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EDITORIAL

As We See It

It was a disheartening sight last week to see the two leading candidates for the Presidency of the United States bidding for the vote of the farmers. Neither of them appeared to arouse much enthusiasm, and some of the more cynical observers of things political expressed the view that the farmers of the country, and particularly of that part of the country, would listen to both and then vote for the highest bidder. For the accuracy of this latter statement we are not able to vouch, but we are obliged to say that from all appearances both candidates and their army of advisers believe it to be accurate.

We suppose that at bottom that is what is taking place in the cases of most, or perhaps all, of the special pressure groups throughout the land. We have no reason to doubt that those who lead, or profess to lead, the wage earners of the land are playing about the same sort of game as is charged to the farmers. Various racial minorities, or their leaders, generally seem to regard this type of action quite normal politics. Yet somehow the course of procedure in the case of the farmer is so unvarnished that it can scarcely fail to shock the sensibilities of all those who believe that every tub should stand on its own bottom.

For the Democrats, it was and is an old, old story. They have been at it since the rise of Franklin Roosevelt to power—and before. All that party's candidate had to do was to say that it would keep right on paying for the farmer vote. Of course, Mr. Stevenson did not use any such words, but if he had been as blunt and as frank as he likes to have people believe, he might well

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Stemming the Tide of Federalized Electric Power

By BAYARD L. ENGLAND*
President, Edison Electric Institute
President, Atlantic City Electric Co.

Mr. England lists as factors tending toward curtailment of Federalized electric power: (1) increasing public disillusionment with left-wing practices: (2) public's growing awareness of cost of tax free status of government power projects; and (3) approaching exhaustion of sites capable of producing significant amounts of electric power. Says British policy of taxing nationalized power plants should be followed by the U. S. Lauds private expansion of investor-owned electric power.

I want to talk to you today about the broad outlook, as I see it, for the investor-owned power companies of the United States and the factors which I think should make their securities attractive to the investing public. I am not going to stick closely to the construction and financial aspects of the business of these companies but will touch upon other features which in the aggregate, I believe, largely determine the part they will play in the American economy in the years ahead.


B. L. England

These factors are: the long-range market outlook, ability to finance expansion, engineering progress and long-range planning, rate policies and sales promotion, customer relations, relations with Federal agencies supplying or financing power, commission regulation, and most important of all—the quality of leadership.

The investor-owned power companies produce 81½% of the power generated in the United States and sell 84% of the power to ultimate consumers. They are owned by some 3 million stockholders, and company

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*An address by Mr. England before the New York Society of Security Analysts, New York City, Sept. 5, 1952.

Outlook for Business And Securities Markets

By JULIAN D. WEISS
First Investment Company, Los Angeles
Investment Counsellors

Presenting as background factors in future business outlook: (1) growth of centralized government; (2) growth of strong labor unions; (3) increased capacity of industry; and (4) slower rising scale of consumer demand, Mr. Weiss lists both "cautionary" and favorable factors in business outlook. Forecasts continuance of higher consumer demand and holds corporate profits will not be below those reported in past. Holds stock market is in "defensive" position.

Any analysis of the future, of course, involves forecasting in an attempt to evaluate future probabilities. This, in turn, requires analysis of the present situation and correlation of the diverse factors as a basis for arriving at a reasonable conclusion with regard to the future. In turn, examination of the present situation renders it necessary to consider past major trends, which provide important background. It is not our purpose, at the present time, to present a detailed analysis of these background factors. They were discussed in considerable detail in our analysis, "Trends in the American Economy," published in the "Commercial & Financial Chronicle" in December, 1951. By way of brief summary, the following major trends have occurred in our economy and provide the premises on which our conclusions, as set forth later, are based.


Julian D. Weiss

(a) **Growth of Centralized Government:** There has been a worldwide trend towards vesting increased powers in strong central governments. In great degree the people of the world, including the people of the United States, have been turning away from

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PICTURES IN THIS ISSUE—Candid shots taken at the Annual Fall Outing of the Security Traders Association of New York, held Sept. 5 at Richmond Country Club, Staten Island, appear on pages 21, 22, 23 and 24.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

California Eastern Airlines, Inc.—George A. Butler, partner, Butler, Candee & Moser, New York City. (Page 2)

Commercial Credit Co.—Rupert H. Johnson, partner, R. H. Johnson & Co., New York City. (Page 2)

GEORGE A. BUTLER
Partner, Butler, Candee & Moser
New York City

California Eastern Airlines, Inc.

California Eastern Airways in short space of four years, under new management, has risen from a debt-burdened operation devoted to the carriage of air freight, to a front rank position in various phases of aeronautics that are world-wide in scope.


George A. Butler

The financial history of the company is of interest: in 1948 when the new regime took over, total operating revenues amounted to $928,000 and the company suffered a loss of $268,000—while working capital showed a deficit of $450,000. At Dec. 31, 1951, total operating revenues reached an all-time high of $6,340,000 and profit before taxes amounted to $472,000. After taxes and all charges, 1951 net income amounted to $134,284. However, the Company had a tax carry back of $201,250 and accordingly $335,534 was transferred to earned surplus. Working capital at Dec. 31, 1951, totaled $454,000.

It is estimated that the company's volume of business for the first half of 1952 should have been better than $6,500,000, including billings under the Columbus Training contract. On this volume, after all charges and taxes, earnings should approximate $125,000, against $134,284 (before tax credit) for all of 1951. It is to be noted that the company has applied for increased rates as of Jan. 1, 1952, for some of its services performed for Government agencies. Some increases have already been granted and negotiations are now in progress for further increases. It would appear that second half earnings will be considerably better than the first six months.

California Eastern owned 4 DC-4's and has recently sold 2 of these planes. The sale of the 2 planes gave the company a profit of $820,000 after capital gains tax of 26%. This in itself is a non-recurring profit equal to 64¢ a share for the first six months of 1952.

The other two DC-4 planes will probably be sold this year, which could add another 64¢ (or a total of $1.28 for the year) to stockholders' equity. The realization of these capital gains is indicative of California Eastern's conservative accounting practices, whereby equipment has been written down well below current values.

Operations will not be cramped by these sales because three planes have been leased by the Company, and what is much more important, the Company will be in a position to purchase newer and more efficient equipment.

The Company now has five and by October will have additional planes in operation.

Capitalization: $6,434 long-term notes payable; 1,321,693 shares common stock (10¢ par).

The Company's business is divided into four main divisions:

(1) **Manufacturing:** Through Land-Air, Inc., a wholly-owned subsidiary, California Eastern manufactures electronic equipment, the applications of which center largely in tracking guided missiles and related complex mechanisms, such as, nuclear radiation and electronic energy measuring devices of extreme sensitivity. Aside from military uses it is quite possible that some of the products will have important industrial applications. Land-Air's headquarters are in Chicago. Other plants are located in Culver City, California, and Alamogardo, New Mexico—ten miles from the Halloman Air Force base.

(2) **Pilot Training:** California Eastern Airways took a big step forward in its diversified activities when it was awarded a contract for the basic training of pilots at the Columbus Air Force Base, Columbus, Miss. Here the company provides flying instructions of the scope required to attain proficiency in the basic principles of visual and instrument flying. In addition the company provides academic instruction to facilitate and supplement flight training. The physical operation of the Air Force Base itself is also part of the contract. Approximately 1,000 company personnel are required at this Base to direct the many functions performed. About 10% of the Air Force's pilots are given basic training at this installation.

(3) **Pacific Airlift:** At Oakland, California, the company employs more than 900 people. As a prime contractor for the United States Air Force, California Eastern in 1951 completed 303 trips to the Pacific, flying a total of 3,736,327 plane miles. In addition, a maintenance force handled about 20% of the civilian air carriers in the Pacific Airlift. This work involved complete aircraft maintenance overhaul and modifications, principally for the Overseas National Airways and the United States Overseas Airlines.

(4) **Japanese International World Airlines:** With the signing of the Peace Treaty with Japan, businessmen in that country took up again the commerical reins of the major nation. One of the oldest and most important steamship companies in Japan—Osaka Shosen Kaisha (OSK) is sponsoring the new Japan International World Airlines (JIWA). This company has entered into a ten-year contract with California Eastern Airways to supply all the necessary operational aircraft, equipment and communications facilities as well as the provision of maintenance, dispatch, and technical service, personnel, and various services for the establishment of an international airline—providing regularly scheduled air transport service between Japan, the United States, and Brazil. The initial operation will cover a 13,000-mile route between Tokyo, Hawaii or Alaska, San Francisco, Rio de Janeiro and Sao Paulo. JIWA has applied for a certificate of operations from the Japanese Government. It is expected that this will be granted before the end of the year.

While all of the operating divisions of the Company are currently earning money, which very probably will show an increasing trend, we feel that the principal source of future growth centers in the Japanese International World Airlines, which, of course, had had no effect on results to date.

This contract provides that the Company will be paid on a monthly basis at a rate of 15c a mile for the first 1,000,000 miles of operations. Thereafter the rate goes down to 10c a mile for operations (in one month) above 1,000,000 miles. The contract also provides for a minimum monthly compensation, based on 150,000 miles at the 15c rate. Furthermore, a balance of $400,000 must be maintained in a New York bank during the life of the contract—to be available at all times in its entirety to California Eastern.

Initial plans call for three round-trip weekly flights from Tokyo to Brazil — approximately 325,000 miles at 15c per mile of $48,750 monthly. On an annual basis this is $585,000 or 21¢ a share after normal-plus-surtax. Operations are expected to begin as soon as landing permits have been granted.

These are profits based only upon the Brazil flight where a large Japanese colony exists. Should operations be stepped-up to one flight daily, profits per share of around 50c annually are indicated—and here again this is only the Tokyo-Brazil route. Moreover, it seems reasonable to expect that an airmail contract may be secured from the Japanese Government so that the foregoing earnings projections appear to be by way of a minimum. Other routes to India and other parts of the world ought to develop.

Lastly, the contract also provides for the acquisition of a 30% interest in the Japanese International World Airlines by California Eastern from the compensation received from operating the airlines.

California Eastern Airways is on the threshold of a period of very sizable expansion and growth. The stock at around 1¾ would appear to be well situated for substantial percentage appreciation over a period of time, which should make it most attractive as a speculative holding for those interested in capital gains.

RUPERT H. JOHNSON
Partner, R. H. Johnson & Co.,
New York City

Commercial Credit

Commercial Credit has operated at a profit in each year since established 40 years ago. The company has paid dividends each year since then except in 1933. The company is the second largest in the installment financing field with more than 300 local offices. The financing of retail sales of automobiles (mainly Chrysler and Packard) is normally the principal business.


Rupert H. Johnson

At the 1951 year end, motor retail receivables accounted for 52% of total, while wholesale auto receivables were 20%, and retail re-

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"Further Steps in Investor Protection"

By CLARENCE H. ADAMS*

Commissioner, Securities and Exchange Commission

Commissioner Adams lists as measures now comprised in SEC program in year ahead: (1) a new policy on acceleration of registration of securities to get information to investors before they buy; (2) promotion of sound practices in the sale of mutual fund shares; (3) a revision of Regulation A covering maximum amount of a securities issue exempted from registration, and (4) adoption of a long range surveillance policy regarding "under-the-counter" transactions in Canadian securities

We all operate in a complex field and we do so in a growing society which itself becomes increasingly complicated as the decades pass. We deal too with a delicate mechanism — the nation's economy. What we do and how we do it can give rise to effects hardly within the contemplation of even the wise, far-seeing men who enacted the first securities legislation in the State of Kansas back in 1911. It is inconceivable to me that the numerous authorities charged with supervising this important field can operate effectively and to the public good unless they are aware of each others' aims, objectives and activities: unless their efforts are coordinated, and unless they engage in the freest and most liberal interchange of comments and ideas. There would be no benefit from 47 different securities laws which, though cognate, are administered in 47 separate little vacuums. The outgrowth of such administration could be nothing but a purposeless maze hardly conducive to investor protection.

Clarence H. Adams

Fortunately such has not been the case. My brief service with the SEC has rounded out my thoughts on the subject; it has convinced me of these conclusions beyond any doubt.

All securities legislation is basically a form of insurance against fraud and overreaching—a means of suppressing the evil elements that would attach themselves to any honest business. That is the common objective of all of our laws—and I know it is the aim of the persons who comprise the securities industry. There seems to me to be no better way of attaining that common goal than by integrated action.

I know you share these principles. Your committee for liaison with the SEC, the discussion periods held at this convention—these and other steps you have taken make that plain. Yet these thoughts bear repetition, lest the demands of our day-to-day work obscure them. I commend to all of you the suggestion that in the coming year—a year in which many of us will be required to do our assigned tasks with reduced staffs and deeply-pared budgets—it particularly behooves us to set a new high in cooperative endeavor and coordinated action.

It is hardly enough to give prominence to thoughts of cooperation once a year on the occasion of this gathering. Our endeavor must be a constant one and we must take pains to do everything within our power to keep one another apprised of current plans and developments.

Matters in SEC Program

Let me start the ball rolling in that direction by outlining for you some of the matters that will rank high in the SEC's program in the year ahead. These matters will be of interest to all of you and will affect many of the things you are doing. Consider them then, and give us freely your ideas as to what you think of them, how you feel they can be improved and how they will fit into your own scheme of things.

We have recently been considering at the SEC some measures designed to encourage the dissemination of information with respect to securities registered, or in the process of registration, under the Securities Act of 1933. These measures are an outgrowth of discussions which have gone on for some years relating to the amendment of the Act. However, the amendment program has been complicated by the controversial nature of some of the problems involved, as well as by the preoccupation of Congress with defense and other matters. The Commission determined, therefore, to do what it could to meet some of the problems through the exercise of its rule-making power under the present statute. Its proposed new Rule 132 and the related statement of policy regarding the acceleration of registration statements are directed toward that end.

Rule 132 and the new policy on acceleration are intended primarily to get information into the hands of investors before they buy. While the various "blue sky" laws that you administer differ in one way or another from the Federal Securities Act, I believe that you will all agree about the importance of having information about new offerings of se-

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*An address by Commissioner Adams before the 35th Annual Convention of the National Association of Securities Administrators, Portsmouth, N. H., Sept. 3, 1952.

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Articles and News

Regular Features

* Mr. May reports again from Mexico where he is covering the Annual Meetings of the International Bank and Monetary Fund.
** No column this week.

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Current Problems Facing the Investor

By JOHN L. ROWE

Registered Investment Counselor, Los Angeles, Calif.

Mr. Rowe, ascribing growing investment apathy to declining profits and high taxes, urges extreme caution in making new investments. Says "there are no straws in wind which would start a wide upward movement in share prices."

With debt expanding; with our productive machine operating at capacity; with Federal spending and taxes at maximum, barring global war, what are the current problems facing the investor? Should emphasis now be on capital gain or safety of principal? Under conditions as they now exist—a 50 cent dollar in terms of the price level; a hardening of interest rates; taxable earnings preponderantly favoring the Federal Treasury instead of the stockholder—is it not now prudent to favor those industries—natural gas distributors, public utilities generally, the railroad industry—which, because of their tremendous capital investment, are immune for the moment from the excess profit levy? Can the needed tax relief be afforded under present conditions no matter who wins the national election? Wouldn't it follow that any cut-back in Federal spending would precede, not follow, tax relief? A revised tax structure is an arduous and drawn-out process. The spending spigot can be turned back at will. Who can forget President Roosevelt's drastic surgery in 1937? By 1938 we were in the trough of depression. The financial community was on its back!

John L. Rowe

World conditions are vastly different now. Stalin & Co. must determine how fast and how long our defense build-up must be maintained or accelerated. This is not productive enterprise. It contributes absolutely nothing to the well-being of the people, except in terms of full employment. Defense spending simply means over-all planning, allocations, price controls and confiscatory taxation. Its implications are extremely inflationary unless tax collections can keep it on a pay-as-you-go basis. This hasn't been possible so far and it is indeed doubtful if the Democratic leadership can ever make it possible based on the record.

Since a thriving and vigorous world commerce is essential to our expanding economy, any curtailment in this direction is bound to usher in severe domestic dislocations. Foreign customers, because of the acute dollar shortage and their own emphasis on defense, are now compelled to reduce imports in many classifications and emphasize exports to earn the dollars they sorely need. These dollars pay for the essential machinery, labor-saving equipment and commodities they require.

When investors buy common stocks they expect earnings to be in an upward trend so that more generous dividends can ultimately be provided. In only a few isolated cases can this cheerful outlook now be assumed. For this very reason, numerous investors and speculators focus their attention toward Canada.

Here is a nation with a balanced budget, even an impressive Treasury surplus. Their dollars command a premium in terms of ours. Canadian business is booming, too. Unlike ours, theirs is so far a healthy boom. Management and shareholders are not being compelled to follow the perilous course of cutting profits to maintain extravagant government. Our lavish leadership, despite a maximum tax of 88% on individual incomes and up to 70% on corporate earnings, will still show red ink of nearly $10 billion by next June 30.

So when we look to the future, is it any wonder that investor apathy is growing? Everyone knows that over-all business, manufacturing particularly, is confronted with a steadily climbing break-even point and a worsened profit ratio. The stock market is telling us all emphatically that keen, astute and proven management is now in focus. Their problems are tremendous in a highly competitive and sensitive economy.

Risk capital is not available to business when the rate of profit is declining. Unfilled orders of $60 or $70 billion dollars; $20 billion per year and upward for plant expansion—these factors are absolutely meaningless if the retained earnings withheld from stockholders are going to be eventually recaptured in the form of crushing taxation which in a measure pays political extravagances.

Investor Caution Urged

By any sound investment formula, the investor should now use extreme care in making new investments. According to Department of Commerce figures, dividend payments are now running about 5% ahead of last year. This is not enough, as witness the fact that more than half of the issues listed on the New York Stock Exchange have declined this year. Out of some 1,050 corporations whose shares are traded, less than one-fifth have advanced—about 10%! These figures merely emphasize the high degree of selectivity. Different from 1949, 1950 and 1951, the burden rests now squarely on the shoulders of those with idle funds. One must now not only evaluate individual issues, but likewise evaluate the economy as a whole.

From my viewpoint, there are no straws in the wind which would start a wide upward movement in share prices. Because it is an election year, there is some reason for expecting a short-lived, purely emotional wave of either selling or buying. It would probably be only a ripple—enough to cause the anxious speculator to at long last reach for the telephone.

A Look at the Past

Just because it is another election year, no one need be a pessimist. We Americans have much to be thankful for. Mass education has cleared Western civilization of much cant and dogma. Wasn't the introduction of the locomotive vigorously opposed by simple souls who claimed horses and cattle would be driven mad by fright? That these iron monsters would strike innocent people dead with their trail of noxious fumes? Not too long ago trenches and ropes were stretched across our roads to impede the uninvited automobile. Farmers asserted their rights as they drove broad hayracks at leisurely speed along the middle of highways. Our fathers and forefathers made many mistakes. As we have since discovered, they labored under many delusions. Yet nothing prevented their meeting forcefully and realistically the problems of their times.

Our society is now much more complex than theirs. Yet I believe the dreams we were invited to dream since childhood are still within the reach of every living American. Deficit financing is not the answer. Expanded Federal debt is not the answer. Reckless spending and confiscatory taxation is not the answer. Nor is still another global war the answer.

New Leadership Needed

The urgent call is for fearless, competent and inspirational leadership. Not leadership devoted to selfish political concepts whether they be Republican or Democratic. We now need determined American leadership. We need a man of proven courage. We need a man who knows in his very heart and soul the dark forces which surround him and us. We need a President of the United States who believes these existing and growing dark forces can be repelled. Repelled without bloodshed. Repelled without war. Repelled without catastrophe.

J. Parker Hickman, Jr.

J. Parker Hickman, Jr., associated with B. J. Van Ingen & Co., New York City, passed away at the age of 60 after a long illness.

Employment Prospects

By ROGER W. BABSON

Holding that though this year jobs are plentiful, Mr. Babson says this may not be true in 1953. Says under our "paper standard," Washington is able to expand the job balloon until it bursts, and warns that, regardless of which party is elected, steps will be taken to cease inflating the balloon in order to prevent a "bust." Urges harder work without pay increase to prevent foreign imports displacing American wares.

With Labor Day still fresh in our memory, it seems fitting to write about "jobs." This year jobs are plentiful for all who are willing to work. This, however, may not be true in 1953.

Roger W. Babson

This year it has been easy to get a job for three reasons: (1) because of the great military expenditures; (2) because there has been almost no curtailment of "peace consumer goods"; and (3) because the present Democratic Administration is spending all the money it can to keep business prosperous until after Election.

As I have explained before, our country is no longer under the Gold Standard, which prevented Washington from making jobs **artificially**. We now are under a "Paper Standard," which enables Washington to expand the job balloon until it bursts. This does not mean necessarily that the "bust" will come next year. But I do feel that, whatever Party is elected on Nov. 4—**in trying to avoid a bust**—will stop inflating the balloon and perhaps gradually let the air out. This would be the safe thing to do; but it might make fewer jobs.

Watch Imports

It may be that through increased advertising and better selling methods consumer demands here at home can be built up to offset the natural decline in war orders. If labor leaders will be reasonable, this can be done. Savings have been increasing and wages continue high.

But what about imports? Every store you enter is now offering foreign-made goods of all kinds. These are being made by people who work 10 to 12 hours a day to keep their families for starvation. You say, "Put on more tariffs to keep out these foreign goods." This is possible, but it would surely force these foreign workers into Communism and lead to World War III.

What Is the Remedy?

The only sane way to prevent such a catastrophe within the next few years would be for our people to work harder and longer hours without now asking for more wage increases. **This would reduce the prices of goods made in this country.** If costs and prices here can be reduced, then our people will have enough money to buy both the goods made in the U.S.A. and also the foreign goods.

If you now have a job, make the best of it. Be the first to arrive every morning, and the last to leave at night. Subscribe to the Trade Magazine of the industry in which you are employed. Take a correspondence course to become more efficient. Be loyal to and speak well of your employer. He has more troubles than you have. He has the job of selling the goods or services which you are helping to make or render. His job will be especially hard in 1953.

What About Labor Unions?

Labor unions are here to stay, especially in large cities. Where big business exists, we must expect big unions to follow. This means steel strikes, coal strikes and textile strikes will continue. In these large cities where employees are more impersonal, reasonable labor unions and collective bargaining are convenient and serve as a protection to both wageworkers and employers.

There, however, is no excuse for labor unions in small cities where all know one another. Labor unions are unnecessary where an employer knows all his wageworkers by name and is acquainted with their hopes and troubles. Moral for manufacturers: Don't allow your plant to get too big. Don't try to be the richest man in the cemetery!

Inv. Women of Phila. To Hold Dinner

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia will hold its first Fall dinner meeting on Monday, Sept. 15th at the Sylvania Hotel at 6:15. The speaker will be Mr. William H. Turner, a noted florist in Philadelphia, who for many years planned, arranged and conducted the well-known Rose Show for John Wanamaker's. Mr. Turner has been President of the Optimists' Club of Philadelphia, President of the Florists Telegraph Delivery Association and the Florists' Club of Philadelphia. He will demonstrate his talk on Flower Arrangements by actually making corsages and arranging flowers for table decorations, etc.

The State of Trade and Industry

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

Total industrial output for the country-at-large made further progress the past week in its recovery from the effects of the two-month steel strike. A comparison with the like period a year ago showed production for the week holding at about the same level.

Latest figures on new claims for unemployment insurance compensation reveal a decline below year-ago levels for the first time in approximately three months. The number of weeks of unemployment continued to be above 1951 levels.

Reopening of many plants which had closed down for vacation periods, it was reported, was partially responsible for the rise in production. It was further noted that a seasonal rise in both the apparel and food processing industries also helped to bolster output levels.

Unrelenting pressure continues to keep the steel market hot, states "The Iron Age," national metalworking weekly, the current week. But, continues this trade paper, there is plenty of evidence that the pressure is temporary and that many consumers actually distrust the market beyond the next three or four months.

Steel producers and consumers interviewed by "Iron Age" editors brought out these major points: demand for quick steel delivery is terrific; demand for delivery after the first of the year is not so strong; most consumers will not touch conversion beyond the first of the year; demand for merchant and specialty steel products is not so intense and is expected to fade first, and demand for heavy plates and structurals, oil country goods, special alloys and bars (both hot-rolled and cold-finished) is expected to remain strong after other products have eased.

Optimism of steel producers is explained partly by the fact that worries over raw materials have subsided. Since settlement of the steel strike iron ore shipments on the Great Lakes have been at a record pace. They have been aided by additional ships coming into service and by the high water level on the Lakes which permits heavier loading. Despite the record rate of consumption, which is expected to prevail for the next several months, there is an excellent chance that a damaging ore shortage can be circumvented, this trade authority points out.

Scrap supplies are excellent but are expected to become tight again this winter.

Despite the brighter outlook for steel supply, competition for the metal is still intense this week, "The Iron Age" notes. Lean and unbalanced inventories cause the pressure to mount above what is dictated by manufacturing schedules. Military customers will aggravate the situation for at least the next two months by demanding and getting make-up tonnage above their regular quotas.

Steel people expect that merchant items and small rod will require considerable selling before the end of this year. They point out that we are geared for over production and that the economy appears now to be dropping back toward a normal peace time business level after five years of whopping production, concludes "The Iron Age."

Automotive production declined about 13% last week from the previous week's total because of the Labor Day closedown. It was still 7% greater than in the like 1951 week.

"Ward's Automotive Reports" said a "normal result" of the industry-wide Labor Day holiday would have been a 20% decline. This indicates the car plants are working to recover losses resulting from the recent steel strike, it noted.

In the final quarter this year, it added, the industry expects to assemble 1,200,000 cars, the "best fourth quarter since before 1936 with the exception of 1950 when 1,668,219 cars were rolled out in October-November-December."

John L. Lewis on Monday last ordered coal miners back to work after a flurry of strikes hit some western Pennsylvania pits. The stoppages ostensibly arose, it is reported, out of a dispute at a Jones & Laughlin Steel Corp. mine in which three workers were fired. The United Mine Workers Union is currently negotiating with the hard coal industry on a new contract.

United States exports of agricultural products during the shipping year ended in June rose to $4,042,601,000 from $3,410,665,000 a year earlier, the United States Department of Agriculture reported. This was an increase of 19% over 1950-51, "and was a record amount if inflationary dollars are not discounted," the department stated. Cotton, wheat and wheat flour, and leaf to-

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Mexico Bank-Fund Parley Highlights U. S. Responsibilities

By A. WILFRED MAY

MEXICO CITY, Sept. 9 — In view of Mexican inhabitants being in the forefront of those nations where all available private funds are dispatched to the United States' dollar haven of refuge, it is quite a coincidence that this country is serving as the locale for this major discussion of World Fund procedure. For the process of the private citizens packing off their own funds even from this relatively prosperous nation, while at the same time agitating for loans of dollars from the Fund or similar institution, is highly significant. It is in line with the situation in many of the world's underdeveloped areas where citizens are exporting their individual capital while calling for foreign exchange through public bodies—all of which goes to the root of the Bretton Woods organizations' difficulties. It is a fundamental indication of the reason for the Fund's continued ham-stringing, reflected in its paltry aggregate of business done to date of $850 million, contrasted with its aggregate capital of $8 billion, and with world export trade of $80 billion.

A. Wilfred May

To one in attendance on the broadly-based discussions here, the degree to which the responsibility of the United States for the rest of the world's fiscal problems is ever-increasingly assumed, must be striking. Uncle Sam's continuing Santa Claus role is, of course, taken for granted by all and sundry, as the routine sequel to the $33 billion already provided in the postwar years to finance economic aid programs. Our presumed obligations since the ending of Marshall aid were cited by Sir Arthur Salter in typically adroit British fashion in talks with fellow Governors and the press here last Thursday.

The Fund's annual report fundamentally ascribes the world's financial instability, with the restrictions on trade and foreign exchange, to the proclivity of many countries to live beyond their means — this denoting, of course, their living on the *United States*.

The role played by United States aid programs in resolving the first postwar payments difficulties in the summer of 1946, at the time of the short-lived resumption of sterling convertibility, is depicted in the Fund's currently-issued report. Sir Arthur's pleas for greater "cooperation" between the surplus countries and the deficit countries must be recognized as urging greater U. S. aid—with the United Kingdom's attempt to negotiate another major loan only awaiting next January's termination of our Administration's Lame-Duck status.

The principle of extending aid to fulfill requirements of need rather than ability-to-repay was broached by Governor Beteta from Mexico, as by Fund Managing Director Rooth himself, along with others, attaching of responsibility on the U. S. for forcing Allied countries to live beyond their means to suit the alleged United States "aggressive" armament requirements (in unwitting support of basic Moscow propaganda).

Killing of Incentives

As pointed out by Sen. Beteta here, the dependence of the members [on the U. S.] and the dulling of their incentive is intensified by the Fund's not distinguishing between those who maintain restrictions and those who do not, and the failure to reward measures toward consummation of convertibility. Too easy attitude of the United States toward present distriminatory policies must delay the pressure for reform of those policies, is the implication of the Mexican delegate's representations. As he well puts it: "It is just as much of an injustice to give equal treatment to those who are actually in different situations, as it is to treat equals with inequality."

In addition to the "major" representations implying need for greater U. S. support, there has been a running undercurrent of agitation for "liberalization" by many participating nations. For example, Ceylon along with Guatemala has been saying that it might need much more than its alloted quota; the latter's Governor suggesting that they be free to draw down 100% of their quota in a single year. Mr. Amjad Ali, Governor from Parkistan—who is now doubling as President of the UN's Economic and Social Council—speaking of the International Bank, cautioned against its lending policies being "too efficient," urged that commitment charge and commissions be reduced, and that its 18% subscription provision should be relaxed in the case of underdeveloped countries, reflected typical down-to-earth Fund grumblings. Likewise exhorting the Bank to greater liberalization, the representative from Yugoslavia came out for increased tempo of lending toward a goal of raised standards of living, full employment, and the furtherance of investment programs, in undeveloped countries.

Another Prospective Lending Medium

Also an important medium for United States aid contribution would be entailed in acceptance of the red-hot proposal for the so-called International Finance Corporation. This plan for a new institution for stimulating private investment in underdeveloped countries, originated by Nelson Rockefeller's International Advisory Board and enthusiastically endorsed in the Congress by Representative Javits with the suggestion that it be affiliated with the International Bank, had been sent to the Secretary General of the UN for transmittal to its Economic and Social Council with a covering letter from President Eugene Black of the Bank, whose staff is now investigating the proposal.

A new corporation would be formed to interest private investors, both domestic and foreign, in favorable opportunities for profitable enterprises; helping to finance private undertakings by equity investment or by loans made without governmental guarantee. Membership in the new corporation would be given to all members of the Bank; but with the Bank foresworn from providing funds for the Corporation since the operations of the Corporation would be more speculative and diverse.

Serious doubts on the proposal are embraced by some of our key Treasury officials. They caution against expecting too much from the idea, on the grounds that it harbors doubt of the desirability of an intergovernmental institution getting into the business of private equity investments; that it might entail confusion with the activities and policies of the International Bank itself; and that it would tend to be in opiate treating symptoms rather than causes and encouraging dawdling over the making of the borrowers' badly needed internal reforms.

Some authoritative observers at the Conference have been complaining about the parley's alleged major omissions, including discussion of items which also are tied up with greater U. S. responsibilities. They include, *vis-a-vis* a potential foreign exchange crisis, the discussion, at least, of "more realistic" foreign exchange rates; of the definite steps and means of freeing foreign exchange rates; and how to free foreign exchange reserves for countries who want to establish convertibility. And loans (amounting to $500 million or so) for stabilization purposes, another major proposal, would constitute another drain upon the U. S. Treasury.

Potential United States responsibility for forestalling the extension of regional arrangements, like EPU, was forecast in today's discussion between M. Mendez-France, French Governor of the Fund, and Finance Minister of Canada Abbott. So it seems that the threat of regionalism as the price of desired convertibility may eventuate as an attempt to wring extra concessions from the United States Treasury.

Joins L. W. Chamberlain

(Special to THE FINANCIAL CHRONICLE)

RED WING, Minn. — Leslie E. Drentlaw has become connected with L. W. Chamberlain & Co., Inc., Schouweiler Building.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Chester C. Sconyers is with Waddell & Reed, Inc., 1012 Baltimore Avenue.

R. F. Rutland Opens

DALLAS, Tex.—R. F. Rutland is conducting a securities business from offices at 9517 Hermos Drive.

Hudson's Bay Company— Merchant Methuselah

By IRA U. COBLEIGH

Author of "Expanding Your Income"

A timely sketch of perhaps the oldest corporate enterprise in the world, with 172 more trading posts than the New York Stock Exchange.

Fifty years after the Pilgrims made a dock of Plymouth Rock, King Charles II (of England) granted a charter to "The Governor and Company of Adventurers of England Trading into Hudson's Bay"—official name of Hudson's Bay Company. Under this same and original Royal Charter, company operations have been unremittingly conducted since May 2, 1670. Hudson's Bay Company has no stockholders—they're called Proprietors instead — and the annual meeting in London is known as "General Court," presided over, in 1952, by Sir Patrick Ashley Cooper. The whole deal is twice as British as tea and crumpets; but the properties and business operations are, and have been for 282 years, in Canada.

Ira U. Cobleigh

Largest Fur Dealer

Perhaps your current reading has led you to believe that the native habitat of the deep freeze and the mink is in Washington. Well, it isn't. Hudson's Bay Company has not a few frigid cubic feet of deep freeze, but thousands of miles and many months of it. And as for mink, or other assorted furs, it is the largest fur dealer in Canada with 191 trading posts from Fredricton, N. B. as far north as an improbable sounding place named Tuk Tuk, on the Arctic Ocean. For the fiscal year ended Jan. 31, 1952 the company grossed $67 million from fur trade. It operates three large selling outlets in Montreal, New York and London. The historic importance of furs is evidenced by the company crest containing four beavers, two moose and a fox!

But the company is far more than merely fur bearing. It runs a chain of six big department stores in Edmonton, Winnipeg, Calgary, Saskatoon, Victoria and Vancouver; plus 20 smaller stores, scattered from coast to coast. It is the third largest merchandising organization in Canada, serving, as you will note, a section of the country experiencing a dynamic growth. $82 million was the 1951 gross for retail sales.

Some of the items traditionally acceptable in exchange for furs are whiskies (spirits, the company calls 'em), coffee, tea, tobacco and blankets. Hudson's Bay has developed a big business in these items. It is, in this field, among the largest wholesalers in Canada. Its "Point" woolen blankets are world famous, and just the thing for a 50° below Canadian winter — and a town suitably named Tuk Tuk! Gross revenues from wholesaling were $34 million in 1951.

Another facet to Hudson's Bay activity is transportation. The widespread trading posts are serviced by company-owned and operated fleets of boats and aircraft. Most important are its freight and passenger vessels, plying the Peace, Mackenzie and Athabasca rivers. Fishing companies, a radio network, some buildings in London, round out the company holdings with the exception of its most romantic one—land.

Hugh Mineral Rights

From earliest corporate days in the late 17th Century, Hudson's Bay was deeply interested in land. Actually, the original grant covered most of Canada; but in 1870 the company gave up, under a special agreement with the Crown, all but 7 million acres in Western Canada. An extensive policy of land sales was then set in motion so that today only about 180,000 acres remain in fee ownership. But of the 3,800,000 acres sold, mineral rights were retained on 4,300,000 acres. And herein lies a lot of the current glamor of Hudson's Bay. For this latter mineral acreage was turned over to Hudson's Bay Oil and Gas Co., Ltd. in return for 25% share ownership; Continental Oil Co. (Delaware) owning the other 75% and accepting responsibility for oil exploration and production. In addition to a quarter slice of the petroleum pie, Hudson's Bay Co. is to receive a 12½% royalty from gas and oil emanating from the specific lands it contributed. Then, to top off this acreage deal (a "Spindletop," they hope) the Hudson's Bay Oil & Gas Co. has latched on to mineral interest in another 5,500,000 acres, bringing its land spread to a fabulous 9,800,000 total; and Hudson's Bay Company has a quarter interest in all of this.

If this was just a program of hopeful holding of a wide swath of moose pastures, it might not be of much visible value to shareholders. But Hudson's Bay Oil and Gas Co. has production and proven acreage in the Turner Valley, Leduc and Redwater fields of Alberta — 62 wells at the 1951 year-end, with daily average production above 2,000 barrels.

Proven oil reserves of Hudson's Bay Oil and Gas have been estimated at around 18 million barrels. That's $18 million, at $1 a barrel. 9,800,000 acres of land rights ought to be worth at least $8 an acre more. That's $78 million. Add them together and it totals $96 million with one-fourth of it accruing to Hudson's Bay Company; $24 million or roughly $10 a share.

This doesn't count in the 12½% royalty over-ride on the original 4,300,000 acres, checkered right through Alberta with, I believe, 1¾ sections in each township. It's sort of like covering every other number on the green baize of a roulette board. A royalty call on 4.3 million acres, sprayed over favorable drilling areas, ought to be worth $3 a copy, or $5 a share for Hudson's Bay.

So in our own distorted and "iffy" calculations, we wind up with $10 for equity, plus $5 in royalty as the Hudson's Bay Company oil per-share valuation—$15 altogether. Current quote is $25½ so, that way, $10.50 is the value of all the non-oil; all the furs, the stores, the boats, and the wholesaling, and, I forgot to mention, net working capital on the Jan. 31, 1952 balance sheet of over $13.50 a share.

Well, that's the general picture but in truth past earnings have not been impressive—about 90c a share last year.

Absentee Management

Part of this anemic earning power may be due to management. Control and direction is overseas. The Canadian Operating Committee lacks authority for top decisions. Overall return on sales for 1951 was about 1¼%. Yet comparable American merchandisers on a $183 million total sales would probably realize somewhere between 2% and 3%. Think what a little of the Macy or Gimbel touch might do to this expanding chain store in fast growing cities.

Capitalization is straightaway—just 2,492,224 shares of £1 par. 68% was held in England, 16% in Canada and 16% "non-British held" according to a statement by the Governor on May 28, 1952.

There has been recently considerable interest in Hudson's Bay among American investors — so much so that there has arisen some clamor for a Canadian transfer office (all shares now must be transferred in England); and perhaps in due course a listing on some North American exchange. The shares now trade "over-the-counter." Whether or not this clamor will be given a receptive ear by the executive eagles at Beaver House, London, is anybody's guess.

As you know, American investors have been eagerly lodging speculative funds in Canada; but because of the obvious risks attached to individual mineral exploration companies, across-the-board securities giving measures of diversification have been gaining vogue. Canadian Pacific has been popular, and three large Canadian investment trusts have recently been offered to provide desired diversity. May I suggest that Hudson's Bay Company, too, has a broad horizon, certainly geographically, from Alaska to London, and activity-wise from fur to fuel oil, and from retailing to river transportation.

Against the interesting prospects outlined above, it must be admitted that earnings of below a buck on a $25 stock are pretty mousy; dividends have been spotty, there being none from 1931 to 1938; and management by remote control from jolly, Socialist England has not whipped up any Sears Roebuck-type merchandising moxie.

Please refer to the annual report, or get more information from the Canadian head office in Winnipeg, before you consider becoming a "Proprietor." Remember, too, there have been some very rough, and doubtless inaccurate, calculations of the oil potential; and the figures were converted at the $2.80 British pound prevailing Feb. 1, 1952. It is lower today.

If you sit back and gaze over this venerable company, historically the most durable private corporate structure in the world; and romance about what almost 10 million acres of land might contribute in the way of oil and gas under the bright management aegis of Continental Oil; envision a more streamlined sales efficiency in furs and furniture; consider the dynamic growth of territory served; then you may want to explore further this mature merchant enterprise, Hudson's Bay Company.

Marache, Dofflemyre Formed in Los Angeles

LOS ANGELES, Cal.—Marache, Dofflemyre & Co. has been formed with offices at 634 South Spring Street. Officers are Paul J. Marache, member of the Los Angeles Stock Exchange, President; Ralph L. Dofflemyre, Vice-President, and Fred E. Zahn, Secretary-Treasurer. All were formerly associated with Marache Sims & Co.

Roberts in Pittsburgh

PITTSBURGH, Pa. — Guy L. Roberts has opened offices at 2520 Maple Avenue to engage in a securities business.

From Washington Ahead of the News

By CARLISLE BARGERON

If there is any doubt as to the political nature of the CIO, any doubt as to its being an adjunct of the Fair Deal, it will be dispelled by the legislative score card with which that organization is measuring the candidates for Congress. It runs far afield of the legitimate concerns of organized labor as a body. Here is what the CIO demanded of the incumbents in order to get its 100% approval:

Carlisle Bargeron

A vote against the use of the Taft-Hartley injunction in the steel strike; to keep the old Wage Stabilization Board with power to handle labor disputes; to permit price roll backs; to permit price ceilings on farm products; against publishing of names of relief clients; for Federal aid to medical students; for aid to local public health units; for more public housing; for the Hill amendment to use tidelands oil money for schools; to keep Federal ownership of the tidelands; for the St. Lawrence waterway; for Alaska statehood; against a $500,000,000 cut in foreign aid; for the Benton amendment to discourage cartels and promote free trade unions in Europe; against the Welker amendment for a billion dollar cut in foreign aid; against the McCarran immigration bill; for two million dollars more to enforce a ban on illegal migratory "wetback" labor.

This, it may be noted, is just about the complete platform of the "liberals" and the ultra liberal Americans for Democratic Action, and insofar as the issues are still pending, is the platform of Governor Adlai Stevenson. But you wonder just why the 6 million members of the CIO, the mechanics, the textile workers, office workers and the like, plodding their daily existences, would be concerned about who has ownership of the tidelands, or about statehood for Alaska, about Federal aid to medical students; why they should have been concerned about the cutting of foreign aid in the two instances listed.

The answer is that they aren't and were not concerned. They are but the pawns in a vast political machine, called a labor organization, whose leaders are using them to increase their own political power.

Congress is used to organizations claiming to represent millions of voters on every conceivable subject under the sun but it doesn't pay any attention to them because it knows the representation is on paper alone. The CIO is different. It has a vast propaganda or educational set-up embracing "schools," magazines, newspapers and pamphlets, to say nothing of the radio. The candidates who do not measure up on its score card of how one should vote are being subjected to a vicious campaign as an enemy of the working man, a reactionary and a dreaded isolationist. The CIO workers are, generally speaking, fairly well disciplined, too, centered in the mass industries as they are. Their leaders keep tab on them as to whether they vote and, although the worker has privacy in the polling booth, vast numbers of them are so intimidated they do not know they have and even when they do they are so thoroughly saturated with the CIO propaganda that they follow the party line.

It seems to me that Eisenhower has an excellent opportunity in his forthcoming appearance before the American Federation of Labor convention to drive a cleavage between the two organizations by telling just what the CIO is. He cannot hope to get any CIO votes; the organization, in fact, has already embraced Stevenson and moved its brain trusters into the Governor's camp. It's silly of the Governor to say that his election would constitute a "change" when the CIO economist, Robert Nathan, is right there at his side.

With the single exception of the elder Bob LaFollette in 1924, the American Federation of Labor has never endorsed a Presidential candidacy and in the days of Sam Gompers and the early days of Bill Green's presidency, it fought shy of being allied with any political party. Under the New Deal, however, pressed by the aggressiveness of the CIO, it has gotten pretty deeply into Presidential politics as the tail of the CIO's kite. It did this through participation in the Non-Partisan League which is dominated by the CIO.

More recently, though, the signs have been increasing that the wiser heads of the Federation are fed up and would like to get back to their independent status. Eisenhower could make it clear to them that by tagging along with the CIO they have lost a lot of the influence they once had in Congress. He could point out that the Federation was organized in and has developed in the American traditions and that thinking people have long looked upon it as a bulwark against either Communism or Socialism. The CIO, on the other hand, was politically inspired; it is leftwing; indeed, is the main mechanism of the leftist movement in this country. The A F of L has gained nothing by playing along with it; the association has tended to bring it under that suspicion with which the great majority of Congress views the CIO. I think such a talk would fall on very sympathetic ears and it is a cinch it could do no harm.

Main Problem Is Distribution Not Production

By HON. CHARLES SAWYER*
Secretary of Commerce

Pointing out our future problem is not production, but getting raw materials to "chew up" and distribute economically the finished product, Mr. Sawyer holds both government and industry must do some hard thinking and wise planning to keep our economic ship on even keel. Warns against a scare of a serious depression, and urges cooperation between business and industry.

The real problem facing us today is not production. We have made great strides in this area—phenomenal, tremendous strides. We have astonished the world with our accomplishment. Already, unbelievably, our production is meeting the needs of both the military and the civilian demand. From this point on in the foreseeable future our great needs will be—not at the production core of the matter, but at the terminals. Our first problem will be to get raw materials which production chews up. Our second problem will be to distribute the results of that production. I shall not undertake here to discuss the raw materials problem, serious and far-reaching as it is. I would, however, like to talk a bit about distribution.

Charles Sawyer

Distribution is essential in our economy. It should not be ignored; it cannot in the long run be ignored, although there are those who have in the past given it a very minor role.

Before I speak of that role, I would like to point out some salient facts. As we consider what may lie ahead, it is obvious that both industry and government must do some hard thinking and wise planning to keep our economic ship on an even keel.

Some Planning Desirable

To many businessmen "planning" is a distasteful, if not a disreputable word. But some planning is desirable and inevitable. The planning I am talking about means a watchful eye on the future, preparing for long as well as short-range contingencies, and relating business goals to the requirements of national security and economic stability. Such an outlook on the part of business is the best guarantee against encroachment upon industry by government during a long period of semi-mobilization.

We are engaged in a partial but huge defense program which is greatly extending the productive base of our economy. While we are not engaged in a race to match any potential enemy, plane for plane, tank for tank, or gun for gun, we do have distinct goals of military production. These goals are being approached. We can look forward to the day when defense production will absorb a much smaller part of our productive capacity. When that day comes and our tremendous industrial machine turns again mainly to producing goods for non-defense purposes we will obviously face many problems. In certain lines of goods the supply will threaten to outstrip the demand.

Substantial buying power exists today in the form of private savings. Furthermore, a decrease in military production related to a steady growth in overall production and national income should mean less taxes and relatively more consumer purchasing power.

During the past century and a half this nation has concerned itself with developing the techniques of production. As I said earlier, today our production is virtually limited only by our ability to sell and use what we produce. To use that production requires effective distribution both at home and abroad. American industry must now work just as hard to develop distribution techniques as it has worked in the past on production techniques—a process requiring continued development of advertising and marketing.

It is true that the great economic challenge to our nation has been to maintain full production in an expanding economy and thus assure a rising living standard for all Americans, an economy steadily growing in strength and stability, an economy dynamically supporting our leadership in the crucial struggle for world peace.

Making Survey of Distribution Problems

In my own Department of Commerce also the main emphasis has been upon production. I intend now to give much greater emphasis to the field of distribution. We are planning a reorganization of the department, which will include a new section devoted to the interests and problems of "distribution." This will be done without adding to the personnel of the Commerce Department, or to the drain upon the taxpayer.

In connection with the Committee for Economic Development, the Department of Commerce is undertaking a special survey dealing with the possibilities of distribution when the tempo of defense activity slows down. When that time arrives, private enterprise and not the government must carry the burden of keeping our amazing production capacity at work.

To do that job our businessmen will need authentic information on the potential market for goods and services which will be available or may be developed for a civilian peacetime economy. It will be published by Jan. 1, 1953.

I, of course, wish not to give the impression that the defense effort will have tapered off by the first of next year. It would, however, in my opinion be unwise to wait until this occurred before planning for what must be done when it does occur.

An advisory committee of 19 outstanding business executives and economists has been appointed to help assure that the report will be realistically related to the needs of industry. I hope that this study will provide information helpful to American businessmen upon which they can plan ahead to maintain high productivity.

This markets analysis will be somewhat similar to the study entitled, "Markets After the War," published by the Department of Commerce and the CED in 1943. At that time you may recall that it was popular to predict a thunderous postwar crash. The American people, it was said, could never absorb the flood of goods which our wartime expanded industries were capable of producing. The conclusions of our 1943 study were at variance with those dire predictions but they proved to be substantially accurate. I

Continued on page 42

*An address by Secy. Sawyer at the 20th Anniversary Luncheon of the Sales Executive Club of New York, New York City, Sept. 9, 1952.

Dealer-Broker Investment Recommendations & Literature

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

Bank Stock Outlook—Bulletin—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

Buying Opportunitities—List of suggestions—Boettcher and Company, 105 East Pikes Peak Avenue, Colorado Springs, Colo.

Common Stocks for Appreciation—List of suggestions—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

New York Coffee and Sugar Exchange—Brochure entitled "Seventy Years of Service"—Now York Coffee and Sugar Exchange, Inc., 113-117 Pearl Street, New York, N. Y.

Public Utility Common Stocks—Tabulation—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Ratings & Reports—Special offer for one month's service including ratings & reports, weekly supplements, special situation recommendation and commentaries—To new subscribers only—$5.00—Value Line Investment Survey, 5 East 44th Street, New York 17, N. Y.

Retailing Industry—New study—Bache & Co., 36 Wall Street, New York 5, N. Y.

Six Grumpy Gremlins or How Not to Make Money in Wall Street—Bulletin—Graham, Ross & Co., Inc., 82 Beaver Street, New York 5, N. Y.

Tokyo Quotations—Weekly summary of quotations on the Tokyo Exchange—Nomura Securities Co., Ltd., 1-1 Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

Value Selections for September—Bulletin—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

* * *

American Marietta Company—Analysis—First California Company, Inc., 300 Montgomery Street, San Francisco 20, Calif.

American Phenolic Corporation—Analysis—J. Arthur Warner & Co., Inc., 120 Broadway, New York 5, N. Y. Also available are analyses of **California Eastern Airways, Inc.** and **Merchants & Manufacturers Insurance Co.**

American Potash & Chemical—Memorandum—Shearson, Hammill & Co., 14 Wall Streeet, New York 5, N. Y. Also available are memoranda on **Clinton Foods, Inc., Florida Power & Light Co., New York, Chicago & St. Louis, Chas. Pfizer & Co.**

Aro Equipment Corp.—Memorandum—McLaughlin, Reuss & Co., 1 Wall Street, New York 5, N. Y.

Bingham-Herbrand Corporation—Bulletin—de Witt Conklin Organization, 55 Liberty Street, New York 5, N. Y.

Chemical Fund, Inc.—Brochure giving financial records of portfolio companies 1929-1951—F. Eberstadt & Co., Inc., 65 Broadway, New York 6, N. Y.

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

Guardian Investment Trust—Circular—George Birkins Company, 40 Exchange Place, New York 5, N. Y.

Hoffman Radio—Circular—Raymond & Co., 148 State Street, Boston 9, Mass. Also available is a memorandum on **Textiles, Inc.**

Home Oil Company Limited—Review—Ross, Knowles & Co., 330 Bay Street, Toronto 1, Ont., Canada.

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

Nuclear Instrument & Chemical Corp. — Circular — Republic Investment Company, Inc., 231 South La Salle Street, Chicago 4, Ill.

Phoenix Union High School District, Ariz.—Bulletin—Paul Frederick & Company, 70 Pine Street, New York 5, N. Y.

Preferred Utilities Manufacturing Corp. — Memorandum — Childs, Jeffries & Thorndike, 50 Congress Street, Boston, 9, Mass.

Puget Sound Power & Light—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a memorandum on **Central Maine Power** and **Public Service of New Hampshire.**

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

Southeastern Public Service Company — Analysis — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also available is a memorandum on **General May Corp.**

Tri Continental Corporation—Review—Sutro Bros & Co., 120 Broadway, New York 5, N. Y.

U. S. Vitamin Corporation—Report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Western Union—Analysis—Bruns, Nordeman & Co., 60 Beaver Street, New York 4, N. Y.

NSTA Notes

AD LIBBING

You all will be glad to hear that our advertising campaign is making new highs. We wish to thank Lou Singer of Troster, Singer & Co., New York City, and Lou Walker of National Quotation Bureau, for their ads of a half page each, which to date establishes the high, or largest ads received. We are grateful to both for their consideration and cooperation.

Harold B. Smith

Ed Beck, Hal Murphy, Vince Reilly, and Ted Peterson of the "Chronicle" all are very optimistic and report business is looking up. Thanks, fellows, you always do a good job! Traders, let's give them a helping hand by sending in your orders now.

HAROLD B. SMITH, Chairman
NSTA Advertising Committee
Pershing & Company
120 Broadway, New York 5, N. Y.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The annual fall outing of the Security Traders Association of New York held September 5th at the Richmond County Country Club on Staten Island was a tremendous success, with more than 250 in attendance. Pictures taken at the outing appear elsewhere in today's issue.

Security Traders Association of New York (STANY) Bowling League Standing as of Sept. 4, 1952 are as follows:

TEAM—	POINTS
1. Ricky Goldman, Dawson Smith, Jack Valentine, Milt Meyer Jack Farrell	5
2. Hank Serlen, Henry Gersten, Nat Krumholz, Artie Rogers Sam Gold	4
3. Joe Donadio, John Demaye, Ed Whiting, O'Connor, Sal Rappa	4
4. Julie Bean, Hy Frankel, Harry Casper, B. Niesman, Sol Bass	4
5. Will Krisam, King Ghegan, Sid Jacobs, Les Ganon, Gene Cohen	4
6. Hoy Meyer, Chas. Kaiser, Carl Swenson, A. Frankel, A. Wechsler	4
7. Duke Hunter, Roy Klein, Bernie Weissman, Jack Sullivan H. Murphy	1
8. Walt Mewing, Bradley, R. Weseman, George Hunt, Sam Gronick	1
9. Cy Murphy, Manson, D. Montanye, John O'Hara, Harry Pollack	1
10. George Leone, T. Greenberg, Al Tisch, J. Werkmeister, A. Lopato	1
11. Vin Lytle, M. Growney, Joe Craig, P. Fredericks, S. Bies	1
12. Artie Burian, G. Montanye, Mike Voccoli, Sid Siegel, Vic Reid	0

200 CLUB	6 POINT CLUB
Ricky Goldman 212	Ricky Goldman

COMING EVENTS

In Investment Field

Sept. 11, 1952 (Omaha, Neb.)
Nebraska Investment Bankers Association annual Field Day at Omaha Athletic Club; golf, luncheon and dinner at the Omaha Country Club.

Sept. 19, 1952 (Chicago, Ill.)
Municipal Bond Club of Chicago annual field day at the Knollwood Country Club.

Sept. 24, 1952 (New York City)
Association of Customers' Brokers annual meeting and dinner at Whyte's Restaurant.

Sept. 26, 1952 (Philadelphia, Pa.)
Bond Club of Philadelphia annual field day at the Huntingdon Valley Country Club, Abington, Pennsylvania.

Sept. 26, 1952 (Rockford, Ill.)
Rockford Securities Dealers Association annual "fling-ding" at the Mah-Nah-Tee-See Country Club.

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.

Oct. 31, 1952-Nov. 2, 1952 (Hot Springs, Va.)
Fall Meeting of Southeastern Group of the Investment Bankers Association of America at The Homestead.

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

Branigan, Fleur Head Ira Haupt Dept.

James H. Branigan

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, announced the appointment of James H. Branigan as manager and Leo Fleur as assistant manager of its Mutual Funds Department.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates on Sept. 5 offered, subject to approval of the Interstate Commerce Commission, $4,000,000 of Bangor & Aroostook RR. 3¼% serial equipment trust certificates maturing semi-annually April 1, 1953 to Oct. 1, 1967, inclusive, at prices to yield from 2.30% to 3.45%, according to maturity. Issued under the Philadelphia Plan, the certificates are secured by new standard-gauge railroad equipment, estimated to cost not less than $4,487,500 and consisting of 150 insulated box cars and 350 refrigerator cars.

Associated with Halsey, Stuart & Co. Inc. in the offering are: R. W. Pressprich & Co.; Wm. E. Pollock & Co., Inc.; The Illinois Company; McMaster Hutchinson & Co.; First of Michigan Corp.; Freeman & Co., and Gregory & Son, Inc.

Bohun K. Kinloch Opens Own Inv. Office

CHARLESTON, S. C. — Bohun B. Kinloch is engaging in the investment business from offices at 42 Church Street. He was formerly a partner in Kinloch, Huger & Co.

Federal Consumption Taxes

By DR. HARLEY L. LUTZ*

Professor Emeritus of Public Finance, Princeton University, and Tax Consultant, National Association of Manufacturers

Dr. Lutz, in support of his advocacy of more Federal excise taxation and lower income tax levies, argues taxes on consumption bring in more stable revenue than income taxes and have less detrimental effects on the economy than steeply graded progressive income taxes. Holds "ability to pay" as measured by income is directly proportional to income and not in a progressive relation to it. Advocates a uniform manufacturers' sales tax to largely supplement the current high rate of progressive income tax.

It is appropriate at the outset to recall a bit of financial history. I refer to the long period during which the Federal Government's main source of revenue was consumption taxes, including customs and excises. From 1789 to 1909 there was no Federal taxation of income except for the Civil War years. During this brief experience, the income tax receipts were far below those from the other major taxes. The overall record from 1863 through 1873 is given in the table below:

Dr. Harley L. Lutz

TABLE I

Aggregate Federal Revenues, Fiscal Years 1863-1873

(Thousands)

Customs	$1,761,549
Excises	1,478,217
Income Tax	375,698

Aside from the relatively minor revenue from this one experiment with income taxation, the Federal Government derived its financial support from consumption taxes. The principal form of miscellaneous receipts was public land sales, which was an item of noticeable size for only a few years prior to 1841. In this period of 120 years there were 39 deficit years, of which 15 were years of abnormal military expenditure. In 81 years there was a budget surplus. We cannot say that the surpluses were planned. Rather, they resulted because the people of that time had not been inoculated with phony nonsense about excessive spending being the easy road to national prosperity. There was wasteful spending, of course, or the surpluses would have been larger and perhaps more numerous. The Rivers and Harbors Appropriation Bill was known as the "pork barrel" back in the 1880s. Some may have considered it wasteful to pay exorbitant premiums in open market purchases of the debt for redemption, a situation that had been caused by the bungling debt management policies of the war years. But the significant fact is that the debt was reduced. There was no fancy skullduggery about merely owing it to ourselves. The interest-bearing debt was at its peak in 1866, at $2,322 million. The low point was $585 million in 1892. And you will recall that in 1835 the Federal Government was entirely free of debt.

I need not take time to develop here the statistical record of the growth of the nation over this 120 years. It is worth pointing out, however, that this growth occurred while the Federal Government was operating under a tax system that some would now regard as of the one-horse, swaybacked variety. I will go farther, and assert that one of the reasons for the immense advance that was made over these years, particularly in the formation of capital, was the fact that there was no income tax. One of the most vicious, if not *the* most vicious feature of income taxation under present-day malpractice, is its terrific penalty on saving. Prior to the introduction of this tax joker, the citizens were free to save and accumulate without a tax penalty, and as a result of this freedom they created the industrial, transportation, communication, and financial industries and businesses that are the foundation of our economic strength. It his been said often, but it is worth repeating, that had there been income taxes of the current variety and burden from the time of George Washington, this growth could not have occurred.

I do not propose that we should now try to turn the Federal tax clock all the way back to the 19th Century and eliminate income taxes entirely. But I say that we should go far enough in that direction to increase substantially the proportion of the Federal revenues that are obtained from consumption taxes, with a corresponding decrease in the proportion obtained from income taxes.

A Practical Reason for Excise Taxes

My first reason for urging a greater use of excise taxes by the Federal government is the practical one of sound budget management. The Federal revenues are dangerously overweighted today on the side of income taxation. In the fiscal year 1952, the income taxes produced 83% of net budget receipts and the customs and excises together produced only 15%. This is a bad situation under any circumstances. There are too many eggs in one basket, but we can't follow Pudd'nhead Wilson's advice, which was to put all of your eggs in one basket and then watch that basket. The income taxes are much more responsive to business and economic conditions than the excises for the reason that income is a more volatile thing than consumption spending. Just watching the basket will not always guarantee an accurate egg count. Under boom conditions incomes increase rapidly, especially those which we call profit. Income tax receipts also rise, even with no change of rates. As the attitude of Congress and the Administration has shown, an abundance of revenue incites a disposition to spend lavishly and to make extravagant commitments to spend. It is the old, familiar principle of "easy come, easy go."

Under depression conditions, the income tax yield will decline as rapidly as it had expanded during the boom. If there should be then as complete reliance on income taxes as is now the case, even a moderate business reaction would produce a large deficit. The short, mild decline of 1949 caused a drop of corporate profits by $5.5 billion, or 16.2%, from the 1948 level, and this produced a shrinkage of $2 billion, or 15.4% in corporate tax liability for 1949 as compared with 1948. The changes in individual income tax rates in 1948 preclude a similar comparison of the individual income tax yields from 1948 to 1949. Department of Commerce data show a decline of $4.4 billion in personal income.

In marked contrast, the yield of excise or consumption taxes is far more stable. They do not rise as rapidly or as far under boom conditions, nor do they decline as much under depression conditions, as do the income taxes. This relative stability could operate as a restraint upon lavish spending during the boom because budget receipts would not rise so fast, and it would certainly operate as a stabilizing influence during a depression. That is, a substantial proportion of excise revenue would minimize the amount of the deficit, if it did not enable the government to avert deficit financing altogether. Thus, there would be greater budget stability and a better chance of effective financial control because there would be less whipsaw between revenue abundance and famine that is so characteristic of the income taxes.

The experience of both England and Canada supports my thesis.

During the 10-year period 1928-1937 inclusive, England had surpluses in six years, aggregating 65 million pounds, and deficits in four years, aggregating 76 million pounds. The net deficit for the 10 years was 11 million pounds. The proportion of total tax revenues provided by income tax through this period varied from somewhat more than one-third to less than one-half. The substantial support from consumption taxes enabled the British Government to weather the depression years with only a nominal aggregate deficit.[1] At present there is somewhat greater emphasis on income taxes which is mainly the result of an excess profits tax. In the budget estimates for the fiscal year 1952-53, income and excess profits taxes will provide 51% of total ordinary revenue, and the consumption taxes will provide somewhat more than 40%.

I need not remind you of the excellent financial and economic position of the Dominion of Canada, whose dollar is at a premium in terms of our own. The Dominion's revenue system has long maintained close to a fifty-fifty balance between direct and indirect taxes. The following passage from a recent budget speech by Finance Minister Douglas C. Abbott emphasizes this objective. It closely parallels the language of our NAM report. Mr. Abbott said:

"Our problem is to get a good balance between taxes on earnings and taxes on spending. Taxes on spending, that is, taxes on commodities, do not adversely affect incentives to produce. In the case of taxes on commodities, government revenue is obtained not by reducing private income, but by placing a surcharge on private expenditure of certain kinds. This type of surcharge has the advantage that it does not adversely affect the incentive to earn income, that is, to produce, and it does offer the consumer some choice as to whether he will spend, and pay the tax, or whether he will save and to that extent avoid the tax."

Bad Effects of Excessive Income Taxes

A second reason for urging a rearrangement of the sources of Federal revenue stems from the observed and demonstrated bad effects of excessive income taxes on the economy. These evils are a product, in part of definitions, in part of administrative, practices, and in part of excessive rates. I have discussed some of these matters in earlier papers before this Association and repetition of the points made is unnecessary here.[2] It is evident, however, that the injurious effects of defective definitions and administrative malpractices are multipled and compounded by the excessive rates. It is equally evident that the severity of the rates is a product of the extreme reliance that is now placed on the income taxes in the Federal tax structure. In order to revise the income tax rates to more moderate and more reasonable levels the Federal tax base must be broadened, and the only feasible way by which this can be done is to increase the proportion of total revenue that is supplied by consumption taxes and to lessen the proportion that is obtained from income taxes.

The principal difficulties in the way of a shift of revenue emphasis such as I am proposing are

Continued on page 36

*An address by Dr. Lutz before the National Tax Association, Toronto, Canada, Sept. 9, 1952.

1 See my paper, "English Financial Policy and Experience," 1928-1937, in *Proceedings of the Academy of Political Science*, vol XVII, No. 4, January, 1938, pp. 409, ff.

2 See my paper, "Some Errors and Fallacies of Taxation as Exemplified by the Federal Income Tax," *Proceedings of the Thirty-fourth National Conference of the National Tax Association*, 1941, pp. 355, ff.

Wanted—A Better Way In Labor Relations

By BENJAMIN F. FAIRLESS*

Chairman of the Board and President
United States Steel Corporation

Referring to losses due to recent steel strike, Mr. Fairless rejects idea of abolishing right to strike or government arbitration of labor disputes in times of national emergency as leading, on the one hand, to slavery, and on the other, to nationalization of industry. Says government should fix rules, free from favor or political influence, under which collective bargaining processes should operate. Advocates substituting cooperation for conflict by cooperation in the public interest.

I wonder how many of us realize the alarming extent to which our advances in the scientific and engineering fields are now being wiped out by our failure to make similar progress, as a nation, in the field of human relations. Let me give you one startling example among the many hundreds which probably might be cited:

Benjamin F. Fairless

Since the end of World War II the American steel industry has been engaged in a vast program of expansion which has added an average of about 2½ million tons each year to its ingot capacity. Yet during this same period it has lost about seven million tons of ingot production each year as a result of strikes. That means that for every ton of capacity we have added, we have lost nearly three tons of production.

At Morrisville, Pennsylvania, United States Steel is now building the largest integrated steel plant that has ever been constructed in so short a time; yet it will take this plant ten years to turn out as much tonnage as our nation lost in less than eight weeks this summer.

Obviously, gentlemen, the time has come when it behooves all of us to search for a better way to settle our labor disputes. The American people are patient, but they will not sit by forever and permit strikes to endanger our national defense, to impede our industrial progress and to wipe out the savings of thousands of workers, many of whom—in some cases—are not directly involved in the controversy. Ultimately the force of public opinion is going to compel drastic action in Washington — action which can only result in the further suppression of our precious liberties.

Two Proposals Unsatisfactory

Already we hear it suggested that the right to strike be abolished completely in periods of national emergency. That way, I think, lies slavery, and I do not see how any thoughtful American can support such a proposal.

Elsewhere we hear an increasing demand for government arbitration of labor disputes. That way, I believe, lies the eventual nationalization of industry and the murder of Free Enterprise; for it seems clear to me that if wages and other major production costs are to be dictated by any government-appointed agency, then the government itself must soon take over our industries and assume direct financial responsibility for the consequences of its decisions. Should that occur, of course, it would also mean the end of labor's right to strike; for the right to strike against the government is already denied by law.

So either of these proposals must lead to the suppression of individual freedom and both are therefore fundamentally wrong. I do not mean to suggest, however, that there is no need for government action in this field. There is.

I believe that government must fix the rules under which the collective bargaining process is to operate — rules that are fair to both sides and that are enforced, firmly and without favor. I also believe that some future Congress must face up to the question of Labor Monopoly just as past Congresses have clamped down on Industrial Monopoly.

But I do NOT believe that political interference with the collective bargaining process itself can ever produce anything but more industrial conflict. Government intervention does not prevent strikes—it invites them. And it always will as long as one party or the other has a better chance to get a favorable settlement from its political friends in Washington than it has at the bargaining table.

We learned this under the Labor Board in the last war. We are learning it again today under the administration of wage and price controls; and if we didn't learn it during the recent steel strike, then Heaven knows, we are incapable of learning anything!

Clearly, we cannot look to government for the final answer to this problem. We must solve it for ourselves. It is a responsibility that rests upon all of us—and especially on Management and Labor. There must be a better way of settling our differences than just by slugging them out at the expense of the entire nation. There must be a better way of using our freedom than by undermining our ability to defend that freedom. And clearly there is. Our job is to find it.

Strike as Last Resort

I believe that this nation has a right to expect American Labor and Management to bargain in a spirit of reason and decency. I believe it is fed up to the gills with name-calling, mud-slinging and personal abuse. I believe it expects labor to use the strike only as a weapon of last resort—not as the opening gun in a campaign for tactical advantages. I believe it expects management to respect and defend the right of its workers to bargain, voluntarily, through unions of their choosing. I believe it expects both of us to live and to let live—to recognize that our long-range interests are identical . . . not antagonistic . . . and that anything which injures one of us will gravely jeopardize the security of the other.

In short it expects us to substitute cooperation for conflict; and to end this industrial warfare once and for all.

That is a large order. It has a task to challenge the finest minds in the land. It will demand infinite patience and endless perserverance. But if it can be accomplished, it will stand out—I think—as the greatest contribution of this century towards the industrial development of America. And so I commend it especially to your thoughts on this occasion.

One way to approach this task, it seems to me, is suggested by a passage in the autobiography of John Fritz himself. He writes:

"In all my experience, I have always sought to secure and retain the good will of the workmen. With confidence fully established between workmen and their employer, strikes rarely occur."

But times, of course, have changed greatly since that was written. In these days of mass production and mass employment, when our plants are scattered from one end of the land to the other, it is practically impossible for employers in a large industry to talk with their men at all . . . to exchange views and to discuss their mutual problems and interests.

To Confer With Murray

It is this fact, above all else, I think, that has led to the rapid deterioration of our human relations in industry. And that is why Philip Murray and I have agreed to set out, this Fall, on a series of trips to the various plants of United States Steel. We plan to sit down at the dinner table with the local representatives of the union, and of the plant management, and talk things over. We want to tell each other our troubles, and help each other to find a solution for them. And we hope, in this way, to stop a lot of the friction at its source. In the end, we may even discover that we're not antagonists after all; but just partners and friends.

I do not know what luck we shall have. I do not know that we shall accomplish anything at all. But I do know that both of us will sincerely try to find "A Better Way."

*Part of an address by Mr. Fairless in accepting the John Fritz Medal Award at the Centennial of Enginnering, Chicago, Ill., Sept. 10, 1952.

Metcalf Heads Calif. Office of Dean Witter

EUREKA, Calif.—Terry E. Metcalf from Dean Witter & Co.'s Portland office has been appointed Resident Manager of the firm's Eureka office. Mr. Metcalf has been with the firm for three years in the Portland office. Prior to that he was with the investment department of the U. S. National Bank of Portland.

Terry E. Metcalf

He is an alumnus of the University of Oregon. He served five years in the Army Air Corps, is married and has two children.

He has been active in civic and political activities in the northern city, where he was a member of the Junior Chamber of Commerce, City Club, and the young Republican group.

George Salinger, registered representative, is associated with him in the Eureka office.

Keenan & Clarey Add

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Donald E. Schmid is now connected with Keenan & Clarey, Inc., National Building.

Frederick Winterberg

Frederick Winterberg, partner in J. W. Sparks & Co., passed away on Sept. 1.

Canadian Securities

By WILLIAM J. McKAY

Curb Exchange President Stresses U. S. Investor Interest in Canadian Securities.

The broadening interest in Canadian securities by American investors is well indicated in an address by John J. Mann, Chairman of the Board of Governors of the New York Curb Exchange, before the 35th annual convention of the National Association of Securities Administrators at New Castle, N. H., on Sept. 5. Mr. Mann gave a glowing and optimistic account of Canada's recent economic growth and lauded the progressive spirit of the Canadian people.

John J. Mann

Pointing up the extent of U. S. investor interest in Canadian securities, Mr. Mann observed that 12 of the 44 stocks listed on the Curb Exchange in 1951 were Canadian, and of the 28 new listings to date this year, 11 represented Canadian companies. The Curb Exchange, he declared, appreciates the potentialities that exist in Canadian enterprises and in Canada itself and is doing everything possible to permit investors in this country to share in that country's development.

In his address, Mr. Mann remarked as follows:

"One of the greatest subjects of interest to us during the past few years, and particularly of late, has been the economic growth and development of Canada, our powerful and friendly neighbor across the invisible northern boundary. Perhaps no other country in the world holds, at the present time, such glowing promise of future progress and prosperity. During the past dozen years or so, we have all been witnesses to the striking changes that have been wrought, to make a country, once predominantly agricultural, take its place amongst the leaders of the earth as an important industrial nation. A brief look at the record should prove convincing enough evidence even for the most doubting Thomas. For a full appreciation of this evolutionary picture, let us focus on the period from 1939 to the present.

"In this relatively short space of time, Canadian national production has quadrupled, and the standard of living of its people has increased by 50%. Personal income is almost four times the 1939 figure, and personal savings have grown from four billion, three hundred million dollars in 1939, to almost sixteen billion dollars in 1951. Today, Canada stands behind only the United States and Great Britain in volume of goods produced and exported—and boasts of a standard of living second only to our own—all accomplished with a working force only 30% larger than in 1939.

"Although a pronounced shift has taken place from Canadian farms to factories, and the farmers, who equalled factory employees in 1939, are now outnumbered two to one, there has been an increase in agricultural output, and the vast Western prairies, feeding a million people with their product, produce the second largest wheat crop in the world.

"Lumbering, long a staple of the nation's economy, produces 50% of the world's newsprint. Since 1939, pulp and paper production has more than doubled.

"New industries, new processes, new resources and fresh discoveries are the order of the day. Since 1939, output of primary steel has increased 130%, and automobile production has tripled. The chemical industry, with large resources of basic materials at its disposal, is expanding its plant and diversifying its products, and has succeeded in raising its volume by 80%. Although of only minor importance before the Second World War, it is now a $750,000,000 business, and new chemical plants are on the drawing boards, or already under construction on the west coast, in central Canada, and the Montreal district."

Turning to the subject of foreign investment in Canada and the heavy listing of Canadian securities on the New York Curb Exchange, Mr. Mann said:

"This intriguing story of exploration and development could never be told if the investment funds necessary to support these ventures were lacking. At the end of 1951, the book value of the total investment from outside Canadian borders — fresh capital and reinvested earnings included —amounted to approximately nine and one-half billion dollars. This heavy investment of foreign funds has had the salutary effect not only of relieving considerably the financial burden which would otherwise have to be borne by domestic Canadian investors, but has helped Canada finance its foreign trade deficit and add to its exchange reserves. An incidental by-product of all this has been that the Canadian dollar in September 1950, was released into the free money market and thereafter, in December 1951, foreign exchange controls were eliminated altogether. We have all witnessed the subsequent impact that sound economics and a stable government have had on the exchange rate of the Canadian dollar, which has recently reached a premium of more than four cents, its highest point in 18 years — a financial state of affairs which has caused chagrin to many an American tourist, who found that the American dollar would no longer get him ten cents change on a dollar purchase, as it did a few years back, but requires the added sweetening of a few coppers.

"This favorable exchange rate is a tribute, not merely to the sound management and stability of the Canadian economy, which has been operating under a balanced budget for the past six fiscal years, but is also tangible evidence of what hard-headed businessmen think of Canada and its prospects.

"I do not mean to imply by this that Canada has no serious problems facing it. The hard reality of the matter is that such problems do exist, among them the finding of adequate markets for its increasing supply of products, and the building of an adequate labor force. But even when those problems are weighed in the balance, the scales tip appreciably on the optimistic side. We have often heard it said that Canada is in a position similar to that occupied by the United States in the 19th century, and I am sure

Continued on page 34

No Excuse for False Deficit Threats and Overtaxation!

By DR. JULIUS HIRSCH
Consulting Economist, New York City

Economist scores Federal budget's recent fat cash surpluses in face of persistent forecasts of deficits, which routine has prevented justified tax reductions, and even frightened Congress into imposing new unnecessary taxes. Asserting $24 billion cash surpluses have been accumulated during past seven years, Mr. Hirsch avers there will be no deficit in 1953, and taxes should be reduced to maintain consumer expenditures

The direct and indirect tax bill paid by American families today exceeds their entire annual expenditure for food by a large margin. It is much greater than the amount spent yearly for rent, clothing, furniture or the other necessities of life. For instance, in fiscal 1952 Federal tax collections amounted to $68 billion; expenditures on food were only $60 billion.

Julius Hirsch

Thus reduced to familiar terms, the enormity of our tax burden is clearly brought to light.

It is high time that a new tax policy is framed which will put an end to the overtaxation that has been the lot of the American people for too many years.

In the next few Federal Budgets we must not be deterred any longer from lightening the tax load by more of those strange tactics which have been used by the present administration throughout the last seven years. Year after year since 1946 the Administration has warned of huge impending deficits and has thereby prevented tax reductions and even frightened Congress into imposing new taxes. Then, it has annually closed the books, after lavish spending, with a fat cash surplus.

This is the record of the last seven years:

Huge Deficits Threatened — $24 Billion Cash Surpluses Accumulated

In 1947 the President threatened a *deficit* of $4.5 billion. Actually the year yielded a cash *surplus* of $6.6 billion.

In fiscal 1948 we were warned of a barely balanced budget though at the time the Administration forecast was made we were already able to forecast a surplus of $7-$8 billion. The fiscal year actually closed with *$8.8 billlion more receipts* than expenditures.

In 1949 the cash deficit was estimated at $0.6 billion and turned out to be a cash surplus of $1 billion.

In 1951 the Administration foresaw a $2.5 billion excess of expenditures over receipts. Consequently, that fiscal year had a $7.6 billion cash surplus.

And the fiscal year just closed (1952) was expected to show a $12.8 billion cash deficit, though in fact, it yielded a small surplus.

By this deficit bogeyman the Administration has time and again succeeded in terrifying a majority of Congress into more and more taxes or has prevented a badly needed tax cut.

The Little Man Has Suffered Most

The hardest hit have been the lower, and moderate income classes, especially through the quite unnecessary tax increase enacted in the Fall of 1951.

While in June, 1950, the average weekly earnings of a city worker with three dependents stood in terms of 1939 purchasing power at $33.21, in July, 1952, these earnings were $32.60. But, this 2% loss of purchasing power brought-about by the high cost of living does not take into account the loss sustained through higher taxes in 1950 and again in 1951. These additional taxes now cost about $1 a week in purchasing power of 1939 ($2 a week at today's prices) and reduce actual real wages more than the higher cost of living.

After taxes, the working man is today at least 5% worse off than he was before Korea, mainly through higher taxation.[1]

We Did Not Need Higher Taxes In 1950 at All

The revenue act of 1950 was slated to raise $10 billion in a full year's operation. Since it was effective only for ¾ of the year, it cannot have raised much more than $7.5 billion. This is exactly the amount of the cash surplus that was amassed during the fiscal year 1951 and shows that the higher taxes paid from October, 1950, through June of 1951 were pure overtaxation.

These high taxes were not needed to curb inflation or prevent shortages. To the contrary, from October, 1950, through June of 1951, the real value of inventories — unbought merchandise — rose by over $10 billion. This happened because the purchasing power was not there to take up the huge quantity of goods that poured from our factories. The consequence of this was the "lull" in business that has damaged a large number of consumer industries ever since Spring, 1951.

Did the government at least use its surplus money needlessly pressed out of the productive economy to ease this serious "lull"?

Far from it. $5 billion worth of government bonds were repurchased from the public in the markets—a rather strange procedure in the midst of a sanguinary war—and the money thus released was *immediately sterilized.* Hence, it was unable to bring about better employment in those industries which had been taxed into a recession.

In fact, while the labor force grew by 800,000 from March, 1951 to March, 1952, *employment decreased* slightly between these dates and in the midst of our so-called defense boom.

Any effect that this repayment of bonds might have had on the money credit and thereby labor market was paralyzed by the restrictions which the government placed on loans for construction, for consumer credit and to small business through voluntary credit restraint.

We Did Not Need Higher Taxes In 1951

The $7.6 billion surplus of 1951 made any additional taxation in fiscal 1952 entirely unnecessary. Nevertheless, through threats of deficits publicized and loudly heralded to be $13 billion and through exorbitant expenditure estimates which were never attained or even possible the government once more stampeded most members of Congress into passing a new tax law last November.

In a previous study we pointed out as early as July, 1951 that no additional taxes would be necessary to balance the budget if only a small part of the 1951 surplus would be applied to the 1952 expenditures. This forecast was born out in full this July when the fiscal year again produced a surplus.

The magnitude of the Administration error in fiscal 1952 can be clearly seen as follows:

(In billions of dollars)

Anticipated cash deficit	$12.7
Antic. yield of new taxes in fiscal 1952	2.4
Forecast cash def. after new taxes	$10.3
Actual outcome (surplus)	0.1
Error (at least)	$10.4

It almost seems that the relatively small cash surplus shown as yet for fiscal 1952 does not tell the full story. *One day before the close of the fiscal year the cash surplus stood at a full $1½ billion.* On the following day the Treasury spent almost this entire amount (while normal spending per day was about $250 million).

Even before this happened, Lawrence F. Lee, President of the U. S. Chamber of Commerce, stated: "Federal agencies went on a spending spree during June just to get rid of unspent funds, to keep from losing them."

This quite unusual compression of expenditure into a few hours at the end of the last budget day might perhaps be the subject of studies by Congressional committees.

Lag in Income

In addition, the cash surplus of fiscal 1952 might have been larger than it was had there not been, as we were informed, a lag in income partly due to slow processing of tax returns owing to difficulties in the administration of the Internal Revenue Bureau.

These amounts may show up later when, after some time, the final counting is made and checked.

Fiscal 1953

Despite the enormity of these miscalculations the President has again ominously forecast a $10 billion deficit for fiscal 1953. *No such deficit will appear.*

As Congress has already lopped off about $8 billion from the budget requests, as moreover we spent about $5 billion less than anticipated in fiscal 1952 there is at least a possibility that spending will be less than expected, by $6-7 billion as a minimum.

Consequently, the cash budget in 1953 should be very close to balancing indeed.

We can thank our lucky stars that this being an election year the Administration did not dare to ask for still more taxes to cover another of its spurious "deficits."

Since 1946 we have seen seven very lean years for the taxpayer. The time is here for an end to lavish expenditure and overtaxation on top of this.

Both Presidential candidates have promised to reduce taxes in the next few years. Whatever may be the outcome of the election, the American people must see to it that in subsequent budgets, expenditures are pared down to a level favoring business initiative and no longer depressing especially on the standard of living of the low and moderate income classes. The election promises of lower taxes now made by all candidates should not be allowed to evaporate after the speech-making is over.

Certainly of the highest importance will be a constant surveillance to see that the tactics by which we have been overtaxed in the last seven years—tactics of crying deficit and producing surpluses — are not practiced any longer.

Small Incomes Hardest Hit by Overtaxation

Those who have been hurt most by this policy are the small income families and the little businessmen who have suffered from the lull of recent experience. In addition, exorbitant levies on corporate profits have resulted in misguided investments made purely to avoid taxation, and labor disputes, which have been encouraged by the ability of some managements to pay additional wages with 13c on the dollar, the rest being found through lower excess profit taxes.

Danger Ahead

The 12 months to come moreover present some special problems that call for an immediate end to overtaxation of the consumers.

Defense expenditures will begin to flatten out. Our recent huge investments in plant and equipment may make new investment less attractive. The end of accelerated amortization will have a similar effect. The enormous improvement in our output per manhour will bring efficiency and production to a new peak. Then, higher consumer expenditures on the flood of goods which will pour from our enormous productive capacity will become imperative. If we are to maintain full employment in a *free* economy the consumer must be given the wherewithal to buy. This can only be done by the sharpest reform in taxation, including the excise tax structure — and the sooner the better.

1 See two articles by Will Lissner—Living Standards Off 4% Since Korea, April 3, 1952, p. 56; Women's Wages Cut by Price Rise, Aug. 10, 1952, p. 1.

Chas. E. Bacon Opens

HUNTINGTON, N. Y.—Charles E. Bacon is engaging in a securities business from offices at 304 West Main Street. He was previously with Ira Haupt & Co. and First Investors Corp.

The World Bank Today

By EUGENE R. BLACK*
President of Intl. Bank for Reconstruction and Development

President Black, reporting on international institution's current developments, stresses continuing flexibility of its lending policy. Warns against mistiming in injecting foreign capital into underdeveloped countries. Pointing out one of Bank's main objectives is international investment of private capital, notes expanding markets for its bonds. Expects economic integration in Western Europe, including Schuman Plan, will create new opportunities for Bank. With raw materials' boom now over, asserts countries who did not curtail inflation are now worse off than two years ago.

This has been an active 12 months for the Bank. We slightly exceeded the record volume of lending we established last year. We provided more technical assistance to our members, especially in the planning of development. We were more active in raising funds in the capital markets of the world.


Eugene R. Black

For the second consecutive year, our lending approached $300 million. That sum is composed of $30 million in new loans in Asia, $68 million in Africa, $79 million in Latin America, and more than $120 million in Europe. Our second loan to Australia did not come until after the end of the fiscal year, but in each of these other areas, we lent more than in the year preceding; and in Europe we lent substantially more.

Disbursements rose to $185 million, the highest level since fiscal 1948. More than a third of this was used for purchases outside the United States.

Flexible Lending Policy

The Bank has continued to adapt its lending policies and procedures to the differing problems presented by its borrowers.

We usually lend for specific and individual projects. In the great majority of cases, this is the most practical and effective form of collaboration between us and the borrower. But even when we make loans for single projects, we often are financing some key component of a larger undertaking. Some of the Governors were glad to observe last year that in the case of Australia, we were giving support to an entire program of development. We have made additional loans of this broader type since we convened in Washington 12 months ago—to the Belgian Congo, to Italy, to Yugoslavia and, for a second time, to Australia. These cases differ considerably in detail, but they all reflect the principle that the Bank is as much interested in the progress a country can make on a broad front as in the success of a particular project. Program loans may continue to be the exception rather than the rule; but they definitely have taken their place among the instruments used by the Bank to promote economic development.

In other ways, the Bank has kept its lending techniques flexible. Our loan of last October in support of the 10-year plan for the development of southern Italy, for instance, is for us a new kind of transaction. It is not intended to finance the equipment needed for carrying out this program. Rather, it will cushion the impact of the program on the Italian economy, by providing dollars to meet some of the demand for imported goods that the 10-year plan will generate.

Our loan to Belgium, likewise, might be called an "impact" loan —designed in this case, to offset the dollar cost that will arise from Belgium support of a development program in the Congo.

The Bank is keenly aware of the necessity for keeping its lending flexible in another important respect. Up to now, the Bank has lent chiefly in dollars. To the extent that we can lend in other currencies, we can better meet the needs of countries more able to service debt in those currencies than in dollars. During the year, we made one loan to Iceland and another to Yugoslavia which are repayable entirely in European currencies. Almost half our railway loan to Pakistan consists of French francs, and part of our loan to Southern Rhodesia will be disbursed in South African pounds. Nearly 15% of the amount we lent this past year is repayable in currencies other than dollars—a proportion much higher than in any previous year.

Expanding Market for Bank's Bonds

With our lending at the current rate, we have increased our own borrowings. We went to the capital markets four times, with two bond issues in the United States and our first public offerings in Canada and Switzerland. The total amount of our issues was equivalent to approximately $175 million, a sum greater than in any year since 1947. The Bank has also replenished its lendable funds by $23 million of sales from its portfolio; more than $10 million of these sales, let me point out, were made without our guarantee.

I am glad to say that our bonds enjoy a strong position in Switzerland, the United Kingdom and Canada as well as in the United States. As the amount of our dollar obligations has increased, there has been a satisfactory broadening of the market for our securities in the United States. The Bank has been affected, however, by a general trend, all over the world, toward higher interest rates. We have had to pay more on our own borrowings, and there has had to be a corresponding rise of interest rates on our loans.

I would like to emphasize that the market for the Bank's own securities and for those received from borrowers is becoming more and more international in character. Of the more than $500 million worth of direct and guaranteed obligations we have outstanding, investors outside the United States hold approximately one-quarter. The central banking institutions of 12 of our member nations, in particular, have acquired for their reserves some of the largest known holdings of the Bank's bonds.

Finally, the Bank's lendable resources, as I have already implied, were increased by the release to us of parts of the local currency subscriptions of several member countries. The French Government, for instance, released the francs which will be used in the Pakistan loan, and the South African Government has made available to us pounds which will be used in the loan for Southern Rhodesia. Of particular note, let me say, was Canada's release, in the spring of this year, of 41 million Canadian dollars on a fully convertible basis. This constituted the balance of her original paid-in subscription of 58.5 million Canadian dollars to the Bank's capital.

If we survey all the funds which the Bank has had available for lending since the start of its operations, the international character of our financial resources emerges with particular clarity. Up to the end of the fiscal year our lendable resources amounted to the equivalent of nearly a billion and a half dollars. Of this, $375 million in dollars and other currencies—or about one-quarter in all—was received from, or borrowed in, our member countries outside the United States. I am hopeful, in spite of all the known difficulties, that the Bank will continue to receive releases of the currencies of its European members. The need for non-dollar funds is as urgent as ever.

Private Capital Investment Is Bank's Objective

One of the main objectives of the Bank, I hardly need remind you, is to promote the international investment of private capital in economic development. The Bank's bonds themselves are one of the principal avenues by which such investment is made, and most of our sales from portfolio have been made to private investors. In addition, however, the Bank has continued to be able to interest the private market in more direct participation in its lending. American banks this year took portions of two of our loans—one to the KLM Royal Dutch Airlines, the other to Pakistan—at the time they were made. I see signs that private participation in our lending will become an increasingly important feature of our operations.

One condition, of course, for the international investment of private capital is that there be a reasonable prospect of repayment. In some cases, this prospect is clouded by the existence of obligations already in default: and in some instances the Bank has been able to encourage its member governments to start negotiating settlements on these obligations as an essential means of encouraging the resumption of foreign investment.

We have also, as you will have noticed in our annual report, made an intensive study of a proposal to establish an International Finance Corporation as a new instrument for investment in private enterprise. This Corporation would be affiliated with the Bank, but would have its own capital subscribed by member governments. It would be able to do two things the Bank does not do: it could make loans to private enterprises without governmental guarantees, and it could provide equity capital. We have prepared a report on this proposal, and shall continue to explore the idea with private financial and business interests and with our member governments. The proposal needs to be given further consideration and the Corporation admittedly would be an experiment. But I personally think that it might prove to be a useful instrument for stimulating investment of private capital, both domestic and foreign, in enterprises significant in economic development.

The Bank, of course, does not regard itself merely as a source of financing. I have often said to you in these meetings that internal factors are more important in a country's economic growth

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*An address by Mr. Black before the Seventh Annual Meeting of the Board of Governors of the International Bank, Mexico City, Sept. 5, 1952.

Balance-of-Payment Difficulties Product of Loose Fiscal Policy

By IVAR ROOTH*
Managing Director of the International Monetary Fund

International Monetary Fund chief, maintaining avoidance of inflation is prerequisite to solution of deficit countries' payments problem, calls for application of sound financial policies at present opportune time. Maintains U. S. tariffs must be reduced to enable countries to increase dollar earnings and forestall their permanent living on United States' bounty. Concludes no international economic organizaton can attain its objectives in absence of great trading countries' wholehearted cooperation.

Mexico is a country that combines, in an unusual degree, progress in the material and cultural spheres. While Mexico is rapidly developing its economic potentialities, it continues to preserve and enrich its unique cultural values. What is especially noteworthy about the economic development of Mexico is that it is being carried forward under a system of complete freedom in exchange transactions. This exchange freedom, in a world hemmed in and divided by restrictions, has encouraged that spirit of enterprise which is the essential ingredient of economic progress.

It is fitting that in presenting the annual report of the Executive Directors, I should extend a welcome to our new members—Burma, Germany, Japan and Jordan. More that five years have elapsed since the Fund began exchange operations. They began with a critical payments situation both in Europe and in other parts of the world. Midway in this period we had the devaluations of the currencies of countries accounting for two-thirds of world trade. By 1951, the real deficit of the rest of the world with the United States had been cut in half. Now only a year later, the payments difficulties of some of the largest trading countries are again serious. There are those who say that the world is too inflated and too disorderly to find a constructive solution to the payments problem. I do not hold this view. With positive measures by the deficit and the surplus countries, I believe the payments problem can be solved.

Whatever other measures are required, it is certain that the payments problem cannot be solved unless the deficit countries avoid inflation. It seems to me that there is now greater scope for avoiding inflation through the application of sound financial policies. The money supply, which was piled up during the war, is now better related to prices and production. The widespread scarcities growing out of the war seem to have come to an end. The persistent excess of demand, which is characteristic of inflation, is no longer found in the consumer goods industries of some countries. It is worth noting that these are the countries in which fiscal and credit policy has been used to restrain consumption and investment. It would be a mistake, however, to overlook the plain fact that many countries are still confronted by the threat of inflation. In some countries excessive investment, public and private, is still being supported by expansion of bank credit; and in other countries the resources needed for defense will strain the economy unless there is some restraint on the growth of consumption and investment.

The payments problem has persisted for so long, and is so little understood, that there is a danger that the public will lose all interest in its solution. The inflation environment has been so thoroughly confused with objectives of full employment that there is a danger that the public will come to accept inflation. The fact is that there is no greater threat to employment and living standards than inflationary policies which lead to payments difficulties. Continuous inflationary pressures and balance of payments deficits are bound to make it increasingly difficult to ensure the maintenance of imported supplies of raw materials and foodstuffs, and therefore of full employment and high standards of living.

For most countries, the payments problem seems to be primarily a matter of dollar payments. Since the 1930's, the world has become far more dependent on dollar sources of supply. From 1936 to 1938, the United States supplied about 12% to 15% of total world exports. It is currently supplying more than 20% of a much larger total. This dependence on dollar sources of supply has been accentuated by the disruption of trade with Eastern Europe. To meet this problem, it is necessary for the rest of the world to expand production of coal, wheat and other essentials. Even so, many countries will have to depend on large dollar imports and therefore will have to increase their dollar earnings.

There is a good prospect that the dollar countries will continue to offer a growing market for the exports of the rest of the world. Imports of the United States and Canada rose from about $10.5 billion in 1949 to well above $16.5 billion in 1951, although much of this was a reflection of higher prices. There was, unfortunately, a recession in the imports of these two countries in the latter half of 1951; but the value of their imports is now rising again and may soon exceed the high level attained in the first half of 1951. The growth of exports to dollar markets is the indispensable condition for restoring balance in international payments.

While some aid will be necessary during the period of rearmament, the deficit countries do not wish to become dependent on the bounty of the United States. They can pay their way if they are able to expand their exports. The tariffs of the United States have been reduced in the past two decades, but for many goods they are still quite high. Furthermore, there has been an unfortunate tendency to introduce quantitative restrictions on imports. These barriers to imports are far too severe for a country with a wide variety of exports which find eager markets in all parts of the world.

The President of the United States has recently asked the Public Advisory Board for Mutual Security to "undertake an investigation of the foreign trade policies of the United States, particularly as they affect . . . efforts under the Mutual Security Program to achieve economic strength and solvency among the free nations." The Board was asked to consider all aspects of foreign trade policy — tariffs, import restrictions, including quotas and customs procedures, agricultural policies

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*Address by Mr. Rooth before the Seventh Annual Meeting of the Board of Governors of the International Monetary Fund, Mexico City, Sept. 4, 1952.

Capital Gains Under the Canadian Income Tax Act

By J. R. PETRIE*
Director of Economic Research, Jones Heward & Co., Montreal

Mr. Petrie explains Canadian income tax and the problems involved in distinguishing income from capital gains. Says Canadian courts have followed British judicial decisions regarding capital gains and income, but because of difference in tax procedure of the two countries, British jurisprudence is not altogether a satisfactory basis of protecting capital gains from income taxation. Indicates trend toward a broader conception of income and thus narrowing field of capital gains. Calls for law to more clearly define taxable income.

The purpose of this paper is not to discuss the pros and cons of the taxation of capital gains, although I have strong views on that issue. Rather, it is intended to indicate our Canadian problem of differentiating between taxable income receipts and tax-free capital receipts, evaluate the procedure under our *Income Tax Act*, and offer a few comments on the various proposals for bettering the situation. The problem is that while we follow the British principle of excluding capital gains from taxable income, we have serious difficulty in deciding when a receipt is capital and when it is income.

While the problem of borderline cases is always troublesome under any circumstances, our problem in Canada is made more difficult because our income tax procedure has, unfortunately, been drawn from two widely different external sources, the United Kingdom and the United States. This, I suppose, is the result of our geographic proximity to and close cultural ties with our friends south of the border, and our traditional and emotional ties with the "Old Country." It seems to have been our destiny to be halfway house between Britain and the United States, at least up to this time. Perhaps we are now reaching our own national maturity, and shall be less dependent on the two great powers that helped to mature us.

Canadian Income Tax Law

Be that as it may. Income tax was first imposed by the Canadian Government under the *Income War Tax Act* of 1917. United States influence was quite apparent in that legislation. For example, the definition of income contained in it bore an unmistakable resemblance to the U. S. legislation. On the other hand, Canada has followed the British procedure of exempting capital gains, and throughout the years the Canadian courts have followed the British judicial decisions regarding capital and income, with few exceptions, despite the fact that the British courts were interpreting a very different set of laws than ours. This has not been altogether fortunate, as I shall point out presently.

The Canadian law has always confined itself to general principles, enumerating where possible, and applying them to specific individual cases, as appropriate. The original legislation of 1917 contained a positive definition of income, resembling that in the U. S., and different from that in the U. K., which remained virtually unchanged until the repeal of the *Income War Tax Act* in 1948. The present *Income Tax Act* does not attempt any precise definition of income or capital. What definition there is appears in very general terms. Section 2 states that "The taxable income of a taxpayer for a taxation year is his income for the year minus the deductions permitted by Division "C." Section 3 provides that "The income of a taxpayer for a taxation year for the purposes of this Part is his income for the year from all sources inside or outside Canada and, without restricting the generality of the foregoing, includes income for the year from all (a) businesses, (b) property, and (c) offices and employments." Section 4 states that "income for a taxation year from a business or property is the profit therefrom for the year." Sections 6 to 8 and 73 enumerate what shall be included in income, and Section 10 states what shall not be included. Beyond this there is no detailed method of determining business profit set out in the statute. Implicit reliance is placed upon accounting practice, save where there is a specific limitation provided in the Act, and upon the judicial interpretation of the meaning of the terms "income," "profit," and "capital." There are certain indications in the Act that the word "income" is not intended to include capital gains. For example, Section 7 deals with payments which are partly of an income nature and partly of a capital nature, and includes in taxable income only that part which is of an income nature. Section 6(j) differentiates between amounts received that were dependent upon the use or production from property, whether or not they were "instalments of the sale price" and "instalments of the sale price not dependent upon use or production." Reference is made in Section 11(1)(i) to the "Capital element" of an annuity as being a proper deduction in computing the income of a taxpayer. Section 12(1)(b) provides that in the computation of income no deductions shall be made in respect of "an outlay, loss or replacement of capital, a payment on account of capital or an allowance in respect of depreciation, obsolescence or depletion except as expressly permitted by this Part." These sections indicate that the intention behind the legislation is to exclude capital gains from the concept of taxable income.

As suggested above, one must turn to the courts and the decided cases to discover the difference between income and capital gains. But even there no infallible criterion emerges from the cases, since each of them turns upon its own facts; but the decisions are useful as illustrations and as affording indications of the kind of considerations which may relevantly be borne in mind in approaching the problem of discriminating between an income disbursement and a capital disbursement.

Why British Tax Cases Not Satisfactory

As indicated earlier, the Canadian courts have pretty consistently followed the British judicial decisions regarding capital and income. Presumably it was felt when the Canadian tax was first imposed that British judicial interpretations of the British tax laws would provide an adequate basis for differentiating between income and capital gains and protecting the tax-free status of the latter. But two important points regarding procedure in Britain make the jurisprudence of that country a not altogether satisfactory basis of protecting capital gains from taxation in Canada. In the first place, the British income tax law does not apply to all income as such, but only to the kinds specified in the five charging schedules. In this country we have followed the U. S. plan of attempting, in a sense, to clarify the tax law in general terms. Under the U. S. law, however, all forms of receipts are taxable. In the U. K. certain forms of income are not taxable. We are trying to stand on two stools by taxing all "income" and exempting "capital gains." In the process we are now bringing some receipts, which, in my view, are properly tax-free capital gains, into the category of taxable income. More of this presently.

In the second place, over the years since 1917 the concept of taxable income in Britain has been widely expanded by a long series of judicial decisions. I feel that in view of recent decisions it is apparent that the law and the common understanding of the public as to what constitutes a capital gain are now indeed a very long way apart. One looks in vain for basic principles today in our jurisprudence for distinguishing between capital and income.

One basic distinction between a capital gain and income, as interpreted by the courts, appears to turn on whether the gain is derived from an isolated transaction divorced from the taxpayer's ordinary business, or whether it is in the form of a profit made as a result of a business venture or carrying on a trade. But it is no easy task to define what constitutes carrying on a trade. In fact, it has been said that "it is not possible to lay down definite lines to mark out what is a business or a trade, or adventure, and to define the definite characteristics of each. It is the facts that establish the nature of the enterprise, so that the carrying-on of a trade is a compound fact, not a matter of law." ("Trade or Business," *Taxation*, March 4, 1950, p. 497.)

A number of the British cases turn on the phrase "adventure in the nature of trade," which is found in the rules under Case VI of the British Act. This was not a feature of the *Canadian Income War Tax Act* but its absence did not interfere with the application of British jurisprudence to Canadian cases.

One of the most frequent points of litigation has been concerned with the question whether single or casual transactions constitute trading. In view of the British judicial decisions it is difficult to lay down a general principle. In an early case, *Erichsen v. Last*, it was held that "When a person habitually does a thing which is capable of producing a profit for the purpose of producing a profit and enters into a contract habitually, he is carrying on a trade or business." ((1881) 4 T.C. 422, 427.) This judgment introduces the notion of habitual action as well as profit motivation as elements of trading. But later judgments held that a single and isolated venture might constitute trading, and that motive had no necessary relationship to the matter. The leading case regarding income tax liability on the profits derived from a single transaction is *Martin* v. *Lowry*. A machinery merchant who had never had any connection with the linen trade purchased surplus linen from the government and sold it at a profit. The House of Lords held that the fact that there was only one purchase did not prevent the transaction from being a trade. In *Rutledge* v. *Commissioners of Inland Revenue* ((1929) 14 T.C. 490) the profit from the purchase and sale of a large quantity of toilet paper was held to be taxable on the ground that in the case of a purchase made for no purpose except that of resale at a profit, the transaction is in the nature of trade, even though it may be wholly insufficient to constitute a trade by itself. In *Beynon* v. *Ogg* ((1918) 7 T.C. 125) it was held that a company carrying on business as coal merchants was liable for tax on the profits made from a single speculative purchase of wagons for sale to its customers. The mere fact that this was an isolated transaction did not exclude it from the company's business transactions.

In *Pickford* v. *Quirke* ((1927-28) 13 T.C. 263) where the taxpayer had been interested in buying and selling cotton mills on several occasions, and while each transaction considered separately was a capital one, it was held that taken collectively they were carried out in the course of business, and therefore taxable. Rowlatt J. said:

> "Now of course it is very well known that one transaction of buying and selling a thing does not make a man a trader, but if it is repeated and becomes systematic, then he becomes a trader and the profits of the transaction, not taxable so long as they remain isolated, become taxable as items in a trade as a whole, setting losses against profits, of course, and combining them all into one trade."

Quite obviously a purchase and resale of property may be either a trading transaction or a transposition of capital. It was stated by Rowlatt J. in *Pearn* v. *Miller* (Simon's Income Tax II, 23):

> "If it is desired to tax the difference between what a man has bought goods for, or property for, and sold them for, you can only tax it, in my judgment, if you can say that what he did was a trade or adventure or concern in the nature of trade. I think you cannot get under Case VI a tax out of appreciation of property; you have to get it under Case I. There is no halfway house between a transaction which is a trading transaction and one which is a sale of a capital asset."

But the dividing line is difficult to perceive. For example, in *Gloucester Railway Carriage and Wagon Co. Ltd.* v. *Commissioners of Inland Revenue* ((1925) A.C. 469), the litigation arose over the nature of a transaction made by a company which carried on the manufacture of wagons for the purpose of selling them or letting them out on hire. It sold the wag-

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*An address by Mr. Petrie before the National Tax Association, Toronto, Canada, Sept. 9, 1952.

"Let's Have Trade, Not Aid"

By JOHN W. SNYDER*
Secretary of the Treasury

Secretary Snyder, in commenting on recommendation of International Monetary Fund that nations live within their means, upholds high taxes to enforce a pay-as-you-go policy in government finance. Says international aid by U. S. should be replaced by more trade, and advocates reduced tariffs and a liberal import policy. Proposes as remedies for economic and currency stability: (1) increased production of essential goods; (2) restriction of investment and credit; (3) increased taxation; (4) encouragement of savings; (5) less controls; and (6) realistic international exchange rates.

In common with many other countries we have seen our Government expenditures mount sharply during these postwar years under the impact of increased defense and international aid programs. My colleagues are all too aware of the reluctance of citizens anywhere to see their taxes sharply increased to provide funds for increased responsibilities. But if we are to preserve our internal and external stability we must merit the unpopular role our office calls upon us to play, and take the difficult road of those fiscal and monetary measures suggested in the Fund Report which can minimize inflationary pressures rather than relying—with more or less futility—on measures to control them once they are created. Because of the permeating and corroding effects of inflation on economic and social stability, it is a source of deep gratification to me that our U. S. Congress has been willing to increase taxes three times in less than two years in order to help meet our necessarily increased expenditures. Through these and other measures we have been enabled to complete six years of postwar finance with a net budget surplus of over $3 billion. This surplus, and increased holdings of Government bonds by non-bank investors, has helped to reduce Government debt held by the banking system by $24 billion in the last six years.

John W. Snyder

These and other measures have helped us to make our contribution to international monetary stability. Through these measures we have achieved what the United Nations has recently reported to be the smallest increase in the cost of living among the major powers of the free world in recent years.

Gratifying as this experience has been, the prospective deficit we face in this current fiscal year leaves me with the hope that resolute action may continue to be taken in the future to keep our expenditures in the United States within our revenues on a pay-as-we-go basis.

International Aid

In the field of international aid and trade, we have in the post-war years financed economic aid programs in the amount of $33 billion, a figure which I believe would have been regarded as fanciful even by an optimist in 1945. We have been pleased to see our imports grow significantly, and we hope increasingly to see our friends abroad enabled to pay their way by selling more goods competitively in the world markets, including our own, which has been one of sustained high level demand for many years. At the end of World War II our imports amounted to $4 billion annually. Today the annual rate is $11 billion. Although part of this represents price increases, the actual volume of imports has about doubled since the end of the war.

Here, too, there have been imperfections of which we are aware. Over a period of years, however, we have shared the views expressed in the Fund Report and have made it easier for other countries to pay for goods which they can obtain more cheaply from the American economy. Our tariff rates have been substantially reduced by a succession of steps resulting from agreements with other countries directly, or through the mechanism of the General Agreement on Tariffs and Trade. It was pointed out to us by some of our friends that in some ways the procedures of our customs administration placed unnecessary obstacles in the way of imports. I am pleased to say we recognized these difficulties and many of the cumbersome procedures which could be corrected by administrative action have been removed. We have recommended to the Congress the modification of a number of items which have been embodied in our statutes and it is my hope and expectation that the next Congress will complete action on the Customs Simplification Bill.

Encouraging as this progress in facilitating imports has been, I am hopeful that future years will see further action by the United States in implementing its liberal trade policy to permit our friends abroad to earn their way more and more through trade based on competitive production and prices and sound international investment rather than on extraordinary assistance and continuing aid programs. In short, I should like to add my hearty endorsement to the recently expressed motto of one of our colleagues when he called for "Trade Not Aid."

It would not be appropriate for me to fail to refer again to the defense programs to which so many countries are now giving priority. These new burdens, which have been forced upon us against our peaceful aims and desires, quite correctly are receiving our soberest thought and attention. They add to the demands on our resources and to the inflationary pressures. It is tempting to temporize with these burdens and to improvise emergency policies or measures to deal with them in the hope they will be short-lived. Reality and logic, however, would seem to commend that we absorb these demands as we go unless we wish to suffer the evils of inflation and its harmful effects on the best utilization of resources and further progress in efficient production and monetary stability. Burdensome as present defense programs are, they seem likely to continue for a sustained period. Moreover, they represent only part of the total domestic economic activities of some countries and only a small or insignificant part in other countries. The bulk of the economies of the world are still devoted to civilian activities. Financing our defense burdens through the easy policy of inflation can only hinder our progress in sound reconstruction and development, by distorting our allocation of resources and our production, by threatening both domestic savings and monetary reserves, and by enhancing balance of payments difficulties, which would lead to the introduction or strengthening of undesirable foreign exchange and trade practices.

Proposed Remedial Measures

The measures to be taken are well known to you gentlemen. They include:

(1) Increased production of essential goods and increased productivity from available capacity and resources.

(2) Postponement of less essential government and civilian expenditures.

(3) Restriction of investment and credit to essential purposes.

(4) Increased taxation directed to reduction of less essential civilian expenditures and to the promotion of essential and efficient production.

(5) Encouragement of savings.

(6) Minimum reliance on controls and restrictions domestically and internationally.

(7) Rates of exchange which are realistic and which contribute to international balance and the removal of restrictions.

These measures are well known. They are hard and difficult. But they are the road to real strength and independence. It is the heavy responsibility of my colleagues here—of Finance Ministers, Central Bank Governors, and their associates—to take the lead in their countries in making effective the difficult but rewarding policies which will, in fact, produce increased economic as well as political and military strength. These are measures which will achieve internal and external balance. These are measures which will stabilize and maintain the purchasing power of currencies and preserve the value of savings. These are measures which will help achieve and maintain the social and economic stability which are necessary for the preservation of freedom and for higher standards of living for all.

We have a choice. We can take the easy road of inflation and restrictionism which leads to instability and weakness. Or we can take the hard road to strength and independence—the road to monetary stability and freedom. These are the Fund and Bank objectives. It is my fervent hope that for the sake of the future of our countries and for the future of the Fund and Bank we will all take the more constructive road.

*Remarks by Secretary Snyder in connection with the presentation of the Annual Report of the International Monetary Fund, Mexico City, Sept. 4, 1952.

Joins Courts Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Mrs. Elsie F. Dawkins has become associated with Courts & Co., 11 Marietta Street, N. W. Mrs. Dawkins was previously with Wyatt, Neal & Waggoner.

Customers' Brokers Receive Slate

Nominees for officers and members of the Executive Committee have been announced by the Association of Customers' Brokers. They will be voted upon at the annual meeting of the Association which will be held Sept. 24 at Whyte's Restaurant, Fulton Street, New York City. For the first time in the history of the Association a women has been nominated to serve on the Executive Committee.

Marshall Dunn

Marshall Dunn, of Wood, Struthers & Co., heads the slate for President. Other names to be presented at the meeting are as follows:

Vice-President: T. Alvah Cowen, Peter P. McDermott & Co.

Secretary: Edward S. Wilson, Reynolds & Co.

Treasurer: William Specht, Jr., Hay, Fales & Co.

Executive Committee

Term Ending 1956: Alfred M. Elsesser, Kidder, Peabody & Co.; Albert P. Gross, Bear, Stearns & Co.; Allan Poole, Hemphill, Noyes, Graham, Parsons & Co.; Stanley Graff, Foster & Adams.

Term ending 1955: Mrs. Evelyn Brant Valverde, Gruntal & Co.

The candidates were selected by committee composed of: Gordon V. Price, Laird & Co., Chairman; Hazel S. Anderson, Gude, Winmill & Co.; Richard K. Beuchler, E. F. Hutton & Co.; Donald O. Cuthbert, Dean Witter & Co.: Martin A. Fendel, Jacques Coe & Co.; Adrian Frankel, Ungerleider & Co.; Morton Allen, Francis I. du Pont & Co.; Edward S. Morgan, Eastman, Dillon & Co.; Gerald L. Wilstead, Reynolds & Co.

Members of the Nominating Committee were: Gordon V. Price, Laird & Co.; Hazel S. Anderson, Gude, Winmill & Co.; Richard K. Beuchler, E. F. Hutton & Co.; Donald O. Cuthbert, Dean Witter & Co.; Martin A. Fendel, Jacques Coe & Co., Secretary of the Committee, Ardian Frankel, Ungerleider & Co., Morton Allen, Francis I. du Pont & Co.; Edward S. Morgan, Eastman, Dillon & Co.; Gerald L. Wilstead, Reynolds & Co.

Additional nominations may be made from the floor of the meeting, provided that a petition containing the names of 20 members, for each member to be nominated, is filed with the Secretary of the Association five days prior to the meeting.

Reservations for the dinner ($7.50 per person, including gratuities), may be made with Albert F. Frank, Ladenburg, Thalmann & Co.

L. D. Sherman Wire To Jenkin Evans

L. D. Sherman & Co., 30 Pine Street, New York City, announced that the firm has become New York correspondent of Jenkin Evans & Co., members of the Toronto Stock Exchange, with a direct private wire between New York and Toronto.

Huang Opens Office

Paul K. P. Huang is engaging in a securities business from offices at 414 West 120th Street, New York City.

Is Producing Foreign Coins Counterfeiting?

By PAUL EINZIG

Dr. Einzig, noting a judgment of a Swiss Court that producing coins of full weight and fineness is not counterfeiting, analyzes significance of this ruling on British and other currencies. Holds it may be necessary to revise the terms of the International Convention of 1929 on counterfeiting. Expresses opinion that judgment of Swiss Court is unjustified.

LONDON, Eng.—Towards the end of August a Swiss Federal Tribunal refused the extradition of two men accused in Italy and arrested in Switzerland on the charge of counterfeiting sovereigns, Napoleons and Mexican gold dollars. Their defense was that the coins they produced had the same weight and fineness as the authentic ones. The judgment refusing extradition was not based, however, on the acceptance of that argument, but on the International Convention on counterfeit money, concluded in April, 1929, under which only legal tender can be regarded as "money." According to the Law Court the coins put into circulation by the two accused do not come under that definition because gold coins are no longer legal tender in Britain, France or Mexico.

Dr. Paul Einzig

This judgment raises a matter of some importance to Britain and other countries. Under the principle it establishes it has become lawful, at any rate in Switzerland, for anybody to coin sovereigns. Should this be done on a substantial scale, it might go a long way towards undermining the world-wide prestige of sovereigns. For even though the two individuals involved in the present case may have produced sovereigns of the correct weight and fineness, others may take advantage of the immunity granted by the Swiss Federal Court for the production of debased sovereigns. The mere possibility of this might weaken the hitherto implicit faith in sovereigns. This would be highly detrimental from the point of view of British prestige and legitimate British interests. Even though sovereigns are no longer in circulation in Britain they constitute a favorite means of payment and store of wealth in many other countries, especially in the Middle East. Before the War large quantities of sovereigns were exported year after year to various countries with Mohammedan populations where they were in great demand for the requirements of the travelling expenses of pilgrims to Mecca. Since the war, in the free gold markets of the Continent, Egypt, Bombay, etc., sovereigns have been quoted at a substantial premium in relation to their bullion value, because they are more convenient than ingots for trading or hoarding. The fact that in 1949 the Royal Mint resumed the coinage of sovereigns on a moderate scale, in order to keep alive the art of producing these coins of high precision, shows the importance attached to the matter by the British Government.

The judgment of the Swiss Federal court was received in London with surprise and dismay. Although the British Government took no part in the legal proceedings, the Treasury, the Bank of England and the Royal Mint followed the proceedings closely, and the British Embassies of Rome and Berne were briefed about the legal position under British law. The findings of the Swiss Court, according to which sovereigns are no longer legal tender in Britain, are considered in London to be entirely without foundations. The legal provisions making it compulsory in the United Kingdom to accept sovereigns in discharge of liabilities at the rate of 20 shillings each, have never been repealed. They could only have been repealed by Royal Proclamation, and such Proclamation was never issued. In practice nobody within his senses would make use of the provision of the law, seeing that it is possible to sell sovereigns at about three times their nominal value. Nevertheless, should somebody choose to institute a test case by refusing payment in sovereigns at the rate of 20 shillings each there can be no doubt that he would render himself liable to legal proceedings, in addition to exposing himself to the risk of being certified as being insane.

It is true sovereigns are not used at present in Britain as a medium of exchange. Their active monetary use virtually ceased with the outbreak of the War in 1914 and even after the restoration of the gold standard in 1925, sovereigns did not reappear in circulation. After the suspension of the gold standard in 1931 it was made lawful to sell sovereigns at a premium. But this did not affect the legal obligation to accept them at their face value.

While the active monetary use of sovereigns has been in abeyance in Britain for 38 years, from time to time they were used as a currency in various other countries. For instance during the period of runaway inflation in Greece after the liberation, sovereigns constituted for some time the principal medium of exchange and standard of value. They still play a monetary part in that country to some extent. The monetary use of the coins of other nations is a frequent occurrence in the history of currency. The widespread use of the Maria Theresa dollars in countries of the Red Sea area and in a large part of the northern half of Africa, is one of the best known examples. Others are the international use of Spanish dollars in Africa and elsewhere—they were widely used even in Britain during the Napoleonic Wars; the use of Mexican dollars in China, etc. Maria Theresa dollars were originally coined the the Imperial Mint of Vienna but subsequently they came to be minted in Britain, Italy, France, Belgium, India, etc. This practice should not be regarded, however, as a precedent for the free coinage of sovereigns by all and sundry. Maria Theresa dollars had long ceased to be legal tender in Austria, and even the authority responsible for the coinage of Maria Theresa dollars no longer existed when in 1935, their production was initiated abroad. It seems probable that the British authorities will leave no stone unturned to prevent sovereigns from sharing the fate of the Maria Theresa dollar.

This may necessitate the summoning of another international conference to revise the terms of the convention on counterfeiting of 1929 in the light of the change in the situation which calls for redefining the term "money" to be protected by the convention. Although the judgment of the Swiss Court appears to be unjustified even under the existing convention, an amendment of its provisions would rule out the possibility of its future misinterpretation. Presumably the French Government and the Mexican Government would fully support a British action to that end and so would the United States Government and other Governments, whose coinage is exposed to unauthorized production under the ruling of the Swiss Court.

Another possible solution would be for the Royal Mint to undertake the coinage of sovereigns on a large scale, and flood the free markets with them, thereby reducing the premium to a level at which counterfeiting ceases to be profitable. Yet another device would be to seek protection under international conventions safeguarding trademarks. It is to the interest of all Governments, desirous of protecting their coinage to ensure the reversal of the dangerous precedent created by the Swiss Court.

Mortgage Outlook Requires Caution, But No Pessimism

By NUGENT FALLON*

President, Home Loan Bank of New York

Prominent Home Loan Bank executive, commenting on mortgage loan outlook, points to domestic and international difficulties as creating uncertainties, but contends there is no sound ground for pessimism. However, he calls for caution in extending mortgage loans, and urges savings and loan institutions maintain liquidity and build up adequate reserves.

Possibly no single business in the United States so definitely contributes to the direct happiness and safety of our country and our people as does the savings and loan business. Certainly few business activities are so close to the real people of the country as is yours. This preferred position, with its advantages, carries the wearing obligation of eternal vigilance, while your close touch with the workers places you equally close to their troubles when they occur.

Nugent Fallon

I fully recognize the enormous strides our business has made in the last 20 years, and I have every expectation that savings and loan will hold its own, gain further momentum and accomplish ever greater public service over the coming decades. You will not lack ample opportunities.

Your record as of today would have appeared completely impossible and unbelievable if put before you in 1933, and was achieved through the solution of substantial problems and in times which were often far from prosperous.

Meeting difficulties is no novelty to our soundly directed and managed associations. A large part of your past success has been due to calm and intelligent foresight encouraged by meetings such as this and followed by consequent sound decisions.

The past history of your business fully justifies the certainty that you will continue to exceed past records of accomplishment.

It is on account of the traits you have already demonstrated and the knowledge that you can take bitter medicine if it is warranted, that I now speak frankly.

Many of the people inhabiting the world's surface are today suffering the pangs of hunger. The majority are in smouldering revolt and in dire poverty. There is much dangerous talk and preparation and evident risk of war.

Even aside from possible world war the situation promises for some a bitter struggle for existence, and probably for this nation more intense trade competition, tariff and economic difficulties and world-wide commitments of great magnitude with untold expense and menace to our personal and business freedom and the promised "pursuit of happiness."

Today's Boom Vulnerable

It is reasonable to doubt if today's very visible prosperity of our country can be maintained except with great difficulty in the face of world-wide poverty and disturbance.

We would be blind if we fail to note the failure of the average individual to live within his income and the even more visible failure of this nation to do likewise. Many nations long ago gave up the effort to do so and have resorted to currency control and other artificial and seldom successful measures. We can't fail to know of increasing national and local debt and the expanding personal debt of our citizens. Long continued and all too easy credit is having the effects that you, as long-experienced lenders, would expect.

We can now plainly see the gathering result of a government (which is only you in the final analysis) becoming so enmeshed in its citizens' business as to be the first to suffer in even slight business reversals and a government which will be forced to take desperate, damaging and probably futile steps if wide depression occurs.

Those elected to office in November of 1952 must be blessed with unusual wisdom and must demand and obtain the loyal support of all good citizens, particularly business leaders like your good selves, if our great country is to maintain its present enviable prosperity and solvency.

It is a certainty that the new President and his Congress and his associates in government will not and cannot perform miracles.

Danger of Further Dollar Depreciation

The national debt will not disappear Jan. 5, 1953, commitments already made at home and abroad will still be on the books, including social security and V.A. and F.H.A. mortgage guarantees. The cost of government and the burden of national and local, direct and indirect, taxes threaten to expand rather than to decrease, in spite of optimistic promises. The further depreciation of the dollar can be halted only with great difficulty and through an exhibition of courage and grit seldom seen and hard for a people steeped in luxury to take.

We must continue, as has this business from the start, to do even more than our full share toward the maintenance of social stability through encouraging widespread home ownership and our share toward economic stability through the determined encouragement of thrift.

May I again emphasize that there is no cause for alarm, and that many of today's problems will develop unexpected advantages for savings and loan.

There is no basis for pessimism, but there is today a world situation which warrants continuation and even expansion of the high degree of caution and conservatism for which you are noted. We must realize that the savings and loan business almost alone, of all those involved in the provision of homes for our people, assumes, for a decidedly small financial reward, a heavy long-term risk and with no practical method of getting out from under that risk if and as conditions change for the worse.

I am only repeating what all my listeners well know when I emphasize the pressing and immediate need of continuing your exceedingly sound and cautious lending policies, prompt and full collections, a liquidity percentage of not less than 15%, accumulation of ample reserves and careful cultivation and conservation of sources of ordinary and emergency credit.

Roy Wenzlick put it well when he said recently that the traffic light has turned to amber. In spite of all, however, and regardless of developments, we can rely with confidence on our members guiding their institutions with the same high degree of intelligent caution and conservative optimism which has marked your achievements during the 20 years I have watched and worked happily with you.

Accomplishments of Federal Home Loan Banks

One more subject—The Federal Home Loan Bank of New York and the Federal Home Loan Bank System stand today as monuments to the fine men and women who have worked so long and well to firmly establish our bank system as a vital part of the national economy.

The Federal Home Loan Bank System now has over 4,000 members with assets of over $20,300,000,000, over $1 billion of resources, an additional billion of credit in the United States Treasury, a firmly established credit standing in the open market, and member institutions from Alaska to Puerto Rico and Fort Kent to San Diego.

May I speak, too, of your own Federal Home Loan Bank of New York which, with the Federal Home Loan Bank System, celebrates its 20th anniversary next month:

Our capital funds total about $44,000,000. Our resources total $118,000,000. Our deposits today at $65,000,000 closely approximate our advances to members of $68,000,000. Our members thus, as is evident, are practically carrying themselves and each other.

The assets of our 415 savings and loan association and savings bank members in the Second Federal Home Loan Bank District are today over $2,577,000,000.

The continued aim of the directors, officers and staff is to maintain the bank on a sound basis, to grow with our members, to keep large sums available for our members' use and to render every possible service toward the sound growth, success and prosperity of our good friends who are at the same time those upon whom the bank must depend for support and who are themselves the sole owners.

*An address by Mr. Fallon before the First Annual Convention of the Savings Association League of New York State, Saranac, N. Y., Sept. 8, 1952.

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"Further Steps in Investor Protection"

curities available to investors, and having it available **before they buy.**

The experience of the Commission and my previous experience in Connecticut have shown that this is no simple thing to accomplish. It is true that any investor can refuse to buy a security unless the prospectus is given to him and he has had a chance to study it. However, this gets him nowhere if he finds, as he generally does, that the dealer does not have an extra copy of the prospectus to give to him, until the issue is sold.

This problem existed before the Securities Act was adopted, and Congress attempted to meet it by providing that there should be a waiting period before the sales campaign begins. Congress intended that information about the securities should be disseminated and studied during this waiting period. In the past we have attempted to encourage the dissemination of information during the waiting period by the adoption of Rule 131, which permits distribution of so-called "red herring" prospectuses, and by requiring that at least one copy of the "red herring" prospectus be given to each underwriter and dealer who is expected to participate. This policy was helpful, but it did not solve the problem of getting the "red herring" prospectus beyond the dealer and into the hands of the investor.

Rule 132 and the related policy on acceleration are intended to meet this remaining problem. The rule permits dealers and others to advertise a forthcoming offering and the availability of the "red herring" prospectus by means of a short document, which we have called the "identifying statement." This is not permitted to include any recommendation, or information on which one could judge the merits of the security. Rather, it is intended to be used as a screening device to help dealers locate people who are interested in receiving the "red herring."

The new acceleration policy is designed to insure that enough "red herrings" are made available to dealers so that they can fill the requests of customers who want information about the security—and not just one "red herring" to each dealer.

This program is something of an experiment. I do not expect that it will solve all of our problems, but I think that it will be a significant step toward their solution. I hope that it will make "red herring" prospectuses available before the effective date of the registration statement to those investors who want to study the security before they decide whether to buy.

One problem that we face is that the "blue sky" laws of some of the states may prohibit, or be applied so as to prohibit, the publication of identifying statements and the distribution of "red herring" prospectuses until the registration statement under the Federal statute has become effective. This problem does not arise because of any basic difference between the provisions and objectives of these state laws, on the one hand, and the Federal statute on the other. On the contrary, I believe that the State problem, where there is one, is much the same as the problem that the Commission has faced ever since 1933.

The Federal Securities Act is similar to many of the state statutes in that it prohibits "offers" and "sales" until the security is effectively registered. The rules that we have proposed take the form of a definition of the terms "sale" and "offer." They provide that the distribution of identifying statements and "red herrings" under carefully prescribed conditions shall not constitute a "sale" or "offer" and shall not be subject to the statutory prohibitions. These activities are, of course, a first step toward a distribution but, as we see it, they are an educational step contemplated by Congress when it adopted the statute.

To the extent that the language and objectives of a particular "blue sky" law are similar to those of the Federal statute, it seems to me that a similar interpretation might well be called for. We at the Commission would appreciate it if each of you would give consideration to the program that we have proposed to see whether there appears to be any conflict between it and the laws you administer, and if there is, to explore the possibilities of eliminating or minimizing the conflict. I feel that I may safely make this suggestion since I am sure that we are all in agreement on the same basic objective—the desirability of making information available to investors in time to be useful to them.

When I speak of a conflict I do not mean to suggest that we are going to require any issuer or dealer to use identifying statements or "red herrings" where their use is prohibited by State law. We have expressly stated that our program is inapplicable in such States. Nevertheless, we believe that our objective is sound and we would like to see it furthered in all of the States. It is for this reason that I ask you to review the laws you administer, if they appear to conflict with this program to see what can be done to avoid the conflict and to make it easier for investors to get information before they buy.

The Mutual Fund Problem

I would like to reflect for a moment or two on a comparative newcomer to the society of financial institutions—the open-end investment company or "mutual fund," as it is popularly referred to. I do not intend to discuss mutual fund problems in any detail as this time. Our Chairman, Donald Cook, who, incidentally, asked me to convey to this association his good wishes and sincere regrets at being unable to attend personally, will speak on this subject two weeks from now before The Mutual Fund Conference in New York, and I know that many of you will be present there.

The increased importance of mutual funds is indicated by their growth during the past 10 years. At the beginning of 1942 there were 73 mutual funds registered with the Commission under the Investment Company Act of 1940. Their total assets at that time aggregated $412,400,000. At the end of June of this year there were 133 registered mutual funds and their total assets had increased to $3,609,000,000.

Measured in terms of total assets, individual mutual funds range in size from a few million dollars, or even smaller, to several hundred million dollars. As the small funds grow big and the big ones grow bigger, there naturally arises the question as to what problems, if any, are created from the standpoint of protecting investors or the public interest. The size of a fund may well affect its investment policy and its ability to effectuate a policy conducive to the best interests of investors. Then too, as funds grow individually and collectively, they may have a profound effect on the securities market and the concentration of control of wealth and industry. As the insurance companies are to a large extent the holders of the debt securities of American industry, mutual funds may in time come to be the principal holders of industry's equity securities. What effect this will have upon our economy cannot be foretold at this time, but it does raise questions worthy of consideration.

Personally, I believe in the soundness of the mutual fund concept. I also believe that such funds properly managed and properly presented to the public can serve a useful purpose in our economy. However, if they are to serve such a purpose they should guard against committing two fundamental errors. In the first place, they should guard against wittingly or unwittingly misrepresenting to the public their nature and purpose. It should be made entirely clear to all would-be investors that these funds are not repositories for savings as such, but are a medium through which investors can place a portion of their surplus funds in a cross-section of American industry, or some segment of it, with its attendant risks as well as its income and growth prospects.

Mutual funds are prone, I fear, to advertise their shares in the same manner as merchants advertise their wares. This, I think, is a mistake. Mutual fund shares, as indeed all securities, are unlike the familiar tangible merchandise offered in the market place. They should not be made the subject of high pressure sales campaigns.

If mutual funds will follow conservative and constructive policies in the offering and sale of their shares, and if they will educate the investor as to the risks, as well as the advantages, of investing in such shares, then the shareholders are less apt to become alarmed if the market turns downward and they find the value of their investment declining along with the general securities market. If investors are adequately forewarned as to the possible behavior of the market and if they have faith in the soundness and future growth of our economy, they will be less likely to aggravate any unsettled situation that might arise by rushing to liquidate their shares on a then declining market.

The other fundamental error that mutual funds should guard against is the failure to give adequate consideration to the individual needs and desires of investors. As you know, there are many kinds of mutual funds. There are, for example, funds that invest in a general cross-section of industry; others invest in a particular industry, such as chemicals or electronics. Then there are funds that maintain a balance between common and preferred stocks and debt securities and others that invest entirely in common stocks. Some funds stress income; others stress capital growth.

The sophisticated investor understands these different types of funds and is able to judge for himself what type of fund, if any, is suitable for his particular situation. But the average man in the street or the average business woman or housewife does not understand either the different kinds of funds or the differences in their performance. Salesmen all too frequently are apt to sell to everyone, regardless of his situation, the fund which pays the highest commission without giving thought to whether that fund or any fund is a proper investment for the particular investor.

The advertisements of mutual funds frequently state or imply that there is a suitable fund for every investor. I disagree with such advertising. There are some persons who should not be sold shares in any kind of fund: As for example, an old person in dotage, or the widow whose funds are no more than sufficient to provide against the uncertainties of life. It is the duty of mutual funds to see to it that their shares are not sold to such persons or to others whose surplus funds are too limited to warrant their assuming the risk inherent in the ownership of mutual fund shares.

The SEC has sought to promote sound practices in the sale of mutual fund shares through the registration process under the Securities Act of 1933 and through the review of supplemental sales literature filed with us under the Investment Company Act of 1940. As you know, the Commission promulgated in 1950 its Statement of Policy with respect to such literature. This has had very salutary results in that supplementary sales literature used by mutual funds is now free of much of the objectionable material that recurred so frequently prior to its promulgation.

A further step in promoting sound practices in the sale of mutual fund shares which the Commission now has under consideration is a proposed revision of its form for registering mutual fund shares under the 1933 Act. This form and a related registration form under the 1940 Act were circulated for public comment last spring, and we are now engaged in considering the proposed forms in the light of the comments received. We hope by these revisions to shorten and simplify prospectuses for mutual fund shares to the end that such prospectuses may be more understandable and therefore more useful to investors.

I know that you are as deeply interested in this subject as I am, and I know I speak for my fellow Commissioners as well as for myself when I say that your cooperative efforts are most welcome to the SEC.

Proposed Revision of Regulation A

Another SEC development of considerable consequence is the proposed revision of Regulation A, as to which we have recently invited public comments and suggestions. As you know, this regulation provides, for offerings of limited amounts, an exemption from registration under the Securities Act. This Act authorizes the Commission by rules and regulations to exempt such offerings where the Commission finds that registration under the Act is not necessary in the public interest and for the protection of investors. Under the Act the maximum amount of any single issue which may be so exempted is $300,000.

The volume of securities issued under this exemption has had a striking growth since the Congress in 1945 increased the maximum amount of the exemption from $100,000 to $300,000. For the fiscal year 1945 there were 578 filings under the regulation with an aggregate offering price to the public of $38 million, whereas for the fiscal year ended June 30, 1952 there were 1,500 filings with a total offering price of $210 million. Considered in the aggregate, this is not small or unimportant financing.

The history of Regulation A has both its bright side and its dark side. The bright side is exemplified by the many successful offerings made under it by small and medium sized businesses for sound and constructive purposes. It has enabled these companies to obtain quickly and at limited expense the necessary capital needed to launch a new undertaking or to expand their existing capacities. This is the type of financing Congress had in mind when it raised the maximum amount of the exemption from $100,000 to $300,000.

On the other hand offerings under Regulation A have not always been honestly and soundly conceived, nor have the proceeds from such offerings always been applied to useful purposes. This is the class of offerings which the Commission must keep in mind when it is considering the terms and conditions which should be imposed upon the availability of an exemption under Regulation A. This is why we have to deny the exemption to persons with a record of fraud and sharp dealing.

Regulation A as currently in effect does not require the use of selling literature but merely provides that if such literature is used, it must contain certain specified statements and must be filed with the Commission. As a result offerings are made in some instances without the use of any selling literature at all and in these instances the investor must depend upon the oral representations made to him or upon such information as he may be able to obtain from other sources.

We have found that there is a tendency not to use literature in cases where there is the most need for it. There have been cases where the issuer initially proposed to use selling literature but decided to make the offering without such literature when it was pointed out that the proposed literature contained material omissions or misstatements.

On the basis of this experience the Commission has tentatively concluded that all offerings under Regulation A should be made upon the basis of an offering circular containing certain minimum basic disclosures with respect to the issuer and its securities. This requirement will not only furnish the investor with useful information but will also be helpful to the issuer by furnishing a guide as to the kind of basic information the investor should be given.

Another feature of the proposed regulation which we believe will be useful to issuers is a provision for limited advertisements prior to sending or giving the prospective investor a copy of the offering circular. This will permit the issuer to canvass a large number of persons inexpensively for the purpose of obtaining the names of persons who are interested in receiving a copy of the offering circular.

In the past the Commission has followed the practice of commenting upon the sales literature filed with it under Regulation A. Usually the Commission's comments and suggestions are followed but there is no procedure provided by the present regulation under which the Commission's views can be enforced, short of resorting to court action. As a result, issuers and their underwriters are occasionally unreasonably obstinate and refuse to make the changes in their selling literature necessary to keep it from being misleading.

In order to correct this situation, the proposed revision of Regulation A provides for the suspension or termination of the exemption in certain instances, chiefly where the Commission finds that fraud is being perpetrated or would be perpetrated in connection with the offering. It is not contemplated that such action will need to be taken in many instances. A similar provision in the exemption relating to oil and gas interests has been in effect for a number of years. It is seldom used but serves a salutary purpose in enabling the Commission to obtain appropriate disclosure in the case of offerings under that exemption.

These disclosure and administrative procedure provisions are not intended as a substitute for registration. They are chiefly intended to be fraud prevention devices. It is not expected that the offering circular will approximate the disclosure required in a prospectus relating to a registered security. Nor is it expected that the suspension or termination procedure will be a substitution for our present procedure of commenting on the content of sales literature where it appears that resort to the suspension procedure is not necessary. The latter is merely a power reserved in the Commission to prevent the perpetration of fraud on small investors.

I believe that the new regulation is in the public interest and that it will not impose any unreasonable burden or expense on the smaller issuer for whose benefit Congress provided the exemptive provisions of Section 3(b) of the statute. The procedure we propose in the handling of the exemption under the Act should be of material benefit in the administration of the State Acts.

The "Canadian Under-the-Counter Problem"

The matter I come to now is one that I know will be of very great interest to our good friends from Canada who are here with us this evening, as well as to the rest of you.

What I am about to speak of has been referred to over the years by us securities regulators as the "Canadian problem." It is a familiar subject which has received much publicity and has, on occasion, given rise to high feelings. I do not intend to debate the whys and wherefores of what occurred in the past. What I would like to know is whether you State administrators have noted a gradual decline within the past year of the mail-order and telephone promotions from our great sister country to the north—the promotions that gave rise to those high feelings I have just mentioned. How many complaints have been made to you of any Canadian mail-order promotions since the middle of July when the new extradition treaty was ratified? If your experience has been like ours at the SEC, you have concluded that they have come to a virtual halt. It is the obligation then, of all of us, in the United States and in Canada to maintain this new and very gratifying status quo.

Such fruits as I have described do not come from unseeded and untilled soil—and I am happy to say that most of us here tonight have had a hand in achieving these results and the promises they hold out for the future. The record of the State administrators in striving for a lasting solution to the problem has been an outstanding one. The leaders of our securities industry have lent invaluable aid all along the line. Our Canadian regulators have during the year evidenced by their enforcement actions an identity of purpose toward the common goal we have striven to reach. They have dealt very real setbacks to notorious offenders as their record of cancelled and withdrawn licenses demonstrates. As you all know, the SEC too has had a major part in the campaign which culminated in the ratification of what we believe to be practical and effective new treaty terms.

Because I was a member of your group long before I was called to serve with the Commission, I know it will not be considered inappropriate for me to mention briefly the role that my colleague "Dick" McEntire, ably assisted by "Milt" Kroll, Ass't General Counsel, has played in this effort. I am sure all of us agree that his contribution has been a tremendous and lasting one. Dick is like the old Scotch golfer. He does what has to be done without superfluous weapons or fancy gestures—and pretty generally he puts the ball in the cup, as it were, by the application of the large measure of intelligence, horse-sense, and personality with which the good Lord has endowed him. That he has been instrumental in bringing about the present situation augers well for the future in this field.

That then is where the Canadian situation rests at this moment. But we will not do justice to the problem if we stop here, if we conclude that we perhaps have achieved a solution to the problem by the setbacks thus far dealt to greedy confidence men. We must, I suggest, view the problem long-range and take progressive action if lasting and truly beneficial public results are to be achieved. We must be unflagging in stamping out fraud whenever it appears and at the same time we must not overlook the other important aspects of the problem.

Canada is a relatively new country, its vast areas are largely untapped. It has in its soil many of the resources vital to our economy and to the defense effort of the free world. It is my conviction that we as securities administrators must be careful lest we erect economic blockades, however subtle, against the development of those resources. They will not be developed without capital and obviously a good part of the financing for ventures which seek to engage in such development will come from this country. Many of our investors have exhibited a desire to share in that exploration and development on an informed and fair basis. It would seem to be our obligation to achieve a balance whereby constant surveillance is maintained against the possibility of overreaching and an open door policy is maintained toward legitimate Canadian enterprise, small or large, which seeks to come to our capital markets on the basis of full disclosure and honest dealing. It is gainsaid that our past experiences make this a difficult balance to achieve. But that very difficulty makes the challenge to us all the more real and pressing.

The Commission recently has taken a step along the lines about which I am speaking. We have circulated for comment a proposal for the adoption of a conditional exemption from registration for offerings of Canadian securities not in excess of $300,000 in any one year. This is to be known as Regulation D. Until the treaty revisions were obtained, we were not in a position to consider the promulgation of any rule of this type adapted to the circumstances of small Canadian exploratory ventures. Now we feel we can do so—that we can take a step which we feel will provide new and important advantages to our investors and will keep to a minimum the possibility of any recurrence of the excesses and abuses that have been visited upon them in the past. Time does not permit any detailed recitation of the provisions of Regulation D. However, they merit study and, as you know, we have asked for your comments, general or specific, on the terms of this new provision.

In this regulation, we believe you will find comprehensive machinery whereby investors will, at the outset, be provided with basic information regarding these offerings and whereby the path will be cleared for the recovery by them on judgments obtained in civil suits brought as a consequence of such offerings. Of course, criminal action is effectively provided for by virtue of the new extradition provisions.

Incentive toward compliance with the terms of the regulation should be furnished by the economy with which they can be met. The shady operator no longer will be able to hide behind the cover of excuses pertaining to the cost and difficulties of compliance. And we believe that honest security dealers will be encouraged to meet those terms.

Care has been exercised to render the benefits of the regulation unavailable to persons with a history of securities law violations; and through administrative stop-order machinery we will be able, we hope, to take speedy action, where needed, to keep the offerings clean.

Fully as important as the terms of the regulation itself is the assurance given us at Toronto, Canada, in November, 1951, by the security administrators of each Canadian province that, were such a regulation to be adopted, they would implement our efforts in making it a measure of very real benefit to American investors and honest Canadian business alike.

Our aim at the SEC, in which we trust you join, is to make it impossible for an "under-the-counter market" in Canadian securities ever to flourish in this country again. We propose to do all that we can to maintain a free, open and honest financial border between the countries. This first experimental step, represented by Regulation D, is advanced as a realistic means of meeting the problems that have beset us in the past. I think it will take courage and a good deal of resourcefulness to meet the new problems that such a regulation may create. But the regulation provides such prospects of substantial public benefits that it should and must be attempted. We at the SEC, hold high hopes for Regulation D as a milestone in financial relations between the United States and Canada.

There, then, is a brief description of the principal projects the SEC has recently been working on in areas in which you State regulators are interested and in which we especially need your assistance. You are much closer than the SEC is to the persons we are trying to help; that is, the individual investors. They are the ones that all of our efforts are intended ultimately to benefit. You can render valuable aid in breaching the gap between Washington and Main Street. You can do this by watching the operation of these new regulations I have just described. If they are not operating properly, please let us know. If they are not being observed, please help us to apprehend those who are violating them. On the other hand, I think I can safely promise you that we will continue to cooperate as closely with you as we have in the past. We will continue to furnish you with information which will assist you in your enforcement of State law. Working together in this fashion we are bound to achieve greater protection for the investor and for the public interest through the effective control of the unruly elements in the industry.

E. S. Crooks Res. Mgr. For Bache Co. Office

MIAMI BEACH, Fla.—Edwin S. Crooks has been appointed resident manager of the Miami Beach office of Bache & Co. Mr. Crooks, a former member of the New York Stock Exchange, has been a resident of Miami Beach for the past seven years, having recently been associated with Thomson & McKinnon.

Honnold & Co., Inc. Is Formed in Okla. City

OKLAHOMA CITY, Okla. — Honnold and Co., Inc. has been formed with offices in the First National Bank Building, to conduct an investment business. Officers are Philip C. Honnold, President; Marie C. Honnold, Vice-President, and Nova Jenks, Secretary-Treasurer. Mr. Honnold and Miss Jenkins were formerly with C. Edgar Honnold.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

General Lucius D. Clay (Ret.) has been elected to the Board of Trustees of **The Central Savings Bank of New York City.** James T. Lee, President of the bank, made the announcement following a meeting of the board on September 8. The new Central Savings Trustee is Chairman of the Board and Chief Executive Officer of the Continental Can Company of New York. He is on the board of the Marine Midland Trust Company of New York, the Marine Midland Corporation, the Lehman Corporation and the Newmont Mining Corp. He is also a director of the General Motors Corp. and a member of its Financial Policy Committee.


Lucius D. Clay

* * *

Sterling National Bank & Trust Company of New York has increased its surplus account by $1,000,000 through the transfer of that sum from reserves, it is announced by Joseph Pulvermacher, President. The bank's surplus now stands at $5,500,000.

* * *

It is announced that Herbert L. Golden, motion picture editor and for 14 years a member of the staff of "Variety," an amusement trade publication, will join **Bankers Trust Company of New York** where he will serve in the entertainment industries group under Harry A. Watkins, Vice-President of the Trust Company. Headquarters of this group is at the bank's Rockefeller Center office. Mr. Golden will be concerned with television, radio, theatre, and film financing and related banking activities in these fields.

* * *

The sale of new stock to the amount of $150,000 has increased the capital of the **Fort Neck National Bank of Seaford, N. Y.,** as of Sept. 3, from $500,000 to $650,000.

* * *

Announcement was recently made of plans for the merger of the **Huguenot Trust Company** with the **New Rochelle Trust Co.,** both of **New Rochelle, N. Y.** The directors of both institutions, it is stated, have already approved the proposals which are to be passed upon by the respective stockholders on Nov. 26. The merger, which would become effective Nov. 28, would be effected under the name of the New Rochelle Trust Co., which as enlarged would have total assets of $35,000,000. It is further stated that under the proposed plans each share of New Rochelle Trust stock would be exchanged for 1.48 shares of stock of the enlarged trust company and each two and one-half shares of Huguenot Trust stock would be exchanged for one share of stock in the consolidated institution.

* * *

Following the absorption of the **Crafton National Bank of Crafton, Pa.** by the **Peoples-First National Bank & Trust Co.** of **Pittsburgh, Pa.,** the Crafton National, which had a capital of $100,000, was placed in voluntary liquidation on Aug. 29.

The First National Bank of Nanticoke, Pa. (capital $300,000) was placed in voluntary liquidation on Aug. 25, having been absorbed by the **Miners National Bank of Wilkes-Barre, Pa.**

* * *

The Bank of Virginia at **Richmond** has opened an East Ocean Division facility in Building 318 North, McGuire Veterans Administration Hospital, Richmond, Va. The facility will serve East Ocean Division, Corps of Engineers, U. S. A. Authority for the service was granted by the State Corporation Commission on July 22, and later by Federal authorities. Facility banking hours will be on Tuesdays and Fridays. Mrs. Elizabeth Martin, of the bank's 8th and Main Streets staff, Richmond, is in charge.

* * *

As of Aug. 20 the capital of the **First National Bank of Evergreen Park, Ill.** was enlarged from $75,000 to $100,000 as a result of the sale of $25,000 of new stock.

* * *

The recently enlarged capital of the **Industrial National Bank of Detroit, Mich.,** increased from $1,750,000 to $2,000,000, as a result of a stock dividend of $250,000, became effective on Sept. 5. Reference to the plans to increase the capital was made in our Sept. 4 issue, page 838.

* * *

The Third National Bank of Nashville, Tenn. reports a capital as of Sept. 2 of $3,000,000, the amount having been increased from $2,500,000 following the declaration of a stock dividend of $500,000.

* * *

The capital of the **Second National Bank of Jackson, Tenn.** has been increased, effective Aug. 26 from $125,000 to $200,000 by a stock dividend of $75,000.

* * *

Dr. David L. Grove has joined the Economics Department of the **Bank of America N. T. & S. A.** as associate economist at San Francisco Headquarters, according to an announcement by S. C. Beise, Senior Vice-President of the bank. This it is stated is a further move to extend the economic research facilities of the Bank of America. During the war years Dr. Grove served as an economist with the Office of Strategic Services and then joined the International Research Division of the Federal Reserve Board. During 1948-49 he served as advisor to the Governor of the Central Bank of the Philippines. It is further stated that Dr. Grove has served on several monetary missions and as an advisor to a number of the Central Banks of South America.

Waldron Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Jules Charbneau is now connected with Waldron & Company, Russ Building.

Floyd E. Davison Opens

(Special to THE FINANCIAL CHRONICLE)

VAN NUYS, Calif.—Floyd E. Davison is engaging in the securities business from offices at 6715 Woodley Avenue.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

MUSKEGON, Mich.—John E. Ackley, Jr. is with Waddell & Reed, Inc.

Railroad Securities

Baltimore & Ohio

The July railroad earnings reports, which by now have been fully digested by the market, varied widely, as was to be expected. In general, the Eastern industrial carriers fared rather poorly, with earnings substantially below year earlier levels in reflection of the steel strike. Iron ore roads were also hit. On the other hand, many of the Western roads reported wide year-to-year improvement in earnings for the month. These were the roads that in July, 1951, suffered severely from unprecedented flood conditions, which imposed heavy expenses as well as curtailing the traffic flow. This year was also bolstered by a materially larger wheat crop.

Some of the influences of the steel strike unquestionably carried over into August. There was, also, the memorial stoppage in the coal fields. Despite these considerations, it is expected that August results for the industry as a whole will reveal a sharp rebound. The iron ore roads in particular are likely to show up well, with every effort now being exerted to make up for the tonnage lost during the strike before the Great Lakes close for the winter. One of the Eastern roads that did remarkably well in July under the existing conditions was Baltimore & Ohio. The results were particularly gratifying when it is realized that the road is traditionally largely dependent on steel activity.

The road did suffer severely from the steel strike but at least it was able to remain in the black for the month. Gross revenues were off 18.5%. The transportation ratio jumped nearly five points. Maintenance outlays, however, were brought quickly into line with the reduced level of business. As a matter of fact, the maintenance ratio was actually reduced slightly. Taxes were also substantially lower with the result that net income of $656,000 was realized for the month. It is true that this was not much more than half the net reported for the like 1951 month. Nevertheless, it compared favorably with net losses sustained by Pennsylvania and New York Central.

For the year to date the showing of Baltimore & Ohio has been most encouraging. Despite the July experience the transportation ratio for the first seven months was slightly lower than for the like interim of 1951. The maintenance ratio for the full period was off more than a point. Gross for the seven months was off $9,255,000, or about 3.6%, from a year earlier. With its strict control over expenses and with Federal income taxes cut by more than 50%, however, net income increased by just about a third. Earnings on the common stock, before sinking and other reserve funds provided for in the company's debt readjustment plan of a few years ago, reached $3.92 a share compared with $2.81 a share a year ago.

From here on, and at least well into 1953, the traffic prospects are highly promising. It seems almost inconceivable under present conditions that there will be a major decline in steel production for at least many months to come. On top of the favorable traffic outlook, the ability the management has displayed to gear its expenses quickly to changing conditions, and the consistent paring of the transportation ratio under conditions prevailing before the steel strike, augur well for a widening of the profit margin during the balance of the year.

On the basis of results so far and the prospects as outlined above, it appears reasonable to look for common share earnings, before sinking and other reserve funds, of at least $8.00 a share for the full year 1951. Earnings could reach as high as $10.00 a share under the most favorable conditions. A large part of these earnings will naturally not be available for dividends due to restrictive sinking fund requirements and the Capital Fund deductions. These funds, however, obviously work toward constant improvement of the road's credit and the basic status of the junior equity. Also, many analysts feel that even with the funds there is a good chance that at least a token dividend may be paid on the common this year. It would be the first since 1931.

Bond Club of Detroit Elects New Officers

DETROIT, Mich. — Ernest B. Kelly, Jr., of Halsey, Stuart & Co. Inc., has been elected President of the Bond Club of Detroit for 1952-53.


Ernest B. Kelly, Jr.

Mr. Kelly has been connected with Halsey, Stuart & Company since his graduation from the University of Illinois, with the exception of 4½ years in the United States Navy from which he was discharged with the rank of Lt. Commander. He spent 38 months in the Southern Pacific, serving abroad both the carriers Enterprise and Yorktown. He has served the Bond Club as Chairman of the Entertainment Committee, Secretary and Treasurer, Vice-President, and director.

Other officers elected include Robert D. Savage, Baxter, Williams & Co., Vice-President, and Charles C. Bechtel, Watling, Lerchen & Company, Secretary & Treasurer. Directors are the officers and Frank P. Meyer, of First of Michigan Corporation, retiring President; Fred J. Bolton of H. V. Sattley & Company; T. Norris Hitchman of Kenower, MacArthur & Co.; Milo O. Osborn, of Paine, Webber, Jackson & Curtis.

Committee Chairmen are Frank P. Meyer, Finance; Robert D. Savage, Program; T. Norris Hitchman, Entertainment; Fred J. Bolton, Membership; and Milo O. Osborn, Publicity.

The Club, this year observing its 37th anniversary will entertain its members at the Country Club of Detroit, on Sept. 23, with a golf party and outing to open the current year's activities.

Newburger, Loeb Adds

Newburger, Loeb & Co., members of the New York Stock Exchange and other Exchanges, announce that Allen Winthrop, Registered Representative, has joined their organization at the firm's branch office at 2091 Broadway (72nd Street), New York City.

Sutro Bros. Add

Sutro Bros. & Co. announce that Joseph P. McCluskey has become associated with the firm as a registered representative in their uptown branch office, 150 West 28th Street, New York City.

Colonialism May Be "Through," but...

"Two of the four countries in which the Communists are fighting in Southeast Asia, Burma and the Philippines, won their independence after war, while in the other two, Malaya and Indo-China, foreign powers are still in control. Yet, in all four cases, the Communists are out to overturn the Government.


Chester Bowles

"The argument that they are fighting against colonialism is the bunk. The Communists are out to destroy any government that is not Communist.

"India tends to stress colonialism in Indo-China, but there the Indo-Chinese themselves are very conscious of new circumstances. They recall four years under Japanese occupation, when many of them were put in concentration camps and mistreated, and they know that when Indo-China fell, all the rest of Southeast Asia went.

"So, they are faced with facts and do not stop to theorize. Many whom I questioned all agreed that the French must stay in Indo-China until the situation is quiet.

"If Ho Chi Minh and the Communists want the French out of Indo-China, they can accomplish it very easily by laying down their arms. Colonialism is through. It is the Communists who are holding up the freedom of those countries." — Chester Bowles, U. S. Ambassador to India.

Colonialism may be "through," but that does not mean an economic millenium for backward peoples. Nor is the threat of communism their only hurdle.

Continued from page 2

The Security I Like Best

ceivables were 9%. The remaining receivables were diversified with direct loans the largest at 6% of the total.

In the process of popularizing the "easy payment plan," Commercial has grown into one of the country's leading lenders with financing and business volume about $2,900,000,000 a year.

Though not the first to enter the retail installment financing field, it came in early enough to rate pioneer status, and for the past 30 years most of its gross has come from this activity. Originally, however, the company set up business as a buyer of accounts receivable from cash-hungry wholesalers and manufacturers.

Its specialty — a technique it perfected—was a version of commercial financing called the "non-notification arrangement" whereby sellers could convert their open accounts into cash at time of shipment, without informing the buyer. On the evidence of duplicate invoices, etc., Commercial would pay the bill, less a small discount, and take its chances that the debtor would discharge his obligation in due course. In 1912, this credit procedure was a financial phenomenon; today it is widely used to quicken the pace of commerce.

Other fields which the company early explored as sidelines to installment lending were wholesale financing and direct loans to manufacturers. In the earliest days of auto-making, Commercial frequently would be advancing credit to the man who built the car, to the dealer who sold it, and to the customer who drove it away. During more recent years, company's subsidiaries have also begun underwriting fire and casualty policies in connection with time-sales of automobiles and are issuing credit insurance as partial protection against loss on loans.

Another of its activities is factoring—a form of accounts-receivable financing which involves notification of the debtor, who pays directly to the factor instead of through the seller. Just before World War II Commercial entered the personal loan business, but this is still a relatively minor activity.

When the war choked off production of many types of goods which the company finances, management turned to manufacturing to bolster its lagging earnings. Most of these interests have been retained and today eight of company's subsidiaries turn out such items as food, metal stampings, industrial machinery, pipe fittings, oil heaters, bearings, etc.

While its manufacturing ventures have worked out well, the most successful was Gleaner Harvester, which Commercial took out of receivership during the depression, operated for 12 years, and sold at a huge profit. With auto and appliance sales volume apparently past the peak for this cycle, management may seek more diversification by adding to its manufacturing activities. Except during wartime, these have seldom accounted for more than 20% of gross income.

Company's finance division currently contributes about 50% of the total gross, insurance underwriting bringing in slightly over 30%.

Indications thus far are for a 1952 total gross income (service and commission charges, etc.) in the neighborhood of $110,000,000, and for profits of about $3.50 a share.

Operations Comment

An aggressive compaign started last fall by company to maintain its volume of finance business was successful in offsetting adverse effects of government credit restrictions on sale of automobiles, household equipment, appliances and other articles.

On Dec. 31, 1951, the company had established credit lines with banks aggregating $409,280,000, of which $206,755,000 were in use, the balance of $202,525,000 being available. On the same date the company had $248,318,500.

Manufacturing subsidiaries have been particularly successful. They cost $13,197,000, paid dividends (since acquisition) of $29,533,000 to the end of 1951, and then had a net worth of over $20,000,000.

Dividends usually have been fairly liberal.

Subsidiaries of Commercial Credit

	% Owned	Date Acquired
Textile Banking Co., Inc. (factoring)	100.00	Sept. 30, 1939
American Credit Indemnity Co. (N. Y.)	99.93	July 1, 1936
Calvert Fire Ins. Co. (Baltimore)	100.00	Dec. 1939
Goslin-Birmingham Mfg. Co., Inc.	100.00	Dec. 1, 1942
Croname, Inc., common	100.00	Dec. 7, 1942
Croname, Inc., preferred	100.00	Dec. 7, 1942

Other subsidiaries include: American Health Insurance Co., Grabler Manufacturing Co., Agar Packing & Provision Corp., Kaydon Engineering Corp., and Miller Printing Machinery Co.

Capitalization of Commercial Credit

Funded Debt: $41,500,000 2¾% unsecured notes due 1953-57;
40,000,000 3⅜s due 1961 and
50,000,000 3% unsecu'd notes due Jan. 1, 1963; also
25,000,000 3% subordinated notes due 1957 and
25,000,000 3.95% notes due 1964.

Common stock 4,557,946 shares.
Current annual dividend rate $2.40 per share.
Current price 37 to yield 6½%.

Boston Inv. Club Dinner Meeting

BOSTON, Mass. — The Boston Investment Club will hold its first dinner meeting of the fall and winter season on Monday, Sept. 15 at 5:00 p.m. at the Boston Yacht Club.

Principal speaker will be Erwin D. Canham, Editor of the "Christian Science Monitor," whose subject will be "The World Tonight."

N. R. Real Opens

NUTLEY, N. J. — Nathaniel R. Real is engaging in the securities business from offices at 14 Overlook Terrace. He was formerly a partner in Keye, Real & Co. and conducted his own investment business in New York City under the name of N. R. Real Co.

George Searight's Daughter Wed

Margot Elizabeth Searight, daughter of George A. Searight (50 Broad Street, N. Y. City), was married on Sept. 5 to Quentin Roosevelt Royce.

Retires From Partnership

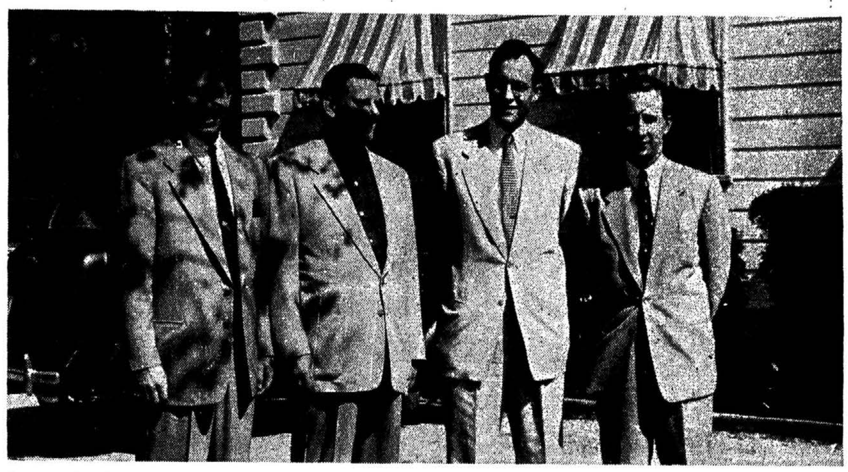
Edward A. Rosenthal, member of the New York Stock Exchange, on Sept. 1 retired from partnership in Josephthal & Co., New York City.

Allen T. West

Allen T. West, limited partner in G. H. Walker & Co., passed away on Sept. 1.

Security Traders Association of New York

Charles M. Zingraf, *Laurence M. Marks & Co.*; Tom Brown, *Hoit, Rose & Company*; Joe Monahan, *J. A. Hogle & Co.*; C. Merritt Coleman, *Allen & Company*; Larry Lyons, *Allen & Company*



Lewis (Hank) Serlen, *Josephthal & Co.*; Joseph M. Kelly, *J. Arthur Warner & Co., Incorporated*; Charles A. Bodie, *Stein Bros. & Boyce*, Baltimore; John J. Flanagan, *Josephthal & Co.*

Harry Arnold, *Goldman, Sachs & Co.*, President of the Security Traders Association of New York

Hal E. Murphy and Edwin L. Beck, *The Commercial and Financial Chronicle*

Leslie Barbier, *Ingalls & Snyder*; Cy Murphy, *John C. Legg & Company*; Harold B. Smith, *Pershing & Co.*

Bill Doerr, *Blair, Rollins & Co., Incorporated*, Philadelphia; C. L. Wallingford, *H. M. Byllesby and Company, Incorporated*, Philadelphia; Stan Roggenburg, *Ruggenburg & Co.*; Bill McCullen, *Hendricks & Eastwood, Incorporated*, Philadelphia, President of the Investment Traders Association of Philadelphia; Maurice Hart, *New York Hanseatic Corporation*

Col. Oliver J. Troster, *Troster, Singer & Co.*; John J. O'Kane, Jr., *John J. O'Kane, Jr. & Co.*; Bill Davis, *J. H. Brooks & Co.*; W. Herbert Davis, *J. H. Brooks & Co.* Kneeling: Arthur G. Bisgood, President of *Registrar and Transfer Company*; Andrew R. Buzzelli, Asst. Secretary, *Registrar and Transfer Company*; Jim Campbell, *H. C. Wainwright & Co.*

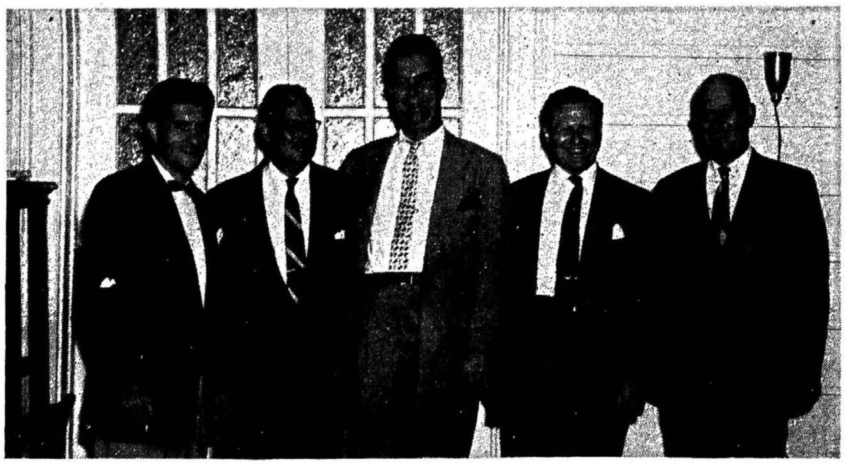
Edwin J. Markham, *Wertheim & Co.*; John D. Hines, *Dean Witter & Co.*; Louis P. Singer, *Troster, Singer & Co.*

Tom Greenberg, *C. E. Unterberg & Co.*; Bernie Weissman, *Siegel & Co.*

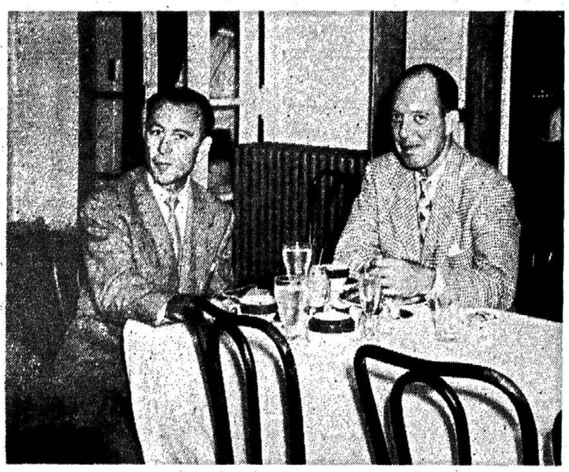
W. G. Conary, *G. H. Walker & Co.*, Providence, R. I.; Carl Swenson, *G. H. Walker & Co.*, New York City

Annual Fall Outing

Jim Torpie, *Torpie & Saltzman;* Desmond D. McCarthy, *Union Securities Corporation;* Mike Growney, *Joseph McManus & Co.;* Steve Blanchard, *Schwabacher & Co.*



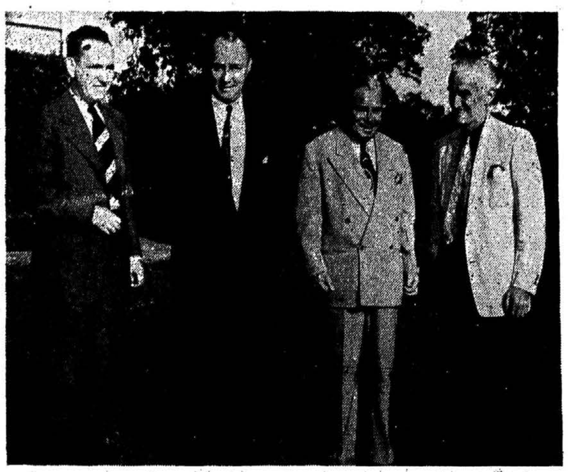
Eugene M. Cohen, *Gruntal & Co.;* King Ghegan, *Edwin L. Tatro Company;* Harold I. Murphy, *Bonner & Gregory;* Ted Wechsler, *G. C. Haas & Co.;* Lester Gannon, *Peter Morgan & Co.*



Bill Doerr, *Blair, Rollins & Co. Incorporated,* Philadelphia; Foster Webster, *Hardy & Co.,* New York

John R. Chapin, Jr., *Kidder, Peabody & Co.;* Thomas W. Gleason, *Kirchofer & Arnold Associates, Inc.*

William F. Thompson, *Greene and Company;* Edmond P. Rochat, *Grady, Berwald & Company, Inc.;* Dr. Samuel Felder, guest

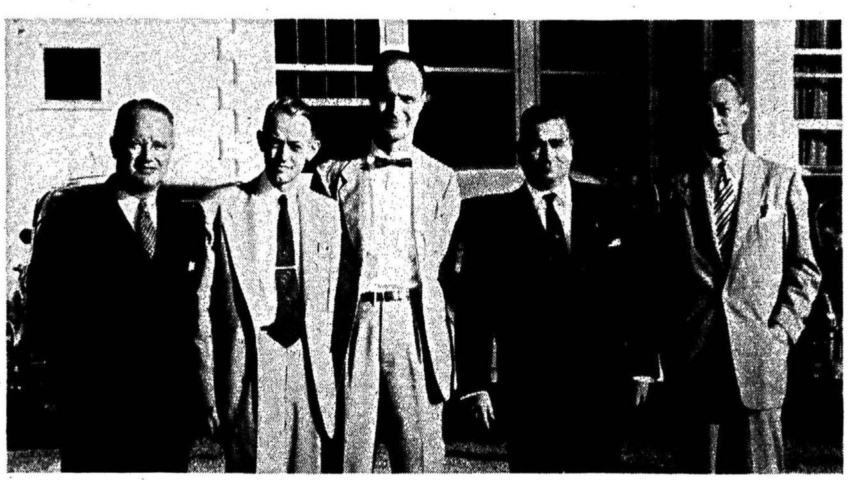


Samuel F. Colwell, *W. E. Hutton & Co.;* William R. Mulholland, *McLaughlin, Reuss & Co.;* Vic Reid, *Eisele & King, Libaire, Stout & Co.;* Duge Hunter, *Hunter Securities Corporation*

Al Traub, *E. A. Clark & Co.;* Bob Bennett, *E. A. Clark & Co.;* Sal Rappa, *F. S. Moseley & Co.;* Harry D. Casper, *John J. O'Kane, Jr. & Co.*

Jack Barker, *Lee Higginson Corporation;* Edmund A. Whiting, *Carl M. Loeb, Rhoades & Co.;* Pete Steven, *A. C. Allyn and Company, Incorporated;* Bill Boggs, *Hill, Thompson & Co., Inc.*

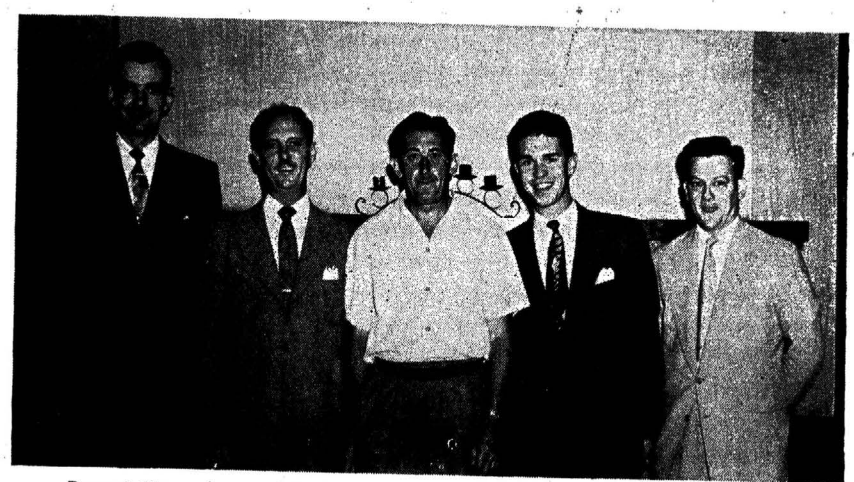
Joe Egan, *Frank C. Masterson & Co.;* Ben Van Keegan, *Frank C. Masterson & Co.;* John C. Calef, *Dominion Securities Corporation;* David R. Mitchell, *Hill, Thompson & Co., Inc.;* Joe Cabble, *Burns Bros. & Denton, Inc.*



John French, *A. C. Allyn and Company, Incorporated;* John M. Hudson, *Thayer, Baker & Co.,* Philadelphia; Jim Brewer, *John C. Legg & Company;* Mike Heaney, *Michael J. Heaney & Co.;* Allan Kadell, *Homer O'Connell & Co., Inc.*

At Richmond Country Club, Staten Island

Nat Krumholz, *Siegel & Co.*; Eddie Fischer, *Robert S. Byfield*; Sid Siegel, *Siegel & Co.*; George Hunt, *Starkweather & Co.*

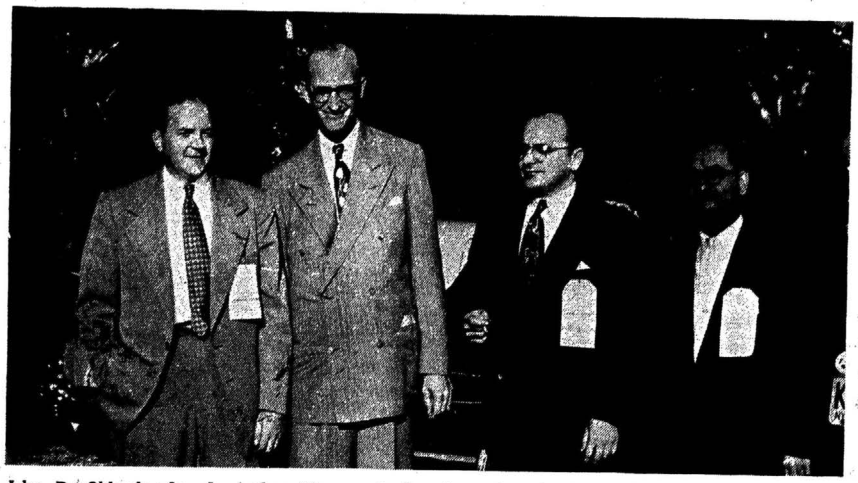


Bernard Clancy, James McCluskey, Tom Trager, Charlie Kaeppel, Bill Sorensen, all of *Merrill Lynch, Pierce, Fenner & Beane*

Ely Batkin, *Batkin & Co.*; Morris Goldstein, *Batkin & Co.*

"Hoy" Meyer, *Gruntal & Co.*; W. J. Young, *Nielsen, Gordon & Co.*

Ben Gold, *P. F. Fox & Co.*; Milt Capper, *Edelmann & Capper*



John D. Ohlandt, Jr., *J. Arthur Warner & Co., Incorporated*; Claude Porter, *White, Noble & Company*, Detroit; Mike Stanko, *White, Noble & Company*, Detroit; Sam Milt, *J. Arthur Warner & Co., Incorporated*

Gus L. Levy, *Goldman, Sachs & Co.*; William H. Chamberlain, *Green, Ellis & Anderson*; Ed. McGrath, *Continental Illinois National Bank of Chicago*; L. Cavanagh, *Eisele & King, Libaire, Stout & Co.*; Ted Plumridge, *J. Arthur Warner & Co., Incorporated*

Max Barysh, *Ernst & Co.*; Jack Germain, *Stanley Pelz & Co., Inc.*

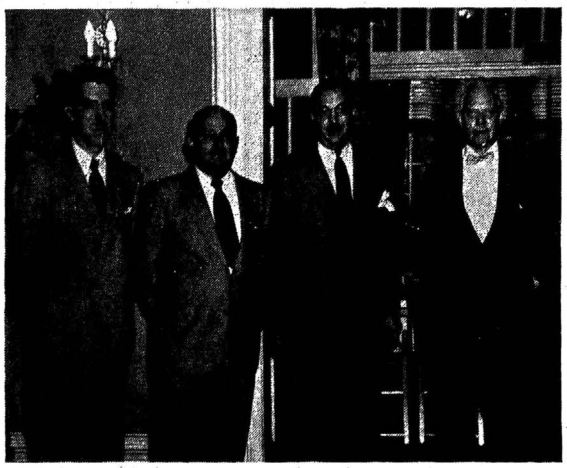
Arthur Schwartz, *Bache & Co.*; Bob Herzog, *Herzog & Co., Inc.*; Alfred F. Tisch, *Fitzgerald & Company, Inc.*; William D. O'Connor, *Fitzgerald & Company, Inc.*

Dick Abbe, *Shields & Company*; Bill Roos, *MacBride, Miller & Co.*, Newark, N. J.

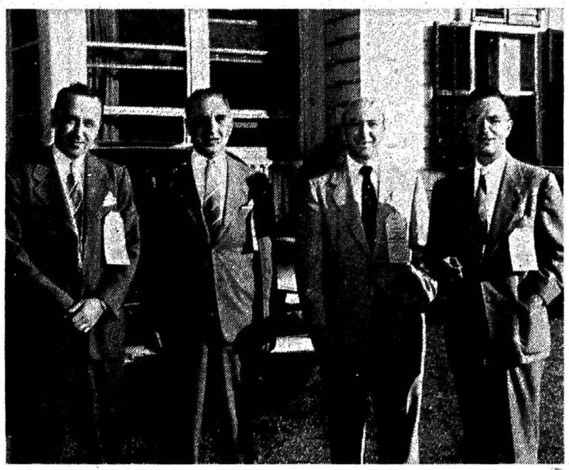
September 5, 1952

Joe Lann, *Joseph J. Lann Securities, Inc.;* Doug Alexander, *Joseph J. Lann Securities, Inc.;* John McLaughlin, *McLaughlin, Reuss & Co.;* Bernard Tomkinds. Seated: Ed Kelly and Bill Filan, *Carl M. Loeb, Rhoades & Co.*

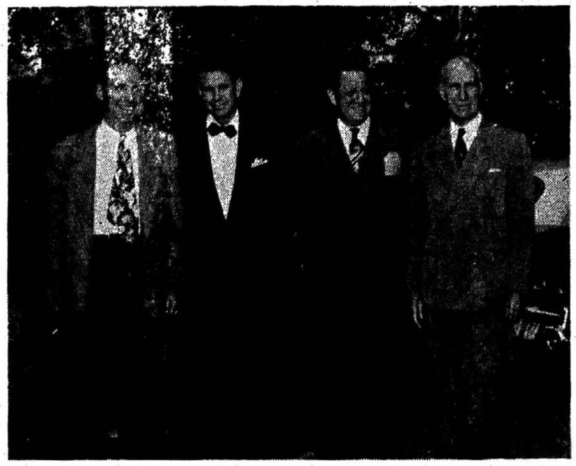
George Dedrick, *Joseph McManus & Co.;* Dan Hannafin, *Joseph McManus & Co.;* Sam Weinberg, *S. Weinberg & Co.;* Charles Ogden, *Ogden, Wechsler & Co.* Kneeling: Jim Durnin, *H. D. Knox & Co., Inc.;* Jim Ogden, guest; Arnold J. Wechsler, *Ogden, Wechsler & Co.*



Tom Reilly, *J. Arthur Warner & Co., Incorporated;* Ted Young, *J. Arthur Warner & Co., Incorporated;* Clifton B. Smith, *Francis I. du Pont & Co.;* Stanlay C. Eaton, *Bendix, Luitweiler & Co.*

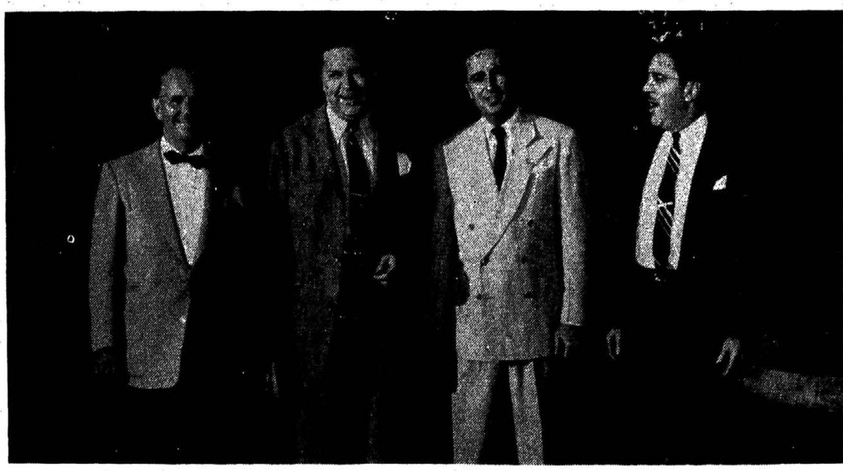


Ernie Lienhard, *Troster, Singer & Co.;* Michael A. Voccoli, *Charles King & Co.;* Sam DeSocio, *L. H. Ingraham & Co.;* Dan Mullin, *Tucker, Anthony & Co.*



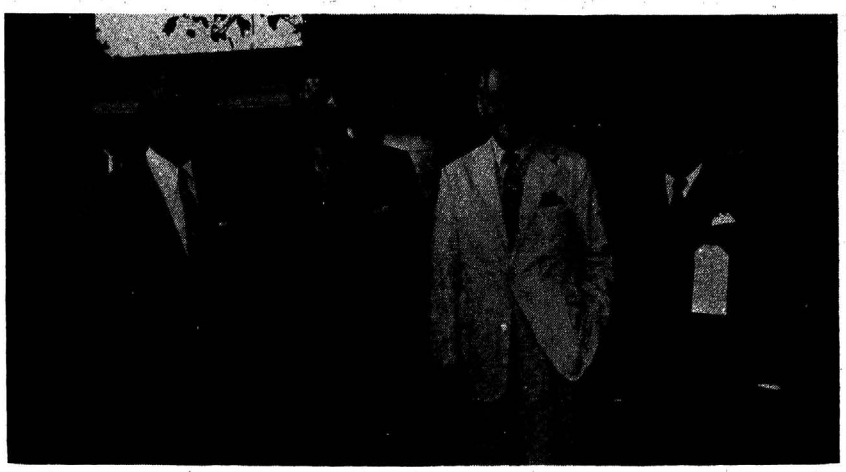
Jack Wielar, *J. Arthur Warner & Co., Incorporated;* Ranson Berneburg, *Wood, Gundy & Co., Inc.;* Jack Farrell, *Farrell Securities Company;* Jack Valentine, *Shearson, Hammill & Co.*

Joe Farrell, *Bonner & Gregory;* Frank Kane, *Ernst & Co.;* L. E. Copple, *Smith, Barney & Co.;* Stan Dawson-Smith, *Bonner & Gregory;* Richard B. Montanye, *Laurence M. Marks & Co.*



Jack Gertler, *Barr Brothers & Co.;* John M. Mayer, Herb Seijas, and Stan Waldron, *Merrill Lynch, Pierce, Fenner & Beane*

Percy J. Wien, Mel S. Wien, and Bob Franklin, all of *M. S. Wien & Co.;* Soren Neilson, *New York Hanseatic Corporation;* Lester Frenkel, *Gersten & Frenkel*



John F. Reilly, *J. F. Reilly & Co. Incorporated;* Joe Alberti, *Walston, Hoffman & Goodwin;* George L. Collins, *Geyer & Co., Incorporated;* Wilbur Krisam, *Geyer & Co., Incorporated*

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Capital Gains Under the Canadian Income Tax Act

ons that had been hired out, and contended that this was a sale of assets, and that the isolated transaction resulted in a capital profit. But the House of Lords decided that in fact the transaction was part of the company's business of making a profit out of wagons, and that the profit derived from the isolated transaction was taxable.

In *Jones* v. *Leeming* ((1930) A.C. 415) however, the situation was reversed. The taxpayer, along with other persons, acquired two rubber estates with a view of selling them to a public company to be formed for the purpose. The General Commissioners decided that the property had been acquired with the sole object of turning it over at a profit, and that the taxpayer at no time had any intention of holding it as an investment. It was held that the assessment should be discharged, and this decision was affirmed by the House of Lords. Similarly, in *Pearn v. Miller* ((1927) 11 T.C. 610) it was held that the profit resulting from the purchase and sale of a number of properties by a builder's foreman on his own account was not taxable under Case VI.

Decisions Depend on Individual Circumstances

It is apparent in these decisions that whether or not a transaction is in the nature of a trade depends upon the circumstances peculiar to each case. There may be the carrying on of a trade even though there was no intention of making a profit. In the *Incorporated Council of Law Reporting Case* it was held that "it is not essential to the carrying on of trade that the people carrying it on should make a profit, nor is it even necessary to the carrying on of trade that the people carrying it on should desire or wish to make a profit ((1888) 3 T.C. 105, 113)." And in *Commissioners of Inland Revenue v. Stonehaven Recreation Ground Trustees* ((1929) 15 T.C. 419, 425), it was held that the question of what constitutes carrying on a trade is not simply dependent upon motives, or even upon the general objects of an operation. It depends rather on what is actually done, and on the practical effect of what is done.

It is the border-line cases that cause the difficulty, and the British court decisions have been made, of course, with reference to the British income tax law which clearly specifies sources of income. There are rules contained in each of the schedules and cases providing how the profits are to be computed, and if a profit or gain cannot be brought within any of the provisions of the various schedules, then it is not income within the purview of the Act. The Canadian Income Tax Act, on the other hand, does not attempt to classify the source of income, except specifically to include certain types of transactions within the purview of the word "income," even though they are "capital" in their nature, and to exclude certain transactions which are "income" by their nature.

It has been indicated above that the Canadian courts have followed the British decisions when the matter of capital versus income came up under the *Income War Tax Act.* What the interpretation of the new Act will be is still a matter of conjecture. It has ignored the old definition of income, and the main problem is whether the Canadian Courts are likely to interpret the word "income," as used in its undefined context, in its broadest sense, as has been done by the U. S. Courts, or in the narrower sense, as in Britain.

Tax Law Should Define and Classify Incomes

In view of some recent Canadian decisions (which there is no time to discuss) it appears that the courts are gradually extending the concept of "business transaction" to include casual speculative profits which a few years ago would probably have been held exempt from tax as capital gains. Such Canadian cases as the *Brown Case* ((1950) 1 Tax A.B.C. 461), *Central Assets Ltd. v. M. N. R.* ((1950) 2 Tax A.B.C. 323), *Badame v. M. N. R.* ((1951) 3 Tax A.B.C. 226), *Cragg v. M. N. R.* ((1950) 3 Tax A.B.C. 203, and *Campbell v. M. N. R.* ((1951) 3 Tax A.B.C. 315), appear to indicate that the test of taxability is the presence of an intention to make a profit. If motivation is to be the test of the distinction between a capital gain and income, a capital gain under that interpretation is likely to be a rare occurrence. Indeed, the sale of a company's assets may result in taxable income. One of the most disturbing features of our position now is that we are told in the final analysis that the determination of whether a receipt is capital or income is a question of fact, and in a sense, not a question of law at all.

The question is whether these decisions go beyond the intent of the statute. Canadians have been assured and reassured by the Minister of Finance that "it is not the policy of the government to tax capital gains" (*Budget Speech,* March 29, 1950, p. 1217). Naturally there is confusion and concern over a situation where administrative and judicial decisions appear to encroach upon avowed government policy, and various proposals have been made to protect the position of capital gains.

There is currently a considerable body of Canadian opinion in favor of amending the Act by defining capital and income so as to designate specifically what is taxable and what is not. But this would be a formidable task of statute drafting, and it is doubtful whether all cases could be covered. Even were exhaustive definitions to be written into the Act, the courts would still of necessity have to apply the rules to specific cases, but within the much more rigid terms of the statute. The Minister of Finance has discarded this proposal in the following words: "Under any income tax law there is always a very difficult problem in drawing a line between gains which are profits from carrying on a trade or business and those which are not. To my knowledge no tax legislation has ever been passed in any country that has removed all doubts on this score . . . much as I would like to introduce greater certainty, I do not believe that it can be done satisfactorily by legislation. We now have a readily available income tax appeal board that has been set up to determine questions of this sort." (House of Commons Debates, March 28, 1950, p. 1217.)

But it is just this Income Tax Appeal Board that has handed down the decisions that have intensified the problem.

Another proposal is that if we are to continue to rely so heavily upon British jurisprudence, we should include in our Act (as there is in the British Act), a series of charging schedules covering categories of income that are taxable. This has the merit of making the British decisions have bearing on Canadian cases. But it has the disadvantage of limiting or expanding our law, as the case may be, in accordance with changes in Britain.

As long as it is policy in this country to exempt capital gains from income tax, my own view is as follows, and it represents a compromise of the proposal for specific definitions of income and capital. Since our Act does not attempt to define income but merely states for more certainty some items that are to be included in income (and I think that is sound), provisions should be introduced into the statute which would at least indicate certain types of receipts which are declared either not to be income or to be non-taxable income. If we specify certain items that are taxable, surely it is consistent to specify other items which are clearly not taxable.

It appears to me that this proposal has the advantage of avoiding the extremely difficult task of defining both capital and income receipts, and it provides a more concrete working basis for the courts to apply the law to particular cases. In this way a body of Canadian jurisprudence would be built up which would be based on a Canadian statute, and perhaps the anomaly of applying British jurisprudence which is not strictly applicable to the Canadian Act would be disposed of. In the final analysis we must depend upon the Canadian Courts to interpret the Canadian law, and I am satisfied that with somewhat more concrete statutory instructions regarding capital and income, the judicial decisions will be laid down on the highest plane. The problem will never be entirely solved. But progress will have been made should we tidy up the great uncertainty and confusion that now exists by establishing some working principle that will stand as a bench mark for the future.

Scott & Macdonald in Travelers Aid Drive

Stuart Scott, Jr., of Carlisle & Jacquelin has accepted the Chairmanship of the Floor Brokers Division and Ranald H. Macdonald, of Dominick & Dominick, has accepted the Chairmanship of the Stock Exchange Division in the 1952 Fund Raising Drive of the Travelers Aid Society of New York.

Mr. Macdonald and Mr. Scott will encourage industry support for the work of Travelers Aid which last year furnished vital assistance to over 121,000 people, lost, stranded, and desperate in New York. For nearly 50 years the Society has been the special friend of the city's travelers in distress providing a staff of trained workers in all the major terminals and at every incoming passenger ship, ready to render prompt and expert help without fee.

Heavy and increased demands on Travelers Air services during 1952 have marked it as the biggest peace-time year in its history and necessitated a 15% increase over last year's budget. Mr. Macdonald and Mr. Scott join 116 other business leaders in New York in helping to raise the 1952 goal of $406,000.

To Be Hemphill, Noyes Co.

Effective Sept. 15 the firm name of Hemphill, Noyes, Graham, Parsons & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, will be changed to Hemphill, Noyes & Co.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

Laird, Bissell & Meeds with offices at 120 Broadway, New York City, recently issued a very interesting analysis of insurance stocks.

A detailed statistical summary of operating and investment results is presented in the study for thirty-nine companies. Figures covering the past year are shown together with average results for the 1947-1951 period and the ten years 1942-1951.

As the analysis points out, operating results of any one year alone are a very unsatisfactory basis upon which to value insurance stocks. The usual cycle of underwriting covers several years during which there are both good and bad periods. Thus the results of any individual year are not necessarily indicative of what might be expected in the future.

The Laird, Bissell & Meeds study points out that a ten-year period is a much better guide as a test of "managerial ability" and the success of a company from the standpoint of insurance underwriting and investment operations. For this reason considerable emphasis in the report is placed upon the changes which have occurred since 1942.

In the table below we have selected twenty-two companies from the thirty-nine reviewed in the study of Laird, Bissell & Meeds and show their experience over the past ten years with respect to the gain to stockholders, average underwriting profit margin, average expense ratio, increase in investment income and the change in market price between Dec. 31, 1941 and Dec. 31, 1951.

	Ten-Year Gain to Stkhldrs. *1942-'51	Under-writing Profit Margin Average 1942-'51	Average Expense Ratio 1942-'51	Increase in Investment Income 1951 over 1942	Change in Market Price 12/31/41 to 12/31/51
Aetna Insurance	$55.32	3.0%	41.5%	+ 50.1%	+ 2.9%
Agricultural Insur.	88.15	2.8	42.0	+ 35.7	— 9.4
American Insurance	27.27	3.5	39.1	+123.9	+ 71.6
Boston Insurance	51.71	2.6	41.8	+ 63.0	+ 72.9
Continental Insurance	76.47	7.1	37.9	+132.9	+115.2
Federal Insurance	74.01	14.8	32.5	+118.3	+ 93.4
Fidelity-Phenix	87.74	6.7	37.7	+134.9	+136.2
Fire Association	76.88	1.8	42.1	+ 85.7	+ 34.3
Fireman's Fund	48.20	6.1	35.7	+ 8.0	+119.9
Firemen's Ins. Newark	25.57	2.9	40.1	+180.9	+157.7
Glens Falls	54.63	6.2	39.7	+ 63.9	+ 36.6
Great American	44.08	4.1	40.9	+110.6	+ 70.0
Hartford Fire	107.08	8.4	37.3	+151.0	+ 96.2
Home Insurance	45.35	3.6	41.4	+ 65.8	+ 32.1
Insur. Co. of No. Am.	76.63	7.1	38.1	+188.6	+113.4
New Hampshire Fire	46.74	1.8	43.4	+ 28.0	— 3.4
Phoenix Insurance	83.14	4.5	41.9	+ 85.8	+ 21.3
St. Paul Fire & Marine	20.56	8.0	38.0	+181.6	+139.1
Security Insurance	31.49	1.5	42.0	— 0.8	+ 1.6
Springfield Fire & Ma.	49.57	3.4	40.9	+ 40.2	— 0.6
United State Fire	42.42	6.5	40.8	+ 86.7	+ 62.4
Westchester Fire	26.90	5.4	40.2	+ 88.5	+ 14.8

*Consists of increase in equity in the period, plus cash dividends paid.

One of the most interesting comments made on the statistical tables is that with respect to expense ratio and underwriting profit margin. According to the analysis there appears to be an inverse relationship between expense ratio and underwriting margin. In other words, it is expenses and not losses that on the dominant determinant of the underwriting profit margin over a period of years. This observation is reflected in the above figures where as a general rule, the higher the expense ratio the lower the underwriting margin.

This is not unusual when it is realized that insurance companies spread their risks over a wide area so that losses over an extended period for each company should be approximately the same on a given volume of business. Expenses on the other hand vary from company to company and are a reflection to a considerable extent of "managerial ability." Thus over a period of several years the company that is best able to control expenses, generally shows a favorable underwriting margin.

One of the other significant factors brought out in the study is that even though the trend of the stock market has been upward since 1942, all insurance stocks have not participated in the rise. In fact while some stocks have gained as much as 150% others have actually declined. This points up the necessity of making the proper selections when investing in these securities.

With Manley, Bennett Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—John O. MacFarlane is now connected with Manley, Bennett & Co., Buhl Building, members of the New York and Detroit Stock Exchanges.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

ROSEVILLE, Mich.—Russell O. Albrecht is now with King Merritt & Co., Inc. He was formerly associated with Barrett Herrick & Co. in St. Louis.

Continued from first page

Stemming the Tide of Federalized Electric Power

executives are striving with good success to increase this number, particularly among the people in the respective territories they serve. Through the funds of life insurance companies over half of the people of the United States are interested in the financial well-being of these companies.

Prospective Growth of Power Demand

Seventy years after the beginning of the electric power industry, there is no foreseeable limit to the market for electricity. Its importance to every phase of the nation's life continues to increase. Applications of electricity in the home, on the farm and in industry continue to multiply and to expand. The output of electric power in the United States doubled in the decade from 1931 to 1941 and doubled again in the decade from 1941 to 1951. The long-range trend of growth from 1920 to 1951 was 7.1% compounded. In the past decade it has been 8.6% compounded. Power system load forecasters are using a long-range trend which averages for the country as a whole from 5% to 6½% per annum compounded. At a compound rate, all these percentages contemplate in 15 or 25 years ahead huge increases in the sale of electricity. The resulting figures are so large that government agencies have used them to say that the job is too big for private capital alone. In proportion, however, they are no greater than the industry has dealt with for decades, and viewed from the standpoint of the supply of power and the supply of electrical consuming equipment, appliances and devices, the industry and the manufacturers of equipment were never better prepared to develop and supply adequately these potential market additions.

Ability to Finance

As you undoubtedly know, the investor-owned power companies from the end of World War II to the present time have expended approximately $11¾ billion on plant expansion, and are now engaged on expansion plans that will raise this total to $18 billion by the end of 1954. The outlook for 1955, now already well defined, indicates construction expenditures at about the same annual rate.

The steel strike and material shortages will slow the rate of construction somewhat, but an allowance of a few months' more time will suffice to accomplish the work planned.

At the end of World War II these companies had an investment in plant and equipment of approximately $14½ billion. These figures taken together, in my opinion, demonstrate a willingness and a remarkable ability to finance to meet a rapidly expanding market demand. Ability to finance needed plant expansion is one of the vital ingredients for survival of any free enterprise.

To finance the approximately $11¾ billion spent from the end of 1945 to the present time securities sold by these companies up to Aug. 31, 1952, totaled $7.630 billion of which amount $1.522 billion was common stock, $1.103 billion was preferred stock, and $5.005 billion long-term debt. Cash arising within the same period from depreciation reserves, surplus, etc. totaled $4.340 billion.

The companies estimate their expenditures for 1952 as $2,650,000,000. Because of shortage of materials this total figure may not be attained. Financing for the first eight months of the year totaled $1,252,000,000, divided as follows: common stock $330,000,000; preferred stock $152,000,000; bonds and debentures $770,000,000. Cash arising from reserves, surplus, etc., in 1952 is estimated to total about $735,000,000.

Money Spent Productively—Long Range Planning

As I have stated, in the nine years from 1945 to 1954 construction expenditures for $18 billion are contemplated by an industry that in 1945 had an investment in plant and equipment of $14,600,000,000. The question naturally arises: Is this relatively huge sum of money being spent productively? How will the additional investment compare in this regard with the previous investment? In my opinion, this new money is being remarkably well spent from the standpoint of lasting productive values, and this has been brought about principally through engineering advances, many of them unheralded and individually not very significant but of great effect in the aggregate. This, I think, is a point of great importance to the investor, having in mind the years to come.

In a talk made on "Recent Engineering Advances in Electric Power Supply Systems" at the June, 1952, Convention of the Edison Electric Institute, Mr. J. H. Foote, Vice-President of Commonwealth Services and one of the industry's leading engineers, then Chairman of the Institute's Electrical Equipment Committee, said that today steam plants of highest efficiency are being built for $150 per kw compared with $100 per kw in 1940, an increase in unit cost of 50% although the general construction cost index today is 2 to 2½ times what it was 10 or 15 years ago. He pointed out that the average investment in total plant facilities per customer is today less than $500—a figure not significantly higher than it was in 1940 or in the 1920's, in spite of the fact that the construction cost index had more than doubled. He attributed this accomplishment of our engineers to their design and construction supervision and to the manufacturers in furnishing equipment to go into that design and construction.

He also pointed out that, in the field of operating costs within the control of the engineers, costs had been held down in similar fashion while reliability of service had been substantially improved. As an overall indication of the fruits of alert, aggressive and competent engineering he said: "In the face of a rise in taxes from 17.7% of revenue in 1940 to 23% at the end of 1951; of an increase in the hourly rate of pay including cost of fringe benefits of about double that in 1940, and of an average rise in cost of coal from $3.40 to $6.05 per ton, the average price per kilowatthour sold to the residential customer dropped from 3.84c in 1940 to 2.81c in 1951."

The coal consumption per kwhr generated in the last decade dropped from 1.33 pounds to 1.14 pounds. The most efficient plant now produces power at about three-fourths of a pound per kwh and plants now designed will lower that figure to about two-thirds of a pound of coal per kwh. Time has proven that the performance of the most efficient plant today becomes the performance of the average plant tomorrow.

The generating plants installed since the war, with their regular operation and lower fuel consumption, already provide a large part of electric power generation. The older plants with higher fuel costs are used to advantage in carrying peak loads which occur a relatively few hours of the year. They also serve as reserves or standbys and provide a cushion in case of national emergency causing a sudden increase in power demand. And in the case of possible hostile action which might incapacitate a certain percentage of the generating stations of an area, their value is obvious. In other words, most of the older plants continue to have a useful purpose in the power system.

To supply adequate electric service with a maximum of reliability and a minimum of cost to communities and groups of communities as they are changing and growing requires capable and flexible long-range planning and load forecasting. Long-range to help assure that adequate and well-located provisions for basic power facilities shall be made, and flexible to assure the fact that they will be adapted currently to the demands of the situation so that expenditures are not made unnecessarily ahead of time and unnecessary expenditures are not made at all.

I might add that the engineering, operating and commercial departments of most power companies for years have made it a practice to outline long-range plans for expansion of service.

One question which we will have with us for a considerable time is that of the possible role of atomic energy in power generation. Progress in this field is still too nebulous to warrant any estimate of its potential value. We can be certain, however, if atomic energy ever becomes available on an economic basis as a substitute for the present heat sources that generate steam for the turbines, its integration into the power supply of an area can be assured with a maximum of efficiency through long-range planning of the location and nature of generating plants, transmission lines and substations.

Rate Policies—Sales Promotion

Commercial enterprise, a stimulator of inventive genius and technical advancement, and in turn a beneficiary of these characteristics of American endeavor, has been an essential factor in the nation's extraordinary development. The cheapness of electric power depends in very large measure on the volume of sales and on the diversity in timing of the customers' demands for power. The foundation of the central station business is this diversity in timing of demand of the different customers and classes of customers for service. Therefore, currently well-designed rate structures and an alert aggressive sales policy, maintained year in and year out, assure the fact that sound growth in revenue will accompany the large growth in power consumption to be anticipated.

Company executives and the company rate experts and commercial executives are increasingly aware of these important factors in their business. I am sure that never before have the companies individually nor the industry committees collectively been giving these matters closer attention that is presently the case.

The commercial actions of the company, including its rates, of course, are subject to the control of regulatory bodies, but though a commission may establish permissible limits the company must get the business that produces the needed revenues. Within the latitude of commission rulings, I feel certain that the earnings of the companies over the years ahead will favorably reflect the informed and energetic rate and commercial policies of the companies.

The restrictions of the war years and the extraordinarily rapid load growth of the postwar years brought sales activity to a relatively low level. War clouds still hang low over the world, but we think the time for stepping up sales pressure is at hand.

Area Development

There is increasing realization that the welfare of the companies is interwoven with the welfare of the area in which they do business. A recent survey of 65 companies conducted by the EEI Area Development Committee showed that 17 companies had separate Area Development Departments, six of which were established in 1950-51, and the remaining 48 conducted industrial development activities under the direction of another department.

The bringing of new industrial payrolls to an area has long been given attention as it affects all classes of business, residential, commercial, as well as industrial. Recently more emphasis has been placed on keeping existing industry healthy and vigorous. The new production methods analysis approach to power sales now used by many companies has as its objective the most industrial production at the least cost. Results of this approach already indicate that what is best for the customer is best for the company, as not only are payrolls continued or built up, but industrial kilowatt-hours are also increased.

This is particularly important when viewing the future, as the properly electrified industry is an efficient industry, and efficient industries lead the field when the going gets tough.

Customer Relations—The Spirit of Service

Free enterprise stands or falls on its ability and willingness at all times to serve the customer well. When conditions under which service must be rendered are difficult, whether resulting from flood, storm, or wartime emergency, the electric company and its personnel must be prepared to exert unselfishly every effort on behalf of their customers. Remembrance of real help in time of trouble is an abiding trait of human nature; and no organization devoted to providing a public need can afford to be indifferent to this fact. Both for the benefit of the customer and the company, the spirit of service must burn its brightest when conditions seem at their blackest.

The power companies have the spirit of service. They have long been through the fire of hostile criticism and attack. They are not self-satisfied and have little chance to get that way. This spirit of service exists generally throughout the company from top to bottom. I never meet a company president nowadays who does not give foremost place to the job of building up and holding throughout the ranks of his company a genuine spirit of service to the public. I hope the power industry will never become too sure of its place in the good opinion of the public and relax in its efforts to serve well all of its customers 24 hours a day, 365 days in the year.

The American home grows more and more dependent upon electric service and less and less liveable without it. Tomorrow, a year from, a decade from now this will be the case. The factory worker relies more and more heavily upon electricity to increase his productive capacity and therefore his wages. This growing dependence of American life on electricity automatically engenders a responsibility on the part of those rendering electric service of such awesome proportions that the spirit of service must dominate the thinking of our design and construction engineers, the architects of our rates and service regulations, and every member of the operating department and the commercial and accounting forces.

Relations With Federal Agencies

The Federal Government now produces about 12% of the power generated for public supply. This excludes the power production of industrial plants. Municipal power systems and other local governmental agencies produce about 7%, and the investor-owned power companies 81½%.

The Federal Government has 8 million kilowatts of generating capacity in service, another 8½ million under construction, another 10 million authorized by Congress for construction and still another 41 million is being proposed by government agencies.

No governmental power enterprise pays Federal taxes. In various ways the Federal taxpayer subsidizes the cost of power from these Federal Government projects. The TVA, for instance, pays no interest. It has had total appropriations of $1,600,000,000 and in 20 years has paid into the Treasury $47,000,000. The rates set for the sale of power from Fort Peck Dam built in Montana in 1944 averaged 5.5 mills per kilowatt-hour. For firm power, this same rate is quoted for the new dams on the Missouri River, in a release by the Interior Department dated March 30, 1950, although the revised construction cost estimates for these new dams indicated that if the first rate was correct, the new rate should be about double.

As indicated by various studies, the Federal Government yardstick is not more than 18 inches long. A preference clause in the law discriminates against 80% of the power consumers of the United States in favor of the 20% who are served by municipal systems, public utility districts and rural electric cooperatives. The marketing of power from these Federal projects, except in the TVA area, has been handled by the Interior Department, the head of which frankly confesses himself to be a believer in government ownership of power.

The competition has been tough and grossly unfair to the investor-owned companies in many areas. "The power to tax is the power to destroy," as Chief Justice John Marshall truly said. Nevertheless, with patience and ability, power company executives faced with governmental competition in various parts of the United States have been negotiating workable relationships with the Federal and local governmental bodies.

This period has been critical, but there are clear indications that once it is successfully passed, the tide of socialized power will go no higher, without a fundamental upheaval affecting equally all of America's economic, political and social institutions. This seems most unlikely now that there are positive indications of increasing public disillusionment with left-wing theory and practice.

In a few years, much of the potential water power of the streams in most parts of the country will have been developed by private as well as governmental agencies. This will largely remove flood control, irrigation, and navigation as excuses for huge government appropriations for power projects. Without these constitutional disguises, government power advocates will have to campaign for steam power plants to further their goal of socialized power, and, with the issue between government power and free-enterprise electric service thus openly drawn, the electric companies should find definite advantage on their side.

I am greatly encouraged as to the soundness of the electric companies' position now and in the future by the recents acts of Congress, which show antipathy to the practice of building duplicating transmission and steam generating facilities, and by the Congressional insistence upon contracts to use existing facilities to avoid this wasteful and destructive practice.

It has become apparent that the people living in many localities, through their elective officers, have grown more critical of the bureaucratic attitude and procedures of the agents of the Federal Government. The natural and more lasting advantages of the free enterprise system over socialism have become clearer to them, even above the allurements of the pork barrel.

As an overall measure of how relations between the companies and the Federal agencies have been progressing, I should like to point out that investor-owned companies produced 93% of the power output in America in 1937. This dropped to 81½% in 1944, and in 1951 it was the same. For the past eight years it has held about steady. When the large plants under construction on the Columbia and the Missouri are operating this percentage may dip for a time, but it should turn back again as the supply of power from other sources catches up again.

As huge Federal expenditures increase the tax burden on individuals and businesses, more and more Americans may be expected to give expression to their agreement with the sentiments voiced by the Chairman of the Senate Finance Committee and the House Ways and Means Committee, near the beginning of the last session of Congress, that the time has arrived when local governmental proprietary enterprise and cooperatives must be taxed like other business to share in the heavy cost of the Federal Government. Further, the time may not be far distant when Federal power operations will be taxed and will have to pay their full costs.

On this score, the British have set our government power advocates an example which they have not been inclined to follow. Not only is Britain's nationalized power system liable to taxation, it must also pay interest on its capital investment and on the new money it raises. In addition, the British Electricity Authority is required to charge sufficiently high rates to cover all expenses incurred by the system as a whole. It is clear that there is no real magic in government power which sets it above economic law. In this country, the pulling of taxes from the people for government power has become more obvious and the taxes more painful.

When our Federal power projects finally are forced to assume their financial and tax responsibility, the preference clause in favor of local governmental power systems and cooperatives will lose its advantage. Without the subsidy, most government power will be more expensive than power produced by the companies.

I think in this matter of government relations the investor-owned utility companies have shown that they have the leadership and the natural advantages to enable them to withstand the pressure for socialism. They have weathered 25 years of hostile attack, during 20 years of which time this has been implemented by restrictive legislation and large appropriations. Their will to survive and their powers of survival have been proven in the crucible.

Commission Regulation

Industry leaders today are aware of their obligation to lay before regulatory commissions the need for earnings that will attract the investor. I think in general there is a much better mutual understanding between company managements and commissions on the basic question relating to rates and other regulatory matters than ever before and I believe that the earnings of the utility companies in the years ahead will reflect this fact.

It is the duty of the commissions to regulate in the interests of the investor, customer and employees. I think there is a better appreciation on the part of the commissions today of the importance of allowing adequate rates to insure adequate service of good quality, which is after all their foremost concern and responsibility.

The Edison Electric Institute's tabulation of applications for rate increases in the past 5½ years shows a total of 333 applications for rate increases involving 174 companies. Of the 333 applications, 288 have been granted, 32 are pending, 6 were withdrawn and 7 denied. The record for the first seven months of 1952, included in the above figures, shows 62 actions by the commissions; 44 applications were granted, 16 are pending, 2 were denied.

The record shows that over a period of years, the per cent dividend on book value of capital stock and surplus has been more stable for the investor-owned power companies than for all corporations grouped together, and for the longer term period has, in general, been higher.

The ratio of gross corporate income to capitalization (long-term debt, stocks and surplus) in 1922 was 7.45%; in 1932 was 6.26%; in 1942 was 5.54%; and in 1951 was 5.74%. As you well know, in general, the Federal Government's bond program sets the basic standards for the return on money invested, and this influence over the 30-year period is apparent in the figures I have just given you.

On the basis of book value of common stock outstanding, dividends paid out last year were just under 10%. As you know, book value of common stock bears no relation to current market prices for that stock.

The price of electric service relative to the prices of other goods and services at the present time is at a very low level. According to the latest figures from the Bureau of Labor Statistics, the worker's household was spending 9/10 of 1% of the annual cost of living for electricity, and mind you the use of electricity in the home has more than doubled in the past decade. The Census of Manufactures of 1947 published data that showed the cost of electricity to be less than ¾ of 1% of the value of the finished product. The manufacturer's dollar of 1939 buys $1.12 worth of electricity today and 40 cents worth of labor. The householder's dollar of 1939 buys $1.45 worth of electricity today and 40 cents worth of food. Public interest is, therefore, more in adequacy and quality of electric service than in rates.

Rates for electricity are turning slowly upward. When the price of electric service is at a relatively very low level compared with other services, and when it is turning slowly upward, I think these facts taken together afford a favorable outlook for the future of utility stocks.

Quality of Leadership

The importance of electric service in American life, the outlook for expansion in the demands for this service, the tremendous amounts of capital required, the sensitive human relations problem inherent in rendering electric service, the variety and magnitude of relations with governmental bodies all combine to demand able leadership for electric utility companies. The top leader sets the pace for the organization. An able top leader builds up able assistants who in turn build up able leaders throughout the organization. The spirit of the top leader is caught by every man and woman in the organization.

The entire free enterprise system is under heavy attack from the easier to manage but far less efficient government ownership system which has engulfed a large part of the world. The electric utility companies are aware of the grave importance of leadership, and I can assure you are devoting much more attention to the selection, training, development and inspiriting of personnel for all leadership posts in these companies.

Conclusion

Briefly, I have tried to give you a few salient points that serve to outline the picture of what, I think you will agree, is a vigorous, soundly based, and well directed industry that has large capital requirements. It is an industry which, I feel, will merit the favorable consideration and the confidence of the investor over the years ahead.

La Salle St. Women To Hold Dinner

CHICAGO, Ill.—La Salle Street Women will hold their first dinner meeting of the 1952-53 year at the College Club, 30 North Michigan Avenue, on Tuesday, Sept. 16, at 6 p.m. Henry W. Meers, Chicago partner of White, Weld & Company will speak on "Your Role in Making our Industry Tick with the Investing Public." Preceding his talk will be a film entitled "What Makes Us Tick," about the New York Stock Exchange.

Eleanor B. Karcher

Mr. Meers was associated, previously, with Halsey, Stuart & Company, later with Harriman, Ripley, and he served in the Navy during World War II, coming out with the rank of Commander.

At their annual meeting, held on May 13, La Salle Street Women elected the following officers:

President: Miss Eleanor B. Karcher, of Channer Securities Company.

Vice-President: Miss Joan Richardson, of Glore Forgan & Co.

Treasurer: Miss Doris Nagel of Carl McGlone & Co. Inc.

Recording Secretary: Mrs. Florence V. Emerson, of Financial Personnel Service.

Corresponding Secretary: Miss Ruth Thunstrom, of Patterson, Copeland & Kendall, Inc.

Lawrence F. Hohmann Joins Goodbody & Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — Lawrence F. Hohmann has become associated with Goodbody & Co., 50 State Street. Mr. Hohmann was formerly with Draper, Sears & Co. and prior thereto was manager for Swan, Stickley & Co.

Burnham Admits

Burnham and Company, 15 Broad Street, New York City, members of the New York Stock Exchange, will admit Jean Weir Ducas to limited partnership on Oct. 1.

Brown & Brizzolara Formed in Little Rock

LITTLE ROCK, Ark. — Gordon Brown and Aristo Brizzolara are engaging in the securities business from offices at 310 Louisiana Street under the firm name of Brown & Brizzolara Co. Mr. Brown was formerly with the Southern Securities Co.

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Outlook for Business And Securities Markets

the concept of individualism and individual enterprise as formerly practiced to the idea that government should have a much greater participation in and direction over economic affairs. This leads to the following conclusions:

(1) Governments tend to be self-perpetuating and expansionist. No government ever voluntarily relinquishes powers. This is reflected in governments' assuming increasing functions which, in turn, tends to increase its own importance and result in an expanding bureaucarcy. This is borne out by the great increase in the number of Federal civilian employees that has occurred in this country and the development of constantly new government bureaus. Government agencies tend to be expansionists because to do so further enhances their own power; it means votes and increases the probability of re-election.

(2) The present Administration definitely has had an inflationary bias. This has been reflected in the price structure. Over a period of many years prices have increased substantially. Putting it another way, the dollar has been depreciating in value. This basic trend is likely to continue, regardless of the outcome of the election this fall.

(3) One of the functions of present day government relates to the stimulation of business activity and to contra-cyclical developments. This is a commendable objective in and of itself. Problems arise with regard to the efficiency with which this is accomplished and the degree of corruption that is incident thereto, stemming from the great powers of government.

(4) Another instrument that is used, and one which is of prime importance with regard to the future of risk taking, is that pertaining to tax policies. The sharp rate of progression in the personal income tax could be discussed at great length. It is not the purpose of this study to attempt to pass upon the merits of the various trends but rather to ascertain their existence. Presumably the twin goal of these tax policies is, in effect, to redistribute the wealth and also to stimulate consumption.

(5) This includes the manifold powers assumed by government today in the form of price supports, control over the credit supply, control of interest rates, money supply, policies affecting consumer credit, the building industry (through down payment requirements, etc.), industrial expansion (through emergency amortization), etc.

(b) **Growth of Strong Labor Unions:** The other striking development has been the growth of strong labor unions which possess tremendous political powers. This is designed to increase the take of the productive worker at the expense of other segments of the population. This, too, results in a distinctly inflationary bias. It builds up the producer at the expense of the saver. This conclusion is fortified by analysis of wage increases vs. worker productivity over the past several years. Unit labor costs in manufacturing have gone up considerably more than has labor productivity. These higher costs have been, and inevitably must be, reflected in the price structure. The current steel settlement is a case in point.

(c) **Less Risk Takers:** The next major development is that the working population of the United States, to a much greater degree than formerly, consists of employees rather than risk takers. This brings into focus the entire concept of security as a goal, with the concomitant of full employment rather than risk taking. This is reflected in the voting picture generally.

(d) **International Situation:** The fourth major element in the picture pertains to the international situation. We have been and likely will be for many years, in a state of cold war with Russia. The implications to be derived from this are quite obvious. It is apparent that the huge defense and foreign aid program, which has become this nation's "biggest single industry," will continue for a period of years. Thus, the current issue of the Survey of Current Business (U. S. Department of Commerce) pointed out that the unspent appropriations from past fiscal years, plus current appropriations, provide a total of around $120 billion for future defense spending. This is more than double the amount that can be spent in the next fiscal year, even under the most optimistic estimates. It is estimated that present spending of $4 billion per month for defense and foreign aid will attain a $5 billion monthly rate around the end of 1952 and will continue at such a rate for at least the year of 1953 before starting to taper off.

(e) **Presidential Election:** To what extent are these long-term trends to be affected by the current election? In the last analysis, one is forced to the definite conclusion that the people prefer a full dinner pail to intangible considerations such as liberty and freedom. It has become old fashioned to point out the risks in increased centralization of powers in government. It must be concluded that if the Democrats remain in power then there will be little change in the program of "spend and spend, elect and elect." However, it must be recognized that in Governor Stevenson the Democrats have put up for office by far the most qualified man that they could have named. There are reasonable grounds for believing that while there will be no change in the major trend, the pace of such developments will be slowed down and that there will be more of a tendency toward a middle-of-the-road approach to the problems confronting our society. The weight of evidence appears to indicate that there is not too much fundamental difference in the basic philosophy of Stevenson and Eisenhower, based on analyses that have been released by the press and by various magazine articles on the subject.

It further can be concluded that under Eisenhower (in the event of a Republican victory) there would be a continuation of a foreign policy which recognizes the high degree of integration of the world today; and, thus, a continued high level of defense spending and of foreign aid. In terms of domestic policies, an Eisenhower victory would tend to be stimulative to risk taking and to confidence. However, there likely would be little important tax reduction over the nearer term; and, in the event of deflationary developments in the economy, there undoubtedly would be government spending at a high level.

Supply and Demand

(a) **Production:** The first aspect to be considered pertains to the increased capacity of industry today. Industrial capacity has ap-

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proximately doubled since 1939. Based on this there are many who contend that it is inevitable that deflation will occur with consequent reduction in the price level. In our opinion this conclusion is unwarranted. First of all, applying the empirical test, it has been apparent that despite the increase in capacity the price level has continued to increase. In this connection, many factors are relevant:

(1) The supply of money has approximately tripled since 1939.

(2) Prices have gone up reflecting the fact of increased costs. For a current illustration of this point attention need only be directed to the increases in labor costs and the wage rates for the steel and aluminum industries. Reflecting this the government has been forced to allow price increases for the products of these industries.

(3) There has been a large increase in population, up over 16% in the past 10 years. This further has increased the demand side of the picture.

(4) There has been an increase in per capita consumption for most types of consumer goods.

(5) The long-term defense requirements have been an additional factor contributing to the increase in the demand side of the picture.

(6) The prospective large demand by states and municipalities will absorb large quantities of basic raw materials and finished goods.

(b) **Actual Production:** The current picture with regard to production is best measured by the Federal Reserve Board Index of Industrial Production. In 1951 the FRB Index showed a monthly average of 220% of the 1935-1939 average. The big increase, however, has been in the field of durable goods manufacture which on the index was 273 compared with 194 for non-durable goods and 164 for minerals. For the first part of 1952 the FRB Index showed very little change from 1951 levels averaging around 220. In June there was a substantial decline to the 202 level on the overall index reflecting the impact of the steel strike. However, this is a nonrecurring factor. It would appear that the renewal of steel production will immediately mean a sharp step-up in the index. It is estimated that within the next few months the rise will level out and that at the end of the year the RFB index will approximate 225.

It must be emphasized that in the long run production must be adjusted to the level of consumption. The production figures for 1951 reflected, among other things, the huge degree of inventory accumulation that occurred. In the year ended September, 1951 inventories increased about $16 billion to a level of about $70 billion. Since then there has been little inventory accumulation. In fact, there has been a leveling off and in some aspects of our economy in recent months there has been a decline in inventory. By way of conclusion it is forecast that there will be a moderate rise in the FRB index of industrial production over the next several months.

(c) The longer term forecast presents quite an interesting picture. It is noted that the President's Material Policy Commission, which has made a long-term survey of our resources and of future demand, estimates that gross national product in 1975 will approximate $566 billion in terms of 1950 prices. This compares with $283 billion in 1950, $328 billion in 1951 and with the present level of around $343 billion annual rate. Among other things they have estimated that mineral needs will be up about 90%, demands for energy about 100%, oil demand up about 110%. The natural gas requirements will be about 2½ times what they currently are; electric requirements about 3.6 times present levels, etc.

Consumption: Analysis of consumption must consider the three major facets of demand:

(a) the demand for consumer's goods,

(b) the demand by industry for capital goods,

(c) government demands for goods and services.

(A) **Consumer's Goods:** The present situation is an interesting one. It can be noted that according to Dun & Bradstreet retail sales, after having lagged in January, February and March, began to show a pick-up and have run ahead of last year in April, May and June. Aside from total retail sales, department stores' sales with the major exception of the New York area, have likewise shown modest improvement. This continues to manifest itself, and is reflected in consumer credit which increased $643 million in June.

In considering the consumer situation it is necessary to analyze both the ability to buy and the willingness to buy. The ability to buy is best measured by the trend and level of disposable income. As shown in Table I, disposable income has been at peak levels as have wages reflecting increases that have occurred every year. In addition, employment has been highly stable.

Since 1929, per capita disposable income adjusted for change in the purchasing power of the dollar and for taxes nonetheless has moved up about 40%. This fact, plus the broadened base of income distribution indicates that there is likely to be a continuation for some time of ability to buy on a substantial scale . . . particularly as wages in manufacturing industries tend to keep fully abreast of price increases.

Now, how about willingness to buy. This, of course, has shown some interesting variations. In 1951, disposable income moved up each quarter but personal consumption expenditures lagged. This was reflected in the abnormally high savings rate in 1951. For example, in the years 1946-50 savings were about 4½% of disposable income. In 1951, they were about 7.7% and for the last three quarters of that year averaged about 9%.

For the first quarter of this year, disposable income moved a little lower but consumers' expenditures were somewhat higher with consequent moderate drop in the savings rate to about 7.7% of disposable income.

Farm income has been at high levels and there is little question as to the ability of the farmer to purchase on a substantial level. This is reflected in the optimistic forecast of the farm equipment industry as well as their high level of current operations. With the adjustments that have been made in parity price ratio, partly for political reasons, it appears probable that farm purchasing power will continue at satisfactory levels.

It is not concluded from the foregoing that there will be a tremendous increase over the shorter term in consumer goods expenditures. Rather, it is our opinion that they will continue on a fairly stable plane at a high level. Cautionary factors that merit consideration include:

(a) The most necessitive demands have already been met.

(b) The public is price conscious.

(c) There was huge inventory accumulation after Korea.

(d) Consumer debt has been moving up.

(e) The reported figures on savings as released by the Department of Commerce include in effect capital expenditures by individuals, that is, funds used for insurance, for construction and building, for reduction of debt, etc.

On the other hand reassuring factors include:

(a) Population growth. A population of 156 million against 130 million in 1939.

(b) Wages have fully kept pace with prices and in fact for most of the last several years have increased at a more rapid rate than consumers goods prices as reflected in the cost of living index.

(c) New industries have come into being which tend to open new markets and new sources of demand.

(d) There has been a relaxation in credit terms which has stimulated buying durable goods and stimulated new home construction.

(e) Unfilled orders show a heavy backlog reflecting consumer demand. It is believed to be equal to about five months' sales. Manufacturers' new orders have been going up moderately. Unfilled orders as of recent date were in the neighborhood of $64 billion or close to an all-time peak.

From the foregoing it is concluded that the level of consumer demand on an overall basis is satisfactory and that there will be some slight increase. There will be no dynamic expansion. However, soft goods which have lagged will do better for the rest of 1952. There also are indications of some pickup in appliances. It is also interesting to note that various sources indicate that even during the recent period of lag in the purchase of appliances, certain of the newer types of appliances such as garbage disposers, driers, deep freezers, etc., were doing relatively better.

(B) **Durable Goods:** This is the most cautionary aspect of our economy. There has been a tremendous increase in what is termed Private Domestic Investment or Capital Formation. The figures, as shown in Table II, reflect the huge degree of inventory accumulation from June, 1950 through the third quarter of 1951. Since then there has been little change in the overall inventory figures and in fact at retail levels there has been some reduction of inventory. Keep in mind, the inventory figures are dollar figures and thus reflect higher prices.

TABLE I

(In billions of dollars)

	1939	1949	1950	1951	1st Qtr. 1952	2nd Qtr. 1952
Disposable income	$70	$186	$204	$222.5	$226.5	$231.5
Per cap. disposable inc.:						
Unadjusted	536	1,250	1,347	1,442.0	1,451.0	1,458.0
Adj. to 1951 price level	1,028	1,369	1,445	1,442.0	1,435.0	1,440.0

TABLE II

Gross Private Domestic Investment

(In billions)

	1939	1947	1948	1949	1950	1951	1st Q. '52 An. Rate
Total new construction	$5.0	$14.0	$18.0	$17.0	$22.0	$22.0	$22.0
Producers durable equipmt.	4.6	17.0	20.0	19.0	22.5	27.3	30.0
Chge. in business inventories	0.4	—0.8	5.0	—3.2	4.3	9.7	2.0
Total	$10.0	$30.0	$43.0	$33.0	$49.0	$59.0	$54.0

Housing starts are likely to continue at very substantial levels. Despite the pessimism earlier this year when it was estimated that there would be only 600,000 to 800,000 new housing starts, it would now appear that housing starts will be in excess of 1,000,000 units this year.

The important element of plant and equipment expenditures merit examination. These expenditures are summarized herewith:

(In billions)

1939	$5.2
1948	20
1949	18
1950	18
1951	23.2
1952 est.	24.1

It is this aspect of the economy that merit strict attention because herein may lie the key to some future decline. However, we point out that there has been a pessimistic bias for many years. Each year the economists predicted a substantial drop in this category of our economy, only to be proven wrong. We are less pessimistic than most, although we recognize that the latter part of next year there may be some moderate decline. Our forecast would be a drop of maximum of 20% or about $4 billion. On the other hand it must be pointed out that there are several offsetting factors including the following:

(1) Certificates totaling $19.8 billion have been authorized. Because of the high tax levels it is important for industry to utilize this as a medium of reducing taxes and at the same time improving their competitive position.

(2) Labor costs have been constantly increasing and good management is looking for improved machinery and equipment as a partial offset.

(3) Industrial expansion is of a long-term character. An examination of key industries shows that many of them have initiated long-term expansion programs which are likely to continue for varying lengths of time. A few of the high spots including the following:

Chemicals—There is a substantial four-year expansion program in part induced by the large demand for new products.

Electric Utilities — A four-year expansion program reflecting the huge increase in demand.

Natural Gas — Natural gas expansion over the next five years by this industry is estimated at $5.6 billion, even greater than the tremendous $5.1 billion expansion of the past five years.

Oil Refining and Oil Exploration — The American Petroleum Institute estimates total expenditures in 1952 at $4 billion. Because of the long-term growth in demand for petroleum and petroleum products further substantial expenditures are anticipated.

Electronics and Electrical Equipment—This should continue over a period of several years. We are entering into the Age of Electronics.

Auto Equipment—The industry is decentralizing and trying to cut cost.

Metals and Mining—The demand for all metals, particularly aluminum, has been increasing and huge expansion programs should run at least another two years.

Steel — The program will continue until the industry has increased its capacity to 118,000,000 ingot tons per year.

Telephone—The telephone industry has already had a snbstantial expansion program which has been only partly completed.

(C) **Government Expenditures:** It will be noted from the accompanying tabulation that in the first quarter of 1952 government purchases of goods and services were almost $75 billion, an increase of about $21.5 billion from the first quarter of 1951. This more than accounted for the entire increase of $21 billion in gross national products, indicating that on balance there was no gain in the other aspects of our economy. Increased trends of government expenditures continue apace. Thus, in the second quarter of 1952 government purchases of goods and services totaled $79 billion, so that it can be seen that over the last 15 months there has been an increase of $27 billion in this category alone. Defense spending and foreign military aid in the first quarter of 1952 was $46½ billion compared with an annual rate of $41 billion in the second quarter of 1951. Further increases have been shown and in the second quarter of 1952 the annual rate was $51 billion. It is estimated that by the year-end the annual rate will be at $60 billion and that this level will continue for most of 1953.

	1st Qtr. 1952	1st Qrt. 1951	Change
	In billions		
Gross nat'l prod.	$340	$319	+$21
Govt. purchases	74.7	53.2	+ 21.5

A high level of expenditure confidently can be assured. Both for reasons of national security and political reasons, our government will continue the direct military program and also economic aid abroad.

Another aspect of governmental expenditures has received all too little attention. We refer to State and municipal expenditure for highways, hospitals, schools, etc. Thus, in the event of an unexpected improvement in the world situation with consequent diminution of Federal expenditures for military and related purposes, we can anticipate a huge increase in municipal expenditures for highways, hospitals, schools, etc., in recognition of our increased population. For example, our highway system has not even begun to keep pace with the increase in traffic. The Director of Research of Dun & Bradstreet has estimated the backlog of these expenditures at $100 billion over the next ten years including highways at $60 billion; public schools, $15 billion; water and sewer, $10 billion; public housing, $10 billion, and miscellaneous, $5 billion.

In light of the foregoing, it is our considered opinion that a high level of overall demand can be anticipated at least until the middle of 1953, and thereafter, the prospective decline in private capital expenditures will tend to be offset by increased outlays by States and municipalities.

Prices — Credit — Money Supply — Taxes

To discuss these important topics in detail would entail in effect the writing of a book. Therefore, we merely set forth a few conclusions:

Prices: The consumer price index based on the 1935-1939 average of 100 was 186 in 1951 (monthly average). In 1952 thus far has averaged around 188. A slight up trend has been noticeable the last few months, reversing the moderate down trend which had occurred the early part of 1952. In recent years wholesale prices have increased more than prices at the retail level. It is further interesting to note that despite the period of inventory liquidation which occurred the first part of 1952 and the moderate diminution in demand at retail levels, prices have held quite firm. We look for continued firmness with a moderate up trend in various types of prices including food prices.

Taxes: No more tax increases are anticipated. The peak has been passed. There is a possibility of elimination of excess profits tax which expires in mid 1953. It is expected that in the next two to three years there will be moderate reductions in personal income taxes.

Money Supply: It will be noted from the accompanying tabulation that there has been a huge increase in money supply. Operations of the Federal Government in the first part of 1952 were deflationary and taxes took more money out of the spending stream than was pumped into it. However, there is a reversal of this picture for the second part of 1952, and this necessitates deficit financing. It is estimated that for the 1953 fiscal year the Federal budget will approximate $88.7 billion and the deficit will be close to $10 billion. Since there will be no tax increase and since spending will accelerate, there will be an increase in the inflationary aspects of deficit financing. Part of this financing must be done through the banks as was the case with the recent $4¼ billion offering of the Treasury 2⅜s.

Money Supply
(In billions of dollars)

1929	$56
Dec. 31, 1939	65
Dec. 31, 1949	174
June 30, 1950	175
Dec. 31, 1951	190
June, 1952 (estimated)	192-4

Earnings

Perhaps one is considered old fashioned when he mentions the subject of earnings. It is suspected sometimes that there are persons in high position who are interested in a high level economy (which is admittedly a good thing) but who think earnings are a needless luxury. Some modification of this viewpoint is expected come next March. All aspects of our economy have gone up to new highs in 1952 as predicted in our basic study of November-December 1951 except corporate earnings which we thought would decline. Earnings have been running considerably below the first part of last year which reflected the peak of that period. However, the earning rate is relatively unchanged from the latter half of last year. There is no doubt that business has become less profitable in terms of profit margin and the higher tax rates have adversely affected net income.

We do not believe that earnings, in the next several quarters will be below those reported in the recent past. For purposes of perspective, we set forth in Table III a tabulation of corporate earnings and dividend payments.

It will be noted that corporate earnings were in a declining trend from the fourth quarter of 1950 through the third quarter of 1951, since which time there has been relative stability and even a slight upturn. In our opinion, the trend toward moderately higher corporate earnings is likely to continue after the effects of the steel strike have been overcome.

The National City Bank of New York survey shows that for the first half of 1952 corporate earnings were down only 13% from the first half of 1951. Keep in mind that the first two quarters of 1951 were by far the best quarters, earnings-wise, of that year. A survey by the "Wall Street Journal" covering 805 major companies shows a 13.5% decline the first half of 1952.

Because of the constantly increased labor costs and the generally high fixed costs for industry generally, business needs a high level of activity to operate profitably. Without question, the break-even point has been increased. However, the adverse effect of this has largely been felt and in the future, business should begin to get some offsetting benefits from the billions of dollars that have been invested in improved plant and equipment.

We are less pessimistic with regard to the earnings situation than are most observers, as we feel it is important to differentiate between reported earnings on an accrual basis, and the actual cash flow. Industry has spent huge sums for improvements under certificates of necessity, which allows them to amortize these items over a 5-year period. Reflecting this accelerated amortization, reported earnings show up considerably lower than those which obtain on a cash flow basis. Over a period of the next 3-5 years, this will result in understating earnings; but after that time companies will have fine plants and equipment, written down to virtually nothing on their books. These will make important contribution to future earnings power and at that time they will be fully depreciated so that earnings from then on will tend to be overstated and thus the reported figures will show up better.

Added to this is the impact of the high corporate tax and the excess profits tax. Thus, while taxes preclude any major earnings improvement, they also provide an important cushion against lower after-tax profits. This has been reflected in many of the statements that already have come through this year where pre-tax earnings have declined substantially but after-tax earnings have had only a nominal decline, and, on a cash basis there actually has been a gain. In our opinion, third and fourth quarter 1952 corporate earnings will show moderate improvement and for the full year 1953 earnings will be even to perhaps 7% above 1952.

TABLE III
Corporate Profits After Taxes*
(In billions of dollars)

	Total Profits	Dividend Payments	Undistributed Profits
1929	$8.4	$5.8	$2.6
1936-39 average	4.1	4.1	---
1939	5.0	3.8	1.2
1944	10.8	4.7	6.1
1946	13.9	5.8	8.1
1947	18.5	6.6	12.0
1948	20.7	7.2	13.5
1949	17.3	7.6	9.8
1950	22.8	9.2	13.6
1951	18.9	9.4	9.5
Seasonally adjusted annual rates—			
1950:			
1st quarter	17.5	7.8	9.7
2nd quarter	20.6	8.4	12.2
3rd quarter	25.2	9.4	15.8
4th quarter	27.8	11.1	16.7
1951:			
1st quarter	22.2	8.8	13.4
2nd quarter	19.4	9.6	9.8
3rd quarter	17.0	9.6	7.4
4th quarter	17.1	9.8	7.3
1952:			
†1st quarter	17.3	9.1	8.2

*Source: Department of Commerce. †Estimates based on incomplete data; by Council of Economic Advisers.

Stock Market Outlook

The firm market that I expected this summer has materialized. It is my feeling that in the months just ahead the market is not likely to continue its early summer rate of gain. From a shorter term viewpoint the market is on the defensive. Sometime later in 1952 or by Spring of 1953 there could be some moderate intermediate reaction, reflecting uncertainties with regard to political policies and the possibility of some decline in durable goods expenditures, particularly the latter part of 1953. (The market tends to discount such developments by almost six months.) The magnitude of the decline undoubtedly will be affected by the degree to which Federal government expenditures for defense and related purposes will be maintained; and the rapidity of the pick-up in State and municipal expenditures. I do not anticipate a major bear market.

The level of the stock market is not excessive, based on any of the quantitative criteria which exist. Applying the empirical test, price-earnings ratios are reasonable, stocks selling at roughly 10 times earnings, compared with a "norm" in the 1936-39 period of about 16 times earnings. Stocks are selling lower in relation to book values than they have at previous bull market peaks.

The market currently provides a satisfactory yield of almost 6% on current prices. The relationship between bond yields and stock yields is still favorable, stocks providing almost double the rate of return obtainable on high grade bonds. While there has been some stiffening of interest rates, and thus increase in yields, it is not believed that the era of easy money is past. We look for interest rates to continue at roughly around present levels, although the situation temporarily is tight.

Despite the decline in earnings this year, dividend payments have been favorable, approximating 5% above the like period of last year. It would appear that for the full year 1952 dividend payments should equal or moderately exceed the 1951 peak figures. The dividend pay out as a percentage of corporate earnings has been increasing but still is conservative and is well below the pre-war "normal" pay out ratio.

In conclusion, there are several factors which militate against important rise in the stock market. These include:

(1) Reduced profit margins.

(2) No dynamic earnings improvement.

(3) No important increases in dividends generally. (The rails appear in a better-than-average position with regard to dividend increases.)

(4) Temporary lessening of the inflation psychology.

On the other hand, there are several important supporting factors:

(1) No major decline in after-tax earnings is anticipated.

(2) The market has not been subject to speculative excesses. It has been an investment market which has made price progress on low volume, reflecting investment buying on a value basis.

(3) The market has been favored by increased institutional demand and this is likely to continue. Such includes demand by mutual funds; insurance companies; savings banks; and pension and profit sharing funds.

(4) Most stocks are selling at relatively lower levels than a casual reading of the Averages would imply. This has been a market in which the high grade stocks have made progress and the secondary stocks have done little. It is understood that approximately one-half the stocks on the Big Board are selling below the 1946 highs, although the Averages are about 65 points above the 1946 highs.

(5) The market has not been based on a huge volume of borrowing. There is no heavy debt structure to be liquidated.

(6) Government spending, both by the Federal government and States and municipalities, will continue to provide an important prop to our economy.

(7) Dividends will continue to be maintained at satisfactory levels; and investors will continue to be attracted by the higher yields available in common stocks.

(8) Perhaps most important of all is the long term trend toward a higher price level. The depreciation of the dollar has been one of the most important factors favoring investment in equities.

Conclusion

It is emphasized that investment policies must be geared to the requirements of the particular individual or institution. Major emphasis must be on the selection of good individual values; and, within the field of equities, emphasis on those industries which are relatively best situated. The long term trend of stocks is still believed to be upward; while bonds are on the defensive. Because of the intermediate outlook, (which is defensive for the reasons already set forth) it is submitted that the most advantageous policy is to utilize a balanced portfolio, with a backlog in sound quality bonds for defensive purposes; and with a reasonable percentage of the portfolio in stocks, purchased either for income or long term growth, depending on the requirements of the particular investor. Cyclical issues should be avoided.

SEC Reports on Cost of Private Placements

Finds, in most cases, the initial cost to the borrower was less than for public financing, but says whether real savings through private placement is accomplished is questionable.

The Securities and Exchange Commission has just issued a report covering the costs of flotation incident to the sale of privately-placed securities. The report was prepared in response to many requests for information on this phase of private placements and is based on statistical material collected by the Trading and Exchange Division of the Commission.

The study covers the initial costs of selling securities privately, including fees paid investment bankers and others for arranging private sales, and payments to attorneys, accountants, and other expenses usually incurred in marketing securities. The report contains no information as to the interest or dividend rates carried by such securities. The figures presented in the report cover costs for over 1,800 issues sold privately in the years 1947, 1949 and 1950. To the extent possible, the costs involved in private placements are compared with similar costs entailed in public offerings. The report makes no attempt to compare the aggregate costs of money to the issuer.

Tabulations are presented showing fees paid agents or finders and other expenses of issuance, classified by type of security and size of issue. In addition, tables are included covering comparative expenses in publicly-offered and privately-placed issues. The report points out that in the five years 1947-1951 almost $14 billion of securities were sold privately, or over 40% of all corporate securities offered in the United States in that period. In addition to the data on cost of flotation the report discusses the historical background and growth of private financing.

A summary of the principal findings developed from the survey is as follows:

"(1) The services of investment bankers were used in about half of all debt issues sold privately. For their part in private transactions, investment bankers received close to $6 million in 1950 and almost $5 million in 1949.

"(2) Average fees ranged from 20c for each $100 of proceeds for the largest debt issues to $1.70 per $100 of proceeds for the smallest issues. The median fee for all debt issues sold through investment bankers amounted to 85c per $100 of proceeds.

"(3) Higher fees were charged for placement of equity issues than for debt issues, and investment bankers were used more frequently.

"(4) Legal, accounting and other professional fees, State taxes, printing and engraving costs and other such expenses, in the case of debt issues, absorbed 50c per $100 of proceeds. Average expenses ranged from 15c per $100 of proceeds for the largest issues to $1.15 per $100 for the smallest issues.

"(5) Other than investment bankers' fees, the largest item of initial costs in private placements was legal expense. Next in order of importance were Federal stamp tax, trustee's fees, and printing and engraving costs.

"(6) A comparison of costs of flotation for privately-placed issues and public offerings is limited in significance chiefly because: (a) the existing data on costs for public offerings cover compensation paid investment bankers including selling expenses and reimbursement for risk—these items, except to a minor degree, are not involved in private placements; (b) the size distribution of public offerings is quite different from that of private placements and comparisons are difficult to make since percentage costs vary with size of issue; (c) legal and other services often rendered by the insurance companies are not included in the cost of flotation of privately-placed securities as shown in this report.

"(7) Within the limitations above, it appears that there were definite savings in initial costs of flotation through selling issues privately. In about one-half the privately-placed debt issues the companies sold the issues directly and paid no fees to agents. Considering debt issues sold through investment bankers, total initial costs on privately-placed issues ranged from one-fourth to one-half those of public offerings, depending on size of issue.

"(8) Greater savings in costs were noted for equity issues placed privately with most of the difference due to the higher rates of compensation paid for selling issues publicly.

"(9) Next to investment bankers' fees, the greatest savings in costs of flotation of private placements as compared with public offerings was shown in printing and engraving costs and legal fees, both for debt and equity issues."

Batkin Opens Dept. Under Geo. Rothschild

Batkin & Co., 30 Broad Street, New York City, have moved to larger quarters at the same address and have established a wholesale distributing organization under the direction of George F. Rothschild.

Mr. Rothschild was formerly a partner in the New York Stock Exchange firm of Duryea & Co. and has been identified with financial circles since 1927.

Merrill Lynch's Advertising Gains Wide Recognition

By CARTER BURKE

Long known in the financial field for the length of its name, number of branch offices and its individual approach to the problems of American investors, Merrill Lynch, Pierce, Fenner & Beane is now gaining a sizable reputation outside of the financial field for the effective and unique quality of its advertising.

Latest evidence of this recognition was an interview with the brokerage house's agency man by "Editor & Publisher," the newspaper trade magazine which each week covers newspaper and newspaper advertising news for the American press.

In the interview, Jack Adams, Vice-President of Albert Frank-Guenther Law and account executive for Merrill Lynch advertising, said to "Editor & Publisher's" Lawrence Farrant, "The Brookings Institution report on share ownership in the United States confirmed what we already knew, and our advertising program has been based on tests made over the past five years indicating that thousands of average middle-class Americans would like to know more about Wall Street."

Jack Adams said that Merrill Lynch's advertising is currently running in about 200 daily newspapers from coast-to-coast. Every advertisement for the past five years has been keyed.

Using the keyed inquiries to compute the cost per inquiry, Merrill Lynch has classified its 200 dailies in eight groups from A to H. The first group, the "A" group, are scheduled for one advertisement of 200 lines each week. Among the daily newspapers in the first group were the New York "Times," the New York "World-Telegram & Sun," the Cleveland (Ohio) "Plain Dealer" and the Detroit (Mich.) "Free Press."

About 50 daily newspapers in the "B" group are schedled for advertising insertions twice-a-month. On the top of the list in this group were the Chicago "Tribune," the New York "Herald-Tribune," the San Francisco "Examiner" and the Los Angeles "Times."

In another 50 or 60 daily newspapers, insertions are placed once a month and the remainder of the 200 get an advertisement about once every three months.

Commenting on these disclosures, Jack Adams remarked perhaps he shouldn't pass out information which cost so much. "But then," he said, "let the competition use it. After all, it's Charlie Merrill's philosophy 'the more water under the bridge the better'."

"Merrill Lynch's advertising objectives," Mr. Adams said, "are first, to educate, and second, to attract people to the store. About 40% of the copy is aimed at people who have never done business in Wall Street, and the other 60% aims at attracting people to our stand, people who already own stock, but would like to get some of our special services."

One important point Merrill Lynch learned from its keyed responses was that a large group of noninvestors wanted to know more about Wall Street operations. One man wrote to Merrill Lynch, after their first educational advertisement was published, and said, "I've waited 30 years for somebody to tell me this."

Reporting in greater detail on his advertising experiences to "The Commercial and Financial Chronicle," Mr. Adams said that their advertising costs for each inquiry range from $20 to 20¢. "A good rule of thumb," he said, "is that you can reduce your costs per inquiry by 95% by offering a free booklet."

Mr. Adams said that when the advertisement asked people to write in about their portfolio problems they received about one-tenth as many inquiries as they did from free booklet and like offers.

Merrill Lynch's most famous advertisement is the full-page "What Everybody Ought to Know About This Stock and Bond Business," which, so far, has appeared in over 100 newspapers and which has gained from a three-page insert in "Time" magazine alone over 4,000 inquiries. Letters to the portfolio department average about 1,000 a week.

From analysis of advertising responses, Albert Frank's Jack Adams learned long ago that women were not the largest group of stockholders in the country, an insight into the market for securities that was supported by the recent findings of the Brookings Institution report.

Currently, however, they are making an elaborate test of the woman's market for securities by measuring the response to a series of four fashion-format advertisements about Merrill Lynch's investment services. Of the four advertisements, four ran in the New York "Times," the "New Yorker" magazine and "Women's Wear" daily; two ran in "Charm," "Glamor," and "Vogue" magazines; one in "Mademoiselle," and one in "Harper's" magazine, with a second scheduled for October. "All our results aren't in yet," Mr. Adams said, "but we are certainly hopeful."

One of Jack Adams' personal projects is to persuade daily newspapers to run more financial tables, giving full stock lists if possible. Another suggestion he has for the financial editors of the daily press is that they carry once a week a financial column addressed to the financially illiterate. "Some of the financial reporting today," he said, "is way over the heads of readers."

Yale To Get $100,000 In Hudson Fund Shares As Class of '35 Gift

Kidder, Peabody's Milton Fox-Martin Helps Plan Traditional Class Gift

The Yale graduating class of 1935 has set up an investment program in which it plans to give to Yale University not less than $100,000 in cash and securities on the 25th anniversary of its graduation in 1960.

A mutual fund, Hudson Fund, Inc., will be the principal investment medium used.

It is traditional at Yale that classes make a gift to the university on the 25th anniversary. Hudson Fund, Inc., is supervised by Fiduciary Trust Company of New York, the only mutual fund whose portfolio of securities is supervised by a corporate fiduciary operating under New York laws.

Principals in setting up the plan were Milton Fox-Martin, manager, mutual funds department, Kidder, Peabody & Co., and a member of the class of 1935; Paul Just, of Hudson Fund Distributors, Inc.; John Fiske, President, Fiduciary Trust Co.; Arthur E. Palmer, Jr., partner, New York law firm of Winthrop, Stimpson, Putnam & Roberts, Chairman of the Yale Alumni Fund; Laurence G. Tighe, Treasurer of Yale University; and John S. Knott, Treasurer of the Class of 1935 and a member of the staff of Guaranty Trust Company of New York.

Mutual Funds

By ROBERT R. RICH

THE COST OF LIVING, now at its highest in years, is expected to go even higher during the balance of the year. The terms of the steel strike settlement has set the standard for wage negotiations in other industries, even for those companies that earlier this year had settled on some wage grants.

Meanwhile, the government's price-enforcement rules are being relaxed in general, and the latent forces of pressure on prices are being stirred again by renewed deficit financing as government expenditures rise at a more accelerated rate than income.

The Pacific Automotive Digest, generally astute on their predictions, expects industrial production will reach 225 by the year-end (1935-39 equals 100), compared with an average of 218 for the first half year and a low 193 during the last steel strike.

This increase in industrial production and employment, coupled with the fact that consumers, sensing the beginning of a rise in prices, are starting to buy now instead of waiting, reenforces the arguments of those who expect further inflation.

How consumer prices stand now, compared with a year ago is given in the following table.

Consumer Price Index
(1935-39=100)

	Latest Index	Year Ago	Percent Change
All items	190	186	+2.7
Food	231	227	+1.8
Rent	141	135	+4.4
House Furn'shings	205	213	—3.7
Fuel, Electricity	145	144	+ .7
Clothing	202	204	—1.0
Miscellaneous	171	165	+3.6

THE CURRENT ISSUE of Calvin Bullock's publication, "Bulletin," discusses the oil holdings which make up about 24% of the portfolio of the Canadian Fund, managed by Calvin Bullock. The fund's most important holdings in oils are in the major Canadian oil companies, combined with holdings in U. S. oil companies who have important interests in Canada and who are contributing to Canadian development in many ways.

Particularly interesting is the comment on the method of selection of some "minor" Canadian oils for the fund's portfolio. Although these "minor" oils comprise only 5.3% of the fund's net assets, great care was exercised in their selection. The firm's research staff studied many of the smaller oil companies active in the Western Provinces and used the extensive knowledge and experience of Calvin Bullock, Ltd., the firm's Canadian affiliate in compiling a list of suitable companies.

"Although many such companies have all the hazards of oil exploration," Calvin Bullock states, "each issue was subjected to three fundamental criteria": (1) Management of high caliber and experience; (2) a good spread of acreage in promising areas; (3) adequate finances for exploration of properties. The following are listed as comprising Canadian Fund's holdings of "minor" Canadian oils:

Anglo-Canadian Oil; Calgary & Edmonton; Calvan Consolidated; Canadian Superior Oil (California); Dome Exploration (Western); Federated Petroleums; General Petroleums of Canada; Great Plains Development; Home Oil; Husky Oil & Refinery; Royalite Oil; Western Leaseholds.

Total oil holdings comprise the largest percentage of the fund's net assets. Other important holdings are in non-ferrous metals at 13.96% and paper and paper products at 11.59% of total net assets.

TOTAL NET assets of Eaton and Howard Balanced Fund reached $88,957,367 on Aug. 31, 1952 compared with $77,727,899 on Dec. 31, 1951 as the offering price per share increased from $32.97 to $34.64 during the same period. The fund's portfolio balance is common stocks 59%, preferred stocks 17%, corporate bonds 15%, short-term notes 4% and cash and U. S. Government obligations 5%. The five largest common stockholdings by industries were oil 13%, power and light 12%, insurance 5%, natural gas 4% and chemical 4%.

EATON & HOWARD Stock Fund assets on Aug. 31, 1952 were $15,142,338 compared with $12 570,377 on Dec. 31 as the price per share rose from $24.32 to $25.54 during the same period. Of the fund's assets, 92.4% were in common

NOTICE

Clarence H. Adams' discussion before the National Association of Securities Administrators at its Portsmouth, New Hampshire, convention last week is carried in full on page 3 of this week's "Chronicle." Mr. Adams, who discussed mutual funds' selling techniques from his point of view, is a new member of the Securities and Exchange Commission and a former Connecticut Securities Commissioner. At one time, Mr. Adams was in charge of the mutual funds department of a securities house.

stocks, 2% in convertible bonds and preferred stocks, and 5.6% in cash and government bonds. Largest common stockholdings, by industry, were oil, power and light, insurance, banking, rayon and textile, building, chemical, stores, aviation and electronics.

SALES OF National Securities Series mutual funds were reported today at $28,787,000 for the first eight months of 1952—a 42% increase over sales in the like period of 1951 and the highest for any eight months period in the history of the company, reports Waln Hare, Vice-President of National Securities & Research Corporation.

Net assets of National Securities Series on Aug. 31 were at a new high of $104,254,000.

"It is significant," said Hare, "that National Stock Series continues to be the most popular of the National Securities Series, with net assets of $47,336,000 as of Aug. 31, 1952—up 56% from a year earlier figure. The implication seems to be that the investing public is seeking more income to offset high taxes and spiralling living costs, since the Stock Series and National's second largest fund —the Income Series—are managed with the objective of better-than-average income return."

GROSS sales of Wellington Fund shares in August ran 18% ahead of August sales last year. Net assets at the end of August were over $226 million, with 89,000 shareholders.

DETAILS of a new share accumulation plan for Knickerbocker Fund were announced by Karl D. Pettit, President of the Fund.

"Knickerbocker's plan is completely flexible and entirely voluntary. The only requirements for participation are an initial investment of $200 and additional investments of $50 or more with a minimum of $100 per year. The amount and frequency of the investments may be changed without penalty by the shareholder at any time," Mr. Pettit said.

Distribution reinvestment is an optional feature of the plan through which all cash distributions made by the fund can be automatically reinvested for the shareholder.

MUTUAL FUNDS are so firmly established among American investors that their ownership is more evenly distributed throughout the country than that of individual common stocks concludes the current issue of "Brief Case," distributed by Group Securities, Inc. That conclusion is warranted, the publication states, by a comparison of the sectional holdings of all Mutual Funds with the distribution of stock ownership revealed in the recent study made for the New York Stock Exchange by the Brookings Institution.

PERSONAL

EDMUND BROWN, Jr. has been appointed Manager of the Investment Planning Department of Penington, Colket & Company, 70 Pine St., New York City. He was President for five years of Investors Management Company and Fundamental Investors during the most extraordinary period of the latter's growth. Mr. Brown, who lives in Greenwich, Connecticut, resigned from his positions with these companies shortly after they moved from New York City to Elizabeth, N. J. to avoid the city's increased taxes on financial business.

Edmund Brown, Jr.

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Balance-of-Payment Difficulties Product of Loose Fiscal Policy

affecting foreign trade, and maritime laws and regulations concerning carriage of American goods. This seems to me a very hopeful step to improve the dollar payments of the deficit countries.

A constructive way of strengthening the world pattern of payments is to secure freer international flow of capital and credit. Prior to the 1930's, the underdeveloped countries were able to secure large sums from private investors in the United Kingdom, continental Europe, and the United States. These investments facilitated the maintenance of world balance with the creditor countries and enabled the underdeveloped countries to undertake new enterprises while continuing to expand their production for export.

Under present disturbed political and economic conditions it is unlikely that the capital needed for development will be provided by private foreign investors. Nevertheless, some increase in the private flow of capital could be secured if investors were assured that there would not be any restrictions on the transfer of current earnings. For the present, it is largely through governmental and international agencies that the need for capital will have to be met. Even under the most favorable circumstances, the underdeveloped countries will not be able to secure foreign capital on the scale that many of them wish. It is important, therefore, that such capital as they secure should be used for a balanced development program that maintains internal economic stability and a strong payments position.

The problems created by fluctuations in international trade and payments have recently been studied by a United Nations committee of experts and they have made several helpful recommendations regarding the Fund. I believe that business fluctuations in the great industrial countries are unlikely to reach the amplitude of those of the 1930's. Nevertheless, their effects on international payments are of greater significance now than before the war. This is because the United States accounts for a much larger share of world trade and because reserves cushion the effects of fluctuations in trade and payments are relatively much smaller than before the war.

The Fund is concerned to do all that it can to avoid the spread of a depression, if it should occur. Depressions have their origin in economic forces working in the industrial countries and the remedies must be found primarily in measures taken by these countries. No action of the Fund in providing short-term international credit can, of course, prevent depressions from arising. Nor can it bring them to an end. Nevertheless, financial assistance from the Fund can moderate the payments difficulties caused by depressions. It can also limit the tendency toward a general contraction of international trade.

If trade fluctuations should be large, the Fund may not be able to provide an adequate supplement of reserves for its members. The fact is that many of our members have inadequate reserves to meet the ordinary fluctuations in exchange receipts, quite apart from the larger fluctuations that occur during a depression. The deficiency in reserves must inevitably affect the policies that members follow on exchange restrictions and discriminations. If they are under steady pressure to protect minimum reserves of gold and dollars they lose much of their independence in trade and the capacity to buy in cheap rather than dear markets.

One point, above all, is clear. The payments problem cannot be solved by retreating behind a network of restrictions and discriminations. At best, they are a necessary evil; at worst, they are a costly burden both to the countries that use them and to the world economy. In accordance with the Fund Agreement, we are now consulting with members that retain restrictions under the provisions for a transitional period. Whatever may be the concrete achievements in moderating restrictions, we are confident that the outcome of these consultations will be a better understanding between the Fund and its members. Of course, we are not asking members to imperial their payments position by a premature removal of restrictions. We do ask them to shape their policies toward greater freedom in trade and payments.

I do not dwell more on this subject as I am circulating as an extension to these remarks a supplemental report on the progress of the 1952 consultations on exchange restrictions. However, I would like to express my concern with the recent spread in Western Europe of dollar retention systems and similar arrangements. I fear that this development may be harmful to international monetary relations. They may seem to offer immediate help in expanding some exports but, at the same time, they run the risk of jeopardizing exchange rates, of introducing elements of competitive depreciation and monetary instability and of depriving other countries of their hard currency earnings.

We are interested in the efforts of our members to break out of the strait-jacket of bilateralism in trade and payments. We are interested in having our members establish convertibility of their currencies. We believe that this can be done successfully only on a foundation of sound credit and budget policies. With such policies, a country can risk bold use of reserves, which at times may be necessary with convertibility. After all, the Fund's resources are intended to help members to accept the risks and to gain the benefits of a convertible currency. This applies no less to countries that already have convertible currencies than to countries that are trying to establish convertibility.

What I have already said will indicate to you my conviction that international economic problems in all fields are closely related and that the solution to the payments problem must be many-sided. We are grateful for the contribution of other internationl organizations to a healthy world economy. Our collaboration with the World Bank is of the close, constant, and friendly character you all expect. I wish to welcome the observers sent here by other international organizations — particularly the United Nations and its regional commissions, the Organization for European Economic Cooperation, and the Bank for International Settlements. We in the Fund are happy to bear witness to the fine spirit with which these organizations have helped the Fund in its work. I hope that we have been and will be equally helpful to them.

The Fund has always emphasized the importance of financial policy as the key to what members can do for themselves in strengthening their international payments. That is why the Fund has from the beginning provided technical assistance to many of its members on their financial problems and policies. This has been done without other publicity than that given by the member, and in many cases on a completely confidential basis. We publish no reports of missions nor do we make public our recommendations unless it is the express wish of the governments themselves.

As we all know, there have been differences of opinion on the policies that the Fund should follow on the use of its resources. More important, however, is the widespread agreement that the Fund can and should use its resources to help members to meet the difficulties with which some of them are confronted. I believe that step by step we are making progress in putting the Fund's operations on a practical basis.

On Nov. 19, 1951, the Executive Board adopted a new schedule of charges applying to transactions undertaken after Dec. 1, 1951. The new schedule reduces the service charge on transactions and the interest charge for credit of one year or less, and raises the interest charge for credit of two years or more. We hope that the new charges will encourage members to use the Fund's resources and for shorter rather than longer periods.

On Feb. 13, 1952, the Executive Board in a statement of policy stressed that proper use of the Fund's resources means temporary use. Members using the Fund are expected to repurchase their currencies within a period of three to five years. The new policy gives members the overwhelming benefit of the doubt on any drawings which do not increase the Fund's holdings of a currency to more than its quota. The policy also recognizes the importance of the credit-worthiness of a member in connection with all drawings.

I do not believe that we can be satisfied that we have done all that is necessary to facilitate the use of the Fund's resources for attaining the purposes of the Fund. In a world in which total exports amount to $80 billion, in which international short-term credit is severely limited, and in which many countries hold inadequate reserves, there are well-founded needs for use of the Fund's resources on a wider basis than would be indicated by our operations. As an international reserve bank we must be ready to provide short-period reserve credit to members that follow sound financial policies.

Since the last annual meeting, the Fund has engaged in $57 million of transactions with Brazil, Turkey, Paraguay and Iran. It has also entered into arrangements with Australia and Belgium under which these members are assured that transactions up to $30 million and $50 million respectively will be undertaken by the Fund at their request. Australia has recently drawn under this arrangement.

Another type of operation that the Fund has undertaken is to bring together countries which want to buy gold with those which want to sell gold. We have already arranged a number of such transactions between members. This service will enable countries to reduce the cost of gold transactions, and in some instances to avoid cross shipments of gold and delay in concluding gold transactions.

This meeting of 54 countries, many represented by their ministers of finance and the heads of their central banks, is the best proof that international financial cooperation is a realty. The Fund Agreement embodies a forceful statement of the objectives of this cooperation and provides means for implementing it. But cooperation is not a matter of a once-for-all agreement on objectives; it is a way of living together day by day. Unless the member countries and in particular the great trading countries work together on the practical problems that confront them, neither the Fund nor any other international economic organization can attain its objectives, however laudable and even vital they may be.

It is now over a year since I began my work as the Managing Director of the Fund. In this year I believe that we have made some progress towards fulfilling the tasks for which the Fund was designed. I am confident that we can make the Fund a useful institution for international cooperation on financial problems and policies.

I am confident of this because we have a competent staff that works as a team; because we have a conscientious Board cognizant of its international responsibility; and because our members are convinced that only through international cooperation can they deal effectively with the difficult payments problem that still confronts them.

Cecil O. Condit With Link, Gorman, Peck

Cecil O. Condit

CHICAGO, Ill.—Link, Gorman, Peck & Co., 208 South La Salle St., announce that Cecil O. Condit has become associated with them in their trading department. Mr. Condit was previously associated with F. S. Yantis & Co. as manager of the trading department and prior thereto was with Brailsford & Co.

Cadwell and Beekman With Ira Haupt

Ira Haupt & Co., 111 Broadway, New York City, members of the New York Stock Exchange, have announced that Samuel S. Cadwell and E. M. Beekman have become associated with the firm.

Mr. Cadwell, formerly publisher of the Cadwell Special Situations bulletins, is sales manager of the firm's Dealers Watching Service Department. He also will contact dealers for the Municipal Department and the Trading Department of the firm.

Mr. Beekman, formerly assistant sales manager of the Municipal Department of Dun & Bradstreet, is with the Bank Service Department of the firm. He also is sales manager of the Municipal Watching Service Department for dealers and institutions.

Now With Bache & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Robert A. Levey is now with Bache & Co., 135 South La Salle Street. Mr. Levey was formerly with Rodman & Linn.

Cruttenden & Co. Adds

(Special to The Financial Chronicle)

CHICAGO, Ill. — Raymond J. Healy has been added to the staff of Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Continued from first page

As We See It

have used them. Here, in point of fact, is what he actually had to say, or at least some key passages of it:

"From your farms today food pours in a steady stream to every corner of the country. Think what this means in the terms of human lives! We are feeding 30 million more people than there were in our land in 1932; and we are giving the average American a far better diet.

"More than that, this better diet costs the average person no greater share of his income after taxes than it did in 1932—if he was lucky enough to have any income, after or before taxes, in that gloomy year.

* * *

"The price support program is doing a good job for the basic crops—corn, cotton, wheat, rice, and the others —for which loan and storage operations are now in effect. The same protection could be accorded to other storable commodities.

"For perishable products, however, such as hogs, dairy products, fruits and vegetables, these loan and storage operations do not work well. Yet these products provide about three-fourths of all the income received by farmers.

"Our first line of defense for the producers of perishables is, of course, a strong economic policy that will insure, so far as it is humanly possible to do so, high employment and purchasing power.

"But behind this there should be protection against unreasonably low prices for those producers of perishables who need it. They should know they can expand production and that the public that benefits will bear part of the risk."

And then some of the reasoning which lies behind, or at least is advanced in support of such policies:

"There should be no mystery about price supports. What our program does is to place a floor under our agricultural economy in order to protect the farmer against sudden and violent price drops.

"What it does is to maintain farm income—and the farmer's purchasing power—in those uneasy moments when there is a temporary glut in the market, or when real depression threatens. By stabilizing farm income, our program maintains markets for the businessman and the worker.

"The total effect, obviously, is to help stabilize the whole national economy at a high level of production and employment."

But the Republican candidate had preceded Mr. Stevenson by a few hours. His party's platform is supposed to have winced and relented and refrained in some degree or other on this question of handouts for the farmers. Not so the candidate, though. Here, in part, is what he promised:

"And here, and now, without any 'ifs' or 'buts,' I say to you that I stand behind — and the Republican party stands behind—the price support laws now on the books. This includes the amendment to the Basic Farm Act, passed by votes of both parties in Congress, to continue through 1954 the price supports on basic commodities at 90% of parity.

"These price supports are only fair to the farmer to underwrite the exceptional risk he is now taking. They are a moral and legal commitment which must be upheld.

* * *

"I firmly believe that agriculture is entitled to a fair, full share of the national income and it must be a policy of Government to help agriculture achieve this goal in ways that minimize Government control and protect the farmers' independence. All I know of farmers convinces me that they would rather earn their fair share than to have it as a Government handout.

"And a fair share is not merely 90% of parity—it is full parity.

* * *

"Fourth, we must find methods of obtaining greater protection for our diversified farms, our producers of perishable foods. They yield the rich variety of meat, milk, eggs, fruits and vegetables that support our nutritious national diet. As provided in the Republican platform, the nonperishable crops so important to the diversified farmer—crops such as oats, barley, rye and soybeans —should be given the same protection as available to the major cash crops.

* * *

"Now I give you now this positive assurance. The Republican party will use every legitimate means to see that American farmers obtain their full share of the income produced by a stable, prosperous country. We will do it in cooperation with farm people themselves, without seeking to make them fearful and without seeking to make them the tools of a political party."

Had Mr. Eisenhower elected to state the philosophy upon which such appeals as these are based, we have no doubt he, too, would have started out with some good, old physiocratic doctrines of the fundamental nature of agriculture, and have grown eloquent in asserting that without a prosperous agriculture all is lost, or words to that effect. It will be observed that he went definitely on record as believing that not 90% of "parity" but full "parity" was and is the farmer's due. This, of course, is but another way of saying that the country owes it to the farmer to see that the prices of the things he sells must be inflated *pari passu* with the prices of the goods the farmer buys. Or, if the broader definition implicit in much that is said today is assigned to "parity," the doctrine involves a guarantee to the farmer that his income relative to that of the rest of us will not be less than at some hypothetical "normal" period chosen by the bright boys in Washington—or is it by the politicians themselves?

Why? Why?

What we cannot understand is this: If such a guarantee is the right of the farmer, why is it not the right of the rest of us? Why if the farmer must be assured of his relative position—at least his relative economic position—in the community, why should not the manufacturer, the storekeeper, the butcher, the baker and the candlestick maker, have the same treatment? But any such undertaking as this would be silly on the face of it, and, what is more, would imply the necessity of avoiding those changes which are the hallmarks of progress.

We suppose politics are politics, and we must make the most of it, but it would certainly be refreshing to see some of these seekers after office more concerned with the general welfare—and mean it.

Continued from page 12

The World Bank Today

than financing from abroad. We have therefore continued, at the request of member countries, to send our general survey missions, composed of impartial experts, to help those countries assess their potentialities and to draw up broad programs which will best channel their own energies and resources into development.

Reports of Economic Surveys

The reports of four of these general survey missions were presented during the year to the Governments of Cuba, Guatemala and Iraq, and, for Surinam, jointly to the Governments of the Netherlands and Surinam. The report of our mission to Ceylon was published earlier this week in Colombo and Washington. In a few days, we will be presenting to the Government of Nicaragua the report of two of our staff members who spent nearly a year in that country, working with the Government in drafting a development program and starting to put it into effect. The recommendations of our recent mission to Jamaica are now being prepared in final form.

Economic surveys, I hardly need tell you, are nothing new. Many good ones have been done, and some of them lie moldering in the archives of our member nations. It is still too early to say what the fate of our own surveys may be; but I am glad to say that the results, so far, have been encouraging. I believe that the Governor for Colombia would agree with me that the report of our mission to his country, and the recommendations by a citizens' committee on economic development which followed it, have already had an important influence on the economic life of Colombia. In the case of other countries more recently visited by our missions, our annual report gives many instances of action already under way to carry out fundamental recommendations and provide a basis for accelerated economic progress in years to come.

The Bank has continued to take a broad view of its responsibilities and opportunities in other respects. Indeed, we could hardly do otherwise and remain faithful to the character of our Bank as a cooperative, international institution.

Early this year, after expressions of interest by Iran and the United Kingdom, representatives of the Bank visited London and Teheran. The purpose of our mission was to see whether the Bank could work out some interim arrangement for restoring oil operations in Iran and give the parties to the dispute time to reach agreement. Our efforts, as you know, were not successful, and our negotiations were recessed in Teheran last March.

The Bank has also offered its services in another matter affecting two of its member countries. When I was in Asia late last winter, I discussed with the Prime Ministers of India and Pakistan an invitation I had already extended for the two governments to examine, together with the Bank, the possibilities of developing the water resources of the Indus River System which are so important to the economic development of both these countries. The governments accepted this invitation. Their engineers met with ours in Washington this spring, and successfully completed a series of meetings which drew up a program for studies of possible technical measures to increase the supplies of water in the Indus Basin. Their engineers and ours will convene again next November in Karachi for an exchange of information as a prelude to further meetings. I personally am encouraged. I hope that the eventual outcome will be the development of these water resources, with the help of the Bank, in a way which will bring great benefit to millions of people in both India and Pakistan.

As we review the Bank's performance in the past year, I think we can take satisfaction from the fact that our operations have been disturbed remarkably little by the economic changes which have taken place since the outbreak of war in Korea. Looking forward, it seems to me that if the Bank and its members fully grasp the opportunities they have, the coming year will see a significant increase in the Bank's operations.

Europe's Needs

In Europe, there continues to be an urgent need for greatly expanded production. This will require heavy investment in new plant and equipment, as well as in modernization of old. It will have to be achieved without provoking inflation, and will have to take place at the same time as United States aid is being reduced in scope and amount.

The Bank, for its part, can supplement Europe's own capital with dollar loans. I have already remarked that the scale of the Bank's lending in Europe was substantially increased during this past year. Our ability to lend in dollars, however, is limited by the fact that the capacity of many European countries to service additional dollar debt is itself limited.

From now on, it is clear, the countries of Europe will have to rely more on their own savings, and will have to mobilize their own capital more effectively. This is a subject which is being actively studied on the continent. The Bank has followed this study closely and with sympathetic interest.

Some of the proposals which recently have been made envisage the creation of a new financing institution. If new arrangements come into existence, the Bank would, of course, cooperate with them. But let me point out that new institutions themselves do not create savings. Fundamentally we must work with what we have. I myself believe very strongly that the Bank itself could operate effectively as an instrument for mobilizing European capital, and I doubt that sufficient consideration has yet been given to the role we might play in this respect.

The Bank already has had some experience in tapping private resources by the sale of its securities in European markets. With the cooperation of its members, it could be more active in raising additional private capital. That might well require the working out of new types of bonds and of distribution techniques that have not yet been tried. I think this is a field well deserving further study, and I am anxious to explore, with the Governors most closely concerned, any adaptation of our operations that would better fit them to the particular investment needs of Europe and to the special conditions now prevailing in Europe's capital markets.

The Bank and European Integration

The continuing movement toward economic integration in Western Europe may raise new opportunities for the Bank. The Schuman Plan, for instance, which aims at the integration of the continental coal and steel industries, has now begun to operate. The capital requirements of the Plan certainly will be large, and the necessary equipment probably can be procured for the most part in European currencies. Should the Bank be asked to provide some of the funds, questions would arise with which we have not previously been confronted, for example, concerning the form of guarantee needed for a loan to an international body. In any case, the Schuman Plan potentially has great importance. It is one of the projects that the Bank, should it be called on, would be glad to search for feasible ways to assist.

For those of our member countries who are leading producers of primary commodities, the swift rise of raw materials prices that followed the outbreak of the war in Korea, and now the recession of those prices to pre-Korean levels, have been the outstanding economic events of the past two years.

Not all primary products shared in the boom, and not all our less developed members shared in the higher earnings of foreign exchange that resulted. Nevertheless, a number of our member countries in Asia and Latin America made good use of extra earnings by devoting a sizable portion of them to financing economic development. To do so required firm and expert handling of the inflationary pressures exerted by high prices in world markets; among several noteworthy performances of this kind, I might specifically mention those of India and Colombia. At the other extreme, I regret to say, some members of the Bank not only failed to take advantage of the windfall from high raw materials prices, but allowed inflation to distort their economies to such an extent that they are not so well off today as they were two years ago.

In any event, the boom is now over and our less developed member countries are left to deal with the same hard problems that confronted them before. There are, however, many factors in the situation which I find encouraging. In the postwar years, and particularly in the last two, I think much progress has been made, both in a growing understanding of economic development and in the adoption of techniques to bring that development about.

The governments of underdeveloped countries are realizing more and more that economic progress is the primary responsibility of the countries themselves. Responsible leadership, to an increasing extent, is buckling down to the job, and is attempting to achieve progress through sound planning, financing and engineering.

Problems in Underdeveloped Countries

Many of the world's less developed countries are attempting to shape their economic policies — and especially their investment policies — to make better use of their own physical and financial resources. Intensive stocktaking of these assets has been undertaken by an increasing number of governments as a first step in gauging more accurately the potentialities of their economies and determining the directions in which development should move. Programs and programming agencies have been established to assure continuity of effort. Finally, the financial resources, and the increasing skill of the underdeveloped countries in planning the use of those resources, have been supplemented by a growing volume of financial and technical assistance from the more advanced nations.

The problems which face the underdeveloped countries are still tremendous and difficult. Often in the past, I have stressed the shortcomings of the policies and practices of some of our member nations in dealing with these problems.

Nevertheless, the scene presented by the underdeveloped countries is one of growing activity, and of a growing amount of soundly planned activity. The implication for the Bank is that we have a broader and better basis on which to conduct our operations.

Many times the Bank has warned that massive injections of foreign capital cannot successfully be absorbed in the first stages of a country's development. We have pointed out that shortages of skilled manpower and the lack of basic facilities are limiting factors which will take a long time to overcome. These statements have sometimes been misconstrued as expressing a timidity or a lack of real will on our part to promote development.

The facts show otherwise. To more than half our borrowers, we have made repeated loans — to Mexico, for example, in 1949, 1950 and 1952; to Colombia in 1949, 1950 and 1951, and to Brazil in 1949 and every year since then. In countries of Asia and Africa, as well as in the developing countries of Europe like Turkey and Finland, we are doing the same thing.

These continuing relationships are proof that, far from recoiling from additional commitments, we are on the contrary supporting the development of our member countries year by year and step by step. We are lending money in amounts our borrowers can effectively use and can reasonably be expected to repay; we are lending for those purposes that will do the most to make the borrowing countries more productive and able in the future to put still more money to work. This is the basic principle of investment. Soundly and persistently applied, it can help nations to move forward.

We Want a Free, Stable World

Let us ask ourselves, what do we want, all of us, from this process of development? I think we want a world of freedom, of stable peace, of expanding production and trade — a world of opportunity in which free men can more and more govern their own careers.

How do we go about achieving what we want? Development is most certainly not the concern of only those countries whose standard of living is still woefully low. It vitally concerns, too, the more industrialized nations, because their own best hope of progress is an expanding world economy.

Financial and technical assistance will continue to be needed for many years from those countries which can afford exports of capital and skill. Granted that the underdeveloped areas do not yet have the capacity to make productive use of any huge inflow of resources, we must still admit that the present magnitude of international investment for development is clearly inadequate to the need.

Whatever form it takes, the assistance of the industrialized countries must be steady and continuous. It must not be warped by politics. And it must be accompanied by international economic and commercial policies consistent with the development objective — in particular by the removal of all unnecessary restrictions on the movement of goods in world trade and of the money needed to pay for them.

But the main effort—and most of the means—must come from the less developed countries themselves. They must want development, and they must want it badly enough to make some sacrifices. It is up to them to free the forces of progress in every way they can —by continuity of effort, by fiscal and economic policies that will encourage economic growth, by sound programs of investment, by a multitude of actions which will increase incentives for labor, for management, and for capital —both domestic and foreign.

These are some of the conditions of progress. If they are met —substantially — the underdeveloped nations can advance, not with a sensational rush, but with an increasing momentum. And as the conditions of life improve, so will the prospects of a stable peace. Improvement in the living conditions of men brings a sense of personal fulfillment and self respect. With respect for themselves as individuals, people are not easily fooled by the cynical and disruptive propaganda of demagogues — whatever mantle they may be wearing.

In this development the Bank, I think, has a vital role to play. Not only can we be a source of some of the capital that is needed; but we can serve as a focal point for stimulating and supporting constructive action on the part of all those who are working toward the common goal.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market is waiting for the announcement by the Treasury as to how the October maturity of certificates is going to be taken care of. There will no doubt be a marking of time, with a thin inactive market, until there is clarification as to what the impending refunding is going to be. As usual the financial district is attempting to master-mind this refunding with opinions seemingly as divided as they have been in the past. Some are looking for a refunding issue that will be right in line with the market, so that there should be practically no disturbance as far as quotations are concerned. It is being pointed out that Federal is well aware of what has happened in the past, and what is going on now, and is not likely to do anything in the impending financing that will have an adverse influence upon the Government market. There seem to be others, however, who hold the belief that a one-year 2⅛% certificate will be used to meet the October maturity. This would most likely be interpreted as a bearish development.

Money Stringency Policy Can Hurt

Inactivity and light volume continues to be the course of events in the Government market. A professional market is still very much in the limelight, which makes for easy yet not very important quotation changes. As a whole, however, it does not seem as though there will be a real broadening of investors interest in Government obligations until there is some lessening of the tight money pressure of the authorities. This will come only with a decrease in the inflationary influences, which will take a bit of time at least, to determine. On the other hand, the flexible interest rate policy of the money managers within a limited area, cannot be carried too far without undoing many of the things that they are trying to accomplish. Accordingly, the opinion seems to be gaining some ground that there is not likely to be very sharp changes in the money limiting policies of the powers that be.

Market Thinness Prevails

While the market is obviously trying to figure out what is likely to happen, there has been a fairly good demand for short-term Treasury obligations, not only from corporations, but from certain commercial banks as well as some other non-bank investors. It seems as though the placing of funds in the most liquid type of security will continue to increase until some of the uncertainties overhanging the money markets have been resolved. The intermediate maturities have a few nibblers here and there with the 2⅜s of 1958, and the June 2¼s of 1959/62, according to reports, the main issues of interest. There has also been a modest amount of activity in the 2½s of 1962/67, but here again there is not enough going on in this bond to really consider it important if the market as a whole were operating near its more normal capacity.

The thinness of the Government market, which results in price changes that have very little significance at times, is one of the criticisms that is being leveled at the monetary authorities in their tight money policy. It is being pointed out that the Government market, one of the most liquid of all the security markets, has lost a great deal of this very important feature because of the current action of the money managers. On the other hand, there is the opinion that the Government market has not lost its liquidity and securities can still be traded in volume, even though it might have to be done at lower prices. It is being noted that at certain levels and yields there will be considerable buying of nearly all Treasury issues. A market may be liquid at one price and very thin or narrow at another. The credit limiting policies of the monetary authorities is evidently designed with the idea in mind that the creation of excess reserves through the sale of Government obligations will not be an easy matter.

Risk Element Stressed

The risk element has been put into the market for Government securities. With the completion of the Treasury financing until sometime in 1953 which could come after the October refunding, probably through the sale of tax anticipation bills, there might even be wider fluctuations in the bid and offered prices of Government obligations in the opinion of some followers of these securities. This would seem to mean that those that must carry on in the market for Treasury issues will have to be nimble and quick if they are not to be caught in the middle, which is not generally a favorable or comfortable position to be in.

The partially exempt Treasury issues have been doing next to nothing in the very quiet Government market and appear to be among the really neglected issues. To be sure, there is considerable competition for these securities from the state and municipal obligations, but it is apparently becoming more evident to some operators in the market that certain of the tax sheltered Government obligations still have considerable merit for the right type of investor. As a result, it is indicated that more attention is likely to be paid to the partially exempt Treasury securities. This should not have an unfavorable effect upon the market action of these securities. The 2¾s of 1960/65, still seems to be the leading issue of the partially-exempts, but this again is based upon a very inactive market.

Lyne Heads Bond Dept. For Mercantile Bank

Lewis F. Lyne

DALLAS, Tex.—Lewis F. Lyne has been elected Vice-President of the Mercantile National Bank of Dallas and will organize and conduct an active bond department for the bank. Mr. Lyne was formerly associated with Merrill Lynch, Pierce, Fenner & Beane in Dallas.

Ira Haupt Sponsors Lecture Series

A series of lectures on "Investment Planning for Tomorrow" (Stocks and Bonds) sponsored by Ira Haupt & Co. will be delivered weekly, starting Oct. 7, at the Taft Youth and Adult Center, 172nd Street and Sheridan Ave., in the Bronx. Registrations will be held at the center Sept. 16.

Bellemah, Neuhauser & Barrett Form Firm

WASHINGTON, D. C.—Bellemah, Neuhauser and Barrett has been formed with offices in the Investment Building, to engage in the securities business. Partners are Frederick J. Bellemah, Charles W. Neuhauser and Joseph A. Barrett, all of whom were associated with Ferris & Company.

With Rockwell-Gould

ELMIRA, N. Y. — Rockwell-Gould Co., Inc., 159-167 Lake Street, announce that B. Carl Parmelee and Leo Thomas McCarthy are now associated with their firm.

C. H. Bower Opens

DENVER, Colo. — C. H. Bower is engaging in the investment business from offices at 2001 West Alameda Avenue.

Gadlow Opens Office

SAN FRANCISCO, Cal.—David B. Gadlow is conducting a securities business from offices at 110 Sutter Street.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George M. Brinton has been added to the staff of Dempsey-Tegeler & Co., 210 West Seventh Street.

Two With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Richard J. Graves and Egbert J. Shearer are now associated with E. F. Hutton & Co., 2044 Tulare Street.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Arthur J. Manger is now connected with King Merritt & Co., Inc., 1151 South Broadway.

Joins Morgan Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Jack McCorkle has become affiliated with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Public Utility Securities

By OWEN ELY

Utah Power & Light

Utah Power & Light supplies electricity to an area of about 20,000 square miles extending south from Ashton, Idaho (near Yellowstone Park) to the center and southeastern border of Utah, about 400 miles; the width of the area is about 160 miles. The company serves at retail over 340 communities, and others at wholesale. Its subsidiary, Western Colorado Power, serves about 3,000 square miles in Colorado, including 22 communities at retail, and four rural co-ops and one privately-owned company at wholesale.

The total population is estimated to be over 670,000. The principal cities served are Salt Lake City (195,000) and Ogden (61,000). The most important industries in the area are copper, lead, silver, coal and other mines, smelters, cement plants, packing houses, railroads, an interurban railway, a steel mill, sugar mills, flour mills, oil refineries and irrigation systems. The industrial load provides about 26% of revenues, residential and farm sales 42%, and commercial 22%.

Utah Power & Light has 28 hydro plants and its subsidiary four, with effective net capability (based on median water conditions at the time of system peak in December) of about 166,000 kw. There are also three important steam units totaling 177,000 kw. capability, and small steam and internal combustion units of an additional 18,000 kw., making a total of 361,000 kw. In the 12 months ended May 31, the peak load for the parent company approximated 311,000 kw. and for the subsidiary 21,000. A second unit at the Gadsby steam plant with estimated capability of 72,000 kw. is under construction and is expected to go into operation in October this year, increasing system capacity by about 20%.

The more important hydro plants are located on the Bear River, where the flow is substantially controlled and equalized by the use of Bear Lake as a storage reservoir. Twenty of the company's hydro units are licensed under the Federal Power Act. Major licenses provide that after the first twenty years of operation, earnings in excess of a reasonable return on the investment shall be used to set up amortization reserves. Representatives of the company have for some time been discussing with members of the staff of the Federal Power Commission the development of a formula for the determination of such surplus earnings, if any. The company believes that, under present conditions, the amount which might be required for such reserve will be small. (The provisions of the Federal Power Act are further described in the Prospectus issued in connection with the common stock offering.)

Share earnings and dividends have been as follows in recent years:

	Earned	Dividend Rate
12 months ended June 30, 1952	$2.35	$1.80
Calendar Year—		
1951	2.36	1.80
1950	2.75	1.75
1949	2.31	1.60
1948	2.60	1.45
1947	2.51	1.25

The company has shown good but not phenomenal growth, recent consolidated revenues approximating $25 million, an increase of about 50% since 1947. The current rate of increase is about 10%, for the 12 months ended June as compared with the previous period.

The company recently offered 167,500 shares of common stock on a subscription basis, with rights on a 1-for-10 basis expiring Sept. 26. There is also an over-subscription privilege, subject to allotment. The subscription price is 28¾ as compared with the recent market price around 32. The offering was not underwritten, although dealer members of the NASD are being paid 40c a share (up to $250 maximum) for soliciting subscriptions.

Capitalization on a pro forma basis is approximately as follows, including some $10 million additional bonds to be offered around Oct. 16, as well as the current sale of common stock:

	Millions	Percentage
Mortgage Debt	$68	54%
Debentures and Bank Loans	8	6
Com. Stock Equity (1,842,500 shrs.)	*50	40
Total	$126	100%

*Includes about $3.5 million electric plant acquisition adjustments.

It was announced about Aug. 9 that the Utah Public Service Commission had granted the company a rate increase which would net about $383,000 after income taxes, or 21c a share on the increased number of shares. This would approximately offset the current dilution of earnings resulting from the issuance of 10% more shares.

FIC Banks Place Debs.

A successful offering of $67,620,000 of debentures of Federal Intermediate Credit Banks was made on Aug. 19 by Macdonald G. Newcomb, New York fiscal agent for the banks. This consisted of an issue of 2.30% consolidated debentures dated Sept. 2, 1952 and due June 1, 1953. The proceeds, together with treasury funds, were used to redeem $86,385,000 of 2.15% bonds which matured on Sept. 2, 1952.

On July 17, a successful offering of $93,990,000 of debentures was made, which consisted of $64,810,000 of 2.20% consolidated debentures dated Aug. 1, 1952 and due May 1, 1953, and $29,180,000 of 2.05% consolidated debentures dated Aug. 1, 1952 and due Nov. 3, 1952. Of the proceeds, $73,930,000 was used to retire a like amount of debentures maturing Aug. 1, 1952, and $20,060,000 is "new money."

The abovementioned offerings were placed at par.

As of the close of business on Sept. 2, 1953, the total amount of debentures outstanding amounted to $882,950,000.

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Canadian Securities

that this is true, but with the notable difference that Canada, with new means of production, more efficient methods and modern know-how at its disposal, can accelerate her progress at a far greater rate.

"In searching for means to expand our market into the international field, the Curb Exchange —of which I am justly proud to be Chairman — appreciating the potentialities that exist in Canadian entrprises and in Canada itself, determined last year actively to seek the listing of Canadian securities on its market. We have done this not merely because of our faith in Canada's future, but because we feel, as well, that the American public should be afforded an opportunity to invest in growing Canadian enterprises on a domestic exchange—an exchange where the salient facts concerning the business they are buying are on record, available for examination by all buyers before they buy—where a continuous and close market for their securities is maintained, and where current information concerning developments in their companies is readily available. In 1951, of the 44 stock issues approved for listing on our Exchange, 12 were Canadian, and this year, of the 28 new stock listings approved thus far, 11 are Canadian.

"This does not signify in any sense that American investors should jump at the beck and call of every salesman who offers them a chance to participate in an oil, mineral or industrial venture, for as we all know, there is many a 'moose pasture' which will never produce oil, and many a miner who will never find uranium. While the speculative possibilities are great, no investor should buy a 'pig in a poke,' or allow himself to be baited by long distance calls into buying unheard of securities from unheard of salesmen on a last chance offer of sudden prosperity. The obviously important factor in securities buying is to know all the material facts concerning the company in which you are buying an ownership interest. Only in this way can a securities buyer appreciate the extent of the risk he assumes. Only in this way can the risk be properly calculated and such calculated risks should be taken by those who can afford them. Men willing to assume a calculated risk are essential for the preservation of the free enterprise system both here, at home, and in Canada.

Such men have made our own country great, and it is such men who are now responsible for our northern neighbor's present prosperity and who will assure its future pre-eminence as a nation."

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Virginia C. Lindroth is now with Walston, Hoffman & Goodwin, 550 South Spring Street. Miss Lindroth was previously with Curtis Lipton Co.

With Mitchum, Tully

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Ray Stone has been added to the staff of Mitchum, Tully & Co., 405 Montgomery Street, members of the Los Angeles Stock Exchange.

Joins Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

STOCKTON, Calif.—David H. Schwartz is now connected with Walston, Hoffman & Goodwin, 137 East Weber Avenue.

SEC Urges Delay in German Bond Trading

Advises postponement until validation process is completed, and urges bondholders familiarize themselves with terms of settlement relating to their holdings.

The Securities and Exchange Commission on Sept. 9 issued a statement on German dollar bonds requesting that brokers and dealers continue to refrain from effecting transactions in them until the establishment of validation procedures in this country and urging that bondholders familiarize themselves with the terms of settlement for their bonds recently announced by the London Conference on German External Debts. The Commission's statement follows:

"Following the announcement of the successful conclusion of the Conference on German External Debts (see Department of State Press Release No. 627, Aug. 8, 1952) the Securities and Exchange Commission has received numerous inquiries as to when trading in German dollar bonds may be resumed in this country.

"It will be recalled that on Dec. 8, 1941, following the declaration of war, the national securities exchanges suspended dealings in listed securities of German, Italian, Japanese and other Axis origins. Thereupon the Commission, having consulted with the State and Treasury Departments, requested the cooperation of brokers and dealers in refraining from effecting transactions in all securities of such origins. Trading was restored in Italian and Japanese bonds following the filing of registration statements with the Commission. In March, 1951, following the announcement by the West German Government of its recognition of prewar external debts, the Commission, having consulted with the State Department, advised that it did not intend to withdraw its request that brokers and dealers refrain from effecting transactions in German securities until assurances could be given to investors through validation procedures that only bonds which would constitute 'good delivery' would be afforded a market in the United States and appropriate reports were filed under the Securities Exchange Act of 1934.

"The adoption of validation procedures for German dollar bonds appears to be necessary in order to prevent the sale in this and other countries of bonds which had been purchased for retirement and were looted upon the occupation of Berlin. The German Government has recently enacted a law for the validation of German Foreign Currency Bonds. This law provides that validation will commence six months from the effective date, or on March 1, 1953. Prior to the commencement of validation, holders of German dollar bonds will be advised through notices to be published in the press and financial periodicals of the steps to be taken to have their bonds validated. It is anticipated that the German Government will provide facilities for validation of dollar bonds which will minimize the burden upon those who have held their bonds since 1945 by the deposit of bonds locally. However, such facilities will not be available to those who have purchased bonds either here or abroad since Jan. 1, 1945. The Commission has consulted with representatives of the securities industry, including exchanges and over-the-counter dealers, and finds them in agreement with the government agencies that it would be impracticable and not in the public interest to have a resumption of trading in German bonds prior to the establishment of the administrative machinery for validation in this country.

"Therefore, the Commission does not intend to withdraw its request that brokers and dealers refrain from effecting transactions in German securities until validated bonds are available in sufficient quantity to permit orderly trading in them.

"The Commission also has a statutory duty to ensure that U. S. investors in German bonds will have such information as to the status of their holdings as will assist them in appraising their value. Adequate information is particularly important in view of the status of default on almost all German dollar bonds which has continued over a period of almost 20 years. According to the terms of the Debt Settlement negotiated at London the German Government and corporate debtors within its jurisdiction will resume payment of interest and will offer new bonds for the unpaid accrued interest. For the terms of this settlement bondholders are referred to Department of State Press Release No. 627 of Aug. 8, 1952. The Commission feels that bondholders in the United States may also wish to consult their bank or broker as to the current market value of German securities on foreign exchanges as an indication of how foreign buyers and sellers appraise their current worth under the settlement terms."

Canada Research & Management Formed

CHICAGO, Ill.—The formation of Canada Research & Management, Inc., investment advisors specializing in Canada and Canadian industries, has been announced by Harold Long, President. The new company has offices at 39 So. LaSalle Street and is designed to provide complete information on Canada to American investors of institutional funds and to private investors of substantial means.

Harold A. Long

"With the growing interest in Canadian investments in this country, much more specific information is needed by larger groups of investors," Long said in announcing formation of the new company. "We believe our organization is the only one of its kind in the United States."

Mr. Long, an authority on Canada and its industries, was manager of the Canadian department of McMaster Hutchinson & Co., Chicago, for 11 years prior to forming the new company. Previously he has been associated with Royal Securities Corp. of Montreal, Canada.

Davies Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — Thomas F. Kimball has become affiliated with Davies & Co., 39 North First Street.

G. K. Granet Opens

Gilbert K. Granet is engaging in an investment business from offices at 29 West 57th Street, New York City.

R. M. Horne Opens

VALLEJO, Calif. — Robert M. Horne is engaging in a securities business from offices at 168 Toyon Drive.

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)	Sept. 14	101.5	*98.9	89.8	100.0
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 14	2,108,000	*2,055,000	1,866,000	1,999,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 30	6,234,450	*6,283,600	6,132,150	6,231,800
Crude runs to stills—daily average (bbls.)	Aug. 30	¶7,110,000	7,174,000	7,033,000	6,666,666
Gasoline output (bbls.)	Aug. 30	23,936,000	23,904,000	23,318,000	22,140,000
Kerosene output (bbls.)	Aug. 30	2,664,000	2,573,000	2,678,000	2,622,000
Distillate fuel oil output (bbls.)	Aug. 30	10,253,000	10,359,000	10,510,000	9,572,000
Residual fuel oil output (bbls.)	Aug. 30	8,839,000	9,161,000	8,544,000	8,741,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 30	117,240,000	116,393,000	116,243,000	124,932,000
Kerosene (bbls.) at	Aug. 30	32,080,000	30,814,000	27,638,000	32,900,000
Distillate fuel oil (bbls.) at	Aug. 30	101,948,000	*99,085,000	86,128,000	93,861,000
Residual fuel oil (bbls.) at	Aug. 30	52,296,000	52,104,000	51,414,000	48,718,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 30	727,344	834,120	732,920	829,481
Revenue freight received from connections (no. of cars)	Aug. 30	657,100	674,279	584,515	680,419
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 4	$109,956,000	$353,898,000	$253,106,000	$160,461,000
Private construction	Sept. 4	57,239,000	236,594,000	103,827,000	61,277,000
Public construction	Sept. 4	52,717,000	117,304,000	149,279,000	99,184,000
State and municipal	Sept. 4	41,567,000	92,259,000	85,770,000	74,586,000
Federal	Sept. 4	11,150,000	25,045,000	63,509,000	24,598,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 30	1,970,000	*11,085,000	8,350,000	10,596,000
Pennsylvania anthracite (tons)	Aug. 30	152,000	951,000	714,000	872,000
Beehive coke (tons)	Aug. 30	2,800	90,700	23,900	127,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 30	110	100	87	105
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 6	7,324,127	7,646,253	7,495,322	6,795,370
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Sept. 4	110	132	123	116
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 2	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Sept. 2	$52.77	$52.77	$52.77	$52.69
Scrap steel (per gross ton)	Sept. 2	$42.00	$42.00	$42.00	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 3	24.200c	24.200c	24.200c	24.200c
Export refinery at	Sept. 3	34.575c	35.325c	34.800c	27.425c
Straits tin (New York) at	Sept. 3	121.500c	121.500c	121.500c	103.000c
Lead (New York) at	Sept. 3	16.000c	16.000c	16.000c	17.000c
Lead (St. Louis) at	Sept. 3	15.800c	15.800c	15.800c	16.800c
Zinc (East St. Louis) at	Sept. 3	14.000c	14.000c	15.000c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 9	97.50	97.47	96.90	98.99
Average corporate	Sept. 9	109.79	109.79	109.79	111.62
Aaa	Sept. 9	114.27	114.08	114.08	116.22
Aa	Sept. 9	112.00	112.00	112.19	115.24
A	Sept. 9	109.24	109.24	109.42	110.52
Baa	Sept. 9	103.97	103.97	103.97	104.83
Railroad Group	Sept. 9	106.92	106.92	106.92	108.16
Public Utilities Group	Sept. 9	109.60	109.42	109.42	111.44
Industrials Group	Sept. 9	112.93	112.93	113.12	115.24
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 9	2.67	2.68	2.71	2.57
Average corporate	Sept. 9	3.18	3.18	3.18	3.08
Aaa	Sept. 9	2.94	2.95	2.95	2.84
Aa	Sept. 9	3.06	3.06	3.05	2.89
A	Sept. 9	3.21	3.21	3.20	3.14
Baa	Sept. 9	3.51	3.51	3.51	3.46
Railroad Group	Sept. 9	3.35	3.34	3.34	3.27
Public Utilities Group	Sept. 9	3.19	3.20	3.20	3.09
Industrials Group	Sept. 9	3.01	3.01	3.00	2.89
MOODY'S COMMODITY INDEX	Sept. 9	428.5	431.6	440.2	458.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 30	216,985	187,012	256,287	184,783
Production (tons)	Aug. 30	224,724	220,691	208,818	216,789
Percentage of activity	Aug. 30	90	88	84	93
Unfilled orders (tons) at end of period	Aug. 30	388,360	394,190	444,210	470,841
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Sept. 5	109.43	109.36	109.63	116.38
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	Aug. 23	21,563	23,130	22,176	25,316
Number of shares	Aug. 23	612,336	657,240	637,307	732,686
Dollar value	Aug. 23	$27,804,822	$29,995,478	$30,115,619	$32,384,364
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 23	19,188	20,392	19,439	22,9[illegible]0
Customers' short sales	Aug. 23	126	92	105	252
Customers' other sales	Aug. 23	19,062	20,300	19,334	22,708
Number of shares—Total sales	Aug. 23	520,090	567,002	536,0[illegible]0	634,813
Customers' short sales	Aug. 23	4,749	2,985	3,606	7,834
Customers' other sales	Aug. 23	515,341	564,017	532,464	626,979
Dollar value	Aug. 23	$21,622,815	$23,602,149	$22,834,189	$26,670,690
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 23	150,740	178,010	147,760	192,610
Short sales	Aug. 23	------	------	------	------
Other sales	Aug. 23	150,740	178,010	147,760	192,610
Round-lot purchases by dealers—					
Number of shares	Aug. 23	233,430	250,050	260,340	275,430
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	Aug. 16	148,150	186,640	207,000	316,840
Other sales	Aug. 16	5,142,870	5,542,270	5,652,290	7,320,960
Total sales	Aug. 16	5,291,020	5,728,910	5,859,290	7,637,530
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 16	458,600	527,240	540,800	787,240
Short sales	Aug. 16	98,740	112,130	124,400	161,380
Other sales	Aug. 16	378,780	422,660	458,450	630,860
Total sales	Aug. 16	477,520	534,790	582,850	792,240
Other transactions initiated on the floor—					
Total purchases	Aug. 16	81,320	83,430	88,460	152,900
Short sales	Aug. 16	4,500	6,600	7,100	24,100
Other sales	Aug. 16	93,100	85,520	140,460	142,600
Total sales	Aug. 16	97,600	92,120	147,560	166,700
Other transactions initiated off the floor—					
Total purchases	Aug. 16	207,570	205,385	207,875	409,900
Short sales	Aug. 16	13,640	31,470	41,160	31,940
Other sales	Aug. 16	247,620	264,120	264,762	354,793
Total sales	Aug. 16	261,260	295,590	305,922	386,733
Total round-lot transactions for account of members—					
Total purchases	Aug. 16	747,490	816,055	837,135	1,350,040
Short sales	Aug. 16	116,880	150,200	172,660	217,420
Other sales	Aug. 16	719,500	772,300	863,672	1,128,253
Total sales	Aug. 16	836,380	922,500	1,036,332	1,345,673
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	Sept. 2	111.8	*112.0	111.9	------
Farm products	Sept. 2	107.7	108.8	110.1	------
Processed foods	Sept. 2	110.8	110.9	110.4	------
Meats	Sept. 2	115.0	116.0	115.5	------
All commodities other than farm and foods	Sept. 2	112.9	112.9	112.7	------

*Revised. ¶Includes 663,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of June (in thousands)	$129,810,000	$121,433,000	$120,699,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—			
As of July 31 (000's omitted)	$539,000	$495,000	$336,000
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (excl. of linters) prior to August 16	442,436	------	653,153
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPARTMENT OF AGRICULTURE—As of Aug. 1 (in thousands):			
Corn, all (bushels)	3,135,689	3,365,089	2,941,423
Wheat, all (bushels)	1,298,389	1,249,019	987,474
Winter (bushels)	1,062,590	1,048,421	645,469
All spring (bushels)	235,799	200,598	342,005
Durum (bushels)	23,366	20,978	35,820
Other spring (bushels)	212,433	179,620	306,185
Oats (bushels)	1,266,025	1,352,938	1,316,396
Barley (bushels)	218,047	207,547	254,668
Rye (bushels)	15,759	15,578	21,410
Flaxseed (bushels)	29,665	28,328	33,802
Rice (100 pound bags)	45,368	45,365	43,805
Sorghum grain (bushels)	73,149	------	159,265
Cotton (bale)	14,735	------	15,144
Hay, all (tons)	99,646	102,415	108,461
Hay, wild (tons)	10,767	11,018	12,563
Hay, alfalfa (tons)	40,430	40,560	42,937
Hay, clover and timothy (tons)	30,054	30,828	32,035
Hay, lespedeza (tons)	4,831	6,211	7,479
Beans, dry edible (100 pound bags)	15,812	15,747	17,446
Peas, dry field (100 pound bags)	2,712	2,721	3,763
Soybeans for beans (bushels)	264,395	------	280,512
Peanuts (pounds)	1,172,300	------	1,676,125
Potatoes (bushels)	335,421	339,048	325,708
Sweetpotatoes (bushels)	28,268	31,731	28,278
Tobacco (pound)	2,040,172	2,224,495	2,328,226
Sugarcane for sugar and seed (ton)	7,571	7,424	6,120
Sugar beets (tons)	9,939	9,808	10,485
Broomcorn (tons)	28	------	34
Hops (pounds)	61,063	61,720	63,239
Apples, comercial crop (bushels)	98,122	101,767	110,660
Peaches (bushels)	61,347	68,119	63,627
Pears (bushels)	29,902	29,720	30,028
Grapes (tons)	2,943	2,935	3,386
Cherries (12 states) (tons)	202	241	230
Apricots (3 states) (tons)	173	175	183
Pecans (pounds)	116,566	------	154,895
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of July:			
Earnings—			
All manufacturing	$65.84	$66.98	$64.24
Durable goods	69.67	71.80	68.79
Nondurable goods	61.26	60.87	58.48
Hours—			
All manufacturing	39.9	40.4	40.2
Durable goods	40.2	41.1	40.9
Nondurable goods	39.5	39.5	39.3
Hourly earnings—			
All manufacturing	$1.650	$1.658	$1.598
Durable goods	1.733	1.747	1.682
Nondurable goods	1.551	1.541	1.488
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE)—Month of July:			
Deliveries (number of cars)	5,402	6,411	5,290
Backlog of orders at end of month (number of cars)	95,265	61,825	144,810
GAS APPLIANCE MANUFACTURERS' ASSOCIATION — Month of June:			
Automatic gas water heater shipments (units)	121,800	153,100	102,400
Domestic gas range shipments (units)	124,500	178,900	116,400
Gas-fired central heating equipment shipments (units)	58,500	61,900	36,900
Gas-fired furnaces (units)	34,700	37,000	23,500
Gas-fired boilers (units)	5,000	5,100	3,600
Gas-conversion burners (units)	18,800	19,800	9,800
INDUSTRIAL PRODUCTION BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, 1935-39 = 100—Month of July:			
Seasonally adjusted	191	203	212
Unadjusted	192	204	214
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of June:			
Death benefits	$148,980,000	$150,656,000	$142,116,000
Matured endowments	35,126,000	37,479,000	42,984,000
Disability payments	8,651,000	8,367,000	8,247,000
Annuity payments	31,177,000	29,175,000	28,916,000
Surrender values	50,453,000	55,895,000	50,892,000
Policy dividends	65,435,000	55,142,000	65,101,000
Total	$339,822,000	$336,714,000	$338,256,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE — Month of June (000's omitted):			
Ordinary	$1,683,000	$1,684,000	$1,477,000
Industrial	464,000	537,000	475,000
Group	442,000	582,000	306,000
Total	$2,589,000	$2,803,000	$2,258,000
MONEY IN CIRCULATION—TREASURY DEPT.—As of June 30 (000's omitted)	$29,026,000	$28,767,000	$27,809,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of June (in billions):			
Total personal income	$266.0	*$264.5	$254.3
Wage and salary receipts, total	178.6	*177.9	171.6
Total employer disbursement	175.1	*174.6	168.2
Commodity producing industries	76.8	*76.7	75.4
Distributing industries	48.2	*47.7	47.0
Service industries	21.3	21.3	20.4
Government	32.3	32.2	28.8
Less employee contributions for social insurance	3.8	3.6	3.4
Other labor income	4.5	4.4	4.2
Proprietors and rental income	52.8	*51.7	48.8
Personal interest income and dividends	21.4	*21.5	20.4
Total transfer payments	12.5	*12.6	12.7
Total nonagricultural income	245.3	*244.9	235.4
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of July:			
Net sales	------	------	------
Net purchases	$1,404,350	$1,5[illegible]	$2[illegible]

*Revisd figure.

Continued from page 9

Federal Consumption Taxes

ideological. Income taxation at steeply progressive rates is supported on an erroneous view of the relation of ability to income, and consumption taxes are opposed on an erroneous understanding and application of regression.

In both cases there is an ideological quarrel with a central fact of economic life, namely, the inequality of incomes. The progressive taxers want to correct the situation by "soaking" not merely the rich, but virtually all incomes above the lowest income level. The opponents of consumption taxes want to shield the low income groups by warding off any taxes that might fall upon them as income is spent.

I have said that both of these schools base their respective cases on error. This should be fairly clear, but a brief statement is in order.

The invocation of ability to pay as the basis of progressive taxation must assume that ability increases faster than income. Literally, this assumption would mean that if A has twice as many dollars of income as B, then A is able to spend three or four times as many dollars as B can. Granted that A can spend three or ten times as much as B for a particular item, or for a group of items, it is nevertheless true that in overall, A can spend only twice as much as B, having only twice the income. Therefore I say that ability, as indicated or measured by income, is direcly proportional to income, and not in a progressive relation to it.

As I have said above, the real crux of the issue is the fact that the person with a large income will have more income left, even after paying taxes at progressive rates, than the person with a small income. BUT, he had more income before taxes. And this is where the ideological pinch comes. It is now more than 40 years since Frank William Taussig, one of the truly great economists who shed luster on Harvard University, wrote that the only defensible case for tax progression was the socialist objective of redistributing wealth and income. It has yet to be shown that the low incomes can be permanently raised by the leveling down process. No one could possibly object to increasing low income by any sound means. Since a low income ordinarily reflects low productive capacity, one sound means of increasing capacity and earnings is to provide more and better tools for all workers. Tools— i.e., capital goods —can be provided and improved only by saving and investment. Steeply progressive taxation drains away the capacity to save and undermines the incentive to do so. It is for this reason that I have characterized the heavy taxation of saving under the income tax as its most vicious feature.

In the mathematical meaning of the term "regression," it is inaccurate to describe a tax levied at a flat or proportionate rate as regressive. The ideological urge to use the tax system for social reform purposes has led to the use of income as a base for measuring the amount of tax paid instead of measuring the tax against the price or other base on which the tax is determined. Under this misapplication of the term, excise taxes generally are opposed as regressive, whereas they are always actually proportionate to the price or other basis of the tax.

It is true, of course, that a given amount of excise tax, as on a carton of cigarettes, a case of beer, or an automobile, is a larger proportion of a small than of a large income. But this is true, also, of the prices of these goods. Such has been the case for as long as there have been markets and it will continue to be so. Yet the citizens of all income levels have lived and prospered under this market system. During the first 120 years of the national history, the Federal Government was supported almost entirely by taxes that were regressive in this inaccurate sense, but it paid its bills, reduced its debt, and the nation grew at an amazing rate.

The Regressive Tax Argument

The regressive tax argument is another version of the "gripe" against the inequality of incomes. The rejection of any tax that could be thus labeled as regressive will not correct this situation. And even if we accept, for the moment, the erroneous usage of the term regression, the consumption tax that would be appropriate for Federal use would be at a rate sufficiently moderate as to constitute only a minor additional degree of so-called regression over and above that already inherent in the system of market prices.

This brings me to another point, which is that as the base of the Federal tax system is broadened, all tax rates can be reduced to more moderate levels. Beyond doubt, the tax load is now too heavy, because there is too much spending. Such evidence as has been made public indicates substantial wastes, and far more conclusive evidence could be developed if an intensive, confidential exploration of the subject could be made. However, the position I am supporting here would still be sound, in my judgment, if the Federal budget were only half or less than half of its present amount. That is, I would still advocate a better balance between taxes on income as received and on income as it is spent, regardless of the total required.

Under the statutory definition of taxable individual income that has been developed, the taxable income total is never as much as half of the total of individual income. For example, on the basis of individual income tax collections in fiscal year 1952, I have estimated that the taxable income for this period was some $109 billion. But the Department of Commerce estimate of personal income for the same period was $261.3 billion. After making all due allowance for the conceptual differences between the definitions of income by the Commerce Department and the income tax law, it is clear that there is a large pool of individual income that is not subject to income tax. There is no way by which any tax can be derived from this portion of individual income, under present statutory determination of taxable income. It can be reached only through some kind of excise or consumption taxes.

Psychological Advantages in Reduced Income Taxes

Moreover, I maintain that there are strong psychological advantages in a reduction of income taxes, even if this can be done only by an increase of excise taxes. By and large, income is the reward for some kind of effort—manual, mental, or saving and risk assumption through investment. To be sure, there are some economic drones, but God help us if we distort and pervert the entire Federal tax system just to penalize the few drones. We should know, from personal experience and from observation, that it is an intensely satisfying thing to have in our own possession and under our own control the greatest share possible of that which is earned. It adds to the dignity of the individual to receive the full wages of his labor, and to exercise discretion over its use and disposition. With the income tax at its present levels, however, there is a severely diminished custodianship over income. At best, it is only a limited trusteeship, for the person whose taxable income is only in the first tax bracket is working more than one day in every week for the government, and one does not have to get very far up the income scale to be working more than half of the time for government. This resulting demoralization defeats the government's own purpose.

I maintain, further, that with an adequate shift of emphasis from income taxes to consumption taxes, with a corresponding increase in "take home" income, there would be general acceptance because of the added discretion that every income recipient would be able to exercise over the disposition of his own income. He now has no discretion about the payment of income tax; but he would have discretion over the payment of excise taxes by determining the amount and the timing of his spending. If he elected to spend less and save more, he could do so without as severe penalty on his saving as is inflicated by the present income taxes. The big spender is the big excise taxpayer.

Form and Method of Increased Excise Taxation

I come now to some practical questions. Assuming that there should be a substantial shift of emphasis in the Federal tax system, from income taxes to excises, what should be the form and method of such increased Federal excise taxation? There are two feasible alternatives—a broadly based Federal tax at the retail level, or a broadly based tax at the point of final manufacture. Both methods are now used, although the Federal retail excise taxes account for only about 20% as much as the manufacturers' excises. There are vigorous supporters, and equally vigorous opponents, of each method. My own position is that it is more important to develop a substantial Federal consumption tax, on a broad base, than it is to fail in this because of irreconcilable disagreement over the point of levy.

However, the point of levy is important. It is a subject that has been given long and careful thought by the Taxation Committee of the National Association of Manufacturers, to which I am a consultant and adviser. The result of this study, covering a period of some four years, is that we recommend a general, uniform excise on all end products of manufacture except foods, food products, tobacco and alcoholic beverages at the point of final manufacture. Tobacco and alcoholic beverages are excluded on the ground that they have had, and would stand, a higher rate of tax than would be appropriate for the general run of commodities, although we have disapproved the present high rates on these commodities. The exclusion of foods is, frankly, a matter of expediency rather than of principle. It was recommended (1) because food is a large element of cost in low income budgets, and (2) because, while there must be a reduction of the first bracket rate of the income tax, revenue considerations will prevent an extreme reduction of this rate. In view of the fact that rent would not be taxable, being a service rather than a commodity, and also that various services would not be taxed, the impact of the proposed tax on the smallest incomes would be moderate.

The new tax which we recommend would be at a uniform rate, and it would replace the existing selective excises which are discriminatory, capricious, and penalizing to both producers and consumers. The present excise system is definitely bad in that it makes payment of tax contingent on what is bought rather than on how much is bought.

Reasons for General Manufacturers' Excise

Our reasons for recommending the general manufacturers' excise, in preference to a Federal retail sales tax, are as follows:

(1) The task of administration, and its cost, would be much less. There are more than 3,000,000 retail outlets, ranging from great department stores to crossroads stores and "hole-in-the-wall" operators. There are probably less than 200,000 final manufacturers if we exclude those exclusively engaged in food processing. No article would be taxed while it continued from stage to stage in the fabricating process, and this could be controlled either by the certificate system now used here or by the Canadian system of licenses. The tax would apply, as at present, only when the article moved from the final fabricator into the channels of distribution.

(2) Direct competition with the States, and direct encroachment upon a very important source of State revenue, would be avoided. More than 30 States now levy retail sales taxes, and for some of them this tax accounts for 50% or more of State tax revenue. An over-riding Federal retail tax would be adverse to the maintenance of some, perhaps all, of these State taxes. You are familiar with the story of inheritance taxes, and you realize, also, that the Federal gasoline tax has put a definite squeeze on this tax as a State resource. I hope that none of you has been seduced into approval of the Federal gas tax by the piddling grants you get back for highway purposes. Outside of the public domain States, and two or three others, every State would have far more income for road purposes if we could get rid of both the Federal gasoline tax and the Federal highway grants.

I must ask you to consider here a profound issue, which is the future of the States. Their future as sovereign entities depends on being able to finance their own services and responsibilities out of their own revenues. Increasing Federal taxation has made this steadily more difficult, and has thus made the States more and more dependent on Federal grants. These grants are now upwards of 30% of all State revenue from their own sources. If we permit the Federal encroachment to continue, as it would if there were to be a Federal squeeze on the State use of retail sales taxes, State dependency and mendicancy would increase, with a corresponding greater subjection of the States to Federal domination and control. In my opinion, it would be far better to avert this kind of disaster even if it involved acceptance of some of the obvious—and alleged—drawbacks of a general manufacturers' excise.

(3) The Federal Government now collects more than $2 billion from manufacturers' excises. Although this part of the Federal tax system has been grossly neglected by the Treasury and the Bureau, the procedures are familiar to a considerable segment of the business community. It is not a wholly new device, but one that has been in operation in a limited way since 1932.

We have also considered the more important objections to the general manufacturers' excise. The point most frequently emphasized in the discussions we have had with various retail groups has been that because of the alleged inflexibility of wholesale and retail percentage mark-ups, the customers would pay price increases in excess of the actual amount added as a tax to the final factory price. Although there probably would be a tendency to take the customary mark-up on the tax at the outset, the contention that this would continue indefinitely as a general practice is far from convincing.

First, there is no more competitive section of American business than distribution. There is an everlasting struggle for volume, and it is hardly reasonable that distributors generally would deliberately set for themselves a greater handicap than actually necessary in this struggle.

Second, the mark-up on tax argument proves too much. It means that distributors would make additional profit merely by acting as relays in the tax collecting process. This is not the way profits are made in distribution or any other business. Let me make it concrete by assuming, for illustration, a Federal tax of $10 billion from such a tax, and by assuming further that the average aggregate mark-up through the various levels of distribution is 50%. According to this argument, distributors would realize an additional $5 billion of profit merely because of the tax. But if they can hike prices and still maintain volume as easily as this implies, why do they wait for a general excise tax? Why not move right in now and start collecting this extra, easy $5 billion? You know the answer as well as I do.

A third point made by the retailers is not wholly consistent. They argue that an increase of the price, even if by no more than the actual tax, will lessen the dollar volume of sales; then they proceed to argue that the common practice of adjusting rentals to sales will increase their rents because of the higher dollar sales total. The important point here is not the failure to perceive this dilemma. It is, rather, the failure to understand that taxing and spending together cancel out as a transfer process which neither increases nor decreases the overall aggregate of purchasing power in the economy. Those retailers who oppose all excise taxes because of their supposed effect on sales volume would, perforce, insist upon maintaining the existing high income taxes without realizing that their argument, if sound, would apply as strongly against income taxes as against excises. Heavy taxation, whether on incomes or on consumption, is a deterrent to business, but the effect is upon motives and incentives rather than upon the aggregate of purchasing power.

Distributors would have additional costs of financing, under a manufacturers' excise, and reimbursement of these costs in the prices charged would be entirely proper and necessary. Whether it would be necessary to treat the tax as part of the dollar volume used to determine rents, or whether an adequate segregation of this item could be provided in the law and made to stick would depend on the terms of existing rent contracts.

Another point—the hidden tax argument—hardly requires notice. The term "hidden" is sometimes used to imply that the tax is buried so deep that no one can find it, and at other times to imply that it is a part of the price which can be figured out, although this is ordinarily not undertaken. The hope that by using open or unhidden taxes there will be a taxpayer pressure for economy is pious but vain. The individual income tax is out in the open and there are enough income taxpayers to force any degree of economy on Congress that they may desire. Yet the income taxpayers have never carried any election except the first one—the one by which they saddled themselves with this tax.

I submit that a single, uniform tax, applicable across the board, would be more likely to be known about than can be the case under the present selective, hit or miss system. I make no claim, however, that such knowledge, even if it were general, would develop citizen pressure for economy. Righteous taxpayer anger is a powerful force. It is not generated automatically from paying taxes, however, the way a duckling swims the first time its feet hit the water. Special organizational and inciting techniques are required, and not merely wishful thinking that something will happen.

A final point. There has been some advocacy of a Federal retail tax as a temporary, emergency measure, to be discontinued when the budget has been brought down to lower altitudes. The position I am taking here is in support of a permanent Federal consumption tax, to provide long-range stability and long-range relief from excessive income taxation. There would be greater likelihood, in our view, of making the tax a permanent part of the Federal tax system if it were levied at the point of final manufacture. And I am sure of this—if such a tax were introduced, with concomitant income tax relief, it would be impossible to dislodge it after the first year, because of general acceptance and approval. A public opinion poll in England last spring invited an expression of choice between the income tax and the excises. The preponderance of sentiment was an increase of excises rather than income tax, if taxes had to be increased; and for a reduction of income tax rather than excises, if a tax cut were possible. I would confidently predict a similar verdict here.

Scott Paper Stock Offering Underwritten

Scott Paper Co. is offering its common stockholders of record Sept. 8, 1952, the right to subscribe for $24,952,800 of new 3% convertible debentures at the rate of $100 of debentures for each 12 shares of common held, at a subscription price of 100. Subscription warrants expire at 3 p. m. (EDT) Sept. 23, 1952.

The new debentures are dated Sept. 1, 1952, and due Sept. 1, 1977. They are convertible into Common stock of Scott Paper Co. at $56 per share up to and including Aug. 31, 1957, and at higher prices thereafter.

The issue is redeemable at the option of the company in whole, or in part, prior to maturity on 30 days' notice. The initial call price is 103 until Sept. 1, 1953.

The new debenture issue is being underwritten by an investment banking group headed by Drexel & Co.; Smith, Barney & Co., and Merrill Lynch, Pierce, Fenner & Beane.

Proceeds from the sale of the debentures will be used by Scott Paper Co. as follows: $16,600,000 to construct and equip a paper mill at Everett, Wash., adjacent to the pulp mill of the company's Soundview Division; approximately $1,000,000 to increase the capacity of the Soundview Division pulp mill by an estimated 8%, and approximately $1,220,000 to construct a new converting plant at Marinette, Wis., adjacent to the Marinette Paper Co., a subsidiary. The remaining proceeds will be added to the company's general funds to provide additional working capital.

Continued fro mpage 5

The State of Trade and Industry

bacco were the leading commodities in value, comprising 64% of total agricultural exports. Imports of farm goods during the 1951-52 period dropped 9% to $4,692,665,000 from $5,146,455,000 in the previous year.

Steel Output to Exceed 100% of Capacity This Week

The steel mills operated at 98.9% of capacity last week for the first time since the end of last May. Production can be lifted several points above the Jan. 1, 1952, theoretical capacity since additional steelmaking facilities have gone into production over recent months. Within the past few weeks Republic Steel Corp. added two new open-hearths to its active list at Cleveland, declares "Steel," the weekly magazine of metal working the current week.

While steel production is hovering around theoretical capacity, over-all balance between supply and demand is unlikely before first quarter of next year at earliest, "Steel" points out. Plates, bars and possibly structural shapes are expected to be in tight supply throughout first quarter 1953. Despite progress on arrearages in top-rated military requirements, still more defense work is developing at an accelerated pace, which, along with warehouse and special directives, as well as a setback of around three months in nondefense shipments, warns of stringency in these products for weeks to come. On the other hand, certain light, flat-rolled items and some wire goods should be readily available before yearend, it continues.

At this point in the recovery from the two-month steel strike, a recovery which has been gratifying and surprisingly rapid, about the best that can be said for steel supply in the immediate future is that the steelmakers are hoping there will be a more favorable situation before end of the year, states the above trade magazine. They are not expressing this hope to customers, however, especially those consumers still awaiting shipments that had been scheduled for delivery last June. General opinion is that it will be first quarter before supply conditions, over-all, ease appreciably with unrated fourth quarter 1952 orders being accepted only with the understanding shipments will be made in January or February of 1953, it notes. Some steelmakers feel while there are still no concrete signs of easier supply over the next few months, current military set-asides appear too large for early consumption and may result in some readjustments in scheduling before long, continues this trade weekly.

The extent to which the recent average steel price increase of 4.7% will pass through to finished end-products, especially consumer durable goods, remains in the realm of speculation.

The impact of the steel increase on manufacturing costs remains to be fully determined. Adjustments have not been fully completed yet in steel product price listings and won't be until the effect of increased wages on production costs can be more accurately determined.

Most producers have now established finished steel product prices at the new ceiling levels. In some instances action remains to be taken on various products, but, in the main, major adjustments have been completed, concludes "Steel."

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 101.5% of capacity for the week beginning Sept. 8, 1952, equivalent to 2,108,000 tons of ingots and steel for castings. In the week starting Sept. 8, the rate was 98.9% (revised) of capacity and actual output totaled 2,055,000 tons. A month ago output stood at 89.8%, or 1,866,000 tons.

Electric Output Dips Further in Labor Day Week

The amount of electric energy distributed by the electric light and power industry for the week ended Sept. 6, 1952, was estimated at 7,324,127,000 kwh., according to the Edison Electric Institute.

The current total was 322,126,000 kwh. below that of the preceding week when output amounted to 7,646,253,000 kwh. It was 528,757,000 kwh., or 7.8%, above the total output for the week ended Sept. 8, 1951, and 1,295,600,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Fall 12.8% as a result of Mine Workers' Memorial Holiday

Loadings of revenue freight for the week ended Aug. 30, 1952, totaled 727,344 cars, according to the Association of American Railroads, representing a decrease of 106,776 cars, or 12.8% below the preceding week, due to the mine workers' memorial holiday.

The week's total represented a decrease of 102,137 cars, or 12.3% under the corresponding week a year ago, and a decrease of 124,497 cars, or 14.6% below the corresponding week in 1950.

United States Auto Output Declines Due to Labor Day Closing

Passenger car production in the United States last week dropped about 13% to 81,982 cars compared with 94,051 (revised) cars in the previous week and 76,284 cars in the like week a year ago, according to "Ward's Automotive Reports."

However, it was still 7% greater than in the like 1951 week.

Total output for the past week was made up of 81,982 cars and 20,144 trucks built in the United States against 94,051 cars and 20,718 trucks (revised) last week and 76,284 cars and 21,263 trucks in the comparable period a year ago.

Canadian plants turned out 6,136 cars and 1,743 trucks against 6,014 cars and only 1,849 trucks last week, and 3,992 cars and 1,685 trucks in the like week of 1951.

Business Failures Fall in Holiday Week

Commercial and industrial failures declined to 110 in the week ended Sept. 4 from 132 in the preceding week, according to Dun & Bradstreet, Inc. A large part of the decline was attributed to the shorter week occasioned by the observance of Labor Day. At the lowest level in seven weeks, casualties were about even with last year when 116 occurred in the comparable week, but below the 1950 total of 145. Little more than one-half as many businesses failed as in the similar week of prewar 1939 when 209 were recorded.

Most of the week's decrease occurred in manufacturing, wholesaling and construction.

The Middle Atlantic and East North Central States accounted principally for the decline in mortality during the week. While slight dips occurred in three other areas, increases occurred in New England, the Pacific States and in the East South Central States.

Wholesale Food Price Index Unchanged at Year's High

After rising for five weeks, the Dun & Bradstreet wholesale food price index for Sept. 2, remained unchanged at last week's figure of $6.70, the high point for this year. This represented a gain of 6.2% over the 1952 low of $6.31 touched on April 22. It compared with $6.82 on the corresponding date a year ago, or a drop of 1.8%.

Wholesale Commodity Price Index Makes Modest Gain In Latest Week

A somewhat steadier undertone appeared in some of the leading commodity markets in the past week. The Dun & Bradstreet daily wholesale commodity price index rose slightly to 293.87 on Sept. 2, as compared with 292.64 a week earlier, but was still below the 298.29 of a year ago.

Grain price fluctuations continued narrow and irregular in rather slow trading last week.

The prospect of large Canadian crop yields continued to overshadow domestic grain markets.

Demand for wheat, however, appeared to broaden on the moderate setbacks and prices finished slightly higher than a week ago. Export sales of wheat were reported in good volume. The Spring wheat harvest in the Northwest is nearing completion with much of the crop said to be going into the government loan. Oats prices were steady to higher. Although supplies were plentiful, receipts were small and there was a good demand from dry areas of the South.

Corn was under pressure at times, attributed to the prospect of an early maturing of the crop. Rye prices continued to weaken under liquidation caused by shipments of Canadian rye to this country.

The export flour market showed some improvement last week, with a good volume reported taken by Brazil and Cuba. In the domestic market, moderate price recessions failed to stimulate buying interest and bookings of hard wheat bakery flours continued small. Activity in other flours, remained very limited with only small scattered lots reported for immediate needs. The cocoa market was dull with prices slightly easier. Warehouse stocks totaled 127,063 bags, against 128,328 last week, and 193,527, a year ago.

Coffee prices held steady under somewhat broader demand. The undertone in raw sugar was quite firm as demand from refiners picked up. Although vegetable oils showed a stronger tone at times, lard prices moved downward, largely reflecting large supplies and the continued decline in hogs which touched the lowest prices since late in June. The rate of outgoing shipments of swine was reported less than half that of a year ago.

Choice and prime steers were steady to slightly higher for the week, while sheep and lambs continued to work lower.

The spot cotton market developed a slightly firmer tone, aided by mill price-fixing and fixations against export business. Buying was also stimulated by unfavorable crop advices from western parts of the belt, the small amount of ginnings reported to date, and the belief that the next official crop forecast may indicate a smaller outturn than that of a month ago.

Trade Volume in Latest Week Holds Above Year Ago Levels

Favorable weather acted as a stimulant to retail trade in the period ended on Wednesday of last week. Cooler weather spurred the sale of Fall items and total dollar volume continued to remain above year ago levels.

A sharp increase was noted over the volume of previous weeks as the traditional Summer lull appeared to be at an end.

Clearance sales continued to be successful. Many stores throughout the nation reverted to night openings as the Fall season approached.

The total dollar volume of the goods sold the past week in retail stores throughout the nation was estimated by Dun & Bradstreet, Inc., as being unchanged to 4% above a year ago. Regional estimates varied from comparable 1951 levels by the following percentages: South and Southwest +1 to +5; Midwest, Northwest and Pacific Coast 0 to +4; New England and East —1 to +3.

Food sales were moderately above a year ago as special promotions were offered for the holiday weekend.

Apparel volume remained above year ago levels. Consumer interest centered about back-to-school merchandise and sportswear.

Volume in house furnishings reflected a moderate increase over a year ago. Interest in television sets continued to be sectional as areas where new stations were under construction reported substantial increases over a year ago.

With inventories pared down to a closer relationship with sales, most buyers were less hesitant than they were last year in placing long-term commitments.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 30, 1952, rose 4% above the level of the preceding week. For the four weeks ended Aug. 30, 1952, sales reflected an increase of 3%. For the period Jan. 1 to Aug. 30, 1952, department store sales registered a drop of 2% below the like period of the preceding year.

Retail trade volume in New York last week was hampered by warm and rainy weather in the early part of the week, followed by the Labor Day weekend, which resulted in a slowing-up of sales. Trade observers placed the decline at about 7% below the comparable 1951 week.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Aug. 30, 1952, decreased 3% below the like period of last year. In the preceding week a decline of 3% was reported from that of the similar week of 1951 while for the four weeks ended Aug. 30, 1952, a decrease of 5% was registered below the level of a year ago. For the period Jan. 1 to Aug. 30, 1952, volume declined 10% under the like period of the preceding year.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

• Admiral Corp., Chicago, Ill.
June 2 filed 41,669 shares of capital stock (par $1) being offered in exchange for common stock of Canadian Admiral Corp., Ltd., at rate of one share of Admiral stock for each two shares of Canadian Admiral stock held. This exchange offer will expire on Oct. 17. **Dealer-Manager**—Dempsey & Co., Chicago, Ill. Statement effective June 19.

★ Adshelf, Inc.
Aug. 27 (letter of notification) 4,750 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—501 Fifth Ave., New York 17, N. Y. **Underwriter**—None.

Allpark Finance Co., Inc., Houston, Tex.
Aug. 28 filed $500,000 of 6% sinking fund convertible 10-year debenture notes due June 30, 1962; 29,180 shares of 60-cent cumulative preferred stock (no par); and 22,347 shares of common stock (no par). **Price**—For debentures, at face amount; for preferred stock, $10 per share; and for common stock, $5 per share. **Proceeds**—For additional working capital. **Underwriter** — For debentures, C. K. Pistell & Co., Inc., New York; and for preferred and common stock, none, with sales to be made through Marion R. Allen, President.

American Metallic Chemicals Corp., Portland, Ore.
Aug. 20 filed 450,000 shares of common stock (par one cent). **Price** — $3 per share. **Proceeds** — To lease and equip plant for manufacture of sodium perborate tetrahydrate and for working capital. **Underwriter**—Dobbs & Co. and M. S. Gerber, Inc., both of New York.

★ American President Lines, Ltd. (Calif.) (10/28)
Sept. 4 filed 100,145 shares of class A stock (no par) and 2,100,000 shares of class B stock (par $1). **Proceeds**—One half to go to the Treasurer of the United States and the other half to the Dollar interests. **Underwriters**—To be determined by competitive bidding. **Bids**—To be received by The Riggs National Bank of Washington, D. C., as trustee under a "Settlement Agreement" between the United States of America and the Dollar interests, up to 11 a.m. (EST) on Oct. 28. If no bid is received which at least equals the minimum price of $14,000,000, the trustee will surrender and deliver the certificates for such division equally between the parties and cause new certificates for such shares of stock to be issued.

Appalachian Electric Power Co. (9/23)
Aug. 27 filed $17,000,000 of first mortgage bonds due 1982 and $6,000,000 of serial notes due 1956-1967. **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**—To be received by company at 11 a.m. (EDT) on Sept. 23.

★ Arden Farms Co., Los Angeles, Calif.
Aug. 28 (letter of notification) 5,000 shares of preferred stock (no par) and 3,330 shares of common stock (par $1) to be issued in exchange for preferred and common stock of Market Wholesale Grocery Co., on a share-for-share basis. **Office**—1900 E. Slauson Ave., Los Angeles 47, Calif. **Underwriter**—None.

Artloom Carpet Co., Inc.
Aug. 27 (letter of notification) 8,500 shares of common stock (no par). **Price**—$8.25 per share. **Proceeds**—To two selling stockholders. **Underwriter** — Straus, Blosser & McDowell, Detroit, Mich.

★ Associated Telephone Co., Ltd. (Calif.) (9/22)
Sept. 5 filed $10,000,000 of first mortgage bonds, series H, due Oct. 1, 1982. **Purpose**—To repay bank loans and for property additions and improvements. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Paine, Webber, Jackson & Curtis. **Bids**—Tentatively expected to be received on Sept. 22.

Associates Investment Co. (9/17)
Aug. 27 filed $30,000,000 of debentures due Sept. 1, 1962. **Price**—To be supplied by amendment. **Proceeds**—For reduction of short-term notes payable. **Underwriters**—Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

★ B. S. & K. Mining Co., Phoenix, Ariz.
Sept. 5 (letter of notification) 63,791 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For exploratory work to develop new ore. **Office**—242 South 1st Ave., Phoenix, Ariz. **Underwriter**—None.

NEW ISSUE CALENDAR

September 12, 1952
Haloid Co. ____ Preferred
(The First Boston Corp.)

September 15, 1952
Devil Peak Uranium, Ltd. ____ Common
(Gardner & Co.)
Duquesne Light Co. ____ Preferred
(Bids 11 a.m. EDT)
Southeastern Fund ____ Debentures & Com.
(Barrett Herrick & Co., Inc.)
Southwestern States Telephone Co. ____ Common
(Central Republic Co., Inc.)

September 16, 1952
Blando Rubber Corp. ____ Common
(H. B. Simon Co.)

September 17, 1952
Associates Investment Co. ____ Bonds
(Goldman, Sachs & Co., and Merrill Lynch, Pierce, Fenner & Beane)
Columbus & Southern Ohio Elec. Co. ____ Pfd. & Com.
(Dillon, Read & Co. Inc.)
Farmer Bros. Co. ____ Pfd. & Common
(P. W. Brooks & Co., Inc.; Dempsey-Tegeler & Co.; and Baker, Simonds & Co.)

September 18, 1952
General Bronze Corp. ____ Common
(Reynolds & Co.)
Standard Oil Co. (Indiana) ____ Debentures
(Morgan Stanley & Co.)

September 22, 1952
Associated Telephone Co., Ltd. ____ Bonds
(Bids to be invited)
Duquesne Light Co. ____ Bonds
(Bids 11 a.m. EDT)
Pacific Power & Light Co. ____ Bonds
(Bids noon EDT)
Pacific Telephone & Telegraph Co. ____ Common
(Offering to stockholders—no underwriting)

September 23, 1952
Appalachian Electric Power Co. ____ Bonds & Notes
(Bids 11 a.m. EDT)
California Water Service Co. ____ Preferred
(Dean Witter & Co.)
Central Illinois Public Service Co. ____ Bonds & Pfd.
(Bids 11 a.m. CDT)
Idaho Power Co. ____ Common
(Underwriters—To be named)

September 24, 1952
Long Island Lighting Co. ____ Common
(Blyth & Co., Inc. and The First Boston Corp.)

September 25, 1952
Iowa Public Service Co. ____ Common
(Offering to stockholders—no underwriting)
Socony-Vacuum Oil Co., Inc. ____ Common
(Morgan Stanley & Co.)

September 30, 1952
Consolidated Freightways, Inc. ____ Common
(Blyth & Co., Inc.)
San Jose Water Works ____ Preferred
(Dean Witter & Co.)
Washington Water Power Co. ____ Bonds
(Bids noon EST)

October 7, 1952
California Electric Power Co. ____ Common
(Underwriter—to be named)
Gulf Sulphur Corp. ____ Common
(Peter Morgan & Co.)
United Gas Corp. ____ Debentures
(Bids 11:30 a.m. EST)

October 15, 1952
Seiberling Rubber Co. ____ Debentures
(Blair, Rollins & Co., Inc.)
Utah Power & Light Co. ____ Bonds
(Bids noon EST)

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

October 21, 1952
Virginia Electric & Power Co. ____ Bonds
(Bids to be invited)

October 28, 1952
American President Lines, Ltd. ____ Class A & B
(Bids 11 a.m. EST)

November 18, 1952
Long Island Lighting Co. ____ Bonds
(Bids to be invited)
Pacific Telephone & Telegraph Co. ____ Debentures
(Bids 8:30 p.m. PST)

December 15, 1952
New Orleans Public Service Inc. ____ Bonds
(Bids to be invited)

Bankers Fire & Marine Insurance Co.
Aug. 25 (letter of notification) 24,000 shares of capital stock (par $5) to be offered for subscription by stockholders of record Aug. 20 at rate of two new shares for each five shares held; rights to expire at 2 p.m. on Sept. 20. Fractional shares will not be issued. **Price**—$9 per share. **Proceeds** — For additional working capital and surplus. **Office** — 321 North 23rd St., Birmingham, Ala. **Underwriter**—None.

★ Beacon Associates, Inc., Providence, R. I.
Sept. 5 (letter of notification) $300,000 of 6% convertible subordinated debentures, due Sept. 1, 1967. **Price**—At par, plus accrued interest Sept. 1, 1952. **Proceeds**—To anticipate payments on outstanding notes and for general funds. **Office**—216 Turks Head Bldg., Providence, R. I. **Underwriter**—G. H. Walker & Co., of Providence.

★ Bearing Specialties, Inc., Cleveland, Ohio
Aug. 28 (letter of notification) $300,000 of 10% registered debentures. **Price**—At par (in units of $25 each). **Proceeds**—For working capital. **Office**—3634 Euclid Ave., Cleveland, O. **Underwriter**—None.

★ Big Creek Mining & Milling Co., Austin, Nev.
Aug. 29 (letter of notification) 25,000 shares of common stock. **Price** — $1 per share. **Proceeds**—To equip mill building and operate mine. **Underwriter**—None.

★ Big Q Tungsten Mine, Inc., Seattle, Wash.
Aug. 29 (letter of notification) 400,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration of tungsten ore claim. **Office** — 417-419 Lloyd Bldg., Seattle 1, Wash. **Underwriter**—None.

★ Bingham-Herbrand Corp.
Sept. 4 (letter of notification) 5,000 shares of common stock (par $1). **Price**—At market (approximately $14 per share). **Proceeds**—To E. E. Parsons, Jr., a director. **Underwriter**—Parsons & Co., Inc., Cleveland, O.

• Blando Rubber Corp. (9/16)
Aug. 26 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expansion, equipment and working capital. **Business**—Produces "Lefferts Colorwall Tires," and blank preforms which are used to make phonograph records. **Office**—55-01 43rd Street, Maspeth, N. Y. **Underwriter**—H. B. Simon Co., New York.

Calaveras Cement Co., San Francisco, Calif.
Aug. 15 (letter of notification) 4,100 shares of common stock (par $1). **Price**—At market (estimated at $13 per share). **Proceeds**—To Henry C. Maginn, Executive Vice-President. **Underwriter**—Walston, Hoffman & Goodwin, San Francisco, Calif.

★ California Electric Power Co. (10/7)
Sept. 8 filed 350,000 shares of common stock (par $1). **Proceeds** — To retire two convertible preference stock issues (5.50% and 5.60%) or for the discharge of bank loans, or both. **Underwriters**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and William R. Staats & Co. (jointly); Blyth & Co. Inc.; Lehman Brothers. **Bids**—Tentatively expected to be received on Oct. 7.

California Water Service Co. (9/23-24)
Aug. 29 filed 80,000 shares of cumulative preferred stock, series G (par $25). **Price**—To be supplied by amendment. **Proceeds**—To repay loans and for construction program. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

Cameron (Wm.) & Co., Waco, Tex.
Aug. 26 (letter of notification) 13,900 shares of common stock (par $7). **Price**—$21.50 per share. **Proceeds**—For general corporate purposes. **Office**—102 South 12th St., Waco, Tex. **Underwriter**—None.

• Canadian Palmer Stendel Oil Corp.
July 31 filed 3,410,000 shares of common stock (par 25 cents) of which 2,000,000 shares are being offered today for subscription by stockholders of Palmer Stendel Oil Corp. of record Aug. 27 (with rights to expire at 10 a.m. [EST] on Sept. 19); 400,000 shares have been sold to latter named company and 400,000 shares to New Superior Oils of Canada, Ltd.; 100,000 shares to be offered to employees and associates of New Superior; 270,000 shares to be under option 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.

★ Capitol Hill Oil Corp., Oklahoma City, Okla.
Sept. 3 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For drilling a test well and other corporate purposes. **Office**—Braniff Bldg., Oklahoma City, Okla. **Underwriter**—Israel & Co., New York, N. Y.

Carrier Corp., Syracuse, N. Y.
Aug. 15 filed 78,734 shares of 4.8% cumul. convertible preferred stock (par $50) being offered for subscription by common stockholders of record Sept. 3, 1952 at rate of one share of preferred stock for each 11 common shares held; rights to expire on Sept. 17. **Price**—$53 per share flat. **Proceeds**—Together with proceeds from sale of $12,500,000 of long-term notes, will be used to retire about $9,000,000 of outstanding indebtedness and the remainder for the company's construction program. **Underwriters**—Harriman Ripley & Co., Inc. and Hemphill, Noyes, Graham, Parsons & Co., both of New York.

Central Illinois Public Service Co. (9/23)
Aug. 18 filed 50,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—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. **Bids**—To be received up to 11 a.m. (CDT) on Sept. 23.

Central Illinois Public Service Co. (9/23)
Aug. 18 filed $5,000,000 first mortgage bonds, series E, due Sept. 1, 1982. **Proceeds**—For new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc.; The First Boston Corp.; Blyth & Co., Inc.; Equitable Securities Corp. **Bids**—Tentatively expected to be received up to 11 a.m. (CDT) on Sept. 23.

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.

★ Century Natural Gas & Oil Corp.
Aug. 28 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—At market (about 30 cents per share). **Proceeds**—To H. E. Milliken, President. **Underwriter** — None, but Hunter Securities Corp., New York, will act as broker.

Cincinnati Enquirer, Inc.
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**—Expected some time this month.

Columbus & Southern Ohio Electric Co. (9/17)
Aug. 29 filed 90,000 shares of cumulative preferred stock (par $100) and 300,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ Continental Frigidice, Inc., Duncan, Okla.
Sept. 2 (letter of notification) 128 shares of common stock. **Price**—At par ($500 per share). **Proceeds**—To complete a well on company's lease. **Address**—In care of R. W. Gregory, President, Box 929, Duncan, Okla. **Underwriter**—None.

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

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.

Dorn's Stores, Inc., Los Angeles, Calif.
Aug. 25 (letter of notification) 22,000 shares of common stock (par $1.25). **Price**—$4.50 per share. **Proceeds**—To three selling stockholders. **Office**—1722 Santee St., Los Angeles, Calif. **Underwriter**—Edmund J. Sampter, Los Angeles, Calif.

Duquesne Light Co., Pittsburgh, Pa. (9/15)
Aug. 19 filed 140,000 shares of preferred stock (par $50). **Proceeds**—To repay bank loans and for construction program. **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**—To be received by the company at Room 1540, 15 Broad St., New York 5, up to 11 a.m. (EDT) on Sept. 15.

Duquesne Light Co., Pittsburgh, Pa. (9/22)
Aug. 19 filed $14,000,000 of first mortgage bonds due Sept. 1, 1982. **Proceeds**—To reduce bank loans (aggregating $15,810,000). **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**—To be received by the company at Room 1540, 15 Broad St., New York 5, up to 11 a.m. (EDT) on Sept. 22.

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.

Electriglas Corp., Bergenfield, N. J.
Aug. 14 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Business**—Manufacturers of glass lighting fixtures. **Office**—Winsor and New Bridge Roads, Bergenfield, N. J. **Underwriter**—Moran & Co., Newark, New Jersey.

Electro-Components Corp. of America
Aug. 19 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—12 cents per share. **Proceeds**—To repay loan from Electronic Devices, Inc., and for new equipment and working capital. **Underwriter**—Royal Securities Corp., New York.

★ Excelsior Insurance Co. of New York
Sept. 6 (letter of notification) 20,000 shares of capital stock (par $6) to be offered for subscription by stockholders of record Sept. 8 at rate of one share for each five shares held; rights to expire on Sept. 30. **Price**—$10 per share. **Proceeds**—To increase capital and surplus. **Office**—Syracuse, N. Y. **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.

● Farmer Bros. Co., Los Angeles, Calif. (9/17)
Aug. 18 filed 100,000 shares of 6% cumulative convertible first preferred stock (par $10) and 50,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—To purchase from certain principal stockholders 98,625 shares of outstanding second preferred stock at $1 per share and 164,654 shares of common stock at a price to be supplied by amendment. The remainder will be available for general corporate purposes. **Business**—Coffee processing and selling. **Underwriter**—P. W. Brooks & Co., Inc., New York; Dempsey-Tegeler & Co., St. Louis, Mo.; and Baker, Simonds & Co., Detroit, Mich.

★ Food Fair Stores, Inc., Philadelphia, Pa.
Sept. 9 filed 100,000 shares of common stock (par $1) to be offered to certain employees pursuant to the terms of stock purchase plan. **Price**—$3 below the average market price for the month in which payment is completed. **Proceeds**—For general funds. **Underwriter**—None.

★ Gatchel (W. D.) & Sons, Inc., Louisville, Ky.
Sept. 2 (letter of notification) $50,000 of 6% debentures. **Price** — At par (in denominations of $1,000 and $100). **Proceeds**—To increase working capital. **Office**—431 W. Walnut St., Louisville 2, Ky. **Underwriter**—None.

General Bronze Corp. (9/18-19)
Aug. 28 filed 43,576 shares of common stock (par $5), of which 28,576 shares are to be offered for subscription by common stockholders at rate of one share for each 10 shares held Sept. 18 (rights to expire on or about Oct. 6); 10,000 shares are to offered to the trustees of the company's Employees' Profit Sharing Plan and Trust; and 5,000 shares to directors and officers of the company and its subsidiaries. **Price**—To stockholders to be supplied by amendment. **Proceeds** — For working capital and to finance inventories and receivables. **Underwriter**—For 28,576 shares, Reynolds & Co., New York.

● Glen Alden Coal Co.
Aug. 26 (letter of notification) 13,232 shares of capital stock (no par) being offered in exchange share-for-share for common stock of Burns Bros. As an alternative holders of latter shares may receive cash at market value of each Glen Alden share to which they would become entitled. Offer will expire on Oct. 3. Members of NASD will receive 25 cents for each share of Burns Bros. stock deposited under plan. **Underwriter**—None. Georgeson & Co., New York, will assist the company in the exchange.

● Glenmore Distilleries Co., Louisville, Ky.
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. **Offering**—Being made today (Sept 11).

★ Golden Cycle Corp., Colorado Springs, Colo.
Aug. 28 (letter of notification) 16,594 shares of common stock (par $10), to be offered for subscription by present stockholders at rate of one new share for each 13 shares held. **Price**—$16 per share. **Proceeds**—To make repayment of bank loans. **Office**—500 Carlton Bldg., Box 86, Colorado Springs, Colo. **Underwriter**—None.

★ Gulf Sulphur Corp. (10/7-8)
Sept. 8 filed 225,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To pay costs of drilling 25 test wells and for other corporate purposes. **Underwriter**—Peter Morgan & Co., New York.

● Haloid Co., Rochester, N. Y. (9/12)
Aug. 14 filed 47,183 shares of convertible preferred stock (par $50), to be offered for subscription by common stockholders at the rate of one preferred share for each four shares of common stock held on or about Sept. 11; with rights to expire Sept. 29. **Price**—To be supplied by amendment. **Proceeds**—To redeem outstanding 8,500 shares of 4% cumulative preferred stock (par $100) and for general corporate purposes. **Underwriter**—The First Boston Corp., New York.

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) being offered initially to stockholders of record July 25 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.

● Houston Natural Gas Corp.
Aug. 15 filed 120,000 shares of 5% cumulative preferred stock (par $25), with common stock purchase warrants attached to purchase one share of common stock at $22.50 per share for each share of preferred stock, being offered for subscription by common stockholders at the rate of one share of preferred for each 3.95 shares of common stock held as of Aug. 20, with rights to expire on Sept. 15. Unsubscribed portion to be offered to holders of outstanding $50 par preferred stock on the basis of two $25 par shares for each $50 par share owned. **Price**—$25 per share. **Proceeds**—For expansion, reduction of bank loans and other corporate purposes. **Underwriters**—Robert Garrett & Sons, Baltimore, Md.; Moroney, Beissner & Co., Houston, Tex.; and Kidder, Peabody & Co., New York.

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.

★ Idaho Power Co., Boise, Ida. (9/23)
Sept. 3 filed 225,000 shares of common stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—To repay short-term loans and for property additions. **Underwriters**—To be named by amendment. Blyth & Co., Inc. and Lazard Freres & Co., both of New York, handled previous equity financing.

★ Industrial Research, Inc., Miami, Fla.
Aug. 27 (letter of notification) 200,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To increase working capital and for general corporate purposes. **Business**—To provide research facilities and develop products capable of being produced in South Florida, the first of which is a wet-cell battery protective device. **Office**—4016 N.W. 29th Street, Miami, Fla. **Underwriter**—Barham & Cleveland, Coral Gables, Fla.

International Technical Aero Services, Inc.
Feb. 15 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—International Terminal, Washington National Airport, Washington, D. C. **Underwriter**—James T. DeWitt & Co., Washington, D. C.

● Iowa Public Service Co. (9/25)
Aug. 29 filed 150,122 shares of common stock (par $5) to be offered for subscription by common stockholders of record Sept. 25 at the rate of one new share for each eight shares held (with an oversubscription privilege); rights to expire on Oct. 14. **Price**—To be supplied by amendment. **Proceeds**—To pay off temporary bank loans and for property additions and improvements. **Underwriter**—None.

Long Island Lighting Co. (9/24)
Sept. 3 filed 599,942 additional shares of common stock (no par) to be offered for subscription by common stockholders of record Sept. 24 in the ratio of one new share for each seven shares held; rights to expire Oct. 9. **Price**—To be supplied by amendment. **Proceeds**—To finance construction program. **Underwriters**—Blyth & Co., Inc. and The First Boston Corp., both of New York.

★ Marvel Petroleum Corp., Billings, Mont.
Aug. 25 (letter of notification) 52,500 shares of common stock (no par). **Price**—$2 per share. **Proceeds**—For drilling test wells in Big Horn County, Mont., and for other corporate purposes. **Office**—217 Hedden Building, Billings, Mont. **Underwriter**—None.

★ Matheson Co., Inc., East Rutherford, N. J.
Aug. 29 (letter of notification) $47,000 of first mortgage bonds dated Mar. 1, 1952 and due Mar. 1, 1967. **Price**—At par and accrued interest. **Proceeds**—For working capital. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y.

McBee Co., Athens, Ohio
Aug. 8 (letter of notification) 2,500 shares of first preferred stock, 5% series. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Underwriter**—Roy E. Hawk & Co., Athens, O.

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.

★ McLouth Steel Corp., Detroit, Mich.
Sept. 2 (letter of notification) a maximum of $100,000 market value of common stock (par $2.50). **Price**—At prevailing market price. **Proceeds**—To five officers and directors of the company. **Underwriter** — None, but Campbell, McCarty & Co., Inc., Detroit, Mich. will act as broker.

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.

★ Mineral Products Co., Pittsburgh, Kansas
Sept. 2 (letter of notification) $50,000 of second mortgage 5% bonds. **Price**—At par, plus accrued interest. **Proceeds** — To retire outstanding subordinated 90-day 5% notes. **Office**—314 National Bank Bldg., Pittsburgh, Kansas. **Underwriter**—None.

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★ Murphysboro Industry, Inc., Murphysboro, Ill.
Sept. 5 (letter of notification) 100 shares of common stock (no par). **Price**—$100 per share. **Proceeds**—To erect building. **Office**—Chestnut St., Murphysboro, Ill. **Underwriter**—None.

★ National Tank Co., Tulsa, Okla.
Aug. 27 (letter of notification) 4,000 shares of common stock (par $1). **Price**—At the market (estimated at about $24 per share). **Proceeds** — To Jay P. Walker, President, the selling stockholder. **Address** — Drawer 1710, Tulsa, Okla. **Underwriter**—None.

Nevada Mortgage & Investment Co.
Aug. 25 (letter of notification) 60,000 shares of common stock (par $1) and 240,000 shares of preferred stock (par $1) to be offered in units of four shares of preferred stock and one share of common stock. **Price**—$5 per unit. **Proceeds**—For costs incident to organization and development of business in purchasing and making first and second mortgage loans; and to exercise an option covering sale of income property. **Office**—114 North Third St., Las Vegas, Nev. **Underwriter** — Stone & Youngberg, San Francisco, Calif.

★ New England Fund, Boston, Mass.
Sept. 5 filed 200,000 shares of beneficial interest in the Fund. **Price**—At net asset value, plus sales charge. **Proceeds**—For investment. **Business**—Open-end diversified general management trust. **Underwriter**—Coffin & Burr, Inc., Boston, Mass.

★ Noyly Development Co., Renovo, Pa.
Sept. 5 (letter of notification) 8,000 shares of capital stock (par 10 cents). **Price**—At market (about 37½ cents per share). **Proceeds**—To Abraham H. Lipez, a director. **Underwriter**—None, but Josephthal & Co., New York, will handle sales.

★ Oklahoma Metropolitan Oil & Gas Corp.
Aug. 28 letter of notification) 150,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For organizational expenses and down payment for acquisition of certain properties. **Office**—61 Broadway, New York, N. Y. **Underwriter**—Scott, Khoury, Brockman & Co., Inc., New York, N. Y.

★ Ozark Air Lines, Inc., St. Louis, Mo.
Sept. 3 (letter of notification) 149,562 shares of common stock (par $1) to be offered for subscription by stockholders. **Price**—$1.50 per share. **Proceeds**—For new equipment and working capital. **Address**—P. O. Box 6, Lambert Field, St. Louis 21, Mo. **Underwriter**—Newhard, Cook & Co., St. Louis, Mo.

Pacific Power & Light Co., Portland, Ore. (9/22)
Aug. 22 filed $7,500,000 of first mortgage bonds, due Sept. 1, 1982. **Proceeds**—For improvements and additions to property. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Bear, Stearns & Co., and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co.; Blyth & Co., Inc.; Union Securities Corp. **Bids**—To be received at noon (EDT) on Sept. 22 at Two Rector St., New York, N. Y.

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.

Paradise Valley Oil Co., Reno, Nev.
Aug. 20 filed 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—To drill six wells on subleased land and for other corporate purposes. **Underwriter**—None, with sales to be made on a commission basis (selling commission is two cents per share).

★ Passiflora Mining Co., Canon City, Colo.
Sept. 3 (letter of notification) 1,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For mining machinery and equipment. **Office** — 829 Macon Avenue, Canon City. **Underwriter**—None.

★ Perfect Circle Corp., Hagerstown, Ind.
Aug. 27 (letter of notification) 6,000 shares of capital stock (par $2.50). **Price**—$14 per share. **Proceeds**—To Donald H. Teetor, Vice-President. **Underwriter**—None, but A. G. Becker & Co. Inc., Chicago, Ill., will act as broker. **Offering**—Made on Sept. 4.

Phillips Packing Co., Inc., Cambridge, Md.
July 7 (letter of notification) 3,000 shares of common stock (no par). **Price**—At the market (estimated a $7 per share). **Proceeds**—To Levi B. Phillips, Jr., Vice-President, the selling stockholder. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

★ Pioneer Fund, Inc., Boston, Mass.
Sept. 3 filed 200,000 shares of capital stock (par $2.50). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Granbery, Marache & Co., New York. **Business**—Open-end, diversified, management investment corporation.

★ Plycrete, Inc., Reno, Nev.
Aug. 28 (letter of notification) 15,000 shares of common stock. **Price**—$10 per share. **Proceeds**—For construction and purchase of plant, purchase of cement and raw materials, and other corporate purposes. **Office**—First National Bank Building, 15 East 1st Street, Reno, Nev. **Underwriter**—None.

★ Professional Life Insurance Co., Fort Worth, Tex.
Sept. 2 (letter of notification) a maximum of 10,000 shares of capital stock (par $10). **Price**—$25 per share. **Proceeds**—To increase capital and surplus of life insurance company. **Office** — Professional Bldg., Pennsylvania Ave., Fort Worth, Texas. **Underwriter**—None, but the J. Clinton Butler Agency will take subscriptions for the shares.

Pure Oil Co., Chicago, Ill.
July 17 filed 85,688 shares of common stock (no par) being offered in exchange for 471,287 shares of Hickok Oil Corp., class A common stock (par $1) at rate of one Pure Oil share for each 5½ Hickok shares, conditioned upon approval of merger of Hickok into Pure Oil Products Co., a wholly-owned subsidiary of Pure Oil Co. **Underwriter**—None.

Reserve Supply Co., St. Paul, Minn.
Aug. 11 (letter of notification) $100,000 of 4% 10-year debentures and 100 shares of capital stock. **Price**—The debentures at par (in denominations of $100 and multiples thereof) and the stock at $100 per share. **Proceeds**—To establish a warehouse branch at Fargo, N. Dak. **Office**—2570 Ellis Avenue, St. Paul 3, Minn. **Underwriter**—None.

★ Rohr Aircraft Corp., Chula Vista, Calif.
Aug. 29 (letter of notification) 7,400 shares of capital stock (par $1). **Price**—At the market (approximately $13.25 per share). **Proceeds**—To four selling stockholders. **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif.

● San Jose Water Works, San Jose, Calif. (9/30)
Sept. 2 filed 41,000 shares of cumulative convertible preferred stock, series C (par $25). **Price**—To be supplied by amendment. Proceeds—To pay off bank loans and for construction. **Underwriter** — Dean Witter & Co., San Francisco, Cal.

● Scott Paper Co.
Aug. 15 filed $24,952,800 of convertible debentures due Sept. 1, 1977, being offered for subscription by common stockholders of record Sept. 8 on basis of $100 of debentures for each 12 shares of common stock held; rights to expire on Sept. 23. **Price**—At Par. **Proceeds**—For construction of paper mill at Everett, Wash., and other construction, and for working capital. **Underwriters**—Drexel & Co., Philadelphia, Pa.; and Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York City.

Security Title & Guaranty Co., N. Y.
Aug. 22 (letter of notification) 32,000 shares of common stock (par $1). **Price**—At market (about $2 per share). **Proceeds**—To Investors Funding Corp. of New York. **Underwriter**—Dansker Brothers & Co., Inc., New York.

★ Security Title Insurance Co., Los Angeles, Calif.
Sept. 2 (letter of notification) 7,000 shares of common stock (par 50 cents), of which 1,679 shares will be offered to employees and persons otherwise associated with the company and 5,321 shares will be offered to the general public. **Price**—To public, $5.75 per share and to employees, $5.50 per share. **Proceeds**—To William S. Porter, Chairman of the Board. **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif.

★ Seneca Grape Juice Corp., Dundee, N. Y.
Sept. 8 (letter of notification) $250,000 of 6% first mortgage refunding bonds. **Price**—At par (in denominations of $500 and $1,000 each). **Proceeds**—To discharge a first mortgage of $44,800 held by Security Mutual Life Insurance Co. and a second mortgage of $21,680 held by Elmira Bank & Trust Co. and for working capital. **Underwriter**—None.

Signal Mines, Ltd., Toronto, Canada
July 14 filed 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration, development, and mining expenses, and to reimburse Maurice Schack, Secretary-Treasurer. **Business**—Quartzite mining. **Underwriter** — Northeastern Securities Co., New York.

★ Silver Bell Mines Co., Denver, Colo.
Aug. 29 (letter of notification) 95,682 shares of common stock (par $1) to be offered for subscription by present stockholders on a pro rata basis. **Price**—$2.25 per share. **Proceeds**—For increased production at mine. **Office**—434 U. S. National Bank Building, Denver, Colo. **Underwriter**—None.

★ Skiatron Electronics & Television Corp.
Sept. 4 (letter of notification) 108,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For working capital. **Underwriter**—Coffin, Betz & Co., Philadelphia, Pa.

★ Socony-Vacuum Oil Co., Inc. (9/25)
Sept. 5 filed 3,180,188 shares of capital stock (par $15) to be offered for subscription by stockholders of record Sept. 25 at rate of one new share for each 10 shares held; rights to expire on Oct. 14. **Price**—To be supplied by amendment. **Proceeds**—For the acquisition and development of crude oil production, and the expansion and improvement of refining, transportation and marketing facilities. **Underwriter**—Morgan Stanley & Co., New York.

Southeastern Fund, Columbia, S. C. (9/15)
Aug. 14 filed $500,000 of 10-year 6% subordinated sinking fund debentures (with common stock purchase warrants attached) and 100,000 shares of common stock (par $1) to be offered in units of a $100 debenture and 20 shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To redeem $53,500 outstanding 5¼% subordinated convertible debentures and 10,000 shares of 6½% cumulative preferred stock (at $11 per share and accrued dividends), and for additional working capital. **Business**—Financing retail sales of house trailers on conditional sales contracts. **Underwriter**—Barrett Herrick & Co., Inc., New York.

Southwestern States Telephone Co. (9/15)
Aug. 25 filed 80,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—For additions and improvements. **Underwriter**—Central Republic Co. (Inc.), Chicago, Ill.

★ Spa-King Mount Clemens Water Products Corp.
Aug. 28 (letter of notification) 299,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For organizational expenses, to pay obligations and for working capital. **Office**—55 West 42nd St., New York, N. Y. **Underwriter**—M. S. Wien & Co., New York.

★ Specialty Converters, Inc., East Braintree, Mass.
Aug. 27 (letter of notification) 5,000 shares of common stock (par one cent). **Price**—At market (estimated at 67½ cents). **Proceeds**—To Leif B. Norstrand, President. **Underwriter**—Gearhart & Otis, Inc., New York.

★ Sprague Petroleum Co., Holyoke, Colo.
Sept. 5 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay indebtedness and working capital. **Underwriter**—None.

★ Standard Engineering & Manufacturing Co.
Sept. 2 (letter of notification) 10,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For machinery, working capital and to retire loans. **Office**—3755 Blake Street, Denver 5, Colo. **Underwriter**—None.

● Standard Oil Co. (Indiana) (9/18)
Aug. 28 filed $139,647,200 of 30-year debentures due Oct. 1, 1982 (convertible on or before Oct. 1, 1962), to be offered for subscription by holders of capital stock at the rate of $100 of debentures for each 11 shares of stock held as of Sept. 18; rights to expire about Oct. 6. **Price**—To be supplied by amendment. **Proceeds** — To retire $50,000,000 of 1¾% bank loans of company, $25,000,000 of 1.75% notes of Stanolind Oil & Gas Co., a wholly-owned subsidiary, payable to banks; and $6,500,000 of 2.75% notes of Pan-Am Southern Corp., a subsidiary substantially owned by Standard, payable to banks. Any remainder will be used for capital expenditures. **Underwriter**—Morgan Stanley & Co., New York.

State Exploration Co., Los Angeles, Calif.
Aug. 6 (letter of notification) 43,000 shares of capital stock (par $1) being offered for subscription by stockholders of record Aug. 20 at rate of one share for each 10 shares held; rights to expire on Sept. 19. **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 "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.
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. Statement being withdrawn.

★ Streeter-Amet Co., Chicago, Ill.
Aug. 27 (letter of notification) 2,367 shares of common stock (par $50) to be offered for subscription by common stockholders at rate of one new share for each four shares held. **Price**—$100 per share. **Proceeds**—To increase equity capital to take care of increased business and increased costs. **Office**—4101 Ravenswood Avenue, Chicago 13, Ill. **Underwriter**—None.

Sunshine Packing Corp. of Pennsylvania
July 3 filed $1,000,000 of 6% convertible debentures due 1972 (subordinate) and 450,000 shares of common stock (par 50 cents) of which the debentures and 400,000 shares of stock are to be offered in units of $50 of debentures and 20 shares of stock. **Price**—$100 per unit. **Proceeds**—To increase capacity of plant and for working capital. **Underwriter**—Weber-Millican Co., New York. **Offering**—Expected some time this month.

Sweet Grass Oils, Ltd., Toronto, Canada
July 29 filed 375,000 shares of common stock (no par). **Price**—To be related to quotation on the Toronto Stock Exchange at time of offering. **Proceeds**—For working capital. **Underwriter**—F. W. MacDonald & Co., Inc., New York. **Offering**—Probably not before the end of September.

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.)

★ Texo Oil Corp., Ardmore, Okla.
Sept. 2 (letter of notification) 934,400 shares of common stock (par one cent). **Price**—31¼ cents per share. **Proceeds**—To drill three wells to test formation on corporation's leases in Duval and Live Oak Counties, Texas. **Underwriter**—Stanley Pelz & Co., Inc., New York.

★ Thompson Trailer Corp., Pikesville, Md.
Aug. 27 (letter of notification) $116,150 of 5% convertible debentures, first issue, due Sept. 1, 1962. **Price**—At par (in units of $50 each). **Proceeds**—For working capital. **Address**—P. O. Box 356, Pikesville, Md. **Underwriter**—None.

Torhio Oil Corp., Ltd., Toronto, Canada
Aug. 21 filed 300,000 shares of common stock (par $1) to be offered first to stockholders and then to the general public. **Price** — 60 cents per share. **Proceeds**—For exploration of oil and gas properties, and to drill a test well. **Underwriter**—None, but offering to public will be handled through brokers.

★ United Gas Corp., Shreveport, La. (10/7)
Sept. 5 filed $60,000,000 sinking fund debentures due 1972. **Proceeds**—To repay bank loans and for construction program. **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 expected to be received at 11:30 a.m. (EST) on Oct. 7.

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.

● Utah Power & Light Co.
Aug. 14 filed 167,500 shares of common stock (no par), being offered for subscription by stockholders of record Sept. 5 on a one-for-10 basis (with an oversubscription privilege); rights to expire Sept. 25. **Price**—$28.75 per share. **Proceeds**—For new construction. **Underwriter**—None.

Utah Power & Light Co. (10/15)
Aug. 14 filed $10,000,000 of first mortgage bonds due 1982. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: 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); Kidder, Peabody & Co.; Salomon Bros. & Hutzler. **Bids**—Tentatively scheduled to be received up to noon (EST) on Oct. 15.

★ Vanadium-Alloys Steel Co.
Aug. 28 (letter of notification) 3,600 shares of capital stock (no par) to be sold to employees of the company. **Price**—$27.50 per share. **Proceeds**—For working capital. **Office**—Latrobe, Pa. **Underwriter**—None.

Washington Water Power Co. (9/30)
Aug. 27 filed $30,000,000 of first mortgage bonds due Oct. 1, 1982. **Proceeds**—To repay 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). **Bids**—To be received up to noon (EST), Sept. 30, at Two Rector Street, New York, N. Y.

Westinghouse Electric Corp.
Aug. 27 filed 150,000 shares of common stock (par $12.50) to be offered under "employees stock plan" to employees of corporation and six subsidiaries. **Proceeds**—For general corporate purposes.

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.)

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.

Zenda Gold Mining Co., Salt Lake City, Utah
Aug. 18 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—At market, but not less than par value. (Current quotation of the company's stock on the Los Angeles Stock Exchange is seven cents bid and nine cents offered, if $120,000 gross sales price is received by the issue before all shares are sold, no further shares will be offered). **Proceeds** — For Alaska tin placer leases, exploration and development, retirement of debt, and working capital. **Office**—30 Exchange Place, Salt Lake City 1, Utah. **Underwriter**—Samuel B. Franklin & Co. of Los Angeles, Calif.

Prospective Offerings

★ Anheuser-Busch, Inc., St. Louis, Mo. (10/1)
Sept. 11 company announces it plans to file today a registration statement with the SEC covering an issue of $35,000,000 of debentures due 1977. **Proceeds** — To repay $15,000,000 bank loans and for construction program. **Underwriter**—Dillon, Read & Co. Inc., New York.

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.

Bemis Bro. Bag Co.
Aug. 13 it was announced stockholders will vote Sept. 30 on increasing authorized indebtedness by issuance of $14,000,000 notes.

Byrd Oil Corp., 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 Oregon Power Co.
Sept. 5 it was stated company had recently applied to the California P. U. Commission for authority to issue and sell $7,000,000 of first mortgage bonds due 1982 and 250,000 shares of common stock (par $20). **Proceeds**—To repay bank loans and for construction program. **Underwriters**—(1) For stock, probable Blyth & Co., Inc., and The First Boston Corp. (2) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Union Securities Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and Salomon Bros. & Hutzler (jointly); Shields & Co. and Blair, Rollins & Co. Inc. (jointly); White, Weld & Co.

Carolina Power & Light Co. (10/20)
July 17 it was reported company is planning registration late in August of $20,000,000 first mortgage bonds due 1982. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; W. C. Langley & Co. and First Boston Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp.; Smith, Barney & Co. 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 Maine Power Co.
Sept. 2 it was announced company soon after March 1, 1953, intends to issue and sell $6,000,000 of first and general mortgage bonds and sufficient common stock to yield approximately $5,000,000 to refund the then outstanding short-term notes. **Underwriters**—To be determined by competitive bidding. Probable bidder—(1) For bonds, Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc. and The First Boston Corp. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co., Inc.; Salomon Bros. & Hutzler. (2) For stock, Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc. and The First Boston Corp. (jointly); Harriman Ripley & Co., Inc.

● Consolidated Freightways, Inc. (9/30)
Aug. 26 company applied to the Interstate Commerce Commission for authority to issue and sell 100,000 additional shares of common stock (par $5). **Business**—Second largest motor common carrier of general freight in the United States. **Underwriters**—Blyth & Co., Inc., San Francisco, Calif., and associates. **Offering**—Expected late in September.

● Eastern Utilities Associates
Sept. 3 it was announced that amended plant of reorganization of this company and subsidiaries calls for issuance by company of $7,000,000 debentures and a sufficient amount of common stock to raise approximately $2,000,000. plan further provides that Blackstone Valley Gas & Electric Co., Brockton Edison Co., and Fall River Electric Light Co. issue mortgage bonds. **Proceeds**—To repay bank loans. **Underwriters**—For EUA debentures may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (for bonds only); Lehman Brothers; Estabrook & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co. and Harriman Ripley & Co., Inc. (jointly).

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.

● Harnischfeger Corp.
Sept. 3 it was reported company plans to issue and sell publicly 150,000 additional shares of common stock. **Underwriter**—The First Boston Corp., New York.

Hecht Co.
Aug. 20 it was announced stockholders will vote Sept. 18 on approving certain amendments which would permit somewhat more long-term debt provided the company raises at least $3,500,000 of additional junior equity capital. Junior stock financing is now under consideration. **Underwriter**—Goldman, Sachs & Co., New York.

Idaho Power Co.
Aug. 19 it was reported company has granted an option to Wegener & Daly Corp., Boise, Ida., to purchase until Dec. 31, 1952, up to 21,000 additional shares of 4% cumulative preferred stock at 100 and accrued dividends.

★ International Bank for Reconstruction and Development ("World Bank")
Sept. 3 it was announced Bank plans to issue and sell between $50,000,000 of $75,000,000 in United States dollar bonds this Fall. **Underwriters** — The First Boston Corp. and Morgan Stanley & Co., both of New York.

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.

Long Island Lighting Co. (11/18)
Aug. 27 company announced its plan to issue and sell $20,000,000 additional mortgage bonds. **Proceeds**—For construction program. **Underwriters**—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). **Offering**—Tentatively scheduled for sometime in November.

★ Maine Central RR.
Sept. 2 company sought ICC permission for authority to issue and sell $1,500,000 of divisional lien bonds without competitive bidding. **Proceeds** — Together with other funds, will be used to retire the outstanding $1,676,000 Portland & Ogdensburg Ry. first mortgage 4½% bonds which mature Nov. 1, 1953.

Mid South Gas Co.
Aug. 23 it was reported company has asked the FPC for authority to start work on a $7,000,000 expansion program. An early decision is expected.

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.

★ National Credit Card, Inc.
Sept. 8 it was reported company is considering doing some equity financing (probably in the form of class B stock of $20 par value).

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 Northwest Pipeline Corp.
Aug. 29 company filed a second substitute application with the FPC proposing to construct a 1,384-mile transmission line extending from the San Juan Basin in New Mexico and Colorado to market areas in the Pacific Northwest. Estimated overall capital cost of the project is $179,000,000. Financing is expected to consist of first

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mortgage pipeline bonds, and preferred and common stocks, and is expected to be completed by April, 1953. **Underwriters**—White, Weld & Co. and Kidder, Peabody & Co., both of New York, and Dominion Securities Corp., Ltd., Toronto, Canada.

Pacific Telephone & Telegraph Co. (9/22)

Sept. 3 company was authorized by the California P. U. Commission to offer for subscription by 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. **Price**—At par. **Proceeds**—To repay construction loans and for further expansion. **Underwriter**—None. **Offering**—May be made on Sept. 22.

Pacific Telephone & Telegraph Co. (11/18)

Sept. 3 California P. U. Commission approved a proposal authorizing the company 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 to be received at 8:30 p.m. (PST) on November 18.

★ Seiberling Rubber Co. (10/15)

Sept. 3 it was announced that company plans to issue and sell publicly $3,750,000 of 15-year convertible sinking fund debentures. **Proceeds**—To repay $1,200,000 loan and for working capital. **Registration** — Tentatively scheduled for Sept. 25. **Underwriter** — Blair, Rollins & Co. Inc., New York.

Sierra Pacific Power Co.

Aug. 21 the California P. U. Commission granted this company an exemption from competitive bidding with respect to $1,500,000 first mortgage bonds and 26,775 shares of common stock (par $6.66⅔). **Proceeds** — To repay $1,100,000 of unsecured notes and for additional construction. **Traditional Underwriters**—For stock, Stone & Webster Securities Corp., New York, and Dean Witter & Co., San Francisco, Calif. Latest bond financing was done by Halsey, Stuart & Co. Inc., and associates.

Southern Ry.

Aug. 20 the ICC denied the application of this company for permission to sell not exceeding $46,000,000 of new bonds without complying with the usual competitive rules. If offered competitively, the bidders may include Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co. **Proceeds**—To meet in part the outstanding bond maturities of Southern Ry. and New Orleans Terminal Co.

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.

Virginia Electric & Power Co. (10/21)

Sept. 2, Jack C. Holtzclaw, President, announced that the company plans to sell $20,000,000 of first and refunding mortgage bonds. **Proceeds**—To complete 1952 expansion program. **Underwriters**—To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly); Stone & Webster Securities Corp.; Union Securities Corp.; Salomon Bros. & Hutzler; White, Weld & Co. **Bids**—Tentatively expected to be received on Oct. 21.

● Western Natural Gas Co.

Sept. 2 stockholders approved the creation of an authorized issue of 500,800 shares of preferred stock (par $30), of which the company plans to offer about 170,000 shares as convertible preferred stock (carrying a dividend rate of about 5%) for subscription by common stockholders. **Proceeds**—To redeem 2,053 outstanding shares of 5% preferred stock (par $100), to retire bank loans and for new construction. **Traditional Underwriter**—White, Weld & Co., New York. **Offering**—Expected early in October.

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Main Problem Is Distribution Not Production

hope that the new study may be equally as accurate and helpful.

Incidentally, I would like to commend the National Sales Executives' "Planning Guide on Competitive Markets." It is filled with ideas and suggestions which should prove valuable to the experts engaged in preparing the survey I have just mentioned. Your organization has done a valuable job in that booklet.

In trying to help chart a clear course for business in the uncertain years ahead, all of us—whether in industry or in the government—should make an effort to stick to the facts and to avoid hasty, ill-considered predictions based on panic or hunch.

Don't Be Scared by Predictions of Serious Depression

Back in 1949 there was a time when many both in and out of the government were predicting a serious depression. I felt that there was little danger unless we scared ourselves into it. I decided to tour the country to survey business opinion and the business situation on the spot. The results were enlightening and rewarding. It turned out that the climate of feeling and confidence throughout the country did not conform with what we had been hearing. I found, and said, that we could look forward to a period of uniformly good business.

Next month in connection with trips I will make through the West, I expect to meet with business groups in half a dozen cities to get a first-hand look at what the present business situation is and is likely to be. I hope to learn facts which will enable me to make a personal contribution to the post-defense market study which I mentioned earlier.

Recently there has been considerable speculation that the loss of steel production during the strike and crop loss resulting from the drought which affected certain areas of our country would set off an inflationary spiral of a most serious nature.

I do not for a moment belittle the seriousness of the steel strike. The loss of 2½ months of steel production during this crucial phase of our defense mobilization is a very serious matter.

Neither can we belittle the effects of the drought, the suffering and economic loss which it has visited on certain agricultural areas. However, in view of many other factors at work in our economy, I was not willing to assume that the drought and the steel strike settlement posed a serious and immediate inflationary threat.

In an effort to get to the facts of the matter, I asked the Department of Commerce Field Offices throughout the nation to report to me on the effects of the drought and the steel strike settlement upon consumer prices. The reports returned by the Field Offices were analyzed by the Department's economists.

On this solid factual basis we released first the report on drought effects, which indicated no widespread price increases. I commented then that one important element contributing to inflation is fear on the part of the public that prices will go up, as evidenced by the panic buying which followed the outbreak of the Korean War.

About ten days later I released the report on the effect of the steel settlement on consumer prices, which again indicated that the direct and immediate inflationary effect of the steel strike would be slight, if not negligible. I pointed out that the indirect effect of the settlement was another matter—and might over the long pull prove to be inflationary, particularly if it marked the beginning of a new round of wage and price increases in industry.

I expect that in the current study of post-defense markets we will provide additional information to business in an accurate and objective form.

Calls for Cooperation of Government and Business

To keep our industry producing and our labor fully employed, to face and surmount the perils peculiar to this semi-mobilization of our economy, we must continue confidence and cooperation between industry and government.

As proof that such cooperation and confidence is a real possibility, I need only point to the operations of the National Production Authority in the Department of Commerce. The relationship with industry there in a particularly difficult and trying situation has been remarkable.

I could point also to the record of cooperation between the shipping industry and the National Shipping Authority in the Department of Commerce in the operation of the great emergency shipping fleet.

The secret of the kind of cooperation we have seen in these and other instances has been the great extent to which the government has called upon, and industry has furnished, competent executives both in advisory and working capacities. To a very large extent the mobilization activities of government have been guided by members of the industries directly concerned.

I have encouraged experienced executives to come to Washington to help us out. Not only are they a great aid to the government; they also provide a reservoir of executive talent familiar with the ways of government operation. The value of such a pool in the event of a major crisis can hardly be overestimated.

In meeting the coming problems of distribution, we will continue to explore every avenue of cooperation with businessmen in that field. The Commerce Department will need your help in determining how the vast fact-finding and analytical resources of the government may best be used in helping industry seek out and open new avenues of distribution.

Securities Salesman's Corner

By JOHN DUTTON

To Sell, Or Not To Sell, Speculative Promotions.

There is always a market for the low priced, speculative, penny stocks, especially during the latter phases of a boom. At such times, there is a certain temptation to go out and follow the lines of least resistance. First, because sales are relatively easy to accomplish; and secondly, there is an opportunity to increase commission earnings very substantially.

Some years ago I knew an underwriter of speculative stocks who said to me, "There is a bit of larceny in the heart of every man. People want to gamble. Look at the way they go to the track, the private card games, public gambling, and even the church sponsored bingo games. I am sure that if any firm specialized in low priced stocks—even the penny class—and offered them at a dollar a share or less, there would be millions of people who might buy them; where there are only thousands who are interested in high grade investments." Incidentally, this man has accomplished his objective, and I understand he has prospered very well pursuing this idea.

To his credit, he always said to his clients, "This is a speculation. You might lose all you have put into it. Then again you might hit. If you can afford to throw away a few hundred dollars then why not take a try at it? If you put a small amount of money into ten shares of some high grade stock, what can you make? The only chance you have is to hit a jackpot. This may be a winner, and it may not be. But if it is—you're in."

Another sales argument was for the wealthy account. It went like this: "You may lose all you have put into this, but what if you do? Uncle Sam will pay most of it. You can write off your losses against your income and other profits. But if you hit, this can be a real winner. I don't know how much you can get out of it. But here you are, with ten thousand shares of Podunk Oil that cost you $2,500. What if it comes through? If they 'hit' you might see this stock selling at many times the price you paid for it. Then you'll have a capital gain that will mean something to you. The tax man can only take 26% of your profit. This is the only chance you have to beat the game. Maybe this one will come through, maybe it won't. Buy enough of these rank speculations, and someday you may make enough out of one of them to show you a big profit on all of them; even if all the others go up the flue."

This is sheer appeal to the "something for nothing" instinct, but whether you like it or not, I believe my friend was right when he said, "There's a bit of larceny in the heart of every man." The main difficulty with this phase of the business is that a firm not ordinarily engaged in this type of financing may lose considerable prestige, and the confidence of its investor clients, if it goes into "penny speculation." Again, it is very easy to be led off the right track if a sales force finds out that it can wind up a big month's commissions by banging away at the telephones and drumming up speculative orders of this type. It takes a heap of self-control to resist the impulse to over-sell people on these long shot gambles.

Another weakness in the situation can develop in this way: Many of your accounts have been buying conservative securities, or say at least, semi-speculative situations. Some have done well and some have lagged. This is to be expected. But the difficult part of the whole picture is this: Just as sure as not, if you sell them an out and out "win or lose," and the thing turns out to be a complete flop, it does not matter what you have told these customers when you have sold them, they will always think of you when they think of it. You can ruin a lot of steady accounts if you are not careful.

Penny stocks are being sold today. I am told, to all kinds of investors. Wealthy and sophisticated stock buyers are using them as long shot "tax gambles." People who hold a sound portfolio of good securities are pinching off a little here and there and giving their "larceny itch" a scratch or two. Then there are also people who have never bought stocks before who are buying them. I hear that air-force pilots, housewives, grocers, union workers in shops and factories, school teachers, and even civil service employees, are avidly answering double-post cards that offer a 25-cent stock. Newspaper ads that say little more than "Dig A Hole Oil, 25¢ a share," are bringing in a large number of replies.

To sell, or not to sell. That is up to you. If you can do it without hurting your business, your good-will in your community, or your regular clients' faith in you, and you can keep your head while you do it, you might find the commission checks add up to a pretty sizable sum from this "penny stock" business.

Lewis Smithken Offers Camtex Oil Corp. Stock

Lewis Smithken Co. are publicly offering "as a speculation" an issue of 600,000 shares of common stock, class A (par 10 cents) of Camtex Oil Corp. (Del.) at 50 cents per share.

The net proceeds are to be used for drilling expenses, for the purchase of equipment and for working capital.

Our Reporter's Report

The new issue market has not been able to break out of the doldrums as yet and much the same goes for the secondary investment market where things have been extremely dull and, of late, a little on the heavy side again.

Institutional investors still appear satisfied to coast along and thus far, judging by reports in the Street, have shown little or no disposition to look over such new material as has reached market.

Behavior of the Government list through the late summer created no little nervousness in investment circles and quite evidently the performance of this section of the market has not yet been fully discounted.

Consensus seems to be that one of the things which is damming up activity is the disposition on the part of investors to wait and see what the Treasury has in mind for taking care of its huge October 1 maturities.

The Government exchequer faces the task of refinancing some $11,000,000,000 of securities at that time and to date has given no hint of what type of new security it plans to offer.

Since Treasurys are the keystone of the general investment market, it is not surprising that those with funds to invest should be disposed to adopt a wait and see policy.

Governments, meanwhile, do not appear to be getting anything more in the way of support than a nibbling in short paper while the long bonds still appear on their own.

Taking Their Time

The first big piece of new financing since the summer-end holiday, Tennessee Gas Transmission Co.'s $40,000,000 of 20-year first mortgage pipeline bonds, was reported as moving but somewhat slowly.

Bankers paid the company a price of 100.90 for a 3⅞% coupon and repriced the bonds for public offering at 101.747 to yield 3.75%. Only one other bid was received, fixing the same interest rate and a price of 100.7099.

Some smaller institutions were reported to have expressed interest in this one at a price. But, according to conjecture, they were slow in taking up the issue, even though the actual offering terms were better than they would have regarded as satisfactory.

Dual Operation Set

Officials of Duquesne Light Co. were to meet today with bankers who may be interested in bidding for new securities which the utility is putting up for bids in the next fortnight.

The company plans to open bids next Monday for $7,000,000 of new $50 par value preferred stock as the first step in the program designed to raise funds to repay bank loans and finance new construction.

A week later bankers will be bidding for $14,000,000 of the firm's 30-year first mortgage bonds, sale of which will complete the operation.

"Standbys" Fill In

But for the timeliness of two huge standby operations the ensuing fortnight shapes up as a relatively light period from the standpoint of new business in sight.

Next Wednesday Standard Oil Co. of Indiana will launch its offering of $139,647,200 of convertible sinking fund debentures, due in 1982, but convertible into common for 10 years. Common holders have the right to subscribe for $100 of debentures for each 11 shares held until about Oct. 6. Bankers will take any unsubscribed portion of the issue.

The following week, on Sept. 25, Socony-Vacuum Oil Co. is offering its shareholders rights to subscribe for 3,180,188 shares of common on a one-for-ten basis until Oct. 14. Here, too, bankers will standby to underwrite any untaken balance of the shares.

Aside from these two operations, the new issue schedule consists mostly of small debt and equity offerings. And the state of the market probably will have much to do with whether some of these issues are brought forward.

Bankers Offer Tenn. Gas Transmission Bds.

Stone & Webster Securities Corporation and White, Weld & Co. headed an investment group which offered for public sale on Sept. 9 $40,000,000 Tennessee Gas Transmission Co. first mortgage pipe line bonds, 3⅞% series due 1972. The bonds are priced at 101.747% and accrued interest.

Proceeds from the sale of the bonds will be applied to the payment of a portion of the company's outstanding short-term notes, the proceeds of which were used by the company in its expansion program.

The bonds will be redeemable at the option of the company at any time prior to maturity, as a whole or in part, on at least 30 days' notice at redemption prices ranging from 104.75 if redeemed during the 12 months' period ending July 31, 1953 to 100 on and after Aug. 1, 1971. The bonds will also be redeemable in increasing amounts through operation of a sinking fund at prices ranging from 101.69 for the 12 months' period ending July 1, 1954 to 100 on and after Aug. 1, 1971. The balance ($2,500,000) of the bonds will be retired at the Aug. 1, 1972 maturity.

Tennessee Gas Transmission Co. owns and operates a pipe line for the transportation and sale of natural gas which extends from the Rio Grande Valley in Texas to a point near Charleston, W. Va., and to the New York-Massachusetts border near Pittsfield, Mass. The company is presently increasing daily delivery capacity of its system from a present capacity of approximately 1,275,000 MCF to an authorized design capacity of 1,515,000 MCF of gas per day and peak delivery capacity to 1,715,000 MCF of gas per day. The company has applications pending before the Federal Power Commission for the further increase in its design delivery capacity to 1,581,000 MCF per day and for authority to export natural gas to Canada.

Principal customers of the company are subsidiaries of the Columbia Gas System, Inc. and of Consolidated Natural Gas Co. Deliveries are also made to a number of other gas utilities and to the company's wholly-owned subsidiary, Northeastern Gas Transmission Co. which is currently supplying gas to several distributing companies in New England.

Consolidated operating revenues for the 12 months' ended June 30, 1952 totaled $90,621,314 and consolidated net income amounted to $15,616,273. During the same period, the company sold and transported over 415 million MCF of gas.

With Minneapolis Assoc.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Roger W. Briar and Donald C. Russell have become affiliated with Minneapolis Associates, Rand Tower.

William A. Hennessy Joins Draper Sears & Co.

(Special to The Financial Chronicle)

BOSTON, Mass. — William A. Hennessy has become associated with Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges. Mr. Hennessy was formerly with Weston & Co. and in the past conducted his own investment business in Boston.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—It now develops that the OPS "pass through" formula whereby the fabricators of steel, aluminum, and copper were to be allowed to add to their price ceilings the entire cost of the recent price rises in these metals, is strictly a phony.

With much fanfare, the OPS recently made a public announcement that, in an all-around adjustment arising immediately out of the boost in the prices of steel occasioned by the steel wage settlement, that fabricators of steel and the other two metals were to be allowed a 100% "pass through."

This announcement was carried in good faith by the best of newspapers, and has been accepted in good faith. This is because reporters haven't the time to investigate the literally thousands of things they are told by officials to determine the accuracy of what is said.

Industry experts have checked the text of the complicated formula and have found it full of tricks. For instance, just one of them: The new regulation supposedly allows higher ceilings of raw and semi-finished materials to be passed through, but if a producer bought a glob of metal before the steel strike for $4.00 which had a ceiling price of $5.00, but which actually sold a dollar below the ceiling, and then the price rose to $4.50 but was still under the ceiling, he could not pass this 50¢ rise on. This is just one of numerous tricks.

If industry is able to pass on 50% of the higher actual cost of materials and is forced to absorb only 50%, it will consider itself lucky, said a competent source.

Curiously enough it was not even the high staff level of OPS which promoted the twists in this regulation, but Ellis Arnall, the retired OPS Administrator, it was reported. It was said that OPS staffers, in discussing the text of the regulation with industry men informally, denied paternity of the text. Arnall is gone but his office-holding ghost will march on for some months.

Another phony was a White House announcement that this text had been approved by the President's Advisory Board on Mobilization Policy. At the meeting where the text was unveiled, union members of the board were absent. The White House announcement thus implied that industry and public members had approved the thing. The question was not put to the Board for approval or disapproval.

Hits Southwest Democrats

President Truman's deal cutting the tariff on Venezuelan oil works out to be a far from trivial strike at Gov. Stevenson's support in Texas and Oklahoma. In the former state, particularly, the Democratic nominee's prospects are somewhat strained by his own stand for Federal control of off-shore oil development.

In a new agreement with Venezuela, the import duty on foreign crude and fuel oil heavier than 25 gravity is cut to 10½¢ per barrel from 21¢. Where the petroleum is less than 25 degrees gravity it may come in for 5¼¢ per barrel. Under most favored nation treatment every country having such a tie-up will get the same duty reduction.

It is said that the lower duty on crude and residual fuel oils will help only a couple of companies in the U. S. On the other hand, the well-organized and very vocal opposition to lower tariffs on oil comes from the Independent Petroleum Association, whose membership is concentrated primarily in Texas and Oklahoma.

Helps Canada Little

As one on the most favored nation treatment list, Canadian oil exports will enjoy the lower tariff. Some industry people anticipate with the lower tariff Canadian heating oil may sell more readily on the West Coast, after the pipeline from Alberta to British Columbia is completed. Other industry sources, however, say that what Canada really desires is a special deal whereby her Alberta oil can enter the U. S. free. Then the Dominion can export its growing production to the western U. S. and derive funds thereby for purchasing U. S. oil for consumption in her own heavily populated East, saving on transportation costs both ways.

Oil "Ice Cream" Isn't

It may or may not come as a surprise, but the ice cream industry has decided it isn't going to oppose the advance of the synthetic "ice cream" made out of vegetable oils, which offers a parallel to margarine as a butter substitute.

As far as the ice cream industry is concerned, the new product is welcome. Retailers may sell either. Customers can take their choice. It's a sale either way. However, the great problem, it is said, will be what to call this synthetic substitute. Most state laws have standards prohibiting the sale of ice cream without a specified butterfat content, varying from state to state. Hence the vegetable oil product will not be allowed legally to sell as "ice cream." In the Southwest, where the product has had quite popular acceptance, some producers call it "mallerine."

On the other hand, the dairy industry, it is expected, will develop a strenuous opposition to the sale of the vegetable oil "ice cream."

Politics Hits Aluminum

Whether or not the Administration has by today announced its long pending scheme to attract two or three new producers into the raw aluminum production business by means of compelling government enticements, the granting of a long-term aluminum purchase contract to the Aluminum Co. of Canada is now said to be stopped indefinitely.

The 180,000 to 200,000 short ton additional production capacity which the controllers were shooting at in the "third round" of boosted domestic aluminum capacity, is designed primarily to produce the light metal for stockpile.

This is the same market, stockpile, as would have been supplied by ALCAN's proposal for a long-term contract.

What has stopped the ALCAN chances is the domestic industry, whose friendly Senators have served notice that it is "no go." It is doubted that the State Department objected, for the rule in Canadian-U. S. relations is that almost anything Canada asks for the State Department approves, within reason.

ALCOA Eyes Alaska

ALCOA's proposed project in Alaska, reversing waterflows, sending water through a 13-mile tunnel dug through a mountain, is just about as spectacular as ALCAN's Kitimat project. ALCOA wants to go ahead on this regardless of the possibility that the "third round" of U. S. domestic aluminum expansion will be fired by sizable Federal financial enticements.

Before this project can go forward, however, special legislation will have to get enacted approving the sale of some 20,000 acres of Alaskan real estate to the company — real estate controlled by the Interior Department which has a great regard for Federal as opposed to private enterprise projects.

Canada also will have to approve, it is understood, the use of the water. If Ottawa approves it will be approving a formidable competing project to its own ALCAN's Kitimat project. In Canada the government stands behind a company like ALCAN, instead of trying to harass and break it up, as the U. S. government has done toward ALCOA.

Fowler Guess Wrong

Henry H. Fowler, promoted from chief Materials Controller to Director of Defense Mobilization, is maintaining his consistent record for guessing wrong on the materials outlook—always underestimating the supply.

Only a month ago Mr. Fowler, late in discovering the development of an abundance of industrial raw materials generally, was sure it would take the industrial economy a whole year to completely recover from the shock of the steel strike. Industry men told him it would take six months. Now Mr. Fowler in a month is mouthing some of the words he heard and scorned from the steel industry.

For the record the steel industry generally says that recovery will be complete by the end of the first quarter of calendar 1953. Privately the industry is pretty sure the loss in supplies will be made up shortly after the end of 1952.

It is the expectation of informed members of the motor industry that the production of automobiles for all calendar 1952 will have reached the NPA quotas despite the steel strike and despite a seeming ration of steel for the last two quarters, too short to make possible reaching the quotas.

Candidates Changing Slants

Perhaps it is now too late to be news, but one of the factors which has caused observers to desist from "throwing" their predictions to Stevenson has been the realization that the logic of the current Presidential election battle was that the longer it kept on the more inevitable it was that Gov. Stevenson would talk, look, and act like a Fair Dealer and the more General Eisenhower would look and sound like a Republican. This, despite the initial desire, seemingly, of both men to be moderates and appear fairly close together.

With his stand on Taft-Hartley and the Tidelands bill, Stevenson has gone more to the Left, and Eisenhower in turn has veered more to the Right.

(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

"How do I know whether the light's been turned off in the stock room or not?—It's too dark in there to see!"

National City Group Offers $18,574,000 Nassau County Bonds

The National City Bank of New York and associates are offering $18,574,000 Nassau County, New York, 2½% Various Improvement Bonds maturing Oct. 1, 1953 to 1982 inclusive. The bonds are priced to yield from 1.15% to 2.65% according to maturity.

Other members of the offering group include: Lehman Brothers; Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Incorporated; Phelps, Fenn & Co.; Union Securities Corp.; Goldman, Sachs & Co.; Kidder, Peabody & Co.; Blair, Rollins & Co. Inc.; R. W. Pressprich & Co.; Merrill Lynch, Pierce, Fenner & Beane; Mercantile Trust Co., St. Louis; B. J. Van Ingen & Co. Inc.; Eastman, Dillon & Co.; Paine, Webber, Jackson & Curtis; Bear, Stearns & Co.; Braun, Bosworth & Co. Inc.; Kean, Taylor & Co.; Hornblower & Weeks; Hemphill, Noyes, Graham, Parsons & Co.; Bacon, Stevenson & Co.; Geo. B. Gibbons & Co. Inc.; Adams, McEntee & Co., Inc.; Hallgarten & Co.; Coffin & Burr Inc.; First of Michigan Corp.; W. H. Morton & Co. Incorporated; R. S. Dickson & Co. Inc.; Aubrey G. Lanston & Co. Inc.; Baxter, Williams & Co.; R. H. Moulton & Co.; Heller, Bruce & Co.; J. G. White & Co. Inc.; Malvern Hill & Co. Inc.; G. C. Haas & Co.; Schwabacher & Co.; Burns, Corbett & Pickard, Inc.; Rodman & Linn, and McDonald-Moore & Co.

Business Man's Bookshelf

Costa Rica: A Study in Economic Development—Stacy May, Just Faaland, Albert R. Koch, Howard L. Parsons and Clarence Senior—Twentieth Century Fund, 330 West 42nd Street, New York 18, N. Y.—cloth—$3.00.

Manual of Sugar Companies: 1951-1952 Edition — Farr & Co., 120 Wall Street, New York 5, N. Y.—$2.00.

Mortgage Loan Advances During Construction — American Bankers Association, 12 East 36th Street, New York 16, N. Y. — paper—$1.00 (to A. B. A. member banks).