Guild, Inc., Boston, Mass.**
Aug. 7 (letter of notification) 400 shares of preferred stock. **Price**—At par ($50 per share). **Proceeds**—To increase book inventory and for other corporate purposes. **Office**—41 Tremont St., Boston 8, Mass. **Underwriter**—None.

★ **Central Paper Co., Muskegon, Mich.**
Aug. 6 (letter of notification) 300 shares of common stock (par $1). **Price**—$9 per share. **Proceeds**—To Marie E. Fuget, the selling stockholder. **Underwriter**—Swift, Henke Co., Chicago, Ill.

★ **Charlton Storage Co., Charlton, Iowa**
Aug. 6 (letter of notification) 994 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For capital improvements. **Underwriter**—None.

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

Cincinnati Enquirer, Inc., Cincinnati, Ohio
July 25 filed $3,500,000 of 15-year sinking fund debentures due Aug. 1, 1967 and $2,500,000 of 10-year convertible junior debentures due Aug. 1, 1962. **Price**—To be supplied by amendment. **Proceeds**—To pay notes issued to the Portsmouth Steel Corp. **Underwriter** — Halsey, Stuart & Co. Inc., Chicago & New York. **Offering**—Not expected until some time in September.

Cincinnati Enquirer, Inc., Cincinnati, Ohio
July 25 filed 400,000 shares of common stock to be offered to employees and others. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Underwriter**—None.

• **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. Statement effective July 31.

Continental Oil Co., Houston, Tex.
May 14 filed $26,000,000 of interests in The Thrift Plan for employees of this company, together with 400,000 shares of capital stock (par $5) purchasable under terms of the plan. **Underwriter**—None.

★ **Continental Tungsten Corp., Globe, Ariz.**
Aug. 1 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For mining operations. **Address**—P. O. Box 1291, Globe, Ariz. **Underwriter**—None.

• **Convertawings, Inc., Amityville, N. Y.**
July 9 (letter of notification) 10,000 shares of common stock (par $1) being 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.

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.

★ **Delmar Mining & Milling Co., Salmon City, Idaho**
July 31 (letter of notification) 600,000 shares of capital stock (par 5 cents). **Price**—Three cents per share. **Proceeds**—For working capital and mine machinery. **Underwriter**—None.

Devil Peak Uranium, Ltd. (Nev.) (9/15)
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., New York.

★ **Dixie Fire & Casualty Co., Greer, S. C.**
Aug. 4 (letter of notification) 5,000 shares of common stock (par $10). **Price**—$20 per share. **Proceeds**—For capital and surplus. **Underwriter**—None.

Duquesne Natural Gas Co.
May 28 (letter of notification) 92,783 shares of common stock (par one cent) being offered for subscription by stockholders of record Aug. 1 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. 15. **Price** — $1 per share. **Proceeds**—For working capital. **Underwriters**—None.

Eastern Industries, Inc., New Haven, Conn.
July 29 (letter of notification) 1,988 shares of common stock (par 50 cents). **Price** — At the market (approxi-

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NEW ISSUE CALENDAR

August 14, 1952
Chicago, Milwaukee, St. Paul & Pacific RR. — **Equip. Trust Ctfs.** (Bids noon CDT)

August 18, 1952
Lunn Laminates, Inc. — **Common** (S. D. Fuller & Co. and Vermilyea Brothers)
Pillsbury Mills, Inc. — **Common** (Goldman, Sachs & Co., and Piper, Jaffray & Hopwood)
Pacific Finance Corp. — **Common** (Blyth & Co., Inc., and Hornblower & Weeks)
Selmix Dispensers, Inc. — **Pfd. & Common** (No underwriting)
Texas City Chemicals, Inc. — **Debs. & Common** (Glore, Forgan & Co.)

August 19, 1952
Tri-Centre Gas & Oil Co., Inc. — **Common** (Blair F. Claybaugh & Co.)

August 20, 1952
Canadian Palmer Stendel Oil Corp. — **Common** (Burnham & Co.)

August 21, 1952
Beaunit Mills, Inc. — **Debentures** (White, Weld & Co. and Kidder, Peabody & Co.)
Texas Eastern Transmission Corp. — **Preferred** (Dillon, Read & Co.)

August 25, 1952
Huyck (F. C.) & Sons — **Pfd. & Common** (Kidder, Peabody & Co.)
Parsonnet TV-Film Studios, Inc. — **Debs. & Com.** (Trinity Securities Corp.)

August 27, 1952
Glenmore Distilleries Co. — **Debentures** (Glore, Forgan & Co.)
Peninsular Telephone Co. — **Preferred** (Morgan Stanley & Co. and Coggeshall & Hicks)

September 2, 1952
Sunshine Packing Corp. of Penna. — **Debs. & Com.** (Weber-Millican Co.)

September 4, 1952
Banff Oil, Ltd. — **Common** (Lehman Bros. and W. C. Pitfield & Co., Ltd.)

September 8, 1952
Scott Paper Co. — **Debentures** (Drexel & Co.; Merrill Lynch, Pierce, Fenner & Beane; Smith, Barney & Co.)
Tennessee Gas Transmission Co. — **Debentures** (Bids to be received)

September 9, 1952
Arkansas Power & Light Co. — **Bonds** (Bids noon EST)

September 10, 1952
Erie RR. — **Equip. Trust Ctfs.** (Bids to be invited)
Utah Power & Light Co. — **Common** (Offering to stockholders)

September 15, 1952
Devil Peak Uranium, Ltd. — **Common** (Gardner & Co.)
Duquesne Light Co. — **Preferred** (Bids to be received)

September 22, 1952
Duquesne Light Co. — **Bonds** (Bids to be received)

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 1, 1952
California Electric Power Co. — **Bonds & Com.** (Bids to be received)

October 7, 1952
United Gas Corp. — **Debentures** (Bids 10 a.m. EST)

October 15, 1952
Utah Power & Light Co. — **Bonds** (Bids noon EST)

October 20, 1952
Carolina Power & Light Co. — **Bonds** (Bids noon EST)

December 15, 1952
New Orleans Public Service Inc. — **Bonds** (Bids to be received)

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mately $7 per share). **Proceeds**—To Charles D. Pulis, a director. **Office**—296 Elm St., New Haven, Conn. **Underwriter**—Pulis, Dowling & Co., New York, N. Y.

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 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.

● **Electronic Devices, Inc., Brooklyn, N. Y.**
Aug. 1 (letter of notification) 2,000,000 shares of common stock (par one cent) being offered first to stockholders of record Aug. 8; rights to expire on Aug. 30. **Price**—5 cents per share. **Proceeds**—For working capital. **Office**—429 12th St., Brooklyn, N. Y. **Underwriter**—None. If an underwriter is used, the name will be furnished by amendment (may be Tellier & Co., New York).

★ **Empire Livestock Marketing Cooperatives, Inc.**
Aug. 6 (letter of notification) 10,000 shares of 4% non-cumulative preferred stock. **Price** — At par ($25 per share). **Proceeds**—For working capital. **Office**—Savings Bank Bldg., Ithaca, N. Y. **Underwriter**—None.

★ **Empire Petroleum Co., Denver, Colo.**
Aug. 5 (letter of notification) 240,000 shares of preferred common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For working capital and a new refining unit. **Office**—3975 East 58th Ave., Denver, 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.

★ **First Finance, Inc., Mobile, Ala.**
Aug. 6 (letter of notification) $100,000 of five-year subordinated promissory notes. **Price**—At par (in units of $1,000 each). **Proceeds**—For additional working capital. **Office**—452 Government St., Mobile, Ala. **Underwriter**—None.

Flathead Petroleum Co., Monroe, Wash.
March 21 filed 600,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds** — For equipment and drilling purposes. **Underwriter**—None.

★ **General Appliance Corp., Springfield, Mass.**
Aug. 1 (letter of notification) 24,075 shares of common stock (par 10 cents). **Price**—At market (estimated at 40 cents per share). **Proceeds**—To three selling stockholders. **Underwriter**—E. L. Aaron & Co., New York.

★ **Glenmore Distilleries Co., Louisville, Ky. (8/27)**
Aug. 7 filed $12,000,000 sinking fund debentures due Aug. 1, 1972. **Price** — To be supplied by amendment. **Proceeds**—To retire long-term debt, to redeem outstanding 6% cumulative preferred stock (par $50), and for additional working capital. **Underwriter**—Glore, Forgan & Co., New York.

★ **Gold of Ophir Placers, Inc., Lovelock, Nev.**
Aug. 1 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To operate gold placer claims. **Office**—c/o A. Livingstone, 280 Main St., Lovelock, Nev. **Underwriter**—None.

Gyrodyne Co. of America, Inc. (N. Y.)
July 31 (letter of notification) 34,300 shares of 6% cumulative convertible preferred stock (par $5) and 892 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. The class A shares will be used to pay certain employees of the company for services rendered. **Underwriter**—Jackson & Co., Boston, Mass.

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.

★ **Holly Corp. (formerly General Appliance Corp.)**
Aug. 6 (letter of notification) 43,000 shares of common stock (par 10 cents). **Price**—44 cents per share. **Proceeds**—To Charles G. Wray, Treasurer (20,000 shares), and George Kleiman, President (23,000 shares). **Office**—15 Park St., Springfield, Mass. **Underwriter**—E. L. Aaron & Co., New York, N. Y.

● **Huyck (F. C.) & Sons (8/25-29)**
July 25 (by amendment) filed 750 shares of $2.75 dividend class A preferred stock (par $50) and 20,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To two selling stockholders. **Business**—Mechanical fabrics for industry and blankets and apparel cloth. **Underwriter**—Kidder, Peabody & Co., New York, for common (expected at $16.50 per share), and George R. Cooley & Co., Albany, N. Y., for preferred.

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.

★ **Ithaca Loan Finance, Inc.**
Aug. 6 (letter of notification) $175,000 of debentures. **Price**—At par. **Proceeds**—To retire bank loans and for working capital. **Office** — First National Bank Bldg., Ithaca, N. Y. **Underwriter**—None.

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.

★ **Jib Gold Mines, Inc., Basin, Mont.**
July 28 (letter of notification) 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—To develop mining properties and to acquire milling machinery. **Underwriter**—None.

★ **J.I.M. Petroleum Co., Long Beach, Calif.**
Aug. 6 (letter of notification) 24,475 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To finance drilling and to liquidate open account liabilities. **Office**—115 Pine Ave., Long Beach, Calif. **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.

★ **LaFlorecita Mining Co., Salt Lake City, Utah**
July 31 (letter of notification) 250,000 shares of class A common stock. **Price**—10 cents per share. **Proceeds**—To mine uranium ore and for purchase of additional mining properties. **Office**—1153 E. 6th South St., Salt Lake City, Utah. **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.

Lawyers Mortgage & Title Co., N. Y.
Aug. 1 (letter of notification) 45,000 shares of common stock (par 65 cents). **Price**—At the market (about $2.12½ per share). **Proceeds**—To Harry Fromkes, the selling stockholders. **Underwriter**—Arthur I. Korn & Co., New York.

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.

★ **Lowell Adams Factors Corp.**
Aug. 7 (letter of notification) 13,500 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To Louis L. Rogers, the selling stockholder. **Underwriter**—Louis L. Rogers, New York.

● **Lunn Laminates, Inc., Huntington, N. Y. (8/18)**
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.

★ **Magma King Manganese Mining Co.**
Aug. 1 (letter of notification) 45,000 shares of common stock (par 10 cents). **Price**—At market (estimated at 22 cents per share). **Proceeds**—To Charles M. Weber, the selling stockholder. **Office** — 733 Security Bldg., Phoenix, Ariz. **Underwriter**—None.

McCarthy (Glenn), Inc.
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. **Offering**—Date indefinite.

★ **McKales Corp., Seattle, Wash.**
July 31 (letter of notification) 30,000 shares of class A stock (par $3). **Price** — $10 per share. **Proceeds** — For service station sites and stations. **Office**—2124½ Third Ave., Seattle 1, Wash. **Underwriter**—None.

★ **Metals & Chemicals Corp., Dallas, Tex.**
July 31 (letter of notification) 22,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To Horatio R. Aldredge, Jr., the selling stockholder. **Underwriter**—Shearson, Hammill & Co., Dallas, Tex.

★ **Mid American Oil & Gas Co., Chicago, Ill.**
July 31 (letter of notification) 125,000 shares of common stock (par 10 cents). **Price**—At the market. **Proceeds**—To an individual and two corporations who received the shares in exchange for oil and gas leases. **Office**—231 S. La Salle St., Chicago, Ill. **Underwriter**—Lamson Bros. & Co., Chicago, Ill.

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 buy one additional share for each two shares purchased 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.

● **Motorola, Inc., Chicago, Ill.**
July 17 filed 175,921 shares of common stock (par $3) being 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. 25. **Price**—$31.50 per share. **Proceeds**—For working capital. **Underwriter**—Hickey & Co., Chicago, Ill. Statement effective Aug. 8.

Nev-Tah Oil & Mining Co., Salt Lake City, Utah
June 12 (letter of notification) 600,000 shares of common stock (par 5 cents). **Price**—10 cents per share. **Proceeds**—For expansion of operations. **Underwriter** — Cromer Brokerage Co., Salt Lake City, Utah.

New Mexico Copper Corp.
July 21 (letter of notification) 496,000 shares of common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For drilling expenses, new equipment and working capital. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

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.

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.

● **Pacific Finance Corp. (Calif.) (8/19-20)**
Aug. 4 filed 185,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To increase working capital. **Business**—Automobile sales financing and insurance. **Underwriters**—Blyth & Co., Inc., and Hornblower & Weeks, both of New York.

★ **Pacific Mutual Silver Lead Co., Spokane, Wash.**
July 25 (letter of notification) 100,000 shares of non-assessable preferred stock and 700,000 shares of assessable common stock. **Price**—At par (10 cents per share). **Proceeds**—To develop ore tonnage and build mill. **Address**—P. O. Box 1805, Spokane, Wash. **Underwriter**—None.

Pacific Western Oil Corp.
Aug. 5 filed 100,000 shares of common stock (par $4). **Price**—At the market. **Proceeds**—To J. Paul Getty, President. **Underwriter** — None, sales to be handled by brokers on the New York Stock Exchange.

★ **Peninsular Telephone Co. (8/27)**
Aug. 7 filed 160,000 shares of cumulative preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Morgan Stanley & Co. and Coggeshall & Hicks, both of New York.

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.

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.

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.

★ **Pine Street Fund, Inc., New York**
Aug. 7 filed 200,000 shares of common stock (par $1). **Price**—At net asset value, plus sales load. **Proceeds**—For investment. **Business**—Open-end diversified management investment company. **Distributor** — Wood, Struthers & Co., New York.

★ **Price (L. B.) Mercantile Co., St. Louis, Mo.**
Aug. 6 (letter of notification) 11,750 shares of common stock (par $25), to be sold to key employees. **Price**—$25.50 per share. **Proceeds**—To reimburse treasury for purchase of shares from Estate of Katherine E. Price. **Office**—4702 Olive St., St. Louis, Mo. **Underwriter**—None.

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

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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.

● Sapphire Petroleums, Ltd. (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**—In United States McLaughlin, Reuss & Co., New York; and in Canada: Frame, Fadyen & Co., Toronto. **Offering**—Expected at end of the month or sooner.

● 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. An amendment is expected to be filed about Sept. 1.

★ Selmix Dispensers, Inc. (8/18)
Aug. 11 (letter of notification) 29,900 shares of 5½% cumulative preferred stock (par $10) and 32,900 shares of common stock (par one cent), the preferred and 29,900 common shares to be offered in units of one share of each class of stock. **Price**—$10.01 per unit. **Proceeds**—To repay debt to General Bronze Corp. and for working capital. **Office**—28-25 Borden Avenue, Long Island City 1, N. Y. **Underwriter**—None. In addition, 1,000 common shares will be sold to Roberts & Co. and 2,000 common shares to Belmont Towbin at one cent per share.

● Seneca Oil Co., Oklahoma City, Okla.
July 28 (letter of notification) 100,000 shares of class A stock (par 50 cents). **Price**—$1.75 per share. **Proceeds**—To reduce existing bank loans and for general funds. **Office**—1361 First National Bank Bldg., Oklahoma City, Okla. **Underwriter** — Genesee Valley Securities Co., Rochester, N. Y. **Offering**—Temporarily withdrawn.

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.

★ Silver Mountain Lead Mines, Inc.
July 31 (letter of notification) 2,275,000 shares of capital stock (par 10 cents), to be issued in payment of mining claims. **Address**—Box 469, Wallace, Idaho. **Underwriter**—None.

★ Soya Corp. of America
Aug. 6 (letter of notification) 6,400 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—To Jacquin, Stanley & Co., New York, the underwriter, in payment for services rendered.

★ State Exploration Co., Los Angeles, Calif.
Aug. 6 (letter of notification) 43,000 shares of capital stock (par $1) to be offered to stockholders for subscription at rate of one share for each 10 shares held. **Price**—$5 per share. **Proceeds** — For expansion program and general corporate purposes. **Office** — 649 S. Olive St., Los Angeles, Calif. **Underwriter** — None; unsubscribed shares will be sold to a "small group of individuals."

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. (8/25-29)
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**—Expected week of Aug. 25.

Sunshine Packing Corp. of Pennsylvania (9/2-4)
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 early in September.

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.

★ Tennessee Gas Transmission Co. (9/8)
Aug. 6 filed $40,000,000 first mortgage pipeline bonds due 1972. **Proceeds**—To repay short-term notes. **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 City Chemicals, Inc. (8/19)
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. (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 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.)

★ Tri-Centre Gas & Oil Co., Inc. (8/19)
Aug. 11 (letter of notification) 28,380 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—For drilling expenses and working capital. **Office**—120 N. Buckhout Street, State College, Pa. **Underwriter**—Blair F. Claybaugh & Co., Harrisburg, Pa.

★ U. S. Airlines, Inc., Fort Lauderdale, Fla.
Aug. 4 (letter of notification) $210,000 of 7% convertible equipment trust certificates, series A, due Aug. 15, 1954. **Price**—At par (in units of $100 and $1,000 each). **Proceeds**—For purchase of two aircraft. **Underwriters**—John R. Kaufmann Co., Scherck, Richter Co. and Semple, Jacobs & Co., Inc., all of St. Louis, Mo.; and Gearhart & Otis, Inc., New York.

★ Value Line Income Fund, Inc., New York
Aug. 11 filed 800,000 shares of capital stock (par $1). **Price**—At net asset value, plus selling commission. **Proceeds**—For investment. **Business**—Diversified open-end management investment company. **Underwriter**—Value Line Fund Distributors, Inc., New York.

Warren-Bradshaw Exploration Co.
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. **Offering**—Expected today or tomorrow.

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.

★ Wisconsin Oil Refining Co., Inc., Sheboygan, Wis.
Aug. 8 (letter of notification) 300,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital, etc. **Underwriter**—None.

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.

★ Workers Finance Co. of North Bergen
Aug. 8 (letter of notification) $150,000 of 6% cumulative deferred debentures due in 5, 10 or 20 years from date of issue. **Price**—At par ($100 per unit). **Proceeds**—To make loans. **Office**—7700 Bergenline Avenue, North Bergen, N. J. **Underwriter**—None.

Prospective Offerings

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.
Aug. 7 C. Hamilton Moses, President, announced that the company expects to borrow additional money next Spring to finance its 1953 construction program, which, it is estimated, will involve $29,500,000. On Sept. 9, it is expected that the company will sell at competitive bidding an issue of $15,000,000 first mortgage bonds due 1982 and use the proceeds toward its 1952 construction costs. See under "Securities in Registration" in a preceding column.

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.

★ Bangor & Aroostook RR.
Aug. 8 company applied to ICC for authority to issue and sell $4,000,000 of equipment trust certificates dated Oct. 1, 1952 and due semi-annually to and including Oct. 1, 1967. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; R. W. Pressprich & Co.; Freeman & Co.; H. M. Payson & Co.; F. S. Moseley & Co.

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 for a 14-day standby (certain stockholders have waived their rights). **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. (10/1)
Aug. 5, Albert Cage, President, said "it is planned to issue and sell 350,000 shares of common stock about Oct. 1." Further financing will be carried out early in 1953, the proceeds of which will be used to retire then existing bank loans and use the balance of the proceeds for new construction, etc. It is also planned to call for redemption, shortly after the sale of the 350,000 common shares, the balance of the two convertible preference stock issues (5½% and 5.60%). Any bonds will be sold by competitive bidding and the stock probably through a 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.

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 competi-

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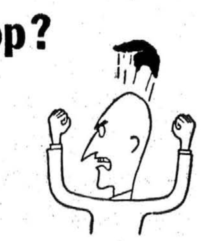

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tive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; W. C. Langley & Co. and First Boston Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp.; Smith, Barney & Co. and Blyth & Co., Inc. (jointly). **Bids**—To be opened at noon (EST) 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 Illinois Public Service Co.
July 28 it was reported company plans sale of 50,000 shares of preferred stock (par $100). **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and Union Securities Corp. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

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.

Chicago, Milwaukee, St. Paul & Pac. 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.

● **Duquesne Light Co. (9/15)**
July 8 stockholders approved a proposal increasing authorized preferred stock (par $50) from 800,000 shares to 1,000,000 shares, of which it is planned to issue about 140,000 shares. **Underwriters** — To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Lehman Brothers; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Bids**—Expected about Sept. 15.

● **Duquesne Light Co. (9/22)**
July 28 it was reported company may issue and sell about $14,000,000 to $15,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Drexel & Co. and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co., Inc. (jointly); Glore, Forgan & Co.; Harriman Ripley & Co. Inc. **Bids**—Expected about Sept. 22.

★ **Erie RR. (9/10)**
Bids will be received by the company on Sept. 10 for the purchase from it of $2,880,000 equipment trust certificates to mature annually from 1953 to 1962, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

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 Aug. 19 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.

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.

Houston Natural Gas Corp.
July 29 stockholders approved 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.

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. **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.

★ **Leonard Refineries, Inc.**
Aug. 6 it was reported stockholders on Aug. 26 may vote on authorizing an issue of $500,000 convertible debentures or preferred stock. **Proceeds**—Together with funds from private sale of $1,500,000 7-year serial notes, to be used toward expansion program. **Underwriter**—Probably Bradbury-Ames & Co., Grand Rapids, Mich.

Long Island Lighting Co.
July 30 it was reported company may sell in September or October an undetermined number of common shares first to stockholders and later in year some additional bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — For common stock, probably Blyth & Co., Inc. and The First Boston (jointly). For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Smith, Barney & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly).

Minabi Exploration Co., Houston, Tex.
March 21 it was reported early registration is expected of 125,000 shares of common stock. **Proceeds**—To go to certain selling stockholders. **Underwriter** — Moroney Beissner & Co., Houston, Tex.

Mississippi Power & Light Co.
March 14 it was reported company plans to issue and sell in November an issue of $8,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probably bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); Equitable Securities Corp. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.

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 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. and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp.; Union Securities Corp. **Registration** — Expected about Nov. 14. **Bids** — Tentatively set for Dec. 15.

★ **Pacific Telephone & Telegraph Co. (10/15)**
Aug. 11 it was announced company has sought approval of California P. U. Commission to issue and sell $35,000,000 of debentures due Nov. 15, 1979. **Proceeds**—For repayment of advances and bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Union Securities Corp. (jointly); White, Weld & Co.; Morgan Stanley & Co. **Bids**—Tentatively set for Nov. 15.

★ **Pacific Telephone & Telegraph Co.**
Aug. 11 the company applied to the California P. U. Commission for authority to offer for subscription by its stockholders an additional 703,375 shares of common stock (par $100) in the ratio of one new share for each nine shares of common or preferred stock held. American Telephone & Telegraph Co., the parent, presently owns approximately 90% of the outstanding common stock. **Proceeds**—To repay construction loans and for further expansion. **Underwriter**—None.

● **Parsonnet TV-Film Studios, Inc. (8/25-9/3)**
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 sometime between Aug. 25 and Sept. 3, with letter of notification to be filed Aug. 18.

● **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. Of the stock of this company, 51% is now owned by Northern Natural Gas Co.

● **Scott Paper Co. (9/8)**
July 28 it was reported company plans to offer $25,000,000 of convertible debentures first to stockholders about Sept. 8 for a 15-day standby on basis of $100 of debentures for each 12 shares held. **Registration** — Expected about Aug. 15. **Underwriters** — Drexel & Co.; Merrill Lynch, Pierce, Fenner & Beane and Smith, Barney & Co.

Socony-Vacuum Oil Co., Inc.
July 18 it was announced company plans to offer to its common stockholders about 3,180,188 shares of common stock (par $15) at the rate of one new share for each 10 shares held. **Proceeds**—For expansion and improvements. **Underwriter**—Morgan Stanley & Co., New York. **Offering**—Not expected before late in September.

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.

★ **Southwestern Public Service Co.**
Aug. 4 it was reported that company may do some additional common stock financing and use the proceeds toward its construction program which, it is estimated, will involve approximately $23,000,000 for the year ended Aug. 31, 1953. Additional bond and preferred stock financing may also be necessary; this previously was done privately. **Underwriter**—Dillon, Read & Co. Inc., New York.

● **United Gas Corp. (10/7)**
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). **Bids**—Tentatively scheduled for 10 a.m. (EST) on Oct. 7.

● **Utah Power & Light Co. (10/15)**
Aug. 1 company announced it expects during October to issue and sell $10,000,000 first mortgage bonds due 1982. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders (1) For bonds—Halsey, Stuart & Co. Inc.; 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. **Bids**—Tentatively scheduled to be received up to 12 noon (EST) on Oct. 15.

● **Utah Power & Light Co. (9/10)**
Aug. 1 company also announced it expects during September to offer 167,500 shares of common stock first to common stockholders of record probably around Sept.10, on a 1-for-8 basis (with an oversubscription privilege); rights to expire about Sept. 25. **Proceeds**—For new construction. **Underwriter** — None, but if necessary, unsubscribed shares may be sold at competitive bidding. Probable bidders: 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.

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); Union Securities Corp. and Lehman Brothers (jointly). **Registration**—Tentatively scheduled for Aug. 27. **Bids**—To be opened about Sept. 30.

★ **Western Natural Gas Co.**
Aug. 11 it was stated that the directors on Sept. 2 will vote, among other things, on creating an authorized issue of 500,000 shares of preferred stock (par $30), part of which the company plans to offer as convertible preferred stock (carrying a dividend rate of about 5%) for subscription by common stockholders. **Traditional Underwriter**—White, Weld & Co., New York.

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Housing Outlook and Pacific Coast Prospects

subsidies would again promote housing for smaller income families.

Pacific Coast Builders

In the past six years, new construction firms in these three states have increased 49% against an average of 33% for the nation. The trend in Southern California is toward large scale builders. Taxes and red tape are too complicated for the individual builder of a few houses per year, and the large scale operator has the advantage in major housing markets.

Direct beneficiaries of housing such as manufacturers and dealers in building materials of all kinds have prospered. So, too, have the fire insurance companies and agencies, the financing groups, including their brokers, and those indirect beneficiaries such as manufacturers and dealers in household equipment, home furnishings and the general business which serves them.

Styles and Standardization

Throughout the three states styling has been modern and progressive. Standardization of room arrangement and styles has become acceptable in small houses in nearly all the larger areas. Prefabrication, however, has not proved as successful in the West as it has nationally. Prefabrication firms are flourishing in the Middle West and East. Last year they sold 50,000 houses and their producers expect to supply 8% of the total individual homes in 1952. Their percentage will be very slight on the Pacific Coast, probably because of the closer supply of lumber.

The Cost of Construction

Generally speaking, a house may be constructed on the Pacific Coast for less than in the Middle West or the East. Part of this is due to our mild climate. Use of insulation and double construction is common out here, but not a requirement. What we pass up in basic strength and weather protection, we tend to offset by adding more comforts and facilities in style and in equipment.

The Wenzlick Service which, has maintained a running estimate of cost on a number of styles of houses, rates a two story frame house of the same specifications, constructed in Los Angeles and in Portland as costing 3.7% less than in St. Louis, and 9.3% less in San Francisco and Seattle. In many Eastern areas the cost is higher than in St. Louis.

In all areas the cost of construction is probably higher in 1952 than in any previous year, and many authorities think that costs may drop from 15 to 25% in some period to come but none of them ventures to say just when. The immediate outlook is 5% higher than last year.

Wage Scales

Union wage scales per hour for all building trades workers in the United States is estimated by the Department of Labor at $2.47 on April first of this year. This is 26 cents above Jan. 3, 1950, a rise of 1½% in two years. It is 93% above the rate in June, 1939.

Union scale in Pacific Coast cities is slightly higher and many of us like to think that part of our lower production cost is due to the climate which permits more achievement per worker.

As against the national average of $2.47 for all building trades, the union scales on the Pacific Coast range from $2.30 low point for carpenters up to $3.30 high point for bricklayers.

Scale for bricklayers in San Diego and Los Angeles is now $3 per hour, $3.15 in Portland, $3.25 in the Bay area, and $3.30 in Seattle. For carpenters, it is $2.30 in Portland, $2.35 in San Diego and Los Angeles, $2.45 in Oakland and $2.51 in Seattle.

For electricians, it is $2.65 in Oakland and Seattle, $2.72½ in Portland, and $2.75 in Southern California.

For plasterers, it is $3 in the northern states, $3.12½ in the South, and $3.167 in the Bay Area.

Generally speaking, the union wage rate in Southern California is lower than in the northern cities, and it is also true that union labor is more generally used in the North than in the South. Labor cost per house is a trifle lower, therefore, in Southern California. Loyal Northwesterners insist that this is due to better construction in the North and aver that labor efficiency in the cooler North is greater than in the heat of Southern California. The fact remains that square foot cost down South is lower than up North.

Washington, D. C., has higher union labor rates than those on the Pacific Coast, but other eastern cities pay less. The Department of Labor reports, as of April first, that the average national union rate for bricklayers, including Washington, D. C., is $3.08, carpenters $2.56, electricians $2.80, and plasterers is $3.03.

Pacific Coast Financing

Part of the reasons for the handsome housing record on the Pacific Coast has been that there has been plenty of mortgage money available. We have life insurance lending, a good supply of savings and loan money, and a heavy participation in home finance by commercial banks. In Seattle mutual savings banks are also a factor.

Since these three types of institutions, banks, insurance companies and savings and loan associations are such great factors in home finance, it is important to consider the saving habits of our Westerners.

The average savings per capita in the United States in $478, Californians have $671 per capita, the highest average in all the western and southern states, although lower than in thrifty Connecticiut, Massachusetts, New York and New Jersey.

Oregon and Washington are either not so thrifty or not so prosperous for Oregon has $358 per capita, and Washington $442. These figures compare favorably with the Middle West states and are above the average of the South. They place those two states about two-thirds up the scale of all the states in the Union.

Of the savings accounts, commercial banks hold 81% in California, 75% in Oregon, and 51% in Washington. Mutual savings banks hold 4% in Oregon, and 20% in Washington, where one mutual savings bank in Seattle has over $200,000,000.

That leaves to savings and loan associations about 19% of California's savings, 21% of Oregon's and 29% of Washington's.

Savings and loan position in the home finance field is quite disproportionate to its growing, but still smaller one in the savings field. A third of the nation's homes are financed by savings and loan associations. They are the most important factor in home finance in the nation. The reason is that after putting about one-fifth of their capital, or savings, into liquid funds such as Federal and municipal bonds, and carrying a substantial sum in cash, they put the remaining 75 to 80% of their assets into mortgages, substantially all on homes. By contrast, even on the Pacific Coast, the ratio of mortgage holdings to investments by commercial banks is about 20%. Although the percentage of residential mortgages to total investments in all life insurance companies is at an all time high, it is less than 20%, and not all companies make home loans. Those who do, go in or out of the market as investment opportunities dictate. Only savings and loan associations are dedicated by charter to the financing of homes.

The situation as of today is that all three of the principal organized agencies for financing homes are making loans widely. Individuals are doing the same. The home lending by commercial banks and by savings and loans is about the same in volume, and this applies in each of the three coast states. That of insurance companies is lower in each state than for the other two types of institutions, but many of the loans originated by mortgage companies are later sold to insurance companies, so it is very possible that life insurance companies directly and indirectly make as many Pacific Coast home mortgages as do banks or savings and loans. They are of course the principal factor in financing large apartment house projects.

Shortage of Veteran Financing

The first of these is the Veteran Loan Program. The second is the operation of Federal National Mortgage Association, or F. N. M. A. The third is credit restricted by the Federal government.

The Veteran market for homes is bogged down by inability of lending institutions to handle 4% mortgages in a competitive market that is calling for high dividend and interest payment. These institutions cannot entirely control their lending rates. They must pay enough to attract savings or they have nothing to lend.

The Veteran Program is suffering because of a shortage of 4% money. The law permits a rate of 4½% on Veteran loans, but the Veterans' Administration, backed in some instances by organized Veterans groups, has insisted that the Veteran is entitled to a 4% rate as a matter of justice. The lending institutions, however, cannot be governed alone by interest in the veteran, and 4% loans will not leave enough margin for expense, dividends and necessary reserves.

Commercial banks have been able to stay in the market in larger volume than the savings and loan associations who led the field in the early days of the Veteran Loan Program, and today hold a large volume of GI loans.

Subterfuges have been worked out whereby a large builder could sell his Veteran loans at a discount which would permit the lending institution to realize a little higher return. That cost, of course, was wrapped up in the cost of the home to the Veteran just the same as if it were frankly reflected in the interest rate. It is the general opinion of those in financing circles that the Veteran himself would benefit greatly if the Veterans' Administration would permit a 4½% rate to be charged. Nothing can be expected in that direction until after the November elections.

F. N. M. A.

Federal National Mortgage Association, or "Fannie Mae" has given the backing of Federal funds to large scale lending. It is a remote method by which the government makes direct loans, that is, buys them after they have been made. Builders like it because it throws Federal money into areas where local institutions are short of funds. Some lenders like it because it gives them an outlet for mortgages they like to make but may not be in position to keep. Those who oppose direct government lending would like to see it eliminated because it is using taxpayers money for a purpose which they feel should be the field of Private Enterprise. The present situation is that $900 million has just been appropriated to give F. N. M. A. to use in giving prior commitments to purchase mortgages made in defense areas up to June 30, 1953. In effect this will release $362 million of non-defense commitment money which F. N. M. A. had already assigned to defense areas. Such purchased mortgages must be dated later than Feb. 29, 1952, and 50% of the total must be FHA and Veteran loans. As F. N. M. A. is successful in selling mortgages which it buys, it may make new purchases within a limit which is somewhat liberal.

Credit Restrictions

Credit restrictions of various kinds are the other factor. On the question of Federal curbs and stimulants to home construction, one's opinion depends somewhat on his politics, but perhaps more especially on his self-interest. Those who believe in a free play of the law of supply and demand are not well content with the two-rein system by which the government stimulates demand for homes with Federal guarantees on the one hand, and then curbs them with restrictions on the right of the thrifty to spend their money for the homes of their choice on the other. It results in curtailments which hit the very people whom we have encouraged to save for the home ownership, and it throws upon those least able to carry the burden a heavier load of debt than is in many cases either practical or desirable.

I don't propose here to discuss the social implications, but merely to mention that these three factors do affect the housing situation of the future on the Pacific Coast as well as nationally.

Public Housing

In the three Pacific Coast states, we now have 5,325 completed local units, subject to continued Federal subsidies. 16,677 additional units are under contribution contracts with the Federal Government, but construction has not started. Since only 35,000 such units are to be permitted in the country during the next year, the Pacific Coast will surely not get half of them. In fact, Los Angeles says it does not want any of them.

In addition, the Federal Government owns 100,000 dwelling units in the three states. These were built to house war workers, and later adapted to the housing of veteran families. Some are operated by Federal employees, and some by local agencies. In some areas, local effort is being made to have them sold or demolished.

No one should under-estimate the force of our public housing movement, nor its backing by the Federal Administration. Its proponents genuinely believe that the government owes a modern dwelling to every citizen who cannot or does not afford one for himself.

They have progressed from a belief in slum clearance to proposals for subsidizing housing for not alone the low income group, but for the middle income families as well. The promotion comes from zealots for social reform at taxpayer expense, and from an ably organized and functioning association of housing officials, collecting finances from Federal housing employees and from business firms who profit from public housing construction. They are counselled by at least five employees of the United States Government, one of whom is publicly housed in the most expensive home in Washington—the White House. I heard the President loudly cheered in the public housing convention at Washington, when he made it clear that he was on the side of housing at Federal expense and considered that opponents of such a plan are self-interested, greedy enemies of the people's welfare.

National opposition to public housing has not been popular politically—there are so many voters who are willing to share the landlord's wealth, and so many social reformers who have the time to promote the state welfare philosophy. The real test comes when a fight develops within a community, and the taxpaying homeowners become sufficiently aroused to face the cost. The Los Angeles defeat of public housing on June 3 was an outstanding gain against the Socialist aspect of subsidized housing plans. The recent law passed by Congress declining to pay salaries to housing officials who proceed to complete projects after the local citizens reject them, will probably have some influence on the conflict.

Public Housing proposals have been defeated in Seattle, Yakima, Portland, Bakersfield, Hughson and Los Angeles, but they will come up again. Since the proponents are nationally organized and government led, and each battle is local and new, and one defeat simply suggests another try, the public housing factor in Pacific Coast housing is more important than present statistics indicate.

It looks as if most of the Pacific Coast area will avoid Public Housing for a time. However, when the time comes when we need some pump-priming again, and it may be found that the field for private ownership has been pretty well satisfied, there will be an excellent opening for those who believe that the government should do whatever Private Enterprise finds it difficult to do.

Foreclosures

There have been relatively few foreclosures on the Pacific Coast for many years. A study of foreclosures by banks and insurance companies, recently completed by National Bureau of Economic Research discloses that the Pacific Coast record is lower than the average.

Very few peopie anticipate that we will ever again have such a fiasco as in the early 30s. Thousands of people lost their homes then by foreclosures and $3 bilion worth of mortgages had to be refinanced by Home Owners Loan Corporation.

Since that day, the combination of straight mortgage, and second mortgage has practically been eliminated in favor of monthly repayment programs. Improved methods of collection, the requirement that the borrower accumulate funds for taxes, and development of better facilities for borrowing by those who hold the mortgages, have given us a new protection against such a catastrophe. The Veterans Administration is a semi-paternal system which will probably aid Veterans should they face distress.

The greatest hazard in my opinion is the FHA system which compels foreclosure on the part of the lender before he can benefit by the insurance in case of delinquency. Only Congress could prevent catastrophe if there were such a wave. Personally, I think that the insuranec by FHA is applied to the wrong person. It should serve the borrower in time of stress rather than rewarding the lender for depriving him of his home. That improvement,

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Housing Outlook and Pacific Coast Prospects

however, may come if we have a foreclosure wave and Congress may some day change the principle of the law.

Urban foreclosures rose to nearly a quarter of a million in number in 1932, '33, '34 and '35. A normal number today is between 10 and 15,000 per year.

Building Materials

There is ample supply of all construction materials on the Pacific Coast and elsewhere except for a limited amount of copper. Steel shortage may develop a problem unless the strike is settled. [Editor's Note: The strike was ended shortly after this address was made.]

Housing presents very little competition for defense materials, since it uses lumber, clay products, glass, sheet metal and asphalt products in the main. Use of copper, aluminum and steel in houses in recent years was promoted in the effort to find house uses for those materials but it is not essential. We don't require copper pipe, aluminum windows, nor stainless steel kitchens.

Recognition of that fact was a consideration when Regulation X was modified.

Housing in Metropolitan Areas

I should now like to consider the housing outlook in a few of the metropolitan areas.

San Diego County, California, has been a beehive of growth. Housing jumped 81% in the census period from 100,245 to 181,746 units. Population jumped 92.4% to 556,808. In percentage, it was outdone by some smaller industrial areas, such as Contra Costa County and in number of units by Los Angeles and the Bay Area, but the City of San Diego hung a housing record nevertheless. Its home mortgage recordings jumped from $96 to $160 million from 1949 to 1950, and then to $179 million in 1951, and a rate of the same in the first-half of this year.

It moves merrily along this year irrespective of the conditions elsewhere. First quarter permits were 2,629 units, over half as many as Los Angeles, though smaller in unit size; more than Chicago, and 10 times as many as San Francisco. Only Los Angeles and New York City surpassed it. Vacancies are 3%, but partly because of the frequent moving of sailors and troops in and out.

Housing in San Diego will probably continue heavily or drop suddenly, depending on Navy policy, Korea settlement, and world peace. It is an island to itself as far as Pacific Coast housing is concerned.

Los Angeles

Los Angeles houses 40% of California and 2¾% of the nation. It has more people than any state except eight and has more income than any state except six.

It has to provide for the equivalent of another hundred thousand city every year, and following Korea that growth was one hundred and thirty thousand people per year. It has more than one million six hundred thousand dwelling units, averaging one for every 2.85 people. National urban average is 3.4 persons per dwelling, but there are more elderly couples in Los Angeles.

Catching up on housing after World War II in the face of such growth was a stupendous task attracting large scale builders. From a pre-war production rate of 40,000 units down to 14,500 in 1943, they jumped to a 65,000 pace in '46 and hit a peak of 96,000 new dwelling units in 1950. Last year they touched 62,000 and this year will do as well or better. In the first five months they had permitted 30,033 units as compared with 31,181 up to June 1, of last year. Easing of Regulation X controls in the second half of the year will be helpful.

Now 96,000 units will house 275,000 and 60,000 units will house 170,000 people at the Los Angeles average. Los Angeles grew 130,000 under stress and grows 100,000 per year normally. William Spurr, Professor of Statistics of this very Graduate School of Business here at Leland Stanford University, has estimated that population growth will be 1,368,000 by 1960. That is even more than the peak rate of last year, or year before. Even if he proves correct, there will still be some point at which the shortage will disappear and over-production or else curtailment will set in.

Many authorities believe that time is here, and that 1952 is seeing the last boom year for Southern California housing. The pre-war pace of 30, to 40,000 houses per year will then be indicated to meet the population growth replacements and social betterments. More than likely actual production will exceed that because of outstanding commitments and the natural tendencies of human nature.

Here are a few points to support what I have said:

(1) Vacancy figure is 3%, sufficiently high, but not alarming. There is an adequate percentage of rental units available.

(2) Present high indicators of business are based on airplane production and expansion. They may continue but not continue to accelerate at the same upward curve.

(3) Deed recordings are at the rate of 148.1% of the 1939 to '40 average, but this is a decline of 12.4% from a year ago.

(4) Marriages are down from a year ago by 13.6% and this is a normal, natural decline. It is not likely to pick up again for a few years.

And so in the midst of its highest business prosperity and its recurring top annual production of houses, it is the opinion of many, and my own study leads me to concur, that this boom, too, is about to pass and that Los Angeles has caught up with its housing shortage. Next year's production should start a decline in volume.

Bay Area

Moving up to Northern California, we reach a less startling and colossal, but nevertheless handsome pace of Pacific Coast housing prosperity.

The Bay Area consists of six counties and the Bay Region is sometimes described as nine counties and sometimes eleven or twelve. The nine-county Bay Region includes a fourth of the State's people censused in 1950 at 2,680,322, a 55% growth in ten years. It ranks seventh among national metropolitan areas in population, retail sales, and income. California Aeronautical Commission expects it to grow 612,000 in the next ten years or 61,000 per year—a very conservative estimate when we remember that it did 50% better than that in the last ten years.

San Francisco County births are increasing, deaths declining a trifle, and marriages are down 25% from 1943 to '47. Residential mortgage recordings jumped 20% from 1949 to 1950, then dropped 5% in 1951, and were back to the 1949 rate in the first months of this year.

With 25½% of the state population, the region has 24.6% of its dwelling units, indicating that it is representative of the general state situation as to homes. Its net incomes are 27.3% higher than the average prosperity. Employment and total payrolls are above a year ago. Business activity index for 1951 was 121.6% of 1947 to '49, as against 108.4 for 1950. Deed recordings in seven counties hit a high record of 147,526 in 1946. In 1950 there were 124,444. In 1951 they were down to 119,572.

Realtor opinion seems to reflect a normal market without undue advantages on either buyer's or seller's side. The buyer has some price advantage when not reliant on terms. Here, as in every city studied, the pinch of credit restrictions has tended to slow down sales and new construction costs. The actual cost of construction is, like that in other areas, climbing by 5 to 8% over that of a year ago.

The Bay Area seemed to be less near to an over-built position than the Los Angeles area, but apparently suffering no shortage. Its new construction has been curtailed sooner than in the South, partly because of its strike. Its outlook for the next few years would seem to be for housing construction somewhat but not greatly below present levels.

Oregon and Washington

Since ten of the fourteen million people on the Pacific Coast are in California and more than 90% of this Conference hail from there, I shall restrain myself in dealing with housing in Oregon and Washington.

Percentage-wise, the Northwest is expanding handsomely. Its progress is built on lumber, fisheries, agriculture, refrigerated foods, dairies, cattle, fruit, mining, shipping, and increasing number of industries which benefit from the tremendous water power which is partly harnessed, but increasing with the years.

Washington population grew from 1,736,000 in 1942 to 2,379,000 in 1950, a gain of 643,000 or 37%. About one-fourth live in or near Seattle.

Oregon has 1,521,000 people. It grew 39.6% in the census period and a third of its population live in or near Portland.

Both states are still growing steadily and have kept pace in housing. Wartime shortages have been relieved in nearly all areas and both rental and ownership housing is available but not in apparent oversupply. An exception is in high rental apartments. Both Portland and Seattle have a number of FHA 608 projects. Both have vacancies. Seattle's vacancies are 7% and those in Portland are greater because of fairly recent completions. Both cities experienced a spurt of a third in residental mortgage recordings from 1949 to 1950, but shrank back almost to the '49 rate in 1951 and '52.

Large scale housing projects are not so frequent as in Southern California. Individual builders and smaller operators are more common. Building permits are less than in 1950, but 1952 permits are increasing and it is expected that second-half construction will exceed first half. House prices have leveled off to about 1951 levels, but costs of construction are above last year. Vacancies are low—2.2% in Seattle and less in Portland. Foreclosures are few. Real estate activity has slowed down partly because of the credit curbs. Realtors and builders in both Seattle and Portland insist that more houses would be built and sold if only there were an unlimited outlet for the sale of Veteran loans at the original easy down payment.

House construction in both states is greater outside of the large cities than within their limits.

Taken as a whole, the two Northwest states follow the normal pattern in housing conditions.

Conclusion

After studying the views of more than a score of students who who are better posted than I, it is my conclusion that housing in the Pacific Coast area offers a larger proportionate volume in the next few years than will be the national average. That is because we are growing faster.

Scarcity value of housing will disappear—has already done so in most places—sale values are naturally going to drift under the old dominant influences of cost of production and depreciation—and cost of production is likely to decline before long.

On the other hand, we are generally caught up on our housing shortage and except for San Diego area and a few defense districts must look for a curtailment of present volume in the immediate years to come.

Material and labor supplies are ample though the prices on both are at a high point. Cost of construction is, therefore, high and probably will decline somewhat, but the logical time for such decline may be postponed by the influence of high employment and prices occasioned by defense work.

Public housing is not a tremendous proportionate factor in construction, and in most major cases where the issue has been placed before voters in all three states, the opposition has prevailed.

Except for extremely high loans, there is no financing problem to be anticipated. Insurance companies, commercial banks, mutual savings banks, and savings and loan associations look upon the Pacific Coast home loans as the best of security.

The test of our volume is how fast can we grow.

Continued from page 5

Observations . . .

Considerable light on market price in relation to breadth of distribution, and hence on the stock split, is afforded by the Brookings Study. The psychological factor pervades here, with endorsement of the popular fallacy that a lower stock price is "cheaper" than a higher priced one ("four $25 pieces are cheaper than a single $100 one"). Broadest distribution in the $10-25 and $25-50 categories is indicated by the Report's largest number of shareholdings with low average value per share in those brackets.

Blue Chip-Ism

Valuable information about concentration of shareholding in the issues of large companies, with indicated substantiation of the process of "Blue Chipism," is also afforded by the Study. The 107 common stocks of reporting companies with assets of $500 million and over account for almost 6.4 million shareholdings; in other words, less than 4% of common stock issues account for almost 35% of the shareholdings of record.

To analyze Blue *Chip-ism* it would be valuable to ascertain the number and categories of the holders of the Blue Chip category of issues, questioning their motives—window-dressing and the like—in buying them, and to repeat such questionnairing from time to time. Value-appraisal criteria can be used to measure the bonus that the investor is paying for his escape to the popular liquid Blue Chips in lieu of other issues, and the effects thereof on the investor as well as the market.

Buyers' Whys and Wherefores

Also important in the psychological phases are the two studies' findings, based on direct questioning of adult shareowners, as to *why people actually buy stocks*. In the Brookings Study 28% of those questioned stated that appreciation or capital gain was the primary motive prompting their purchase, against only 22% who said that *income from dividend yield* was their purpose—this result ensuing despite all of the Stock Exchange's public education as to the advantages of seeking the benefits of income rather than "making a fast buck." While the Reserve's survey finds greater influence by yield expectation, it too, discloses that the speculative lure of capital appreciation has served importantly in bringing the average citizen into the market.

Little Interest in Inflation

The *inflation-hedge buying* motive, quite surprisingly, has operated in only 1% of the cases interviewed by the Brookings Study. This held true also in the Reserve's data, with the additional disclosure that there even has not been much inflation-hedging during the past Cold War year.

This disregard of inflation is a typical fact affording the opportunity to draw alternate contradictory conclusions. On the one hand, we can draw the bullish conclusion that current stock prices are justifiable on quantitative value criteria, with the inflation-hedge thrown in as a bonus; or on the other hand, set forth the bearish inference that the public has not, and hence will not, pay anything for the inflation-hedge feature in the future market price.**

Brookings' finding of universal lack of interest in diversification, a quite discouraging matter, is seemingly, together with the capital gain appetite an outgrowth of long bull market psychology, reversible to a more conservative attitude and greater income-consciousness in any rougher periods lying ahead. The public's playing-down of income is also no doubt due to the preferential tax treatment given on capital gains to all investors in the above-26% tax-impost class.

Also a bull market manifestation is the disclosed rise in shareholdings and shareholders that has transpired since V-J Day, amounting to 14%. 20% of all shareholders "got that way" during the past three years of bull market. The Federal Reserve Survey further found that the choice of common stocks as an investing medium in 1951 was three times as great as it was in 1949 before the intervening 50% rise.

If this rise really is importantly attributable to bull market stimulation, it spells out another urgent reason for the interested authorities to bend every effort to broaden ownership distribution during the ups and downs ahead.

In any event, the two major surveys demonstrate the importance of going further in gathering additional data, particularly on phases having to do with investors' buying motives and their holding intentions, for light thrown on the structure of our social system as well as of the market itself.

** The latter deduction has been typically set forth by Mr. Arnold Bernhard, Editor of "Value Line Survey" in his address before the New York Society of Security Analysts, Aug. 5, 1952, published in the "Chronicle" Aug. 7.

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Our Reporter's Report

Considering the unsettled state of the government market it appears fortunate that this is the normally dull season in the corporate new issue market. The lull will provide bankers and industry with an opportunity for evaluating the outlook for interest rates over the balance of the year.

Slack, such as now prevails, is the normal order of the day at this time of the year, but in the current instance it is somewhat more pronounced than is customary. It may be that potential commercial borrowers, too, are watching things more closely.

The underlying money market appears to be in the throes of basic change with all indications pointing to an ultimately higher level of interest rates.

This seems to be the prospect unless monetary authorities should, for some reason, suddenly decide to reverse their field and, through open market operations, increase the volume of bank credit available.

But straws in the wind do not tend to support the likelihood of such a move. Rather those who operate the money strings seem definitely committed to firmer rates as a step to curb new inflationary tendencies.

The Treasury last week paid the highest rate in a decade for 90-day money. Commercial banks have again raised the charge on loans against security collateral other than governments. And the Reconstruction Finance Corp. has served notice on state and municipal borrowers that any funds obtained from that agency will cost more.

Gas Pipeline Stock

Natural gas industry securities are still popular with investors, with interest presumably spurred by the rapid growth of the industry in recent years.

So, notwithstanding the uninspiring behavior of the secondary market for equities, it was hardly surprising to find demand brisk for new stock brought out yesterday by bankers for the Texas Gas Transmission Corp.

The block of 350,000 shares of additional common stock was priced for public offering at 17⅜ and, according to reports, was absorbed quickly by investors.

Interest Is Keen

With new business at a low ebb in the underwriting field it is not surprising to find competition unduly keen for the few issues that are coming to market.

This week witnessed no less than six separate groups in the running for a small utility issue, a block of 100,000 shares of common stock of the Mountain States Power Co.

The best bid submitted was $12.6978 a share with the successful group proceeding to reoffer at a price of 12⅞. The other five bids received ranged down from $12.413 a share to $12.18 a share.

Direct Placements

Direct placement of debt issues by corporations continues to cut deeply into the business that might ordinarily be expected to go through investment banking channels.

This week saw two sizable pieces of business handled in such manner. Columbian Carbon Co. arranged with banking interests for a revolving credit of $20,000,000 to hold good through June, 1954.

And more to the point, National Gypsum Co. closed with a group of life insurance companies for sale of $25,000,000 of its 25-year obligations to carry an interest rate of 3¾%.

Continued from page 8

Dealer-Broker Investment Recommendations & Literature

Marathon Corporation — Analysis — Faroll & Company, 209 South La Salle Street, Chicago 4, Ill. Also available is a discussion of **Mullins Manufacturing Corp.**

Mesabi Iron Company—Analysis—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

The Muter Company—Analysis—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

New England Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

New York, Chicago & St. Louis Railroad—Analysis—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Norris Thermador — Memorandum — Dempsey-Tegeler & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Nuclear Instrument & Chemical Corporation—Circular—Republic Investment Company, Inc., 231 South La Salle Street, Chicago 4, Ill.

Radio Corporation of America — Memorandum — Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

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

Telecomputing Corporation — Analysis — Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif.

Tintic Standard Mining Co.—Analysis—J. A. Hogle & Co., 132 Main Street, Salt Lake City 1, Utah. Also available is an analysis of **Utah Southern Oil Company.**

Union Asbestos & Rubber Company — Analysis — Freehling, Meyerhoff & Co., 120 South La Salle Street, Chicago 3, Ill.

Ventures Limited — Memorandum — Charles King & Co., 61 Broadway, New York 6, N. Y.

West Virginia Water Service Company—Aanlysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

NSTA Notes

National Security Traders Association Inc.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York announces that bowling will start Thursday, Sept. 4, at the City Hall Bowling Center—5:30 to 8 p.m.

Members interested may contact any of the following captains: Jules Bean, Singer, Bean & Mackie, Inc.; Arthur Burian, Daniel F. Rice & Co.; Joseph F. Donadio, J. F. Reilly & Co.; Richard H. Goodman, Shields & Company; "Duke" Hunter, Hunter Securities Company; Wilbur Krisam, Geyer & Co., Inc.; William Kumm, Dunne & Co.; George Leone, Leone & Pollack; Herman D. Meyer, Gruntal & Co.; Walter Mewing, D'Assern & Co.; Cyril M. Murphy, John C. Legg & Company; Lewis H. Serlen, Josephthal & Co.

There will be a meeting of all captains at the office of Sidney Jacobs, Chairman of the Bowling Committee, Sidney Jacobs Co., 111 Broadway, at 4:45 p.m. Aug. 28, 1952.

Joins J. W. Hicks

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Carl D. Bowen has joined the staff of J. W. Hicks & Company, 1717 East Colfax Avenue.

With Renyx, Field

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo. — Doris C. Huffnagle is now connected with Renyx, Field & Co., Inc.

With White, Weld Co.

(Special to THE FINANCIAL CHRONICLE)

LEWISTON, Maine — William F. Carrigan, Jr. is connected with White, Weld & Co., New York City.

FINANCIAL NOTICE

Notice to Security Holders of

The Cleveland Electric Illuminating Company

Earnings Statement for the Twelve Months Ended June 30, 1952

The Cleveland Electric Illuminating Company has made generally available to its security holders, in accordance with the provisions of Section 11(a) of the Securities Act of 1933, as amended, an earnings statement for the twelve months ended June 30, 1952, such period beginning after the effective date of the Company's registration statement for $25,000,000 First Mortgage Bonds, 3⅜% Series due 1986, filed with the Securities and Exchange Commission under said Act.

Copies will be mailed upon request to any of the Company's security holders or other interested parties.

THE CLEVELAND ELECTRIC ILLUMINATING COMPANY

By Sydney L. Hall
Vice President and Secretary

75 Public Square • Cleveland 1, Ohio

Halsey Stuart Group Offers Los Angeles School Dist. Bonds

A syndicate headed by Halsey, Stuart & Co., Inc. made public offering on Aug. 13 of $30,000,000 City of Los Angeles, Calif., School District bonds at prices to yield from 1% to 2.35%, according to maturity. The bonds bear 2¼% interest and mature serially on Sept. 1 from 1953 to 1977 incl. The offering comprises $20,000,000 Los Angeles City High School District bonds and $10,000,000 Los Angeles City School District obligations. They are legal and binding obligations of the respective Districts and payable from taxes to be levied without limitation as to rate or amount upon all of the taxable property, except certain personal property, in the respective Districts. The issues are legal investment, in the opinion of the underwriters, for savings banks and trust funds in New York and California. Among the principal associated underwriters are Lehman Bros., Harriman Ripley & Co., Inc., Weeden & Co., Inc., Kidder, Peabody & Co., Goldman, Sachs & Co., Union Securities Corp., White, Weld & Co., and Blair, Rollins & Co., Inc.

Field Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Richard M. Peters has been added to the staff of Field & Co., Inc., Cascade Building.

DIVIDEND NOTICES

The Singer Manufacturing Company

The Board of Directors has declared a quarterly dividend of sixty cents per share payable on September 15, 1952 to stockholders of record at the close of business on August 25, 1952.

D. H. ALEXANDER, Secretary.

August 13, 1952.

ADVANCE ALUMINUM CASTINGS CORP.

Chicago, Illinois

The Board of Directors has declared a regular quarterly dividend of 12½ cents per share on the common stock of the corporation, payable September 15, 1952, to stockholders of record at the close of business on September 2, 1952.

ROY W. WILSON
President

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND NO. 113

A regular quarterly dividend of one dollar ($1.00) per share on the issued and outstanding common stock, without par value, of this Company has been declared, payable September 30, 1952, to stockholders of record at the close of business September 12, 1952.

PREFERRED DIVIDEND NO. 24

A regular quarterly dividend of eighty-one and one-quarter cents (81¼¢) per share on the 3¼% Cumulative Convertible Preferred Stock, $100 par value, of this Company has been declared, payable September 5, 1952, to stockholders of record at the close of business August 18, 1952.

Transfer books will not be closed.

Checks will be mailed.

W. E. HAWKINSON,
Secretary.

August 6, 1952.

Manufacturers of AE WALL & FLOOR TILE

AMERICAN ENCAUSTIC TILING COMPANY, INC.

Common Stock Dividend

The Board of Directors has today declared a quarterly dividend of 12½ cents a share on the Common Stock, payable August 29, 1952, to stockholders of record on August 22, 1952.

G. W. THORP, JR.
Treasurer

August 8, 1952.

DIVIDEND NOTICES

Atlas Corporation

33 Pine Street, New York 5, N.Y.

Dividend No. 43 on Common Stock

A regular quarterly dividend of 40¢ per share has been declared, payable September 20, 1952, to holders of record at the close of business on August 26, 1952 on the Common Stock of Atlas Corporation.

WALTER A. PETERSON, *Treasurer*

August 7, 1952.

THE DAYTON POWER AND LIGHT COMPANY

DAYTON, OHIO

120th Common Dividend

The Board of Directors has declared a regular quarterly dividend of 50c per share on the Common Stock of the Company, payable on September 2, 1952 to stockholders of record at the close of business on August 18, 1952.

GEORGE SELLERS, Secretary

August 8, 1952

O'okiep Copper Company Limited

Dividend No. 23

The Board of Directors today declared a dividend of twelve shillings per share on th Ordinary Shares of the Company payabl September 2, 1952.

The Directors authorized the distribution the said dividend on September 12, 1952 the holders of record at the close of busin on September 5, 1952 of American sha issued under the terms of the Deposit Agr ment dated June 24, 1946. The dividend w amount to approximately $1.66 per share, su ject, however, to any change which may occ in the rate of exchange for South Afri funds prior to September 2, 1952. Union South Africa non-resident shareholders t at the rate of 7.2% will be deducted.

By Order of the Board of Directors,

H. E. DODGE, *Secretar*

New York, N. Y., August 13, 1952.

AMERICAN WOOLEN COMPANY INCORPORATED

"THE GREATEST NAME IN WOOLENS"

AT the meeting of the Board of Directors of American Woolen Company, held today, the following dividends were declared:

A regular quarterly dividend of $1.00 per share on the $4 Cumulative Convertible Prior Preference Stock payable September 15, 1952 to stockholders of record September 12, 1952.

A regular quarterly dividend of $1.75 per share on the 7% Cumulative Preferred Stock payable October 15, 1952 to stockholders of record October 1, 1952.

Transfer books will not be closed.

Dividend checks will be mailed by the Guaranty Trust Company of New York.

F. S. CONNETT,
Treasurer.

August 13, 1952.

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—For reasons of its own, the Federal Reserve Board is now understood to believe that the outlook is inflationary, and the best manifestation of this belief is the unexpected decision setting a rate of 2% for rolling over the maturing Aug. 15 and Sept. 1, one-year Treasury Certificates.

It is said that the Reserve Board sees ahead the normal seasonal pick-up in commercial and industrial loans. While these loans of member banks seasonally declined $540 million during the three months ending June 30, all other categories of loans rose.

The steady increase in consumer and mortgage credit is expected to continue. Housing officials are making available under law $900 million for advance commitments to purchase programmed defense, military, and disaster housing mortgages, and expect to have $360 million additional to use in buying non-defense FHA's and VA's over the counter.

These over-the-counter purchases will be so handled, it is intended, as to exert the maximum leverage in drawing out housing mortgage money generally. And Regulation X will end Oct. 1, or sooner.

It is also expected that the ramifications of the steel strike will be inflationary, raising the cost of doing business, and hence boosting the dollar total of the seasonal business loan rise. In this connection, observers in close touch with OPS assert that OPS will pass through a considerable percentage of the added cost of steel.

Theoretically the Treasury sets the rates on certificates, after advice from the Federal Reserve. Under present circumstances it may be questioned that the Treasury is for the time being a free agent in this respect. In view of the publicity given to the 1950-51 Treasury-Reserve System row, with the weight of public opinion probably favoring the Board, the latter is pretty much top dog in this show at present. Observers are betting that the pressure for the 2% rate came from the Reserve.

Only a month ago there was virtually no one who anticipated that the certificate rate would rise above $1\frac{7}{8}$s in the near future.

* * *

In all probability the Reserve arrived at its conclusions about an inflationary trend independently. It is doubted that the Board is playing the Administration's present game of trying to build up a fear of inflation for reasons of election strategy.

In this connection the episode of last week of the President threatening to call a special session of Congress to tighten up the price control law is probably an illustration of something which will not happen in the next four years regardless of whether Gov. Stevenson or General Eisenhower is elected.

For one thing, Democratic members of Congress shared with Republicans the task of bringing about some retreat from the controls, and they know it. In the second place, not only conservative but radical Democrats are running for re-election and want no part in fooling around, as in 1948, with an abortive session called in the midst of an election campaign for the purpose of proving that a President of the United States can never be wrong.

* * *

Certain individuals are suggesting that, in the light of current fashions with respect to the employment of leading statesmen, that in the event General Eisenhower is elected President of the United States, that Senator Robert A. Taft be made a 5-star General and be placed in charge of the war (??) in Korea.

It is true, these individuals pointed out, that Senator Taft has no background or training whatever to be a 5-star General, but today the nation doesn't demand that its most responsible public men be tagged for the jobs for which their background, knowledge, judgment, and habits have trained them.

Instead it is enough that they are brainy men and are new faces. If General Taft understood nothing about the manifold ramifications of military logistics or had no "feel" for battlefield tactics, he is at least a good administrator and could be relied upon to surround himself with good military men. Didn't Lindbergh become a great authority after having soloed the Atlantic?

Anyway the lad who brought in this report did not bite the tongue that was in his cheek.

* * *

To be sure nothing of a material importance is coming of the sensational story of a couple of weeks ago that the Aircraft Production Board of the National Production Authority was demanding a major shift in military aircraft procurement.

This story, a planted "leak," was to the effect that APB was "demanding" of the Air Forces and the Navy air arm that they select for their respective programs one single type of aircraft for every distinct type of mission, instead of playing around with two or three or four different proposed planes for each military mission.

Nothing will come out of this proposal for two reasons. The first is that APB hasn't any legal power whatever to compel the Services to make such a decision. The second reason is that neither the military nor the Truman Administration want to do it.

From the viewpoint of the military, the present free spending time is a wonderful opportunity to use in experimenting to get the best. From the standpoint of the Truman Administration, this military build-up is useful as the most successful implement so far invented to promote "stability with a constantly rising standard of living."

NPA's chief men are more or less transient industry men who have not yet learned that the Administration doesn't take seriously its professed objective of building up a military force in being quickly and efficiently enough to act as a deterrent to the Reds. They see as producers the simple commonsense of settling on a single design instead of a half dozen, tooling up, and getting going. For their pains they are being politely told to forget about it, whilst being snickered at behind their backs.

* * *

As if he didn't have anything else to worry about, the new Attorney General has got an embarrassing proposition before him.

When the guts were ripped out of the Gwinn amendment, the easy money housing boys came up with another scheme. The Gwinn amendment would have forbidden the payment by the Treasury of any funds to support public housing if any tenants of any public housing project were members of subversive groups.

The substitute scheme to take the sting out of it merely admonished PHA and FHA to see that neither rental nor individual homes should be tenanted by or purchased by persons who belonged to subversive organizations.

So what is planned is that each public housing authority and the sponsor of each FHA-insured rental project shall ask tenants to sign a certificate that they are not members of subversive organizations. Builders of individual houses whose mortgages were to be insured by FHA would contract with the lender to get such certificates from individual home buyers.

The whole thing hangs on the question of what are subversive organizations for purposes of this Congressional admonition. Housing officials have decided the Attorney General's old subversive list won't do, there must be another. There is no visible evidence that the Attorney General is champing with enthusiasm to get up this list.

* * *

Reports here are that George W. Mitchell, Vice-President in charge of research of the Federal Reserve Bank of Chicago, is one of Gov. Stevenson's principal advisers on economic problems, suggesting that the "Fed" has an inside track with Stevenson.

This column reported recently of the new program of the left wingers and public housers to have the Federal Government invade middle class housing with subsidized, direct Treasury funds through the medium of cooperative housing, so-called.

It develops that although the FHA program for insuring loans for cooperative housing got a slow start, it has been picking up. FHA insures loans for two kinds of cooperative housing. Under one the cooperative form is used only until a project consisting of individual dwellings is erected. Then these individual houses are separated and upon each house the buyer assumes a mortgage. The second types consist of the management cooperative, where the cooperative form is kept throughout the life of the loan, at least.

Cooperative housing insured by FHA, either approved or in the works and likely to be approved, will provide for some 32,000 dwelling units at a cost of more than $300 million, FHA reported.

The zeal of housers, however, is endless. One Everett Ashley of the Research part of Housing and Home Finance Agency, recently sounded off in public about the problem of housing the older people. In the name of research and humanity, this may become another new "bold new program," if ever there is a slack in spending.

(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

"Gilhooley insists on a demonstration before all his speeches—got the idea watching the conventions!"

Business Man's Bookshelf

Financial Statements: Form, Analysis and Interpretation—Revised—Ralph Dale Kenney and Stewart Yarwood McMullen—Richard D. Irwin, Inc., 1818 Ridge Road, Homewood, Illinois—Trade price $7.65.

Health Resources in the United States: Personnel, Facilities and Services, A Survey—George W. Bachman and Associates—The Brookings Institution, 722 Jackson Place, Washington 6, D. C.—Cloth—$5.

Iron and Steel Industry—Volume X in an Engineering Interpretation of the Economic and Financial Aspects of American Industry—George S. Armstrong & Co., Inc., 52 Wall Street, New York 5, N. Y.

Speculative Merits of Common Stock Warrants—Sidney Fried—Dept. C, R. H. M. Associates, 220 Fifth Avenue, New York 1, N. Y.—$2.00 per copy (or send for free descriptive folder).

San Fran. Analysts Elect New Members

SAN FRANCISCO, Calif.—William P. Held, President of the Security Analysts of San Francisco, has announced the election of the following new members to the organization:

Regular Membership: Dwight Chapman, American Trust Co.; Edward H. Heller, Schwabacher & Co.; William Pflueger, Crocker First National Bank; Ralph H. Rebele, Wells Fargo Bank & Union Trust Co.

Associate Membership: F. W. McChesney, Pacific Gas & Electric Co.; Hull P. Dolson, The First National Bank of Portland; Harold M. Phillips, The First National Bank of Portland; William Powell, Booz, Allen & Hamilton; Miss Lucy Ritter, California Western States Life Insurance Co.; Peter A. Salz, J. Barth & Co.; Dr. Paul Wendt, University of California.

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