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EDITORIAL

As We See It

The generally unexpected results of the Wisconsin primary last week has brought into sharper focus than ever an "issue," or at all events a controversy, which has from the first seemed to us to be one of the strangest and most unrealistic of recent political campaigns. "McCarthyism," which is apparently to be defined as the practice of making reckless charges of serious nature for which no evidence of much weight is produced, has become a sort of catchword. Among those who have developed hypertension over this matter are included some, doubtless, whose record will not bear too close scrutiny. But there are others who naturally and rightly and seriously object to the type of defamation so dear to the heart of Senator McCarthy.

All this is supposed to have caused and be causing much embarrassment to Mr. Eisenhower—the more so since there are one or two other Republicans who are given in one degree or another to the same sort of thing and who are now candidates for reelection in their States. Save as it may have a very direct and vital bearing upon the welfare of this country, we have no concern with the political aspects of this situation, but there are certain rather vital matters here which are all too often overlooked. It was during the 1948 campaign that President Truman waved aside very serious charges, among them some of those made by McCarthyists, as "red herrings." There can be no doubt that the Administration and many others who are concerned with keeping the Democratic party in power will try essentially the same tactics this year.

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The Aircraft Industry Today

By ROSWELL L. GILPATRIC*
Undersecretary of the Air Force

Mr. Gilpatric reveals state of the aircraft industry in the nation, stressing its large volume of business and $11 billion backlog of orders. Presents data on profit margins, and denies inadequate profit is strangling the industry. Urges holding down costs of aircraft and related equipment, and calls for "more Air Force per Dollar."

Congressional action on the Air Force FY '53 budget, with its provision for financing average lead time of two years for aircraft manufacture, has placed the Air Force in a position to extend to the aviation and its supporting industries a relatively firm basis for scheduling production over the next three years. The existence, for the first time since the Korean War began, of such a firm program should bring about more stable conditions in the aircraft industry which, in turn, should make for more efficient and economical production.


Hon. R. L. Gilpatric

That brings me to the state of the aircraft industry as it stands today after two years of supporting the Navy and the Air Force build-up programs. I do not have complete statistics on the aircraft industry, but the sales and earnings of the 15 companies comprising the major units in the industry that are almost exclusively engaged in some phase or another of aircraft manufacturing (excluding so-called "mixed manufacturers" like General Electric, Allison and Westinghouse) will serve to illustrate the points I want to make. The total volume of business of these 15 companies has grown from its nadir of ¾ billion dollars in 1946, which represented a decline of 90% from the World War II peak of 1944, to over $2½ billion of business during 1951. As of the beginning of 1952, these 15 companies had a backlog of over $11 billion, which only included part of the $16 billion appropriated for aircraft and related

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*From an address by Mr. Gilpatric before the Air Force Association, Detroit, Mich.

"Trade, Not Aid?"

By MELCHIOR PALYI

Dr. Palyi calls attention to demands of European nations, particularly Great Britain, for elimination of American tariffs as a means of curtailing dollar shortage. Though not upholding protectionism, he points out American tariffs are a minor factor in the imbalance of international payments, and lays main blame on "nefarious" financial policies, combined with a living beyond their means, of most European nations. Hints attacks against U. S. tariff are a new formula for encouraging United States "handouts."

I

"Trade, Not Aid," was the motto of a recent announcement by the British Exchequer's Mr. Butler. If Europe's international accounts are a hopeless mess, it is because of American protectionism—that is the theme song. The idea is on the agenda of every European chancellery and reverberates through the press. "Trade, Not Aid," echoed Ambassador Draper in his report to the President on behalf of the Mutual Security Administration.


Dr. Melchior Palyi

Free trade, of course, is sound economics, which explains why genuine believers in free enterprise are inclined to join the "Trade, Not Aid" advocates. It means extension of free competition beyond the national borders; fairness in international commercial relations; fairness to the domestic consumer who can buy in the cheapest market. It forces the domestic producer into the most productive channels, breaks up sticky monopolistic structures, and brings about a healthy division of labor between nations. More imports are to our advantage also because they allow more exports of the genuine, non-subsidized kind. Lastly, free trade takes many pressure groups and corrupt deals—"you vote for my tariff, I'll vote for yours"—out of politics. And it eliminates the vicious circle of industrial

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SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 41.

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

Clearing Machine Corporation—Warren A. Casey, Security Analyst, Hecker & Co., Philadelphia. (Page 2)

American Crystal Sugar Co.—Donald M. Liddell, Jr., Executive Vice-President, Templeton, Dobbrow & Vance, Inc., Englewood, N. J. (Page 2)

WARREN A. CASEY
Security Analyst, Hecker & Co., Philadelphia, Pa.

Clearing Machine Corporation

On the two previous occasions when articles were submitted by the writer in this interesting forum conducted by the "Chronicle," a lower level and a more dynamic phase of the market cycle existed, and with fortune favoring, Jones & Laughlin Steel stock appreciated 66% and Ferro Enamel rose 100% within a period of four months each.


Warren A. Casey

From the standpoint of time, this is a little too much to expect of the current choice, but there are excellent reasons for believing that a potential considerably higher than the prevailing quotation around 9¾-10¼ exists for **Clearing Machine Corporation.**

It may seem somewhat strange to select a speculative, cyclical issue, but this stock has no excesses in its present price to be liquidated in a reactionary market, it seems distinctly undervalued, and its appreciation possibilities would appear to far outweigh the risk involved at this point. With the Dow-Jones Averages hovering around the 276 mark after more than three years of a bull market, it may well be that the more glamorous growth stocks — the wonder drugs, the wonder metals, even the oils — have "seen the show." Looking over Clearing's corporate report card, it shows that although the earnings and stock prices of most companies fell abruptly from the fall of 1946 on, the year 1947 was Clearing's best. In that year, the company earned $4.23 a share, as against $2.92 in 1946, paid $2.50 a share in dividends, as against 46c in 1946, and Clearing stock sold at 18 against a top of 14¼ in 1946. It now seems to be rolling and is not likely to be slowed down for a considerable time ahead.

Last year, Clearing Machine earned a net income of $1,203,781, equal to $2.27 a share, as compared with $613,775, or $1.16 a share in 1950. Earnings for the first six months of 1952 are unofficially stated at $1.15 a share, as compared with 69c earned in the same period a year ago. Despite higher costs and taxes, it may be possible to show earnings of between $2.50 and $2.75 a share for full 1952. An excess profits tax credit of over $2,000,000 is of considerable help. With a current backlog of $15,000,000, a rough projection for 1953 would be in the vicinity of $3 a share, barring the unforeseen.

Although a relatively young company (1933), this constantly growing and profitable enterprise is now the country's largest producer of giant metal-working power presses. These presses are used by the automotive, rail equipment, household appliance, aircraft, farm implement, plumbing ware and other industries where the forming of metal constitutes an important part of operations. These presses range in size from small inclinable presses of 30 tons capacity to the giant 3,850-ton capacity press that is about 45 feet high and 37 feet in width. At present, many Clearing presses are being utilized in the military effort, where their importance in forging the sinews of power needed for the nation's defense cannot be over-estimated. During the past year or so, the writer has been greatly impressed at the frequency of installation of Clearing machinery in plants he has toured.

Clearing's largest outlet is the automotive industry, with almost every major auto manufacturer included among its customers. A large percentage of sales is for equipment manufactured to the specifications of the individual customer. It should be emphasized that Clearing is primarily an engineering firm of world-wide recognition producing cost-reduction machinery. To automobile and other manufacturers, hard-pressed by ever-increasing labor demands, its equipment is a tremendous boon and its services are eagerly sought.

Clearing has one large modern plant in Chicago with an area of 204,000 square feet. In August of 1951, it purchased a plant of 93,000 square feet at Hamilton, Ohio, for $850,000, to machine and assemble small parts for company products and make small presses. A 50%-owned subsidiary, British Clearing Machine Co., Ltd. was formed in 1946 to supply Clearing products to foreign markets. Today, its presses may be found in South America, throughout Europe, in South Africa, Australia, Japan and elsewhere. Currently, some 1,000 persons are employed in its plants.

In 1951, a term loan of $2,500,000 was arranged, and at present $2,300,000 of this amount is outstanding, ahead of only 530,000 shares of common stock. Finances are strong, with $5,938,736 of net working capital outstanding (Dec. 31, 1951); cash alone amounted to $1,711,412. Book value of the stock now amounts to approximately $13.65 a share, up steadily from the $1.81 a share reported at the end of 1938.

Dividends are being paid at the rate of 15c quarterly, with a 15c extra a good possibility at the year-end. The company has paid out about 50% of earnings since 1943, and next year should see a higher quarterly rate established. At present, this seems to be the only factor acting as a brake on the price of the stock, but the management is being conservative since it incurred last year's debt.

A comparison of statistics of Clearing and E. W. Bliss, another large manufacturer of power presses, shows that earnings have been closely parallel in recent years. Meanwhile, Bliss stock has hit a new high of 19¼ within the past few days, or almost 100% higher than Clearing's price. In fact, in 1947, Clearing earned $4.23 a share against Bliss' $3.11, and last year earned $2.27 a share against Bliss' $2.11. Since 1943, Clearing's earnings have averaged $1.66 a share, as compared with Bliss' $1.71. Clearing has been the more liberal dividend payer, averaging 86c a share in that period against Bliss' 78c. It is significant that Clearing has earned a profit in every year since 1936, the first year of available records. Every evidence points to the fact that a very firm control over costs has been maintained at all times.

In recent years, Clearing Machine has developed a new "tornadyne" clutch and brake unit which, when installed in presses now in operation, reduces inertia effect of clutch parts by about 70% and brings about major economies in operating costs, servicing and maintenance. In addition, some time ago, it perfected a press which forms auto body components at a rate twice as fast as older type presses. This has been accorded a very favorable reception in the trade.

The whole picture is a heartening one for Clearing stockholders. As able President R. W. Glasner remarked in the 1951 annual report: "With increased technological improvements and ingenuity, further growth of our business and our industry seems assured." The market possibilities from ever wider use of Clearing products remains unlimited.

A few years ago, the writer strongly recommended purchase of Aetna-Standard Engineering stock around $8 a share, having great faith in its engineering capabilities and its dynamically progressive management. The stock later was placed on a $1.50 annual dividend basis and sold above 20. With the same favorable factors evident in the Clearing situation, similar potentialities exist. Thus, we are forced to pass up the glamor "name" stocks and the favorites of the funds in favor of **Clearing Machine** for its speculative possibilities over the next year or so. In the writer's opinion, this stock offers real value at prevailing prices.

DONALD M. LIDDELL, JR.
Executive Vice-President, Templeton, Dobbrow & Vance, Inc., Englewood, N. J.

American Crystal Sugar Common Stock

For many years the production of sugar beets has been important to the economy of the Rocky Mountain area and of certain neighboring states. The industry is looked upon with favor by Congress on the grounds that a domestic supply of sugar represents insurance against the possibility of being cut off from the cane-growing countries in time of war. Legislation now in effect, designed, in part, to encourage this industry and to maintain price stability by adjusting supply to estimated demand, allots to such producers of beet sugar a quota of about 1,800,000 tons a year out of domestic consumption of all types of sugar estimated at approximately 8,000,000 tons. Since actual production normally falls short of the allowable figure, the beet sugar companies, which are primarily refiners rather than growers, are, in effect, guaranteed a market for their entire output at what probably should be a fair price.


Donald M. Liddell, Jr.

American Crystal Sugar Company was incorporated under the

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Mutual Funds and the SEC

By DONALD C. COOK*

Chairman, Securities and Exchange Commission

Chairman Cook proposes new rules for "institutional" literature and says Commission is making survey of brokerage fees, "reciprocal business" and loading charges. Though upholding the investment company concept, Mr. Cook criticizes the business and selling practices of some of the mutual funds organizations. Refers to the SEC "Statement of Policy" regarding sales literature, and says its purpose was not to stifle legitimate advertising, but rather to elevate it to high level of accuracy and effectiveness. Points out present sales literature is now free from flagrant misstatements of past, but all bad practices have not been eliminated, and sales literature too frequently contains misleading material.

Two years ago I had the pleasure of appearing before you to discuss the Commission's then new Statement of Policy which set up certain standards as to the form and content of supplemental literature used in the sale of investment companies securities. At that time the mutual funds had total assets of about $2,158,000,000. Some in the industry felt that the application of the Statement of Policy would so circumscribe selling efforts that the funds would wither and die. Now they have assets of over $3,600,000,000!

Donald C. Cook

Today I propose to discuss some of the developments during the intervening period in the sales literature of mutual funds, as well as certain other aspects of mutual fund operation which now deserve attention.

If some of my comments seem sharp it is not because I have any lack of confidence in the theoretical soundness of the investment company idea.

Rather, as I said the last time I appeared before you, it is because I firmly believe in the investment company concept, but feel that only under the prudent and conservative guidance of men conscientiously fulfilling their duties as trustees for their shareholders, will investment companies play the role in our economy they merit.

Today, many investors find it impossible, as a practical matter, to find their way through the labyrinth of the modern-day financial world. More and more they have been obliged to turn to others for investment advice and for the selection of an investment medium which will suit their individual needs. To fill this need is the avowed purpose of most mutual funds. But I regret it cannot yet be said that they fully meet their responsibilities in this respect.

Sometimes the investor is offered securities which the dealer desires to sell because he will realize the largest commission or greatest incidental advantage, rather than one best suited to the particular investor's needs. When a dealer pushes his own self-interests to the point where he sells an investor something that is not suited to the investor's needs and circumstances, he is defeating the true purpose of the investment company and violating his fiduciary responsibility to his customer.

For example, I know of cases in which salesmen of mutual funds have followed the practice of dividing almost contemporaneous sales to the same customer for the sole purpose of keeping each individual sale below the point at which reduced commission rates would be applicable. And this was done only because in that way they would receive the maximum possible sales commission.

Investment Company Business Practices

We at the Commission earnestly believe that if investment companies are to live up to their stated high aims and provide the kind of service that they purport to provide, then more careful consideration must be given both to the character of their personnel and their business practices. Two of the most important services which investment companies state they are offering the investor are the careful selection of the type of investment suitable to his needs and circumstances, and, thereafter, the continuing professional management of his funds.

All too often, however, salesmen have little or no training in the nature, purpose and merits of the funds they are trying to sell. They cannot, therefore, select investments best suited to the needs of their customers even if they made the attempt. Both investment companies and their underwriters have an obligation to see that the men engaged to sell their shares are thoroughly qualified to perform the services that they are supposed to perform. Selling securities obviously is quite different from selling tangibles which the buyer can examine and test for himself. With securities the buyer must rely upon the ability and integrity of the salesman. If the salesman is lacking in either of these qualities, he has no business trying to sell mutual funds.

The same principle holds true for management. It should bring to its task the necessary knowl-

*An address by Commissioner Cook before the Fourth Annual Mutual Fund Conference, New York City, Sept. 17, 1952.

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The B&O Earnings Improve As the "Owe" gets Smaller

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Some impressions on the increasing efficiency, and decreasing debt, of the B & O; together with thumb nail notes about its wide assortment of securities.

In 1828 the first American railroad started business with horse-drawn carriages. Two years later along its early American tracks, there puffed and cindered the first successful locomotive, on this side of the Atlantic. The locomotive was called the Tom Thumb; and the railroad was, and is, known as the Baltimore & Ohio.

Ira U. Cobleigh

Mere age among railroads has by no means been tantamount to sustained success, however, and some of our most venerated and respected carrier enterprises of today have undergone in drearier days, receiverships and diverse types of corporate surgery. The B & O never was actually financially derailed, but it had a "near miss" back in 1938 with maturities coming not "too little and too late," but too big and too early! Having cleared up that balance sheet hot box, however, B & O went on to a plan in 1944 which smoothed the security structure, and set the stage for upgrading the quality of its outstanding securities.

The 1944 plan consolidated the indebtedness to R.F.C. with long-term (1965) collateral bonds, made about 40% of bond interest contingent, extended certain maturities; and, most important of all, built in some really rugged sinking funds. Even when your business is just breaking even, if you can retire $1,000 units of debt (and the interest requirements that go with them) for $700 apiece, you're bound to progress—and that virtually is what B & O has been doing. In addition, B & O lines have operated profitably.

In the ten-year period ended Dec. 31, 1951, outstanding B & O bond indebtedness was whittled down by an astounding $158,800,000, resulting in a $7,000,000 reduction in the annual interest bite. There's a slight catch to this, however, as in the best traditions of railroad finance, equipment debt is treated as a thing apart. Actually, in the same ten-year period, B & O equipment I.O.U.'s increased by almost $64 million. Fortunately, this was during a period of low interest rates, so that a shade less than 2%, $1,245,531 to be exact, was all the annual coupon money required for this diesel and hopper debit.

Even allowing for all the equipment increase, net debt reduction in the decade was $94,918,000; and in per annum interest, $5,750,000. That's quite a chunk of financial osmosis; and it's not finished yet. For example, the general sinking fund was $1,740,757, and surplus income sinking fund, $5,943,252, in 1951; and most B & O liens still sell at good discounts—an attractive factor in any retirement program.

Enough about finance for the nonce. What about the road and its traffic? Well, B & O has a solid geographical grid over, I believe, 12 states, serving the heartland of industrial America from tidewater at New York and Baltimore in the east, to Chicago and St. Louis in the west; including the lake ports of Buffalo, Cleveland, Lorain and Detroit, and such other industrial beehives as Pittsburgh, Wheeling, Youngstown, Akron, and Indianapolis. A 6,200-mile system, hitting virtually every city of consequence in manufacture, ore or steel in the area.

Bituminous coal is the biggest item and, with expanding steel and power plants dotting its tracks, and an infinite coal supply virtually below and around same, coal traffic earnings should continue to gain. In 1951 B & O carried a huge 58-million-ton total of coal, receiving 40% of freight gross from this source. The relatively new Gauley coal field in northern West Virginia, alone provided 3.7 million tons in 1951.

No run-down on B & O would be complete without discussing ore. At Baltimore, the latest thing in ore piers was completed, to the tune of 5,000,000 dollars, on May 7, 1951, to handle the whopping volume of ore, now Pittsburgh and Youngstown bound, from South America and Africa. Only 576,000 tons were actually transferred to cars from 72 ships last year, but the pier is equipped to handle 30,000 tons in 24 hours. This figure is a somewhat remote target, since right now, most vessels toting the ore are general cargo craft, awkward to unload because they were not designed as ore carriers. Specially built ore boats will, no doubt, come along in due course, improving handling velocity at the pier.

There's quite a gimmick in this ore deal, as export coal can be dumped from hopper cars at the Curtis Bay Coal pier, right next door; and then the cars trundled over to the ore pier for a westbound load. Maximization of this two-way traffic can give quite a fillip to B & O earnings.

Everybody talks about dieselization as one of the life savers of railway earning power. Well, B & O dieselization, while impressive is by no means complete. The next step in operating efficiency after that, is yard and terminal improvement. Freight cars don't earn dough squatting on sidings for hours at a time. To prevent that sort of thing, a $2,500,000 streamlining of the B & O Cincinnati yard was made a while back; more recently a $2,000,000 classification yard at East St. Louis was completed; in Chicago the new Barr Yard now handles 4,000 cars a day. Quite new automatic car retarders are paying 20% a year on their cost, in lowered operating expense.

In general terms, the management has seemed to be shooting for three altogether worthy goals: (1) an operating ratio below 80%; it was 81.2% in 1951; (2) a transportation ratio of 40%; for 1951 it was a fraction below that, for the first time, postwar; and (3) a reduction of annual contingent and fixed charges to $20 million; it was $25.5 million in 1951.

Comparisons are usually lugged into an article like this, so let's be fashionable. In operating ratios, B & O outpoints Penn by five percentage points, and N. Y. Central by six; also, it has much less losing passenger traffic to contend with, and much lower port costs in New York, which it enters at Staten Island on its own account, and at Jersey City through Reading (42% owned) and its controlled affiliate, Central Railroad of N. J.

Now what's in B & O for the investor? Well, he can buy Baltimore & Ohio Railroad 1st mtg. 5's of 1975 at 98½ for a yield of 5.12%; or he can step down a notch and buy Southwestern Division 5's due five years later (1980) at 81 to yield 6.34%; he can choose from any of four series of refunding & general bonds (paying out from 1995 to 2000) and rack up a 6.75% yield. Then, a little lower on the financial totem pole, he can latch on to the income 4½'s maturing 58 years from now, and at 66 get a 6.90% yield (assuming interest continuity). If he's preferred stock minded, the B & O $4 entry has paid just that in 1950 and 1951, but it's not cumulative, and sells at 44. And finally, if he's the patient type willing to wait for debt reduction, coal, ore, and general prosperity to do a little pitching for him, and coal and steel strikes to vanish, he can buy some of the highly-leveraged 2,562,953 common shares, which have gone 21 years without vouchsafing a dividend. In 1951, net, minus operating expenses, taxes, all interest and preferred dividends, was about $6.55 a share; but after capital and sinking funds, this figure dwindled to about $1.40.

Every retired B & O bond is, of course, a feather in the common stock cap; but such heavy annual drains on earned income for debt reduction leave little in the kitty for dividends on the common; although a token payment of 25¢ or 50¢ this year is not inconceivable. If, however, you want to project the possible growth of this equity a few years hence, you may envision some long-range logic for speculative entry at current levels, around 21. The "owe" in B & O is getting smaller all the time.

New York City Bonds—Their Investment Merits

By JOHN S. LINEN*

Vice-President, Chase National Bank, New York City

Bond expert of leading New York bank reviews and analyzes New York City finances. Discusses investment position of the City's bonds and says City's debt is not excessive in relation to taxable resources. Lists among investment factors: (1) moderate percentage of City's budget required for debt service; (2) no tax limits on providing debt service; (3) City's budget has been more than balanced in last five years; and (4) a large amount of bonds are held in City's Sinking Funds. Praises study of City's Management Survey now being made.

It may appear presumptuous to take the time of a group of New York bankers to tell them that New York City is an unusually large and unique city. Well, I am a New York banker and among other duties it is my business to keep informed on the credit position of many of our states and municipalities. In spite of this, I have been sufficiently impressed with the relative size of New York City and many aspects of its services and operations to believe you also will find a few observations on this subject of interest.

John S. Linen

This is pertinent to our subject for in considering the investment merits of New York City bonds we must certainly have regard for its resources, taxable assets and its varied sources of revenue. The services that are required and the ability of its citizens to provide for the costs, are both important factors as we seek to analyze the city's economy and credit status.

The expense budget for the year 1951-1952 of $1,300,000,000, was 40% larger than the New York State budget; five times that of London and eight times that of Paris. In London and Paris many of the services are supplied by the national government that New York City provides for its citizens, but this gives emphasis to the greater complexities that are involved in the administration and operations in New York City.

As is true of many comparisons where we compare New York City figures with either foreign or United States cities, there are many differences that should be noted. In New York City there are no overlapping units of government, other than the state, that issue debt or render administrative services. The educational costs in New York City, for instance, represent about 20% of the total expense budget. In Chicago, Philadelphia, Los Angeles, etc., such costs are carried by independently operating school districts, which districts have separate debt incurring and taxing power.

Thus, both the expense budget and capital budget of New York City take on substantially larger proportions than is true of any other of our large cities. The ramifications and the expansive character of the facilities and services required are a bit staggering. Just a brief reference will illustrate.

The operating budget of the Department of Hospitals in New York City last year was $96,500,000. This embraced 26 hospital properties, over 200 buildings, about 30,000 employees, including 12,000 nursing staff and 2,027 full time doctors. A related service, the Department of Health, had a budget of $17,000,000 and about 5,000 employees.

I will mention only one more, the Department of Sanitation. The annual budget is about $58 million. The department is responsible for 5,750 miles of streets, collects 5,000 truck loads of garbage or rubbish daily, has the largest fleet of trucks in the world for local services—62 different types of trucks totaling over 2,000.

I might cite similarly impressive figures regarding the Board of Education, the Police and Fire Departments and other branches of the city's services, but those given will, I am sure, suffice to convince even the skeptical that the size of New York City, involving as it does the service responsibilities it assumes, is one of its vexing and difficult problems.

What relation has this question of size to the investment merit of the City's bonds?

Well, we must be prepared for some rather shockingly large figures in connection with the financial undertakings of the City. Already we have noted the impressive proportions of the City's expense budget. We will wish later briefly to review the revenue sources which provide the necessary funds and the reliance that can be placed in such revenues.

New York City Debt

As we are considering the investment position of New York City bonds we probably should not longer delay an examination of the City's bonded debt position. There are several factors we may

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*An address by Mr. Linen before the Investment Seminar sponsored by the New York State Bankers Association in cooperation with New York University Graduate School of Business Administration, New York City, Sept. 12, 1952.

The State of Trade and Industry

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

Aggregate industrial production the past week held unchanged from the previous week, but indications were that output would continue to climb toward last year's very high level.

The nation's steel production the past week moved forward to 101.5% of capacity, the first week output attained 100% of capacity or greater since the steel strike.

For the first time in 16 months, automotive production was above the level of a year ago. It rose 4% above the comparable week in 1951, but fell 12% below the previous week because of the holiday observance. Detroit which six months ago was declared a labor surplus area, now faces a labor shortage of unskilled and semi-skilled workers.

Reports that the first quarter of 1953 steel quotas for civilian manufacturers will be only 60% of the third quarter (1952) allotments should be taken with a grain of salt, says "The Iron Age," national metalworking weekly, this week. National Production Authority itself cautions that this is a tentative quota, subject to upward revision if supplies become more plentiful. Most people in industry are sure this will be the case.

If the automobile industry is any criterion of civilian manufacturing, this trade weekly adds, there will be more steel, not less, in the first quarter of 1953. Detroit is planning a bumper crop of cars during that period.

Actually the amounts of steel which mills are ordered to set aside for military use are not being fully subscribed by military fabricators and, states this trade paper, it is no wonder set-asides at some mills are not being taken up to the limit.

If this continues over a period of time—say for two months or more—NPA will be under pressure to revise the defense take in favor of long-suffering civilian consumers, this trade authority notes.

Present 30-day inventory limits are arousing criticism in some quarters. The chances are that inventory limits will be raised to the pre-strike level of 45 days before too long. It is believed that a good many consumers had more than 45-day inventories before the steel strike.

Auto producers and their suppliers, along with oil country consumers, account for much of the pressure the current week, according to "The Iron Age." The car people are interested chiefly in deliveries during the next 60 days. Having set booming production rates for themselves, they are allowing cost considerations to go out the window. Only desperate measures are keeping auto production at a high rate, concludes this trade authority.

Automotive output soared to its highest point in 1952 at 103,054 cars and 25,454 trucks last week, just six weeks after falling to its postwar low due to the recent steel strike.

"Ward's Automotive Reports" said it was the industry's best production week since the one ended Sept. 22, 1951. Rocking under the blow of the recent steel strike, the car companies had assembled only 18,760 autos six weeks ago for a post-World War II low. Since about last Aug. 18 they have been trying to recover lost ground by extra shifts and overtime.

"Overtime and Saturday production at Chrysler and extra hours at General Motors continue to highlight the industry's operation," said "Ward's."

Second shifts are also being lined up at Nash and Studebaker, plus overtime and six-day operations at Ford, said the Agency.

But the "success or failure" of planned record turn-outs during the rest of this year may depend on the availability of workers.

"Ward's" believes that thousands of Detroit and other area auto workers—many now idled by model changeovers—will be out of jobs no longer than 10 days to two weeks in September and October. Before the steel strike, five to six weeks of such unemployment was in prospect.

Credit controls over residential and commercial construction were suspended by the Federal Reserve Board on Tuesday of this week. The order applies only to conventional mortgages and does not cover real estate credit insured or guaranteed by Federal agencies. Conventional mortgages account for 70% of the market, officials stated.

The suspension means that as far as the government is concerned, home buyers will no longer have to put down a certain portion of the price of a house in cash and pay off the balance in a

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Mexico Meetings Draw Attention To Duplication of Int'l Programs

By A. WILFRED MAY

MEXICO CITY—To this writer a most important outgrowth of the 54-nation convocation of the twin Bretton Woods organizations here is the opportunity to focus attention on the vast duplication in international finance institutions that have sprung up throughout the world.

A. Wilfred May

Such overlapping involving the International Bank and Monetary Fund applies to both their position toward each other and their relationship with other bodies.

The present size of the Bank and Fund typifies the large-scale dimensions of these present-day organizations. The Fund is now equipped with a staff of more than 400 individuals, 54 governors and alternate governors, 15 directors and alternate directors. It operates under an annual budget of $5 million. The International Bank, with 51 governors, 51 alternate governors, 14 executive directors and 14 alternate executive directors, similarly uses a staff in excess of 400.

Imminent Kindred Confabs

Next week's (Sept. 24 and 25) Pacific Coast conference on international capital investment to be participated in by government, industry and banking representatives, called by the International Development Advisory Board, seems to typify the disseminated effort that is taking place in this field of international economic activity. The objectives of expanding Point IV and the enlargement of private capital investment are to be explored again there under the aegis of the Technical Cooperation Administration of the State Department, the Department of Commerce, as well as the above-named IDAB.

The imminent British Commonwealth Conference, in its facing of the problem of commodity prices and sterling crisis represents another meeting, which in this instance will share the Fund's objectives in a major sector of the world.

Current discussion here in Mexico of the activities of the European Payments Union and the optimum future objectives of the Fund reveals considerable overlapping of those two bodies. Incidentally, the smaller EPU has turned in a far more effective record toward freeing trade and establishing fiscal soundness in its affiliated countries, comprising two-thirds of the world's commerce, than has the Fund.

Research Galore

In investigation and research activities also has there been duplication galore. Surely the vast research staffs and their projects of the Fund and Bank at least partially overlap those of United Nations' organizations and with our own government departments, as the Treasury, State, and Commerce, and the Export-Import Bank, etc., etc.

Duplication of investigatory effort is likewise occurring in various individual projects which have been promulgated. The latest of these, the embryonic special investigation of U. S. trade policies to be undertaken—with the blessing of the Fund—by Mr. Daniel W. Bell, acting under an appointment as Acting Chairman of the Public Advisory Board for Mutual Security, follows the similar Truman-sponsored major study and findings by General Draper, Mr. Gordon Gray's study of foreign economic policies in 1950, and the President's Materials Policy Commission's investigation under the leadership of Mr. William S. Paley.

In research as well as in some objectives does the GATT organization also duplicate Fund activities. This is true irrespective of the fact that the latter, as it is stated by the Fund people, on occasion feed information to the former.

Apart from their administrative functioning, the United Nations' Economic Commission for Europe and OEC also embody overlapping in their research contributions to the world's enlightenment (as in the former's currently issued 86-page, 40-table, 4-chart quarterly "Economic Bulletin for Europe" issued in Geneva by the former organization). And within the UN administration proper also there are, of course, continuing studies conducted by its Department of Economic Affairs.

Additional Lending Institutions

Although it would operate without government-guaranty, the proposed new International Finance Corporation, as promulgated by the IDAB and pushed by many members of the International Bank, would overlap the latter and other organizations. Also a new intra-European investing institution resting on equity investment, has been talked about here—in the face of the fact that the real problem is to mobilize the European capital that is already there, and that the initiation of a new institution does not of itself create capital. In view of the tapering-off of U. S. non-military aid, Europeans' mobilization of their own capital assumes additional importance. In any event, attainment of currency convertibility is far more important than the continued spawning of aid-institutions.

Bank-Fund Consolidation

Whether an over-all worldwide reorganization of international economic agencies is too utopian to be in the cards for the reasonably foreseeable future or not, meanwhile at least consolidation of the International Monetary Fund and the International Bank could be instituted. In addition to the administrative streamlining and elimination of duplicate activities of the huge staffs sharing the same building, it must be borne in mind that the business done by the Fund has been ridiculously small—only $850 million since its inception—and with no lending in 1951, in the face of its aggregate capital in excess of $8 billion and $4 billion in gold, hard currencies and the equivalent; and a business total which must be related to the world's export business totaling $480 billion. The Fund's gross expenses during the fiscal year ending April 30 last were $5 million with gross income of $3.8 million and a deficit of $1.2 million.

Besides the specific financial savings, and the improvement in efficiency that would immediately result, such Bank-Fund merger would constitute a most constructive first step toward cleaning up the world's sprawling financial bureaucracy.

Also helpful in holding aid institutions within bounds could be an even more actively restraining hand by the four top-level fiscal officials comprising the National Advisory Commission.

Says Industrial Expansion Has Passed Its Peak

New Presidential adviser qualifies statement on defense outlays

On taking his oath of office as a member of the 3-man Council of Economic Advisers to the President, Robert C. Turner, who was in the office of John R. Steelman, Mr. Truman's assistant in economic affairs, issued on Sept. 8 the following statement:

Robert C. Turner

"I consider it a great honor and a fine opportunity to serve as a member of the Council of Economic Advisers. The period ahead will challenge the economic forecasters' skill to the utmost.

Continued on page 7

Taxation in the Future

By ADDISON B. CLOHOSEY*
Director, Washington Tax Bureau
The Research Institute of America, Inc.

Predicting no early reduction in taxes, regardless of whether we have a Democratic or Republican Congress, Mr. Clohosey sees taxes remaining at present high level until 1955. Holds taxes may even go higher in event of all-out war. Points out, however, there will be changes in tax laws, but leading to no general reduction in the "tax take," and enumerates some specific tax problems facing Congress. Advises business firms draw into this year all expenses they possibly can, and defer until next year all income possible.

What's ahead for taxes? Can they go any higher? Will they be reduced? What does Ike think about taxes? What Stevenson? These are questions that men are asking every day and while no one seems to have a complete answer, it is possible to do some informed guessing. It is impossible to give any complete answer because we don't know whether we will be in a state of war, a state of peace, or the kind of hybrid armed peace or preparadness for defense that we are in now. We don't know whether a Republican or Democrat will be in the White House or whether the Congress will remain Democratic or change to Republican.

Addison B. Clohosey

We do know that Federal taxes are higher now than they are likely to be again unless we have another all-out war. In fiscal 1952, the fiscal year just ended last June 30, the American people paid $14 billion more in taxes than we paid in fiscal 1951, which established the previous all-time high. This $14 billion increase was almost twice as much as the total taxes collected in fiscal 1941, the last full fiscal year prior to World War II. Incidentally, in fiscal 1952 the Federal Government collected more than 50% more taxes from the people of New York State than it collected from the entire country in 1941.

That is the bench mark from which we proceed to discuss the ifs, buts and perhapses of taxation in the future. When we say in the future, we mean the foreseeable future, which we shall limit to the next five years. That in itself is a brave limitation because when the Congress is in session it is frequently difficult to predict what it may do in the next five days. Five years of Congressional activity will fill a lot of pages of the "Congressional Record" and can effect a number of very vital changes, not only in the incidence of taxation but in the tax system itself.

In order to evaluate what these changes might be, it is necessary to assume no increase in the necessity for preparedness—no all-out war. In the light of that assumption then, we can proceed into an analysis of the situation that will be the basis for the informed guesses that will follow.

One of the features that affects the trend of taxation is the national budget. There seems to be little hope for any real reduction in the amount of Federal spending before the end of 1954. The "stretch out" of military contracts and the delay caused by the steel strike have combined to extend into at least the latter part of 1954 the peak in military spending that we were supposed to have achieved about the middle of 1953. Therefore, the extremely high budget picture is likely to continue into 1955.

Administration Change Now Not Important

A second feature that normally affects the trend in taxation is the identity of the Administration, whether it be Republican or Democratic. At this time I don't think it makes too much difference whether Eisenhower or Stevenson is in the White House. The Republicans have endeavored to sell themselves as the party of lower taxes in the last few years, but on the other hand, they have also been disciples of a balanced budget. It will be impossible for a couple of years for them to reduce the budget even down to the present level of tax collections and there is some doubt that they will want to increase the size of the deficit just for the sake of reducing taxes.

Whether or not the Congress changes from Democratic to Republican doesn't seem to make too much difference in the overall trend because the Congress has been ruled for many years by a coalition of Republicans and Southern Democrats and is likely to continue to be so ruled whether the Republicans or the Southern Democrats happen to be the chairmen of the various Congressional committees. To state it more explicitly, the actions of the Senate Finance Committee will be about the same whether Senator George or Senator Millikin is in the Chair. A final feature of the trend in taxation that we ought to take into consideration is the mood of the people and how strongly they make it felt. Every tax bill is political and frequently the actions of the Congress are determined by the amount of pressure brought to bear by some of the groups affected by Congressional action.

In the light of these considerations, therefore, let us try to determine how the tax picture might look over the next five years.

No Substantial Reduction Before 1955

In the first place, there will be a reduction in taxes and I think a reasonably substantial reduction but I doubt that it will take effect before 1955. There will be some tapering off of the extremely high rates, possibly by the beginning of 1954, but no reduction that we can call substantial before 1955.

Corporations are now taxed in two ways—through the combined normal and surtax on the one hand and the excess profits tax on the other. The Excess Profits Tax Act of 1950 carries a termination date which provides that it expires automatically on June 30, 1953 unless the Congress acts to extend it. The corporation normal tax increase of 5 percentage points added by the Revenue Act of 1951 expires automatically on March 31, 1954 unless the Congress does something to extend it. My guess is that the Congress will do something about corporation taxes in 1953 because it would cost approximately $4 billion in revenue in fiscal 1954 if the excess profits tax and the corporation tax increases were permitted automatically to expire.

My guess is that the Congress will do one of two things. (1) Continue the excess profits tax at least for another full year but possibly at a reduced rate of 20% rather than the present 30%, and would probably reduce the ceiling from 18% to somewhere between 12% and 15%. Or, (2) will let the excess profits tax die, but compensate for its demise by adding the necessary number of percentage points to the corporation surplus tax rate to make up for the loss in revenue.

The individual income tax increases enacted by the Revenue Act of 1951 are scheduled to expire on Dec. 31, 1953. My guess is that the Congress will continue them, but if there is any substantial reduction in the excess profits tax not compensated for by an increase in the corporation tax rate then political considerations would require at least a token decrease in the individual rates.

The increases in the excise taxes on automobiles, cigarettes and liquor imposed by the Revenue Act of 1951 will expire automatically on March 31, 1954, and the Congress will be subjected to tremendous pressures not only to let these increases go by the board but also to reduce the rates as they existed prior to the Revenue Act of 1951. I feel that the Congress will at this time withstand such pressures and will continue the higher rates at least for another year.

The above predictions relate to the particular taxes involved for a two year period. If we do not get into an all-out war, I predict that the excess profits tax will be a thing of the past by the middle of 1955 and that corporation and individual income rates and some excise tax rates will be reduced at about that time.

The capital gains tax rate is something that the Congress has discussed at great length for the last two or three years and will continue discussing for the next four or five years. There are a lot of reasonably wise tax leaders in the Congress who feel that a lower capital gains rate and a shorter holding period will produce more revenue through the medium of more transactions. It is, however, a moot question and one that is not likely to be decided within the next five years unless we have a Republican Congress, because most of the proponents of the lower rate and the shorter holding period are Republican members of the House Ways and Means and the Senate Finance Committees.

Some Notable Problems

The trend that taxes will take in the next five years may effect some very drastic changes and in estimating what you may have to look forward to in the field of taxation, it is necessary to discuss some of the more notable problems even though my conclusion may be that there will be little or no action in relation to them.

The most drastic change that could occur and one for which a great many taxpayers have hoped, would be the much discussed and highly publicized proposed Constitutional amendment to limit income and estate taxes to 25%. However, I don't feel that this will become part of our Federal tax system within the next five years because the Congress has never indicated any favorable interest in it. Its proponents have been trying for more than 12 years to have enough states pass resolutions to require a Constitutional Convention, but 32 states would have to adopt such resolutions. Proponents say that 29 states have already done so but a Treasury analysis indicates that 12 of the 29 have since withdrawn their resolutions, with the result that a net of only 17 states seem still to be determined to pursue the measure.

The adverse publicity the proposal has been getting in recent months, that is tabbing it the "millionaire's amendment," seems to have been extremely harmful to its chances.

One of the big problems that is affecting the Congress at this time is whether or not to enact any sort of general sales tax or manufacturer's excise tax. In accordance with a mandate of the Senate Finance Committee given during their executive deliberations of the Revenue Act of 1951, the staff of Congress' Joint Committee on Taxation has completed a study on the feasibility of instituting a general sales tax. This study will not be released until after the election. Its findings will be implemented by proposals from big business that a considerably higher percentage of the total revenues be collected through excise taxes and a considerably lower percentage through income taxes. They would double the take from excise taxes and in order to do this we would need a general sales tax at a fairly high rate at either the manufacturer or the retail level. Such a tax would probably not exclude services such as printing. However, I feel that in a period of reducing taxes the Congress will not enact anything in the nature of a general sales tax. If extreme emergency or all-out war should require the need for more revenue, under the theory that income taxation has already closely approached the area of diminishing returns the Congress would have to turn to a general sales tax for the additional revenue needed.

"Fringe Benefits" Problems

One of the economic changes of recent years that is worrying both the Treasury and the Congress is the trend toward more fringe benefits in the settling of labor contracts. These fringe benefits consist in pension plans, health, welfare and sickness benefits, recreational facilities, etc. They are given to employees in lieu of monetary increases, are necessarily something of value to the employees, and the Treasury and the Congress are therefore trying to find some way in which to tax them.

There is now a sub-committee consisting of members from the staff of the Joint Committee on Taxation, the Treasury's Tax Research and Tax Legislative Counsel's Office, the Chief Counsel's Office and the Commissioner's Staff, trying to work out some effective way to tax such benefits. However, it isn't politically feasible and it isn't practical, so I feel that fringe benefits are destined to be bracketed with double taxation of dividends and cooperatives as tax problems frequently talked about but not acted upon during the next five years.

It won't surprise me too much if during this five year period we get a radical change in the field of social security. You may not know it, but in 1950 when the Senate Finance Committee was in executive session on HR 6000, which was the Social Security Act of 1950 and which constituted the most far-reaching change in social security since its original enactment, the Committee almost threw out the entire bill and asked for a complete elimination of the social security system, to be replaced by a system of national old age benefits supported from the general tax funds.

The correspondence that the Ways and Means Committee and the Senate Finance Committee are receiving in respect of social security today shows the vast majority of taxpayers who are articulate enough on the subject to write to the Congress about it to be in favor of a national pension system in lieu of the social security system.

The very least change that we may expect in social security during the next couple of years will be either the outright granting of benefits to persons who are permanently disabled regardless of whether or not they have reached the age of 65, or a freezing of their benefits at the time they become disabled to be payable at the age of 65.

It is probable also that if the social security system is continued, coverage will continue to be broadened and probably the definition of "employer" will be changed from one hiring eight or more employees to one hiring one or more employees.

Some Specific Items Coming Before Congress

That about adds up the situation on general trends, but there will be some specific items coming before the Congress that might develop into action in the next five years. They include:

(1) **Depreciation**—Even the valuation experts in the Bureau agree that the Bureau's Bulletin F as a basis for determining depreciation rates is out of date. It fails to take into account accelerated use of the machinery and equipment, or the modern age in which improvements come so fast that obsolescence requires early replacement. Many of the valuation experts in the Bureau feel that it doesn't make much difference how you depreciate—it all comes out even in the end, anyway. The voices of many, many taxpayers are being added to those seeking a change, and one could be effected within the next five years.

(2) **Section 117-J is the one-way street for taxpayers**—That is the section that permits the sale of real property or personal property used in a trade or business, and if a gain results it is a capital gain; if a loss, it is an ordinary loss. In the Revenue Act of 1950, the Treasury tried to get Congress to change this provision. But they attacked it the wrong way. They tried to have either gain or loss treated as capital gain or loss. But capital losses are deductible only from capital gain, and a lot of companies, notably railroads, have a lot of such sales, but no capital gains against which to offset the losses. I imagine the same is true of printers. At any rate, it was the knowledge of this inequity that caused the Congress to reject the proposal in 1950. But it did get through the House before being killed in the Senate. So if they come back with a proposal to say that all such sales produce either ordinary gain or ordinary loss, such proposal may get through.

(3) **Accelerated Amortization**—The present provision for accelerated amortization of defense facilities will probably not be in existence after the middle of 1954.

(4) **Filing Tax Returns**—Individuals in business and partners generally compute their profits on a quarterly basis, so would like to have the March 15, June 15 and Sept. 15 dates for filing estimated returns each moved up a month to April 15, July 15, and Oct. 15. The request seems reasonable, and may be granted.

(5) **Withholding on Dividends and Interest**—The Treasury will still be looking for legislation to permit withholding on dividends and interest. The last time they tried it, the Congress refused on two grounds: (a) It would require more reports and more recordkeeping for the corporations paying the dividends and interest, and (b) it would deprive some

*An address by Mr. Clohosey before the Printing Industry of America Conference, New York City, Sept. 8, 1952.

non-profit organizations (hospitals, etc.), that are not liable for tax on dividends, of their income for the greater part of a year until they could get a refund.

The Treasury has worked out an answer to these difficulties, and on the next try may get the provision through.

Trends in taxation are affected by the Internal Revenue Bureau more frequently than they are by the Congress, and there are three areas in which recent Bureau action should be called to your attention because all three actions portend an area of litigation or at least uncertainty for the foreseeable future.

The first of these is the area of family partnerships. The family partnership as a tax-saving device has been the cause of vigorous disagreement between the Bureau and the taxpayers for many years. Then came the split-income provision which eliminated the necessity for forming partnerships between husbands and wives. But continually rising rates made such partnerships between parents and children extremely profitable, and the old hassel again came to life.

The Revenue Act of 1951 seemed to settle the argument in favor of the taxpayer. It provides that in all partnerships in which capital is an income producing factor, anyone who contributes capital is a bona fide partner regardless of where he got the capital, and regardless of whether or not he renders services.

However, the Bureau put out a 10-page mimeograph a couple of months ago, purporting to clarify the situation with regard to family partnerships formed since the Culbertson Case, and before 1951. It does that beautifully, but it goes much farther. It changes completely the emphasis on the determination of the validity of the partnership from "intent to form a valid partnership," the norm established by the Supreme Court in the Culbertson Case, to "what is true ownership."

Under this mimeograph it becomes virtually impossible to form a valid partnership with a minor child. The partnership is not valid unless "the donee exercises dominion and control over his or her interest." Minor children are deemed not to control their own property, and if control is exercised by a trustee in their behalf, the trustee must be subject to judicial supervision. The trustee's responsibility under State law is not sufficient, there must be actual supervision.

The second is the participation of a head of a household in the split-income provisions. Such participation is limited to an unmarried person who maintains a household for dependents living in the household with him, and pays more than 50% of the household expenses. The Bureau is about to decide that household expenses should be distinguished from dependency expenses, and should include only expenses of shelter, utilities and food consumed on the premises.

The final feature of recent Bureau activity resulted in the unfavorable Zenz decision in an Ohio District Court. The Bureau did a complete about-face on its own regulations and taxed a stock redemption as a dividend, even though all of the stock of the taxpayer was redeemed. The District Court upheld the action of the Bureau, but probably will be reversed by the Circuit Court of Appeals. Even then, however, the Bureau will persist in its new-found idea, and its action portends considerable litigation in this field in the foreseeable future.

We have established the trends —now what do you do about them?

(1) In that taxes won't go any higher, and may go lower, even next year, you ought to draw into this year all the expenses, repairs, maintenance, etc., that you possibly can; at the same time defer until next year all of the income that you can.

(2) Observe the necessity for tax-planning as a year-round activity. Every transaction into which you enter constitutes a tax-saving opportunity. Study the tax advantages or disadvantages *before* you complete the transaction.

(3) Remember that Congress is a political body. It is more likely to reduce taxes or to alleviate your particular tax problem if you ask it. Unlikely to do anything about it if you don't.

Mine has been the easy task—to establish the climate. It remains for you, the experts, to operate in it.

Continued from page 5

Has Industrial Expansion Ended?

Most economists do not like to admit that they are attempting to forecast, but if our efforts are to be of any real value in policy making, we must forecast, as best as we can.

"We will witness in the months immediately ahead the beginning of another period when our ability to maintain maximum production, employment, and purchasing power will be tested. Recent studies of presently planned defense production programs indicate that, contrary to general impressions, defense expenditures have virtually reached their peak. No significant decline is in prospect for the next year or so, but the time when defense expenditures were rising month after month has come to an end.

"Moreover, the industrial expansion program, stimulated in substantial measure by the mobilization program, has passed its peak.

"Two powerful stimuli to inflation and high-level business activity have therefore lost a part of their force. Increasingly, in the months ahead, we will need to rely on a rising level of consumer expenditures to maintain continued growth and stability. This will require economic statesmanship of the highest order. It is for that reason that I consider it a rare challenge and opportunity to serve as one of the President's economic advisers."

Turner Amends Statement

Mr. Turner remarks in the above statement that the outlay of military dollars have "virtually reached their peak" was sharply challenged by the Pentagon and other Administration officials. Possibly in acknowledgment of such repercussions, the newest member of the President's Council of Economic Advisers on Sept. 17 is reported to have qualified his original statement. While reiterating his view that the period of rapidly rising defense spending is over, Mr. Turner, according to the Associated Press, said that the original phrase that they "virtually reached their peak, was 'too strong'; I should have said 'close to the peak' or 'approaching the peak.'" He is also quoted as saying that the "rapid growth in defense spending is over; from now on we are going to inch up."

Budget Bureau figures, released subsequently to Mr. Turner's original statement, showed that defense outlays in July were at the rate of $12¼ billion a quarter, will strike an estimated average rate of just under $13 billion a quarter for the entire year ending next July, and by that time will be at a rate of $14 billion a quarter.

Simultaneously with release of the budget figures, Mr. Turner amplified his statement, saying:

"On the average, the rise in this fiscal year will be small, in contrast with the rapid month-to-month increase which has characterized the last two years. . . . During this fiscal year we will be entering the so-called 'plateau' in defense expenditures."

Dealer-Broker Investment Recommendations & Literature

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

Canadian Convertible Debenture Issues — Booklet — McLeod, Young, Weir & Company, Ltd., 50 King Street, West, Toronto 1, Ont., Canada.

Capital Appreciation — Suggested portfolio for appreciation without undue risk—Oppenheimer, Vanden Broeck & Co., 40 Exchange Place, New York 5, N. Y.

Favorite Fifty—Analysis by dollar value of 50 listed stocks most popular with professional management—Laidlaw & Co., 25 Broad Street, New York 4, N. Y.

Mutual Funds—Booklet—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Rubber Industry—Analysis—Kalb, Voorhis & Co., 25 Broad Street, New York 4, N. Y.

* * *

Aluminum Industries, Inc.—Bulletin—Stanley Heller & Co., 90 Pine Street, New York 5, N. Y. Also available is an analysis of **Laclede Gas Company.**

American Express — Memorandum — Rauscher, Pierce & Co., Mercantile Bank Building, Dallas, Tex. Also available are memoranda on **Dun & Bradstreet, Gerber Products, Hotels Statler,** and **Time, Inc.**

Argus Cameras, Inc. — Analysis — Shader-Winckler Company, Penobscot Building, Detroit 26, Mich.

British Columbia Packers, Limited—Analysis—James Richardson & Sons, 173 Portage Avenue, East Winnipeg, Man., Canada and Royal Bank Building, Toronto, Ont., Canada.

Central Electric & Gas Company—Analysis—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Chicago Daily News—Card memorandum—Swift, Henke & Co., 135 South La Salle Street, Chicago 3, Ill.

Clinton Foods, Inc.—Analysis—Cruttenden & Co., 209 South Salle Street, Chicago 4, Ill.

Compo Shoe Machinary Corporation—Analysis—de Witt Conklin Organization, 100 Broadway, New York 5, N. Y.

Consolidated Edison of New York—Analysis—A. C. Allyn & Co., 44 Wall Street, New York 5, N. Y.

Cross Company—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y.

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

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

Falconbridge Nickel Mines Limited—Analysis—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

General Public Service—Circular—Hardy & Co., 30 Broad St., New York 4, N. Y.

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

Hudson's Bay Company—Details—Kippen & Co., Inc., 607 St. James Street, West, Montreal, Que., Canada.

International Minerals & Chemical Corp.—1952 annual report—International Minerals & Chemical Corp., 20 North Wacker Drive, Chicago 6, Ill. or 61 Broadway, New York 6, N. Y.

Lemaire Tool & Manufacturing Co. — Card memorandum — Baker, Simonds & Co., Buhl Building, Detroit 26, Mich.

Lower Tampa Bay Bridge 3¾% bonds (Bulletin No. 8)—Tripp & Co., Inc., 40 Wall Street, New York 5, N. Y. Also available is a bulletin (No. 58) on **Maine Turnpike.**

National Homes Corporation—Analysis—Kiser, Cohn & Shumaker, Inc., Circle Tower, Indianapolis 4, Ind.

New York Central Railroad—Memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

Norfolk & Western Railway Company—Analysis—Faroll & Co., 209 South La Salle Street, Chicago, Ill. Also available is an analysis of **Tri-Continental Corp.**

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

Pickering Lumber Corporation—Analysis—George K. Baum & Co., 1016 Baltimore Avenue, Kansas City 6, Mo.

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.**

Puget Sound Power & Light Company—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is a review of **Washington Water Power Company.**

Rainbow Oil Limited—Memorandum—T. H. Jones & Co., Union Commerce Building, Cleveland 14, Ohio.

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NSTA Notes

AD LIBBING

We are most pleased to advise our membership we are over $16,500 in gross advertising. We should better last year's record so would appreciate it if our various chairman and members make further efforts to increase this gross within the next 30-45 days.

Harold B. Smith

This week we are pleased to mention our former President, Frank Burkholder of Equitable Securities Corporation, Nashville, for confirming the largest ad received this week. Also we would like to mention Lex Jolley of Johnson, Lane, Space & Co., Inc., Atlanta, who has been working on some commercial advertising, as well as Clyde Ulmer, Courts & Co., Birmingham, who seems to be following our suggestions in securing other than broker-dealer ads. Many thanks for your work and we hope others may follow suit.

Within the next few weeks we will publish a complete list of the various affiliates with their results to date. We hope this will please the membership.

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

NATIONAL SECURITY TRADERS ASSOCIATION

The Nominating Committee of the National Security Traders Association has presented the following slate for officers of the Association for 1953:

Harry L. Arnold

Phillip J. Clark

James B. Maguire

John W. Bunn

Lex Jolley

President: Harry L. Arnold, Goldman, Sachs & Co., New York City.

First Vice-President: Phillip J. Clark, Amos C. Sudler & Co., Denver.

Second Vice-President: James B. Maguire, J. B. Maguire & Co., Boston.

Secretary: John W. Bunn, Stifel, Nicolaus & Company, Incorporated, St. Louis.

Treasurer: Lex Jolley, Johnson, Lane, Space & Co., Inc., Atlanta.

Messrs Clark, Bunn and Jolley have been renominated for the positions they have been holding in 1952.

Members of the Nominating Committee were: John F. Egan, First California Company, San Francisco, Chairman; John L. Canavan, Rauscher, Pierce & Co., Dallas; George J. Elder, Straus, Blosser & McDowell, Detroit; Elmer W. Hammell, Shillinglaw, Bolger & Co., Chicago; John M. Mayer, Merrill Lynch, Pierce, Fenner & Beane, New York City; George J. Muller, Janney & Co., Philadelphia; and Hugh R. Schlicting, Wm. P. Harper & Son & Co., Seattle.

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COMING EVENTS

In Investment Field

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.

Hess Inv. Co. Formed

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill.—The Hess Investment Co. has been formed with offices in the Illinois National Bank Building. Partners are Edward C. and E. M. Hess. Mr. Hess was previously with Slayton & Co.

Townsend Dabney Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Anna R. Mazzaferro is with Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges.

With Paine, Webber Co.

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Donn C. Tryson has become associated with Paine, Webber, Jackson & Curtis, Third National Bank Building.

Joins Vance, Sanders

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Arthur C. Long has become connected with Vance, Sanders & Company, 111 Devonshire Street.

Gold and General Economic Trends

By B. BARRET GRIFFITH*
B. Barret Griffith & Co., Inc., Colorado Springs, Colo.

Contending today's apparent prosperity may be an illusion, Western investment analyst points out government spending for goods and services is not productive and breeds "soft money" as well as inflation. Calls for restoration of gold standard. Holds it is now wise to invest in gold and gold shares

When the doctor used to say "you are sound as a dollar" we walked out of his office feeling fine and fit to fight wildcats. Today such a remark by our doctor would scare us to death. This describes the eye through which we look at dollar statistics. New peaks in total deposits and currency, turn-over of demand deposits, loans and investments of commercial banks,

B. Barret Griffith

debt of individuals and large debt of our government make us uneasy. We are disturbed by the sleight-of-hand of the Central Banks substituting loans to commercial banks for the policy of buying government bonds at pegged prices. We do not understand the optimistic reasoning of some who point to these factors, and the increasing debt of corporations to meet bulging inflationary cost of taxes and payrolls. Years ago we were taught that brick and mortar investments eventually had to be paid out of net earnings. We are confused by the otimistic reference to increased plant expenditures by corporations when the amount of money being put into brick and mortar and fixed assets may exceed corporate net earning projections. And finally when we hear that business, profits, commodity prices, and the stock market are sure to be good for months ahead because of the defense program, we have the same reaction that one feels when one looks into a distorting mirror in a fun house at the carnival.

Is Defense Spending Profitable?

Are wars and preparations for war really profitable, or is it an illusion?

During periods of wars and preparations for wars, the customer is the government. But important non-defense trade exists and depends entirely upon the ultimate consumer, and at no time can he be forgotten. By the way, that ultimate consumer is an animal whose arbitrary habits of saving money and spending money not only depend upon his particular economic position at any time, but also to considerable degree is influenced by how he feels about things. Recent projections of how the ultimate consumer should spend his money, save his money, and act seem to have left out how he might feel. What are his hopes and fears?

But first let's look at Uncle Sam who is the biggest single consumer at this time, even though that means he is something of a midget compared to the combined consumption of all individual Americans. Uncle Sam supports himself by taxes, bond sales, and to a degree by the issuance of paper money. Although there seems to be no limit to the number of bonds he can sell to the banks, he appears to have reached the saturation point of bond sales to individuals at the present rates of interest he is willing to pay. Taxes seem to have reached a ceiling. Individuals are restive under their tax burden. Corporations might have further levies placed on them, but Uncle Sam's total take might not be expected to increase very much. To us Uncle Sam appears to be like a juggler trying to keep taxes, commodity prices, national income, and the monetary gold stock in the air in order for his present debt not to become a real burden. If he drops any one of the four balls—taxes, income, prices, gold stock, he will probably lose control of the fifth ball—debt.

On the other hand the ultimate consumer, you and I, is confused and frightened to see the continuing world and domestic mess after having lost part of his savings through dollar depreciation. We are recognizing bad investments made by incapable political leaders driving hell bent for election. We are frightened by our expensive ride from crisis to crisis as passengers in the automobile driven by jittery political appointees who have never been able to tell us when they believe we will reach the top of their mountain of crises. Is it any wonder that people of the Western World are losing confidence in currencies and politicians? Is it any wonder that they are recognizing the mistake which they made 20 years ago when, by giving up the right of converting currency into gold, they, in effect, traded their gold for paper money and thus allowed political leaders to write checks on their bank accounts?

Our conclusion from looking at all these factors in the economy is that today's apparent prosperity may be an illusion. Too many of all the goods and services produced in this country are not productive. Non-productive goods and services seem to breed soft money. And soft money seems to breed non-productive goods.

The Fixed Price for Gold

Far from recognizing any of our fears, or the people's confusion, the economic managers point with pride to the $35 per ounce price for gold. As individuals we are told that gold is useless, worthless, and old-fashioned and that the business of the world can better be carried on by paper money issued and controlled by those planners who see all and know all that is good for us common men. As taxpayers we are told that Britain and France need our financing because of their shortages in monetary gold reserves. Yes, the economic managers point to the $35 per ounce price for gold, the same price as we had in 1934. But they can neither point with pride, nor do they, to the fact that they have failed to buy gold to back up the flood of paper money they have issued and that there is neither peaceful trade nor confidence in currency under their management.

Financial hocus pocus to the contrary and notwithstanding, gold retains its value in the minds of men. It is the money manager and paper money he prints which is suffering depreciation, not gold. There is a reason for this. After all, God made gold before he made money managers and paper. As a matter of fact God made gold before he made sex. Gold is mentioned in the twelfth verse of the second chapter of Genesis. God didn't make Eve out of Adam's rib until ten verses later. From gold's origin told us in the Bible and history, there is every reason for gold's value in the minds of men. Gold was given to us and has been used as a measure of wealth and for protection against governments. Because man accepted God's gift of gold and sex there has always been comparison of other values to them. It is no wonder then that people measure our government today by saying "the 50c Truman dollar measures today's value of his foreign and domestic policies."

While on the subject of the everlasting value of gold and people's inherent habit of comparing other things to gold, it might be timely although an admitted digression to consider some current political statements. Nothing is lost and certainly something may be gained by comparing current political statements in terms of gold. Gold is now a political subject. New Dealers and Fair Dealers have made and will make claims about social gains, full employment, high wages, 52 million automobiles on our highways, refrigerators and television sets in everyone's home as results of their policies. Those statements are true if one looks only at the Fair Dealer's side of the coin. The other side of the coin is the declining value of paper money. The answer to these political statements of progress, as suggested by gold, is "let's nail down whatever gains we have enjoyed or losses suffered during the last 20 years by returning to a good gold dollar whose purchasing power has a chance of being worth the same ten years from today as it is today."

Gold and Gold Shares Now a Wise Investment

Obviously, we believe investments in gold and gold shares are now wise.

The upswing in stock prices generally since the middle of 1949 has been sparked by oils. If the fluctuations of the last 19 months are to be resolved on the upside, we believe it will be the result of a return of confidence through the re-establishment of sound money which would be bullish for golds. If, unfortunately, return to sound money is delayed until the force of unhappy events brings it about, gold and gold share investments should still fare relatively well during that period of adversity.

For selection of gold shares, it may be helpful to apply the thought of reducing important balance sheet or profit and loss items to a basis permitting scientific comparison between different gold mining companies. Casual review of balance sheets and operating statements or even reducing those statements to per share balance sheets and profit and loss statements is not enough. To compare one mine with another mine it seems necessary to reduce earnings, assets and working capital to the amount one would buy or own for each $100 invested at current market prices. Because of the depressed state of gold mines, it is important to know the earnings, net assets and working capital for each $100 invested at present stock prices. Also, it is worthwhile to notice whether increases or decreases in production from year to year approximate percentage changes in tons milled by each company. Discrepancies between production and tons milled should be checked to see whether the grade of ore mined is declining, the mill capacity is insufficient or inefficient, and other important reasons for variance between total dollar production of the company and tons milled by it.

I leave you with this fundamental thought. A gold investor does not have to be a prospector. Stay with the many established Canadian and several American mines. Homestake is an excellent American example, and remember there is still gold in Cripple Creek.

*A talk by Mr. Griffith before the New York Society of Security Analysts, New York City, Sept. 15, 1952.

Howard Phillips With Prescott in Cincinnati

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Howard E. Phillips has become associated with Prescott & Co., Carew Tower. Mr. Phillips was previously Executive Vice-President of Smart, Clowes & Phillips, Inc. Prior thereto he was Cincinnati representative for Hugh W. Long & Co. Inc.

Edward Naumburg to Be Stieglitz Partner

Edward Naumburg, Jr., Manager of the Investment Department for Stieglitz & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, will be admitted to partnership in the firm on Oct. 1.

With Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Clarence B. Keehner is now with Fusz-Schmelzle & Co., Boatmen's Bank Building, members of the Midwest Stock Exchange.

Significant Gains to the Nation Resulting From the Steel Strike

By T. F. PATTON*
Vice-President and General Counsel, Republic Steel Corporation

Steel company executive reviews developments in steel strike, and asserts that if companies and the union had been able to carry on their negotiations without government interference much of the $4 billion loss from the shutdown would have been avoided. Lists as by-products of the strike: (1) awakening of public to danger of labor monopoly; (2) the judicial settlement of the right of Executive seizure; (3) a practical demonstration that present day system of labor negotiations is futile; (4) public's realization of the dangerous implication of the union shop, and (5) unmasking of alliance between Government and organized labor.

For almost a year I have been up to my very ears in labor discussion, controversy and negotiations. During those months we had an eight-weeks' strike—one of the costliest and most wasteful strikes in the history of the United States. This labor controversy was the result of a series of demands made on the steel companies by the United Steelworkers of America. These demands were fantastic in their scope and effect.


T. F. Patton

Initially there were 22 broad demands which, when broken down into specific collective bargaining issues, involved more than 100 separate subjects. They included an unspecified but "substantial" wage increase, a guaranteed annual wage, changes in working conditions, and other changes which would have taken from the hands of management the right to run the steel companies—and the Union Shop.

Six hundred fifty thousand steel workers were directly affected by the strike. They lost more than $350 million in wages. This is more than they will gain by the wage increase during the contract period. The nation, hungry for steel for defense and civilian purposes, was deprived of close to 20 million tons.

It has been estimated that 1,500,000 other workers were idle for varying periods as the steel inventories of the fabricators melted away. An authoritative source placed the total loss resulting from the steel strike at the fantastic figure of $4 billion. This is greater, by almost half a billion, than the total expenditures of the Federal Government for the year 1931.

As a result of this labor controversy we literally threw away $4 billion in potential wealth and production, much of which can never be regained. The cost of strikes is high these days.

The effects of the steel strike were dramatically described by Robert A. Lovett, Secretary of Defense. He said, "No enemy nation could have so crippled our production as has this work stoppage. No form of bombing could have taken out of production in one day 380 steel plants and kept them out nearly two months."

I have no intention of discussing in detail either demands or the months of negotiations that followed. You are undoubtedly familiar with the steps that were taken by the parties concerned.

It might be well, though, to point out, in case you have forgotten, that the Union had powerful allies on its side. These included the President of the United States, the Vice-President of the United States, the Secretary of Labor, some pro-labor Senators and Congressmen, and powerful governmental agencies such as the Wage Stabilization Board and the Price Stabilization Board. With this powerful array against it the steel industry, big as it is, felt like David confronting Goliath.

The strategy of the costly fight was apparently worked out by the Union long in advance. As early as February, 1951, the United Labor Policy Committee refused to continue Labor's cooperation with government defense committees, unless the Administration met its conditions. One condition was that the Administration reconstitute the Wage Stabilization Board. It demanded that the new Board have power to deal not just with wages, but with non-economic issues in labor disputes. Non-economic issues of course include the Union Shop. Labor got from the Administration just what it wanted—just the kind of Board it wanted with the kind of authority it wanted.

The industry was denounced in bitter and untempered language by the President and others in the executive family.

The industry was seized by the President of the United States, as you may remember, and the shackles of seizure were striken off first by Judge Pine and finally and conclusively by the Supreme Court of the United States.

There was only one mistake in the blueprint. Mr. Murray had assumed that, with the Administration's aid, he could get what he wanted without a strike. The Wage Stabilization Board would give it to him. And if the Board's recommendations were not met in full by the companies, then the President would give it to him, after seizure of the industry. There was only one error in this line of reasoning: Mr. Murray had assumed the President really had the power to seize the industry. The President made the very same error.

Taking it all in all, it was an unhappy and unproductive period of time filled with endless conferences, negotiations and meetings. Throughout those months, those of us who were actively engaged in carrying on the industry's side of the controversies, had a deep feeling of futility. We felt that so many things we were forced to do represented largely a waste of time and effort. When we were summoned before the Wage Stabilization Board we had grave doubts as to the judicial attitude which the Board would bring to the hearing.

The final "recommendations" of the Board, which, incidentally, went far beyond anything that the Union had hoped for in its most optimistic moments, proved conclusively that our doubts were correct.

We attended session after session of negotiations which we knew would be futile because the Union leaders had committed themselves so firmly to their demands that negotiation was almost hopeless. For a long time it was as though you were in a swamp and every step you took seemed to carry you further into the morass and further away from solid ground.

In the course of the long drawn out negotiations, the companies made four different offers. Had the last offer, made shortly after the strike began, been accepted then instead of in late July, the strike would have been cut short by some six weeks.

But, as is the case with all things, we finally came to the end of the road.

The Union gained substantial economic advantages but the issue which prevented a settlement for so long was won—and I say this not in any spirit of boasting—by the companies. That was the issue of the complete Union Shop.

It has been said that there is some good in the worst of men and that some good comes out of the most evil situations.

By-Products of the Strike

So today I am going to discuss not the strike and its immediate results, but rather certain by-products of the strike which I believe will be of lasting value to our country.

In retrospect I believe that as a result of the strike we have made gains in five directions, each one of which I want to discuss with you briefly.

First—The field of labor monopoly.

For a good many years a great many people—and many of them neither in industry nor business—have pointed out the dangers which lie in labor monopolies. They pointed out that this country was drifting with frightening rapidity into a position where the power of labor could exceed that of government. While we have heard much about the power of business, that was a puny power compared to the power in the hands of the labor unions today.

Not many people took this warning seriously. They thought it was just another case of business crying "wolf" in an endeavor to stultify the labor unions. They were unable to visualize the fantastic power which labor had accumulated as a result of a sympathetic government and laws written in labor's favor.

Then the steel strike with all of its consequences hit the country with devastating force. One hundred fifty million people saw 650 thousand workers leave their jobs at the nod of a single man. They saw steel plants close and steel production come to a sharp halt.

The disastrous results, however, became apparent only as steel fabricating plants joined the steel plants in idleness. The nation saw the production of civilian goods halted. The nation watched with dismay as reports came from all parts of the country of shutdowns in plants making needed munitions.

The people of the country suddenly began to realize that any man who could close so many plants and throw so many people into idleness had more power in his hands than any one man should have.

I think the people of this country became more than a little afraid. They began to visualize what could happen if three or four union leaders joined together in calling strikes. They began to realize that the country could be ruined as thoroughly and completely through the edict of a handful of labor leaders as it could by armed invasion. They were worried. They now know they face a problem. That is an enormous gain.

I repeat, I think the people became frightened.

Out of that fright came a demand that labor's power be curbed—that the public be protected against the deals made between the vote-seeking politician and the power-hungry union boss. You saw the results of that demand in Congress as troubled Representatives and Senators wondered what they could do and how they could do it. They were reflecting the letters and telegrams from their constituents. The people realized that the monopoly power being exercised by labor leaders can only be remedied in Washington, since it was created in Washington.

So I think we can look forward, during the next session of Congress, to some legislation which will curb the power of labor. This legislation should not deprive labor of any of its just powers but it must take away the excess.

I don't think it's going to make much difference what the complexion of the next Congress may be. I think the demand for this curbing legislation has been too great to be ignored. If we get sound, sensible laws in this vastly important field, we will have gotten an important gain out of this costly controversy.

The "Seizure" Decision

The **second** result from these months of labor controversy was the decision of the Supreme Court on the question of seizure.

At this point I should like to pay a tribute to a man who should and will go down in history as a man of courage and conviction. I am talking, of course, of Judge David Pine. He was faced with a tremendous problem when the companies challenged the President's right to seize the industry. He could have temporized and handed down a decision which would have gone part way. No one would have criticized him too vigorously for straddling this hot issue. But Judge Pine evidently was not that kind of man. To him there was an important issue, vital to the entire country, and one which should be settled once and for all.

The decision which he wrote was one of the most amazing in our legal history. Not only did it discuss the implications of seizure and the legal arguments for and against it completely and thoroughly, but the decision was so clearly and simply written that it could be understood by a high school pupil.

Judge Pine's decision was appealed to the Supreme Court of the United States. By a six-to-three decision the Court ruled that President Truman's seizure of the steel industry violated the Constitution and infringed on legislative powers reserved to Congress.

At one stroke the Court ruled against the Presidential theory of "inherent power" and settled this question once and for all.

The Court ruled that the President, like Congress, was limited in his actions by the Constitution. The decision put a stop to a steadily growing access of powers claimed by, or used by, or allowed by default to the President. Had the Court ruled otherwise, it would have overthrown our entire concept of government by balanced powers as conceived by the founding fathers. We would have had a government by men instead of by process of law.

It has taken a long time to settle this legal question but that, too, is now behind us as a result of the steel strike.

Difficulties Present Day Labor Negotiations

The **third** point deals with the difficulties of present-day labor negotiation.

For a good many years, as labor controversies arose, it was possible for representatives of a company and a union to sit down together and thrash out their differences. Rarely did either side win all that it wanted but through collective bargaining, through concessions made and accepted, an agreement was reached. The strike ended, men went back to work and production was resumed.

In the case of the steel strike the whole picture was different. From the very outset it seemed as though negotiations were doomed. Union officials had freely proclaimed that they were not going

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*An address by Mr. Patton before the National Petroleum Association, Atlantic City, N. J., Sept. 11, 1952.

We Have a Dictatorship of A Few Powerful Men!

By CHARLES E. WILSON*
Former Director, Office of Defense Mobilization

Noted industrialist and former chief of Federal Defense Mobilization attacks what he calls "the out and out economic dictatorship of a few politcally powerful men, who are holding the very destiny of the country in their hands." Says he was "overruled" in the steel controversy by "a single man who was never elected or appointed to a national office, but who exercises more control over the country than the President." Deplores course of nationalization, socialism and collectivism, and advocates sale of the tax-free Federal power and water projects to private companies under a plan providing for exchange of government bonds for stock of the new corporations. Says this would effect a cut of $27 billion in the Federal debt, and produce $1 billion annually in taxes.

As citizens of our country, and not just as businessmen, I think all of us should congratulate the railroads. They are starting positive action here today to oppose oppressive regulation which not only has been gradually destroying the railroads, but undermining free enterprise in America. And, whether it may be good manners or not, I say to you as railroad people that it is about time.

Charles E. Wilson

For a long, long time it has been "about time" that all of us in business, and all of us who love our country, attack the one big problem that threatens everything we in America believe in.

It is incredible that in a land built by courage and by faith, as well as by material progress, we have permitted those without courage, without much faith, and with practically no material progress to their credit, to smear and seek to destroy the achievements of American business and American businessmen and the freedom and well being that those achievements have created and protected. It is indeed high time that we put an end to our own defeatism of the last 20 years and start fighting back with actions instead of with apologies and complaints.

Probably most of you know what is happening to us. After a few hitches in government, I think I know the real danger as well as any man. Business has been pleading its case for so long, and in such a way, that the people are tired of listening. And for each plea from business there have been ten answers from its much less inhibited enemies. It is not that millions of people have come to believe that the words "free enterprise" are a dirty name, but that they have become tone-deaf to this same old expression and they are bored with it. We have not translated very well.

The progress of our economy toward socialization, nationalization, or whatever other name for big government and little people happens to meet your fancy, is accelerating, even while the popular cry has begun to go up against it. I've seen it, and I know it. That's because the machinery has been in motion for 20 years, and it takes more than talk to change it. Many of us unwittingly go along with it in order to get our business done.

But even if it is, I know many of you feel that if you go down, you are going to go down fighting. There are times when the cause is bigger than just mere people, and this is exactly that kind of cause.

*An address by Mr. Wilson at a Railroad Week luncheon sponsored by the Commerce and Industry Association of New York, New York City, Sept. 16, 1952.

Seek to Destroy U. S.

How is all of this happening to us? The answer is very simple, simpler than the cure. There are some people in our country — in government and out — who consciously want to destroy the American system. They are intelligent, clever, and — I think — misguided, which is the kindest thing you can say. How can they do this, and why? What in the name of heaven moves people to knock down the best system any of us have ever experienced or dreamed of? Sure, there are always a few crackpots. And we are big enough to endure and absorb them without too much difficulty. But crackpots, and even the Communists, won't seriously harm a great and strong people once that people is aware of their intentions.

The danger is that our government for too long a time has been teaching the people not to be great and strong. It has been fostering a concept of weakness, of dependence, of laziness, and worst of all, of individual selfishness. I think it is about time that the government and the people get sold on the American system of incentives, risk, competition, profit and loss before we destroy completely some of its basic strength and goodness.

We have been talking about this for a long time. And even if we think we have been working hard at it, the fact stands out like a sore thumb that we have not been gaining enough ground.

If and when the battle should be lost completely, you and I won't be hurt too much. Suppose as a first step in its program, the government takes over the railroads. You railroad presidents probably will still live in your same homes. Most of you will probably stay in your same offices. Your level of living will suffer little, and you will still be better off than most of the people in other parts of the world. In short, you will eat and sleep reasonably well. Physically, at least, life will still be worth living, and you will all go along.

But that will not be the kind of life our children will lead, unless we find some more effective means to awaken our people and call a halt to this foolish and easy acceptance of economic suicide.

Socialism in Washington

Down in Washington I have watched our creeping paralysis of socialism at work. The development of this incredible philosophy of weakness is almost blueprinted, step by step. But as insidious as it is, the masterminds behind our headlong plunge into an omnipotent government are not Bolsheviks scheming to change our economy just because they want it that way.

They are, for the most part, naive, earnest, and dedicated to their task. They really believe that their system is good for America. And what is much worse, they have convinced many good people that they are on the right track.

We who oppose this new race of administrators and coordinators who are pushing themselves higher and higher, beyond the effective reach and control of ordinary citizens, are by no means blameless. For the most part it is our own fault. When the businessmen "ran the country"—as the saying goes—I am afraid that too many of them tried to run it for their own benefit too much of the time. At the very least, they neglected their social responsibilities, or were not aware of them. The abuses which grew up in industry were caused by a taste for power and a let-'em-eat-cake philosophy that no people would stand for forever. And they didn't.

So we provided some of the ammunition that is being used against us today. It is being used with telling effect by bureaucrats and candidates for office who have now acquired their own taste for power that once dominated so much of the businessman's thinking.

We have learned the lesson. We know that this country can only be great when we act in good faith, and when we consider the **balanced** best interests of all of the people and not just a few who would sacrifice long-term economic statesmanship for profit.

The time is here when some other people should be taught a lesson, and the teacher should not be just the businessman. It should be every man and woman in America who loves his country and wants it to learn again that the freedom of the individual is more important to personal and national welfare than all of the half-baked schemes of the socializers.

Not too many decades ago, we lived through a period of trust-busting to break up the big monopolies. We acknowledged then that the concentration of power did not always work for the best interests of America. But have we forgotten? If we have, then it is time to remember.

"Need a Big Stick"

We have to launch a second era of trust-busting, and we need a bigger stock than even Teddy Roosevelt could swing. The principle is the same—but the backside is different. If the concentration of power by business was bad for our country—and it was—then the concentration of power by government is equally bad. And it is.

Man's struggle through the ages, beyond that against hunger, has been against being pauperized and enslaved by his Government. In only a few brief moments of history, has man been free and well off, as here in our blessed land.

If the people of our land believe in the American system, a system that has raised our national income to $300 billions a year and brought us a way of life never equaled, then why do we continue to accept competition around the edges in the form of socialistic government ownership projects? If free men controlling their own destinies have made our country physically and morally strong—then why do we try the opposite system?

Our government is embarked on a program that must deliberately foster class antagonisms — the classes in this case being economic groups. And this in a land that grew to greatness because we recognized and tried to prohibit the turning of man against man and group against group. And today we are permitting a misguided few to lead us back into this treacherous and dangerous mire of class strife.

Abraham Lincoln observed that no nation could survive half free and half slave, and the people of the United States well understood what he meant. They fought a war, and because they did we were united and put on the road to greatness. Now, in business, we are approaching a sort of half-freedom and half-serfdom, and I submit that no nation can survive under that kind of system, either.

So, if Americans still believe in their system, let's start practicing that belief. And we will, as soon as the people really know what makes us insist upon it. The crying need for a more effective educational program to teach those who do not know that the only road to personal and national prosperity and freedom is the very road that once before led us to greatness.

This teaching job is not easy, but it is far from impossible. I think it can be done—a good start has been made—and at the same time we can get our national finances back to something approaching soundness.

Plan to Cut Federal Debt by 10%

Our national debt today is approaching $270 billion. Suppose we could cut that by about 10%?

I know there will be many who will minimize a mere 10%—just an insignificant 27 billions—but if we could make that cut, we would save annually almost half a billion in interest payments. This saving is not the main purpose of the proposal at all, even though the monies involved are considerable.

The purpose is to let all Americans who can and will, buy a share of stock in America, of their own free will—to make them stockholders in the true sense of exercising both choice and control, instead of being forced as taxpayers to finance undertakings beyond their choice and control. The public power and water projects and similar enterprises that we have built are book valued at approximately 10% of our national debt. They are sound and going businesses, and they are serving an important public need. We have never argued the need — just the method. But they are operating under the big government concept, which has never in history proved itself an intelligent and efficient operator of any business.

What is wrong with selling our national dams, generating equipment, and distribution facilities to the people? Immediately this will be attacked, I know, by a lot of those people who will say that we are thereby trying to give these facilities to Wall Street.

Not at all. The potential buyers are all around us. They are exactly the millions of our fellow Americans we want to reach, the same people who need to learn about and understand the true democracy and strength of the American competitive system. They are the people who own government bonds.

Exchange U. S. Bonds

Under this plan, bonds could be exchanged for shares of stock in the new companies to spring from the presently government-owned plants. It would be deflationary to the extent that the debt is reduced. Instead of tax-free power and water projects, the new companies would pay taxes approximating a billion yearly. And if they are economically justifiable undertakings in the first place, this will prove that they are, or the potential investors will simply not invest their savings. And the new shareholders would get a better return from their stock than they are getting from their bonds today. But most important of all, the people would be buying into business. Millions would own a tangible part of American Business Enterprise — and as owners these millions would have an interest — sense of proprietorship and responsibility—not otherwise possible. They would acquire a personal interest in business. They would be buying economic understanding in the only good way, as voluntary participants, and that is all we ask. Then they would understand, and no longer could the

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Investment Status of Bank Stocks

By F. W. ELLIOTT FARR*
Assistant Vice-President, Girard Trust Corn Exchange Bank, Philadelphia, Pa.

Mr. Farr reviews history of bank stocks as investments, and points out bank stocks are now selling below the price pattern of other classes of securities. Lays reduced bank earnings to low interest rates and higher operating costs, and says adequacy of capital funds is a serious problem, because the cost of new equity capital to a bank is relatively "shockingly high." Calls attention, however, to some favorable aspects of bank stocks as investments.

The art of investment, if we can dignify it by that name, lies in the selection of a portfolio from the allowable alternatives offered by the market. The position of a trustee operating under the superb "Massachusetts Rule" for fiduciaries is somewhat different than the position of a savings banker under a more restricted authority. I share the hope of most of you that other forms of equity investment may be opened up, particularly the fire insurance industry which has a long-term investment record comparing favorably with almost any other important group. A little later we may have time to compare the banking and insurance industries in order to bring out the similarities and differences.

Historically bank stocks have been characterized by relatively stable earning power, dividends of a continuity which compare with bond interest and a long-term underlying growth factor to take care of the rough spots along the way. They have generally been owned by well-to-do individuals, by trusts, by charitable institutions and by insurance companies as long-term investments. In the Aug. 18 "American Banker" there is an article by Robert M. Burns which states that the 15 major insurance fleets now own $123,000,000 market value of bank stocks representing 2% of the 33 b--ks under study and about 10 to 12% of total equities owned. Furthermore they are still buying them. It seems clear that the owner of bank stocks has been and is in good company!

Bank Stocks Relatively Cheap

Many of the leading students of bank stocks are bullish on the future. They point out that this class of stock is now selling cheaper in relation to past prices than other investment groups. In a talk some time ago Mr. George Geyer pointed out that as of October, 1951 prices had not been so low, comparatively, for a generation and that the relative gain since then has been modest. He suggested that, to re-establish the historical price pattern a rise of as much as 50% might be required or alternately a downward adjustment in other stock prices. Recent price action is more interesting than a long-term historical perspective. From 1939 until the end of the war, bank stocks did relatively well in the market; since then the record has been poor. Gross income was stimulated by the tremendous increase in money supply during the war and expenses were held down by controls and by staffs reduced by the draft. Since 1945, however, the inflation in money supply has virtually ceased and, until last year, interest rates stayed low while expenses rose alarmingly. As a consequence, bank earnings showed little increase and in some cases declined until 1951. Then a quick rise in interest rates and a great increase in loan demand increased gross earnings more rapidly than expenses to produce a gain in net at a time when many other industries had declining tendencies. As interest rates have a tendency to move in long secular swings, this change has been heralded by some as a basic turn in the trend of bank earnings and prices. I wish I could wholeheartedly agree but there are a number of negative factors to be considered. First, the possibility of many substantial gains in net is hampered by excess profit taxes. While this may be temporary, the continued rise of operating expenses cannot be so characterized. In the event of real trouble, it is difficult to see how banks could cut expense sufficiently to meet the contingency of a substantial fall in loan volume or a decline in interest rates or both. The outlook for the next year or so is fair but the improvements of the last 18 months will probably taper off into a moderate decline.

The break-even point of operations is a concept well known to manufacturing but almost unknown to banking. In the future, this may not be so and the day could be closer than we suspect.

Inadequacy of Capital Funds

Another problem of the banks is the adequacy of capital funds—on a long-term basis, the ratio of capital to deposits has been deteriorating. Nobody seems to be able to say what adequate capital means and it is obviously hard to do so because of changing conditions. A few years ago, many banks were almost "risk free" since their assets were so heavily concentrated in short-term governments. As this short-term paper has converted itself into commercial loans, the situation may have changed. An example will illustrate this—J. P. Morgan & Co. maintained a stable deposit capital ratio from 1947 to 1951—about 9.5 to 9.7 to 1. This is traditional, sound and conservative. On the other hand the ratio of capital to loans went from 2.1-1 to 4.2-1 in the same period. For Morgan, this is all to the good. But what about the banks with a 13-1 ratio which have had a similar increase in loans? Such banks used to justify a thin capital ratio by citing liquidity. While management may now recognize the need for more capital—it is often at a loss as to what course to follow. The old 10-1 tradition is more honored in the breach than in the observance. Whereas, in 1929 the ratio of deposits to capital of all member banks was 6-1, it now stands at 14-1. Fortunately the so-called risk assets ratio, has increased only slightly from 5 to 1 to a little less than 6-1. This figure is the one upon which many authorities rest their faith. We now know, of course that so-called "riskless assets" such as government bonds are less than a perfect haven.

The best arguments for a strong capital structure are that a bank in such a position can maintain its lines of credit under trying circumstances and, perhaps, draw important business from less fortunate competitors. The absence of such banking conditions for many years is no guarantee against their return. It is not sufficient for a bank to have enough capital to survive. It must not only survive but be able to meet its social and business obligations under economic pressure.

High Cost of New Bank Capital

The cost of new equity capital to a bank is shockingly high in comparison, say, to a good utility. A typical electric company is able to sell its common on the market at a premium over book and to invest the proceeds so as not to dilute the return. In this industry a return on common net worth of 10% to 12% is entirely normal based upon a 6% overall return with the leverage of borrowed money and preferred stock. Banks, on the other hand can earn only a nominal percentage on total assets and about 6% to 8% on net worth. For 1952, I estimate that 7% will not be far from the mark for the Massachusetts list as a whole.

A study which we made some time ago showed that from 1936 to 1950, there was a decline in earnings on net worth from 8% to 6.1% for 13 New York banks, from 8.4% to 7.1% for seven other typical Eastern banks, from 9.6% to 9.4% for 8 leading Western banks. The nearer the financial center, the poorer the performance. This record contrasted with increases in earnings on net worth by a leading group of industrials from 14% to 18.5% in the same period. The conservative dividends paid by banks give a low income return on book value and, as a natural consequence market prices tend to be less than book value.

If stock is sold for capital, it is clear that a dilution of net worth takes place but there is an even more significant dilution of net earnings. We have noted that the electric utility puts new equity money to work at 10% out of which it can pay 6% to 8% dividends on book. The bank, however, can invest its new money at about 3% maximum before taxes, 1½% after taxes out of which it pays a dividend of 4%. In other words, new capital to finance a growing business has a tendency to hurt rather than help the stockholder for a considerable period. As a consequence most banks avoid the capital markets and follow very conservative dividend policies in order to provide the necessary funds from within. As bank stocks are usually bought for yield, this in turn depresses the price and we have what appears to be a vicious circle. Unfortunately money retained and invested earns a very low return so that the improvement of capital ratios through retained earnings is effective in alleviating the stockholder's lot only over a long period.

A Comparison With Insurance Company Stocks

It might, at this point, be interesting to compare the position of the banks with that of the group so often bracketed with them—the Fire and Multiple Line Insurance Companies. Like the banks, many insurance companies suffer from a shortage of capital to meet growing requirements. Like the banks, this industry finds its stock selling at a discount from "Liquidating Value." Like the banks, most of these companies prefer to build capital out of retained earnings to the detriment of dividends. Again, like the banks, the industry is characterized by great stability — particularly of dividends. But here the similarity ceases. The insurance companies invest their retained earnings under broad authority for maximum long-term return, the retained earnings pay their way. There is a large difference between investing accumulation in a 3% bond and netting 1½% after taxes and buying a good utility stock at 5½% of which more than 90% of the dividends after taxes stays in net. Another advantage of the insurance companies is that they make reasonable investment return on invested assets and in addition are paid for their underwriting functions. In this industry, an average net return after tax on net worth of 10% to 12% is reasonable. Yet another difference between banking and insurance is the relative cost of personnel as related to gross and net. The insurance companies have a much lower labor factor and as a consequence are not so affected by salaries. Further, if the rates of insurance companies are not such as to insure a fair average profit, it is the obligation of the regulatory authorities to raise rates to compensatory levels—an obligation which in the past has always been meticulously fulfilled—if sometimes a little tardily! The banks, on the other hand, have prices controlled to a large extent by government policy but this policy is seldom if ever geared to meet the needs of the banks as such. Which of us will live to see the day when the Treasury will raise interest rates because the poor vendors of money are in need of a larger return? For 20 years, the banks have suffered from rising costs and falling interest rates and are only now getting some relief.

The effect of the above differences has been dramatic in the market since the beginning of World War II. Taking the so-called normal period of 1935-1939 as 100, New York City bank stocks as represented by the Standard Statistics stock index now stand at about 116 which compares with 216 for 18 Fire Insurance stocks and 206 for Industrials. Banks outside the eastern financial centers have done much better and, in some cases, compare favorably with the industrial averages. The two California banks on your list are good examples of this. This lag of the eastern banks is due to the fact that growth has been stronger in the West and, as a consequence, the negative aspects of the business have been partially cancelled out by a rapidly rising growth and by greater leverage. Also, the westerners get much higher average rates, due to their concentration in consumer credit. This is particularly evident in the case of the Bank of America.

Banks with the weaker capital ratios induced by growth generally have fared best in earnings per share but a good deal of this gain would be cancelled out if it were necessary for them to sell sufficient stock to match the financial ratios of the "Effete Easterners." A case in point is the very strong Republic National Bank of Dallas which has sold stock since December, 1947 on five separate occasions to maintain its capital funds-deposit ratio at a level comparable to J. P. Morgan. As a consequence, the earnings per share did not increase in the five years through 1951 even though the growth of the business was very great. Security First National Bank of Los Angeles, on the other hand, has followed a different policy and now has a deposit-capital ratio of about 16-1 compared with less than 10-1 for Republic of Dallas. Its earnings in the same period on a per share basis have increased substantially as has the price. The dividend return of the Dallas bank has been far more generous whereas the Security First stockholders have enjoyed large capital gains at the expense of immediate income. I am hard put to suggest which is the better policy but am inclined to the philosophy of the Security First under present trying circumstances which make the resort to capital markets so costly. Should conditions change, and I hope they do, sale of stock to finance a portion of growth might be preferable.

Some Favorable Aspects of Bank Stocks

Thus far my remarks have tended to emphasize the troubles of the bankers and might well be interpreted as having a bearish cast. Before I am through, I hope to balance that impression with some favorable aspects.

Many of the troubles cited above are those attributable to inflation and to the financing of growth. Year by year, the industry has been husbanding and building its strength against heavy odds. Although the market may have refused, in many cases, to recognize the progress, it is there nevertheless and, in the long run will be felt. Further, the banking system has been having a "change of life" by seeking and finding new markets at the consumer as well as the producer level. Such expansion is expensive in terms of bricks, mortar, equipment and personnel but, in the long run, it should provide a stable and larger base of earning power.

If, in the years to come, inflationary factors are brought under more reasonable control, it should be possible to stabilize operating ratios with the result that bank

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*An address by Mr. Farr at the 35th Annual Convention of the Savings Banks Association, Bretton Woods, N. H., Sept. 12, 1952.

The IBA Model Blue Sky Laws

By GORDON L. CALVERT*
Assistant to General Counsel
Investment Bankers Association of America

After stating prevailing problems created by Blue Sky Laws, IBA official explains provisions of the two model laws proposed by the Investment Bankers Association. Describes difference between the "notification" type and the "qualification" type laws, and concludes an effective blue sky law is one that permits reputable dealers to conduct legitimate business without unnecessary restrictions, but prevents fraudulent activities and forbids sale of securities which work a fraud on purchasers.

At the first annual convention of the Investment Bankers Association of America (hereinafter referred to as the IBA) in 1912 one of the principal addresses was entitled "Blue Sky Laws and Their Relation to Investment Bankers." The speaker suggested that the IBA should offer an "affirmative program" to accomplish the praiseworthy objective of blue sky laws and that the IBA should have its Legislation Committee prepare a model blue sky law. Those suggestions were adopted and work on blue sky laws has been one of the principal activities of the IBA ever since. This work was originally carried on by The State Legislation Committee of the IBA, with the assistance of the General Counsel and subsequently with the assistance of Mr. Arthur Davis (IBA Field Secretary, who retired in 1948 but whom many of you undoubtedly remember), in cooperation first with the National Association of Supervisors of State Banks and then, after its organization, with the National Association of Securities Administrators and its individual members. The position of the IBA with respect to blue sky laws was stated in the 1915 report of the IBA General Counsel, as follows:

Gordon L. Calvert

". . . the Association from its inception has favored and now favors constructive blue sky legislation."

Since the IBA includes in its present membership of about 765 firms most of the principal underwriting firms, many commercial banks and several sponsors of investment trusts, it is readily apparent why the IBA is vitally interested in blue sky laws and problems under those laws. Some of the problems which presently concern us are the following:

Blue Sky Problems

(1) When the SEC in 1946 adopted Rule 131, permitting the use of the so-called "red-herring prospectus" prior to the effective date of registration under the Federal Securities Act of 1933, the industry was confronted with the problem of whether or not it would be permissible to distribute such red-herring prospectuses to the public prior to the effective date of registration of the securities described therein under the state blue sky laws. Rule 131 requires that there be printed in red ink on every page of a red-herring prospectus a legend stating in part "Information contained herein is for informative purposes only, and is subject to correction and change without notice. Under no circumstances is it to be considered a prospectus, or as an offer to sell, or the solicitation of an offer to buy the securities referred to herein." Since under the blue sky laws of more than 30 states it is unlawful to sell any securities (with certain specified exceptions) until such securities have been registered in the state or certain filing requirements have been complied with, and "sell" is defined to include any attempt to sell or solicitation of an offer to buy, the specific problem under such blue sky laws was whether or not the distribution of a red-herring prospectus would, despite the legend on its face, constitute an attempt to sell or a solicitation of an offer to buy those securities. The laws of many states also expressly forbid the distribution of any advertising material containing or constituting an offer to sell the securities described therein prior to the registration of those securities. The Attorney General of Florida and the Attorney General of North Dakota both ruled that the red-herring prospectus is, in effect, an attempt to sell and that it would be unlawful to distribute such prospectuses prior to the registration of the securities described therein in those states. On the other hand, the Attorney General of Colorado, in a letter under date of June 5, 1947, ruled that the distribution of red-herring prospectuses prior to the registration of the securities described therein in Colorado would not violate the Colorado Securities Act. The red-herring prospectus has been distributed almost exclusively, perhaps partially because of the problem under the state blue sky laws, to dealers and sophisticated buyers to whom securities may in most states be sold as exempt transactions.

Recently the SEC proposed the adoption of Rule 132 which would permit the distribution to the public of an "identifying statement" regarding securities with respect to which a registration statement has been filed under the Federal Securities Act of 1933. Now the investment banking industry is confronted with the problem of whether or not the distribution of such "identifying statements" would be construed as an attempt to sell the securities described therein and therefore unlawful prior to the registration of those securities under the state blue sky laws.

It appears obvious that it is desirable in the public interest to permit the dissemination of information regarding securities prior to the registration of those securities in order to give investors an opportunity to consider and to examine more carefully the merits of securities before they purchase those securities.

This problem can be solved most directly by making it permissible to **offer** to sell securities (but not to sell or to contract to sell) prior to the registration of those securities under a blue sky law. Such provisions are already in the blue sky laws of Massachusetts, North Dakota and Wisconsin. (Specifically, "sale" or "sell" would be defined to mean "every sale or other disposition of a security or interest in a security for value and every contract to make any such sale or disposition"; "offer to sell" or "offer for sale" would be defined to mean "every attempt or offer to dispose of, or solicitation of an order or offer to buy, a security or interest in a security for value"; and it would be unlawful only to sell securities prior to their registration.)

(2) Under the blue sky laws of several states the registration requirements extend to the sale of securities in the secondary market as well as to new issues of securities. We believe that it should not be necessary to register securities which have previously been distributed to the public when (i) they are sold by registered dealers at prices reasonably related to the current market price, (ii) they do not constitute part of an unsold allotment, subscription or participation as an underwriter or participant in the distribution of such securities by the issuer, an underwriter or controlling person, and (iii) basic information regarding the issuer of such securities is available in a recognized manual of securities. An exemption for such transactions should be subject to authority of the commissioner to revoke the exemption with respect to any securities whose sale would work or tend to work a fraud on purchasers. We believe that an exemption provision embodying the conditions suggested above, although not as liberal as exemption provisions for sales in the secondary market under the present blue sky laws of several states, greatly facilitates trading by registered dealers in the secondary market and provides adequate safeguards against the sale of fraudulent securities.

(3) In a few states the blue sky laws contain provisions which arbitrarily forbid the sale of certain classes of securities even though the sale of those securities does not involve any element of fraud. For example, the blue sky law of one state contains a provision that the commission "shall in no case authorize the sale of any stock at a price in excess of the fair and reasonable book value thereof, unless, if such stock is common stock, the same can show average net income of not less than 5% of the proposed offering price per year for a period of not less than one year and not more than five years immediately preceding the application." This provision would obviously forbid the registration in that state of common stock issued by a new company if those securities were priced at a price in excess of the book value of such securities. We believe that it is desirable to eliminate such arbitrary bases for denying the registration of securities and to make fraud or tendency to work a fraud the sole test for denying registration of securities, in order to permit the registration of securities to finance fair and honest but admittedly speculative businesses.

(4) In a few states it is necessary to register securities which are being offered only to existing stockholders of the issuer in compliance with "pre-emptive rights" of those stockholders. We believe that such offerings to existing stockholders should be treated as exempt transactions (as they are under the laws of many states) because the possibility of fraud is negligible in such transactions.

(5) Although the National Association of Securities Administrators accomplished much in its initial work in preparing the uniform application form for use in applying for registration of securities which are being or have been registered under the Federal Securities Act of 1933, many states have not adopted that form and some states permit its use only with specified supplements. Since the mechanical and substantive problems are enormous in complying with the varying requirements of different states which do not accept the uniform application form for registration of securities by qualification, amendments to the blue sky laws of those states to permit the use of the uniform application form (without a requirement for additional supplements) for securities which are being or have been registered under the Federal Securities Act of 1933 would do much to simplify the registration process.

(6) In several states the present blue sky law is so antiquated and ambiguous that requirements for compliance with the law are uncertain. It is difficult to enforce these laws because of their ambiguity and many dealers are reluctant to do business in these states because they would subject themselves to undetermined liabilities. We believe that complete new blue sky laws should be adopted in these states to provide effective protection against fraud and to clarify requirements for compliance with the law.

Some of these problems can be solved satisfactorily by specific amendments to existing blue sky laws, but in many cases there is urgent need for the enactment of a complete new blue sky law. Consequently, in response to requests both from IBA members and from state securities commissioners for model blue sky laws, the IBA has prepared two complete model blue sky laws, one of the qualification type and the other of the notification type.

IBA Model Blue Sky Laws

Both model laws require the registration of dealers and salesmen and require issuers selling their own securities (unless such securities are exempt) to register as dealers. Both laws declare that it shall be a fraudulent practice and that it shall be unlawful to make any false statement or representation or to engage in any act or practice which operates as a fraud or deceit upon the purchaser or seller of securities. The fundamental difference between the two model laws is that the notification type law provides that non-exempt securities may be sold in the state as soon as a notice of intent to sell, together with a prospectus meeting prescribed requirements and payment of a filing fee, are filed with the commissioner, while the qualification type law requires that all securities (with specified exceptions) must be registered by qualification before they may be sold in the state. Aside from this fundamental difference, the two laws are substantially identical.

Specifically, the model law of the **notification** type provides that it shall be unlawful to sell any securities within the state (except exempt securities and securities sold in exempt transactions) until there shall have been filed with the commissioner a notice of intention to sell such securities, a prospectus meeting prescribed requirements and payment of a prescribed filing fee. If the securities are registered under the Federal Securities Act of 1933, the commissioner shall accept the prospectus filed under the Federal Securities Act of 1933 with all amendments to that prospectus as of the date on which the notice of intention to sell is filed under the model law. Filing for securities registered under the Federal Securities Act of 1933 is completed either by delivery in the office of

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*Statement by Mr. Calvert in a panel discussion at the Annual Meeting of the National Association of Securities Administrators, Portsmouth, N. H., Sept. 4, 1952.

Missouri Brevities

Burke & MacDonald of Kansas City on Sept. 3 made an offering of 4,500 shares of common stock of **United Film Service, Inc.**, Kansas City, at $5.50 per share. The net proceeds from the sale will be used for additional working capital.

* * *

Western Auto Supply Co. reports that its sales for the first eight months of 1952 exceeded the like 1951 period by more than $4,000,000. Total sales were $107,551,000, compared with $103,441,000 a year earlier, or a gain of 4%. The dollar volume in August 1952 was $17,207,000, compared with $16,139,000 a year earlier, a gain of 6.6%.

* * *

Kansas City Public Service Company cannot expect the same rate of earnings to accrue in the second half of 1952 as in the first half, the company informed stockholders in an interim report.

The first six months produced a net profit of $204,519, which amount was more than enough to cover the dividend requirements for that period on the preferred shares. However, the company expects the 1952 earnings to total about $300,000.

That profit, if realized, will be short of the year's dividend requirements of $324,312 on the preferred stock.

The expected earnings for this year still would be the largest since 1946, when the net totaled $378,364. Last year there was a deficit of $19,682 and in the two years previous losses also were shown.

The company charged off $226,041 for income taxes in the six months of this year, the figure being computed on the "single year" basis of 1952 without consideration of any possible effect thereon of the "loss carry-forward" provisions of the tax statutes. As of June 30, current assets were $2,423,080; current liabilities, $2,408,950. The long-term debt, mortgage, bonds and equipment notes, were $2,488,036, against $3,017,860 a year earlier.

* * *

American Asphalt Roof Corp., soon to be dissolved and its assets taken over by the Ruberoid Co. of New York, reported sales for the first half of 1952 were $4,934,786. Net income for the period amounted to $186,636, equal to $2.82 per share on the common stock. Income taxes for the period were $225,989.

A second group of stockholders of **Pickering Lumber Corp.** have sought to have their holdings freed from the voting trust that has controlled the company since 1937.

A motion and petition to intervene in a principal suit filed in Kansas City by 12 holders in June have been filed in Federal District Court by 171 shareholders owning 60,678 shares. A declaratory judgment to determine the rights of all voting trust certificate holders has been requested by the plaintiffs.

Plaintiffs in both suits contend the trustees breached the voting trust agreement earlier this year by permitting the trust to be terminated for some holders and not for others.

The action is being pressed principally by St. Louis interests.

* * *

Consolidated net income of **Theodore Gary & Co.** for the first six months of 1952 was $30,612, equal to 40 cents per share on the preferred stock, compared with $29,789, or 39 cents per share, a year earlier. The net was after reserves of $10,000 this year and $12,500 in the like 1951 period.

The report showed earnings for the company only of $16,684, or 22 cents per share, against $26,162, or 34 cents per share, a year earlier.

The unpaid accumulations on the preferred stock totaled $28.25 per share, or a total of $2,148,723 on June 30.

* * *

More than 90% of the common shares of **Mission Oil Co.** of Kansas City have been turned in to the **Commerce Trust Co.**, depositary, to receive stock in three companies.

Under the dissolution program of Mission, each share is to be surrendered for one share of common stock in Southwestern Development Co., Colorado Interstate Gas Co. and Westpan Hydrocarbon Co.

Of the 344,100 shares of Mission Oil Co., 312,861 shares have been exchanged since the offering was made early in August.

* * *

Kansas City Life Insurance Co. reported its agents submitted 5,201 applications for $25,814,738 of insurance in August, the greatest volume and largest number of applications ever received in any one month. The previous high mark was in August, 1950, when 4,924 applications were submitted for a total volume of $25,226,983.

Phelps, Fenn Announce

Phelps, Fenn & Co. 39 Broadway, New York City, announce that Wm. H. M. Fenn has withdrawn as a general partner of the firm, but will continue as a limited partner.

Gilchrist, Bliss Adds

Gilchrist, Bliss & Co., 488 Madison Avenue, New York City, members of the New York Stock Exchange, announce that S. Warren Auerbach has become associated with them.

New Investing Course Annnounced

A. Wilfred May

Benjamin Graham

J. K. Lasser

A 10-weeks course, "Investing Today," by A. Wilfred May, economist and writer; Benjamin Graham, author and President of Graham-Newman Corporation, a mutual fund; and J. K. Lasser, tax authority, opens at the New School for Social Research on Thursday, Oct. 9, at 5:20 p.m.

The series is designed to give practical and constructive help in the general and specific problems of the layman as well as brokers, investment analysts, trustees. Special emphasis is laid on investing media and aids; how to deal with inflation and deflation; appraising individual issues; planning a specific investing program; family financial problems and estate planning; how to read the financial page; the stockholder's status; investors' tax questions.

Individual counseling is offered on problems of special interest.

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The Security I Like Best

name of American Beet Sugar Company in 1899. Although it has experienced hard times, particularly in the early 1930s, it has never been in bankruptcy. The common stock outstanding today is, to all intents and purposes, the original stock since there have been neither split-ups nor reverse splits. However it has been changed from $100 par to no par and then to $10 par, each time on a share-for-share basis.

The company has nine factories capable of handling a total of over 18,000 tons of beets a day. Among its other assets are some 10,600 acres of farm land, a small railroad and certain water rights. During the fiscal year ended March 31, 1951 it put out just over 451,000,000 pounds of sugar, a record high figure, while this past year's figure was about 436,000,000 pounds.

It is interesting to note that the largest factory is almost the oldest. The one located at Oxnard, California, was constructed in 1898 and has a daily capacity of about 3,000 tons of beets. The most modern plant, at Moorhead, Minnesota, considered to be one of the most efficient in the industry, was completed in 1948 and can process about 2,500 tons a day.

Our analysis indicates that American Crystal Sugar common is an outstandingly attractive equity for the reason that the present price of about 23 appears to be distinctly low in relation to most of the factors which determine the value of a common stock. These factors are discussed in the following paragraphs.

Earnings: The trend of earnings has been upward, particularly in recent years. For the five fiscal years ending on March 31, 1952 earnings on the common averaged $4.30 a share. For the preceding five years the average was $2.10 a share while for the decade to March 31, 1942 the corresponding figure was $1.82 a share. Profits have been reported for 19 consecutive years.

The year just ended was one of the best in the company's history with net income equal to $4.55 a common share. While our studies indicate that this figure may not be duplicated in the near future, we believe that over the next few years average earnings should exceed $3.50 a share.

An interesting feature of the income account is the high annual depreciation charge which in theory could write down the present investment in plants and equipment to zero in about 13 years. A comparison of pretax profits with Federal income tax charges makes it appear that more depreciation has been shown on the reports to stockholders than has been allowed for tax purposes. If this be true the time will presumably come when the annual depreciation charge on existing plants will have to be reduced, causing a corresponding increase in reportable income.

Assets: The book value of this issue on March 31, 1952 was about $72 a share, unusually high in relation to the price of the stock. Yet as is true of so many corporations today, it appears that the assigned values of assets are conservative. It would seem that a modern beet sugar factory costs about $3,000 per ton of daily beet capacity. The old mills of this company were carried several years ago at an average depreciated value of only about $400 per ton of daily capacity, and doubtless have a somewhat lower net value now. Granted that they are old, and less efficient than new factories, they still appear to be worth more than the figures at which they are carried.

Investments in buildings, equipment, machinery, etc., were more than 60% depreciated at the end of the latest fiscal year. This seems conservative and appears to bear out our thought that reported depreciation charges have been higher than those allowed for tax purposes.

During the year to March 31, 1951 American Crystal disposed of farm lands carried on the balance sheet at about $2,100,000 for about $4,800,000 before taxes on the gain. Consequently it seems likely that remaining acreage with a book value of some $1,700,000 is worth more than that figure.

Working Capital: The previously mentioned sale of farm lands resulted in a great improvement in the financial strength of the company. Current assets less all liabilities and preferred stock are equivalent to over $32 per share of common or about 40% in excess of the market price.

Dividends: For about six years dividends have been paid at the rate of 30c quarterly with occasional extras. The yield is over 5% on the regular disbursement. During the latest fiscal year a total of $2.65 a share was paid but the large extra is unlikely to be duplicated in the near future.

Capitalization: There is no funded debt outstanding and capitalization consists simply of 58,969 shares of 4½% preferred stock, par $100, callable at 105, and 364,017 common shares.

Price History: As indicated earlier, the present common stock is essentially the same as the common outstanding 50 years ago when it was listed on the New York Stock Exchange. It has sold at a record high price of 108½ and at a record low of ¼. Since the end of World War II it has ranged between 32½ and 14. At its present price, it seems well deflated.

Management: The management is reputed to be thoroughly capable. It has sought aggressively to cut costs by mechanization of crop cultivation and harvesting, by more effective weed control, by improved methods of storing beets, etc. The record of the company is such as to inspire confidence in the ability of its officers to cope with whatever problems may arise.

In summary, then, the common stock of American Crystal Sugar appears to be very cheap in relation to most of the underlying factors in the situation. It should, apparently, hold up satisfactorily in a bear market or, in a bull market, rise to a value more in line with its earning power and financial strength.

Dillon, Read Group Offers Col. & So. Ohio Electric Co. Securities

Dillon, Read & Co. Inc. heads an investment banking group which released the offering to the public at the close of the market yesterday (Sept. 17) of new issues of 90,000 cumulative preferred shares, 4.65% series of Columbus & Southern Ohio Electric Co., at $100 per share, plus accrued dividends and 300,000 common shares at $24.87½ per share of the same utility.

Proceeds from the sale will be added to the general funds of the company and will be available for construction of additional electric properties and for the payment, in whole or in large part, of bank loans obtained for that purpose. The company has spent over $67,000,000 on electric plant additions during the past five and a half years and expects to spend $46,500,000 more during the two and a half years ending December, 1954. At the E. M. Poston generating station near Athens, Ohio, work has been started on a fourth generating unit of 60,000 kilowatt rating, scheduled for service in September, 1953.

The company supplies electric service in portions of 23 counties in central and southern Ohio, including the Columbus area, from which approximately 76% of its electric revenues are derived. It also owns all of the securities of Columbus Transit Company which operates a street transportation system in the City of Columbus and its suburbs. Columbus and Southern is one of a group of 15 companies that have submitted a proposal to supply power to the contemplated Atomic Energy Commission plant near Piketon, Ohio.

Elected Directors

DALLAS, Texas. — D. Harold Byrd, President, Byrd Oil Corporation, has announced the election of the following directors of the corporation: Arthur S. Grossman, partner, Straus, Blosser & McDowell, Chicago; D. Gordon Rupe, Jr., President, Dallas Rupe & Son, Dallas, and Mark J. Millard, partner, Carl M. Loeb, Rhoades & Co., New York City.

Objectives in State Securities Act Legislation

By CHARLES S. VRTIS*
Partner, Glore, Forgan & Co.
Members, New York Stock Exchange
Chairman, IBA State Legislation Committee

Asserting ideal and objective of investment bankers is uniform state "Blue Sky" legislation, Mr. Vrtis sees no need for state regulation of issues already registered with SEC, or licensing of dealer-brokers who are members of National Association of Securities Dealers. Criticizes state "paternalistic" regulation and voices objection to State commissions acting as investment counsellors. Stresses limitation of state laws to enforcement of integrity in securities field, and upholds IBA model "Blue Sky" law. Says private placements of securities now require broad revamping of "Blue Sky" legislation.

We in the securities industry appreciate the opportunity to conduct an objective appraisal of existing Blue Sky legislation. While it would doubtless be naive to expect complete unanimity of viewpoint, it is to be hoped that, out of the ensuing discussion, there will be planted the seed for ultimate establishment of such laws on a more uniform, modern and realistic basis. On our part we shall be perfectly frank in expressing our views, which in any event we feel is desirable in the interests of objective exploration. We shall do so even though we may know that we shall express views diametrically opposed to those held by some of our good friends among the securities administrators, for whose sincerity and honesty of purpose we have the most wholesome regard. We propose, in short, to let the chips fall where they may, and we assume you would not want it any other way.


Charles S. Vrtis

As you doubtless appreciate, the kind of securities laws we have in the various states is of importance, not only to the people of the country, but to all American industry. In setting about to establish the basis upon which our business is to be regulated, it is, of course, imperative that the interests of investors be effectively safeguarded. It is equally important that no unnecessary impediments be placed in the way of having the savings of our people and institutions made available to finance the needs of American industry and to preserve our free enterprise system. These are principles that, it seems to us, can safely be subscribed to by all of us at the very outset.

The securities industry and the investing public will soon have completed 20 years during which both the Federal Securities Act and Blue Sky legislation in the great majority of the states have been in effect. The range of experience should be adequate to attain a community of view, predicated on the safe assumption that Federal legislation is to continue, as to the basic type of state securities act best designed to safeguard and promote the public interest. When we consider the lack of uniformity in present state regulation and the duplication of requirements and attendant expense, arising mainly out of lack of integration even at this late date with the Federal Securities Act, it does indeed appear incumbent upon legislators and securities administrators to consider the need for uniformity and simplification, provided that result can be obtained, as I believe it can, without damage to the public interest. And if the need for action is urgent I suggest that the initiative and primary responsibility must be assumed by the state securities administrators, in collaboration with the industry. In the very nature of things the average legislator is in no sense qualified to deal with the proper type of legislation for a business as complex and technical as ours.

*Statement by Mr. Vrtis in a panel discussion of "Blue Sky Problems" at the Annual Meeting of the National Association of Securities Administrators, Portsmouth, N. H., Sept. 4, 1952.

Two Underlying "Blue Sky" Law Philosophies

There appear to have been two principal philosophies underlying the drafting of "Blue Sky" laws on the statute books of the various states. Some of what I shall now say is, I know, elementary but is nevertheless presented for purpose of proper theme development. In general and simplified form, it may be said one school of thought emphasizes the registration of dealers and the prevention of fraud; the other places the emphasis on the registration of securities, while at the same time requiring the licensing of dealers as such. Under laws of the first type, the concern is to issue dealer licenses only upon the showing of adequate financial responsibility and that the principals involved are men of character who, by training and experience, are deemed qualified to engage in the securities business. In such cases, however, it is important to note that, once a license has been issued, dealers have freedom of action in deciding upon the securities they wish to deal in and otherwise in connection with their day to day operations. This approach seemingly recognizes the fact that the perpetration of a fraud is the act of a dealer and not of a security *per se*, and it is interesting to observe how closely this philosophy harmonizes with the full disclosure theory upon which the Federal Securities Act has been established. Under the laws of the second type, however, the *modus operandi* is completely reversed. Here licensed dealers are required, except as to limited types of securities and transactions specifically exempted by statute, to confine their dealings only to securities that are affirmatively registered under the act. In such cases, moreover, registration often requires, among other things, approval of the offering price and the amount and form of underwriters' compensation. As might be expected, elaborate systems are usually provided by statute to govern the security registration process. The system, furthermore, is complicated by the fact that it comprises, in effect, not only the statute itself, but also a wide variety of administrative rulings, opinions and practices which, unfortunately, have a tendency to change under new adminstrations.

The passage of the Federal Securities Act of 1933 placed security registration on a national basis for the first time and, in our opinion, made much of the earlier State legislation unnecessary, particularly in the case of laws of the security registration type. Nevertheless, comparatively little recognition has been shown to date of this fundamental change. The ideal obviously is the adoption of a uniform securities law by the various States, which would streamline existing practices and, among other things, permit the automatic or semi-automatic registration of issues which have been released for sale under the Federal Securities Act. In this connection it is perhaps pertinent to note, as you are probably aware, that, under the leadership of the American Bar Association, efforts are currently being made to achieve this highly desirable objective.

Not only have laws of the security registration type failed adequately to reflect passage of the Federal Securities Act, but they have seemingly similarly failed to recognize the existence of the National Asssociation of Securities Dealers, Inc., the membership of which is comprised of the vast majority of the country's security dealers. This organization, established under the provisions of the Maloney Act, has broad policing powers over its members and, among other things, is concerned with the supervision of dealer profit margins and the promotion of high standards of commercial honor.

Commissions Functioning as Investment Counsellors

Another, and we think unfortunate, aspect of the present situation has been the tendency of a number of State commissions, functioning under laws of the security registration type, to assume in effect the role of investment counsellors. In other words, they have attempted to pass judgment on the investment merits and the underwriting terms of new issues seeking qualification; as well as upon the adequacy and the accuracy of the information furnished. In this respect they appear to go beyond the practices of the Securities and Exchange Commission in interfering with contractual freedom and possibly beyond the intent of the very law under which they operate. Under this general heading, and as an illustration of what I mean, there comes to my mind the fact that certain States look with at least a jaundiced eye on applications where stock options are included as a part of underwriters' compensation. I definitely believe such options, in amount and on terms appropriate to the particular circumstances, are proper and to provide an entirely reasonable medium of compensation, especially in the financing of speculative ventures of promise. In fact, I believe that, properly used, such options provide one of the most economical and mutually attractive ways of financing essentially risk-type situations, both large and small. Despite the prevailing attitude, the fact is that issues of this type do get sold and distributed for the simple reason that there is a very real demand for securities of the type that gives rise to issuance of such options. Issuers, furthermore, of securities of this type usually are managed and controlled by men who possess not only vision and imagination, but also a high degree of financial acumen. In short, they are not the type who are disposed to play the role of Santa Claus; they want, instead, at least 100% in value for every expenditure made. As a practical matter, underwriters simply by-pass the troublesome States, and effect any necessary qualifications elsewhere.

With this background it becomes pertinent to inquire as to the relative results obtained under the two general types of laws now under discussion. Based on our experience, laws of the type emphasizing the registration of dealers and the prevention of fraud, such as, for example, the statute of the Commonwealth of Pennsylvania, have produced by far the best overall results and have been most conducive to efficient and economical operations. As to the experience of the States themselves, we might even wish that we thought the experience of the States employing the security registration type of law was so superior to the other as to make its use clearly justifiable. This, however, we find it impossible to do on the basis of the record. What we do know for certain is that this type of paternalistic regulation has not prevented, even in recent years of generally favorable business conditions, investors from sustaining very serious losses. It might be contended that the losses would have been even greater under the other type of law. In that event, however, it would seem that the States employing this type would have been aroused to the point of instituting appropriate remedial measures but, to the best of our knowledge, that has not been the situation to date.

In the final analysis it appears to us that the really soft spot in State securities regulation is the human element. People commit frauds; securities do not. People make errors of commission and omission; securities do not. If this conclusion is correct, and to us it seems incontrovertible, why should not the controls of securities be based upon, and limited to, observance of the principle that there is no substitute for integrity? Those engaged in the origination and distribution of securiities — whether as issuers, dealers, brokers or salesmen—have a great moral responsibility, that of honesty and due care, which no gentleman will shirk, hedge or otherwise seek to evade. Taking into account the domain now allocated to the Securities and Exchange Commission, why not then limit the entire area of State regulation to application of the concept that a license to sell securities is a character loan, based on past observance of decent principles and subject to recall on evidence of deviation from such principles. In other words, why not a statute dedicated to making loans on character and which flatly treats collateral security as of secondary value.

The IBA Model Blue Sky Law

Along with you and others, the Investment Bankers Association of America has long been studying this problem and has prepared its version of a model State Blue Sky Act of the notification type, copies of which are available for distribution to any who are interested. Later in this panel discussion Mr. Gordon Calvert, Assistant to the General Counsel of the IBA, will discusss the more salient provisions of this model act. [Ed. Note: Text of Mr. Calvert's remarks appear on page 13.] I should like now only to say that, while this model act quite possibly is subject to improvement and refinement, it does, in our opinion, constitute the essential framework of what

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Meeting the Threat of Creeping Scarcities

By WILLIAM S. PALEY*

Chairman of the Board, Columbia Broadcasting System, Inc. and Former Chairman, President's Materials Policy Commission

President's Materials Policy Commission's former head, summarizing its voluminous report, looking ahead to 1975 foresees expansion of raw materials' consumption outstripping supplies with a possible domestic deficit of 20%. Predicts soaring demands, shrinking resources, and consequent pressure toward rising real costs. Calls for vigorous long-range industrial planning and international political action, to bring about continued rising living standards and military security.

Since this is an election year, and a time of national stocktaking we are all turning our attention with more than usual concentration to fundamental problems. We are choosing a President and a party to direct the national government and to guide our country through the years ahead—years that undoubtedly will be difficult but which equally may lead our country to new heights of growth and prosperity.

In our stock-taking, we are debating among ourselves about the best ways of ending the Communist threat to the peace and security of the free world. We are seeking the best formula for building with our friends an armed might that will hold aggression in check, or crush it if war breaks out.

And because it is the creative, the American way, we are also working out methods of keeping our economy growing, and of further improving the standards of living of which we are so justly proud. We are striving to put the new technology, the new science, to better use — to provide new products and to improve the old. We want to create a bigger market at home. We want to explore the new possibilities abroad for American capital and American trade.

The prospects are excellent. But the question I want to pose is this: to what extent will we be able to take advantage of the opportunities; how well will we be able to cope with the problems of the years ahead?

The Vital Materials Problem

One issue, one problem, cuts across all of our prospects—and that is the Materials Problem. Materials strength is a prime ingredient of general economic strength and growth, which in turn is the foundation of a rising living standard in peace and of military strength in war. Our economy cannot expand and continue to grow—we cannot provide for increasing populations and satisfy their needs and desires—without an ample flow of the right materials at the right cost.

Our strength, our sensational progress in production and consumption in the past, have been attributable not only to the freedom of our institutions and the enterprise of our people, but also to the fact that we have had plenty of resources, plenty of materials, cheaply and easily available here at home.

I do not for a moment depreciate the inventiveness and the capacity of our people to cope with our problems. But I do want to emphasize that there is a materials problem which, unless capably handled, can create serious handicaps—handicaps to our economic growth and to our ability to over come the Communist menace.

As we put it in the report of the Materials Policy Commission: In defeating the Communist violence, "moral values will count most, but they must be supported by an ample materials base. Indeed, the interdependence of moral and material values has never been so completely demonstrated as today, when all the world has seen the narrowness of its escape from the now dead Nazi tyranny and has yet to know the breadth by which it will escape the live Communist one. The use of materials to destroy or to preserve is the very choice over which the world struggle rages today."

It has been two years, lacking a few months, since the President asked the Materials Policy Commission to survey the materials position of the United States and the other nations of the free world. He asked us to estimate how much materials would be needed in the future, and the adequacy of supplies to meet those needs, and to recommend how private actions and public policies could be directed toward averting or overcoming shortages which might threaten the long-range growth and security of the United States and its friends. It wasn't long before I and my fellow commissioners realized that we had been handed quite an assignment.

But we got even—for to get our answer and its full documentation, the President had to wade through five volumes comprising over 800,000 words.

Resources Falling Behind

The United States is using a staggering amount of material every year: about 2,700,000,000 tons in 1950. Our resources are not keeping up with the drain—and some 25 years from now, our economy probably will require some *four billion tons* of materials per year.

"The nature of the problem," as our report states, "can perhaps be successfully oversimplified by saying that the consumption of almost all materials is expanding at compound rates and is thus pressing harder and harder against resources which, whatever else they may be doing, are not similarly expanding."

Before I attempt to define the Materials Problem in more detail, perhaps I better give you some idea of the dimensions of the demand and supply problem which we face.

The Likely 1975 Economic World

I'm going to talk first about what demand is likely to be in the year 1975. We chose that year and that decade for our estimates because we felt it was far enough ahead to take us beyond present emergency conditions — but not far enough ahead to be lost in the fog of conjecture.

After long study and careful calculations, we accepted the estimate that the nation's total production of goods and services—what the economist calls the gross national product — would double by 1975. This is in line with the United States' economic growth of the last 100 years. It was based on the expectation of a population growth to 193 million, a shortening of the work week by about one-seventh, and an average increase in productivity of 2.5% a year.

Because, historically, each dollar of raw materials cost has supported a steadily increasing amount of finished goods and services, a doubling of the gross national product does not call for a doubling of the demand for materials. We estimated that the demand for all materials would increase about 50 to 60%.

We also set up working targets on the demand for separate categories of materials and came up with these figures:

Demand for *minerals* of all kinds will be 90% higher than 1950, with wide differences within the group. Demand for iron ore, copper, lead and zinc, will increase only 40 to 50%; in the case of iron ore, that would mean a volume increase from 130 million short tons to at least 182 million. Demand for bauxite for aluminum will possibly quadruple; demand for magnesium may reach 18 to 20 times 1950 levels.

Demand for *timber* will be up only 10%, but demand for *agricultural products*—food and materials—will be 40% greater. But even for timber the increase would represent a need for some 1,300,000,000 additional board feet

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*An address by Mr. Paley before the 333rd Meeting of the National Industrial Conference Board, New York City, Sept. 17, 1952.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Following a meeting of the Board Directors of **The New York Trust Company** of 100 Broadway, New York, held on Sept. 16, Charles J. Stewart, President, announced the following promotions and appointments: Edward L. Palmer, Assistant Vice-President, was promoted to Vice-President in the Banking Division; Charles B. Eddy, Jr., Assistant Vice-President, was promoted to Vice-President in the Investment Department of the Personal Trust Division; Louis Auer, V, Samuel S. Marshall, III, Hoyt O. Perry, Jr. and John L. Street, Jr., were appointed Assistant Treasurers in the Banking Division and Walter H. Brown was appointed an Assistant Treasurer in the Foreign Division.

* * *

Sterling National Bank & Trust Company of New York announced on Sept. 11 the election of J. Russel Sprague to its Board of Directors. Mr. Sprague is County Executive of Nassau County and Republican National Committeeman from New York State.

J. Russel Sprague

* * *

Chemical Bank & Trust Company of New York has promoted Romeo Balaguer from Assistant Manager to Manager and appointed Frederick W. Thomas Assistant Manager of its United Nations Office, N. Baxter Jackson announced on Sept. 15. The bank also has appointed Robert T. Snyder Assistant Manager of its Waldorf-Astoria Office at Lexington Avenue and 49th Street.

* * *

Donald R. Lowry, First Vice-President of Ingersoll Rand Co., has been elected a director of the **Corn Exchange Bank Trust Company of New York.**

* * *

Horace C. Flanigan, President of **Manufacturers Trust Company of New York,** announced that Charles F. French, Jr., has been appointed an Assistant Vice-President in charge of the Central Credit Department at the Main Office, 55 Broad Street. Mr. French became associated with Manufacturers Trust in September 1939 and was appointed an Assistant Secretary in April 1950.

* * *

Luke J. Murphy, Vice-President of **The Public National Bank & Trust Company of New York,** died at the Mount Vernon Hospital on Sept. 11. He was 69 years of age. Mr. Murphy, whose banking career covered a span of 55 years, was widely known. Starting with The Western National Bank of the U. S. in New York in 1897, which later merged with The National Bank of Commerce in New York, he remained with the latter institution until 1923. He was associated with The Public National Bank for 23 years.

* * *

William J. Shirley, Assistant Cashier of **The Public National Bank and Trust Co. of New York,** died suddenly on Sept. 14, in this city. Mr. Shirley was associated with Public National Bank for 15 years. He was a graduate of New York Chapter of the American Institute of Banking and of the Graduate School of Banking at Rutgers University.

* * *

Henry J. Cochran, a banker for more than 40 years, died at Plainfield, N. J., on Sept. 10, after a brief illness. Born in Mendham, N. J., in 1879, he was 73 years old at his death.

Mr. Cochran had been closely associated with **The Franklin Savings Bank of New York** for 35 years having been elected a trustee in 1917 and serving on the Board continuously since that date. In 1938 he became President of The Franklin, which office he held until 1950 when he became Chairman of the Board of Trustees of the bank, the position he held at the time of his death. Mr. Cochran was a graduate of Princeton University where he received the degree of A. B. cum laude, with the Class of 1900. In 1901, following his graduation from college, Mr. Cochran entered the employ of the American Locomotive Co. in the Comptroller's office, remaining with that firm until 1907. He was with Suffern & Sons, certified public accountants, from 1907 until 1910, and then he was a partner in Patterson & Cochran until 1912. In 1912 he entered the banking business as a Vice-President of the Astor Trust Company, remaining in that capacity until 1917 when he became a Vice-President of Bankers Trust Company. From 1929 until 1931 he was President of Bankers Trust Company and from 1931 until 1937 was Vice-Chairman of the Board. In 1937 and 1938 he was Vice-Chairman of the Trust Investment Committee.

Among his business affiliations he was a director and member of the Finance Committee of the American Smelting & Refining Co., and a director and member

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From Washington Ahead of the News

By CARLISLE BARGERON

Some weeks before the Republican National Convention in Chicago I expressed the fears of a quite influential group that the defeat of Bob Taft for the nomination and the subsequent election to the Presidency of Eisenhower would spell the end of the effective opposition which from 1939 on has blocked the revolution in domestic affairs in this country. I pointed out that insofar as domestic affairs were concerned, Roosevelt lost the support of Congress after his failure of the purge campaign; that since then a coalition of conservative Republicans and Southern Democrats had ruled Congress—on domestic affairs. This coalition was led by Bob Taft, he was the personification of it, and the fear of the group which I reflected was that his defeat at Chicago and the nomination and subsequent election of Eisenhower would spell the end of this leadership.

Carlisle Bargeron

Well sir, things seem to have turned completely around. As it appears now, if Eisenhower wins, Taft will be the intellectual and most powerful leader in the Administration. There is every reason in the world why his diehard supporters should enthusiastically support the Republican nominee. There is no likelihood of Eisenhower's seeking to purge Taft, destroy his leadership, or harm any of his followers and there is even less likelihood of accomplishment if he tried. This is not based upon any statement by Eisenhower seeking to hold the party together. It is based upon the simple facts of a situation.

First, there is Eisenhower's realization that he can't win without Taft's support. On this there has been an awful lot of nonsense written in the newspapers. I can say authoritatively that at no time has Taft had a stand-offish attitude. There was never the slightest question that he would support the Republican nominee. He said this at Chicago and he meant it. But it stands to reason that to be most effective in Eisenhower's behalf, Taft had to talk with him, say to him, "Now I intend to say this and that, will it embarrass you?" If the General had said this or that would have embarrassed him, then Taft would have foregone that speech but at the same time he would have been less effective in Eisenhower's behalf. Certainly it was important that the two men talk these things over.

Also, Taft had been reading pro-Eisenhower editors and syndicated columnists, pro-Eisenhower only to the extent they can have their own way and get Eisenhower to repudiate this or that man they don't want in the Senate, that the General planned to purge this or that Taft supporter. It was important to Taft if he was to be of any assistance to Eisenhower, to be able to assure his supporters this was not to be the case. It is as simple as the nose on your face and the professed well-wishers of Eisenhower who are bemoaning his "sell-out" to Taft are not well-wishers at all.

The pure and simple facts are that Eisenhower is perhaps more conservative on domestic affairs than Taft. They likely won't have any trouble on that score. And when Taft says that their differences on foreign affairs are mostly a matter of degree he is telling the simple truth notwithstanding that the trumped up pre-Chicago issue between them was that Eisenhower is an "internationalist" or "global-minded" and Taft is "isolationist" and "national" minded.

If any such conflict as this should come up between them, which, nowithstanding the propagandists, I doubt, an Eisenhower Administration, in my opinion, is going to be a great disappointment to the so-called Internationalists in this country.

To my mind, if the Republicans should win, Taft is going to be the undisputed political leader in this country in not only domestic but international affairs. And he will be more of a restraining influence against Eisenhower in domestic affairs than an obstructionist against the furtherance of any Eisenhower foreign program.

On the foreign front, it would be surprising to me if Eisenhower doesn't come around to Taft's more realistic approach. If he doesn't in the matter of continued pouring out of billions, Taft will have the support not only of the majority of his own party but of the Southern Democrats as well.

The Internationalists who put over Eisenhower's nomination to prevent this realistic approach, have realized the General won't have the majority support of his own party, but they have counted upon the Southern Democrats who have always gone along on the question of our intervention and spending in Europe under a Democratic President. What these Internationalists haven't realized is that the Southern Democrats will be against practically everything a Republican President does. In their opposition, this President will be "Wall Street controlled." The Southerners enjoy chanting this almost as much as they enjoy being "in"; and they can far excel Truman in this sort of demagoguery. I have had any number of Southern political leaders tell me that had Wendell Willkie won in 1940 we would not have entered World War II. "Why, we would have crucified this barefoot, Wall Street boy who was trying to lead us into war," they have said confidently. The Southerners have relatively no cultural ties with Europe; an ECA or MSA doesn't mean sending money to their European relatives as it does in Eastern and Middle Western States. Get a Republican President in and he can't look to the Southerners to support his global thinking.

Eisenhower's election would be one of the funniest tricks ever played against the astute thinking Internationalists. Over abroad, I think they are coming to realize this, too.

Prospects for Free Power

By ROGER W. BABSON

Discussing prospective rise in coal mining wages, Mr. Babson calls attention to expanding use of other sources of energy. Does not look for early application of atomic power to replace coal, but foresees some likelihood of harnessing gravity.

The time has come for John L. Lewis to demand increased wages, pensions, and fringes for his coal miners. Although he will curtail some of his demands to enable the coal operators to "save face," nevertheless he will get substantial gains. This is because his labor union controls what is now an important source of power, light and heat.

Roger W. Babson

However, Mr. Lewis's power is gradually diminishing. For instance, ten years ago the annual output of bituminous coal was 514,100,000 tons. While our total national industrial production has risen about a third since 1941, the output of coal has increased only about 4%. Yet every "victory" by Mr. Lewis means an increase in the price of coal and downward pressure on production.

This does not mean that any investor should sell his coal securities. Coal is very rich in vital chemicals. A hundred years from now our descendants will wonder why we permitted valuable coal to be burned up. Already coal is being used to make textiles, plastics, dyes, building materials, and important pharmaceutical products. The list includes hundreds of products from the clothes which keep us warm to the vitamins which keep us well.

Oil Outlook

Experts once thought that the oil supply would be exhausted in about 30 years. But today there is more proven oil available than ever before. New fields are being discovered. One of the most marvelous fields is the new Williston field in the Dakotas and Western Canada.

When I was a boy, small water powers were the source of most of the power then used by the mills of New England. In my home town of Gloucester, the corn was then ground by two tide-water mills. I can even remember a windmill which provided power for one industry. Then almost every American farm had a windmill, which has now been superseded by gasoline engines or electric motors.

Atomic Power

Many magazine stories have been written to the effect that atomic power will take the place of coal and oil in connection with public utilities, steamships, and airplanes. I doubt if any readers of this column, though, will live to see this change. Atomic power may postpone World War III for many years. The dangers of using atomic power appear now to make it impossible for any but very large users.

President Conant of Harvard University suggests that before atomic power is used the heat of the sun will be harnessed. Already this heat is being used by householders in southern Florida as a source for hot water. Houses have been built in New England heated by the sun's rays. But no cases exist where the sun is operating factories of any kind. When, however, a method of harnessing the sun's rays to operate irrigation pumps is discovered, the deserts certainly will "blossom like a rose."

Gravity Power

I am writing this column while attending the Annual Conference of the Gravity Research Foundation at New Boston, New Hampshire. Here are gathered scientists, metallurgists, and mere "dreamers" like myself, who are interested in finding a partial insulator, deflector, or absorber of gravity waves. When this is done we will have a differential which in turn will give us free power for our farms and small factories, free heat for our homes, and which will greatly reduce the cost and increase the safety of transportation by highway and air. If you have any doubts as to the force of gravity, just jump off the roof of a ten-story building! Or attempt to walk up the Washington Monument, or drop a window weight on your toe.

Halsey, Stuart Group Offer Erie Equipments

Halsey, Stuart & Co. Inc. and associates on Sept. 11 offered $2,880,000 of 2⅞% serial equipment trust certificates, third equipment trust of 1952, maturing semi-annually March 15, 1953 to Sept. 15, 1962, inclusive. The certificates were priced to yield from 2.15% to 3.15%, according to maturity. Issuance of the certificates is subject to authorization of the Interstate Commerce Commission. The group won award of the issue at competitive sale Sept. 10 on a bid of 99.031%

The certificates are issued under the Philadelphia Plan and are unconditionally guaranteed as to principal and dividends by endorsement by Erie RR. Co. They will be secured by 24 new Diesel switching locomotives, estimated to cost $3,600,000.

Associates of Halsey, Stuart & Co. Inc. in the offering are: R. W. Pressprich & Co.; Freeman & Co.; The Illinois Co.; McMaster Hutchinson & Co.; and Wm. E. Pollock & Co., Inc.

R. I. Livingston V.P. of Walter Heller

CHICAGO, Ill.—The election of Robert I. Livingston as Vice-President and member of the general executive staff of Walter E. Heller & Company, investment bankers and factors of Chicago and New York, has been announced by Walter E. Heller, President. Assumption of his new post will be effective Oct. 1.

Mr. Livingston, a member of the law firm of Ryan, Condon & Livingston, has served the Heller company as general counsel for many years and as a director since April of 1951. Upon assuming the Heller Vice-Presidency, he will sever his connection with the law firm which he joined after graduation from the University of Chicago Law School in 1937.

Cabell Hopkins Co. Formed

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ga.—Cabell Hopkins is engaging in the securities business from offices in the Columbus Bank & Trust Building under the firm name of Cabell Hopkins & Co. He was formerly with Courts & Co. for a number of years.

Surplus Countries Must Cooperate!

By SIR ARTHUR SALTER, T.C., K.C.B.*
Minister of State for Economic Affairs

Prominent British official emphasizes responsibility for world-wide fiscal recovery lying with creditor as well as debtor countries. Urges negotiations under aegis of International Monetary Fund, for establishment of equilibrium in international trade and payments. Endorses principle of "trade, not aid."

In regard to the general matter of inflation and handling the internal problem, I think I may justly say that there is important progress in the United Kingdom—that we have, since the date of the budget last March, after having for a long period before been losing our gold and dollar reserves at the rate of $200 or $300 million a month, we have maintained those reserves, with some fluctuations from month to month, substantially almost exactly the same as they were back in March. That is a very substantial progress. We have stopped the drain. It is much, but of course it is not enough, and we fully realize that the great part of our task is still to come.


Sir Arthur Salter

I am sure, however, that we shall never make real advance in all this if all responsibility lies with the deficit countries. I do not suggest that the International Monetary Fund is given to such a one-sided approach to this problem. Indeed, in several places in Chapter I of the Annual Report, which strikes me as, on the whole, accurate, impartial and sensible, the Fund has also mentioned the role which surplus countries have to play, while it has also stressed, as the Managing Director did just now, the special tasks and duties that rest upon deficit countries.

The Fund's articles contain provision, of course, for action in relation to countries which persistently run a surplus. I suggest that we need consultation with the surplus countries as well as with the deficit countries. These are really two sides of the same problem of persistent unbalance.

I am not sure, moreover, that the process of separate consultations between the Fund on the one hand and individual surplus and deficit countries on the other will be the most fruitful procedure. It tends, in my view, to break up a problem which is essentially indivisible.

There is, I suppose, much to be said for a confrontation of the surplus and deficit countries in the same forum. Better results might well follow from procedures which are more in the nature of negotiations, where, under the aegis of the international body, the Fund, both deficit and surplus countries might agree on the steps which each would take as their contribution towards the establishment and maintenance of a tolerable equilibrium in international trade and payments, and that is, as you will realize, why I emphasized the character of our experience and method of working in EPU.

Well, that is really the main idea, the general idea, that I would ask this meeting to consider and the Fund to consider when this meeting has finished.

I think probably everyone here would accept in principle the ideal which was expressed by my right honorable friend and colleague, the Chancellor of the Exchequer, in his phrase "Trade, not aid" as the future way of removing the present disequilibrium with which we are confronted. Obviously, however, such a purpose and a principle needs to be translated into a great deal of detailed action which I don't propose to discuss now, but which will, I suggest, need constant and urgent and earnest consideration over the months to come.

With all that, I do suggest this closer association in the problems, in the way which I have proposed, between the surplus and the deficit countries.

I have only one last thing to say and that is this. When the Fund is considering how far it can adapt its policy, how far it can make itself the kind of mechanism that is required for the problems of the modern world, the present world, new rules, perhaps will have to be framed. It will, of course, be found throughout that whatever the mechanisms, whatever the rules, their success will depend very largely upon the spirit which animates all the different countries who are members of these institutions.

We shall never make any international organization work successfully unless each of us is much more prepared than it has often been in the past to be really international in its outlook and in the consideration of its own policies that lie within the sphere of its own domestic and national sovereignty.

*Excerpt from Sir Arthur's remarks before the Governors of the International Monetary Fund, Mexico City, Sept. 4, '52.

Skiatron Electronics Stock at $2.50 a Shr.

Coffin, Betz & Co. offered publicly on Tuesday (Sept. 16, 1956) 108,000 shares of additional common stock, par value ten cents, of the Skiatron Electronics and Television Corp. at $2.50 per share.

Proceeds will be used by the company to carry on a public test of its pay-as-you-see television system known as Subscriber-Vision in the New York Metropolitan area.

The company, according to the offering circular, is now preparing an application to the Federal Communications Commission for authorization to embark on this public test in the scheduled development of Subscriber-Vision. Plans call for a 90-day test of the system in 300 homes during which it is expected that feature films, Broadway shows and sports events will be televised.

The circular states that in the event that Subscriber - Vision comes into commercial use, the company would plan to commence operations with a minimum of 100,000 subscribers in the New York metropolitan area, with the initial charge per show probably being $1.00, the same price that the company plans to charge during the test. It is expected that the company would receive all of the proceeds from its subscription television and would be responsible for the agreed-upon payments to the producer or sponsor of the show, film or sporting event televised, as well as the cost of such televising.

Skiatron, organized in Feb. 1948 in New York, already holds an important position in the electronics industry by reason of its very valuable contributions in the fields of radar, television and ultrasonics. Its 86 patents and patent applications comprise, for the most part, entirely new conceptions in the electronics field.

An agreement was entered into on June 20, 1952 with Hanovia Chemical & Manufacturing Co. (Newark, N. J.), a unit of Engelhard Industries and the largest manufacturer of ultra-violet equipment for medical and home use and for industrial application, which makes available to Skiatron the extensive plant and production facilities of the Hanovia company and the research and engineering facilities of the Engelhard companies. This agreement also is expected to facilitate the acquisition by Skiatron of large additional defense contracts from the Armed Services, for whom it is currently engaged.

Skiatron has incorporated a wholly-owned subsidiary, known as the Skiatron Broadcasting Co. This subsidiary may soon be activated to enter the television broadcasting field now that the FCC has given the green light to TV expansion.

Reynolds Appoints Mgrs. Of Branches in N. C.

Reynolds & Co., members of the New York Stock Exchange, announced that effective Sept. 15, 1952, Louis A. Carr will become Manager of our Durham Office and Wyatt A. Armfield will become Manager of our Winston-Salem Office.

Economic Nationalism as an Obstacle to Free World Unity

By MICHAEL A. HEILPERIN*
Economic Adviser of Bristol-Myers Company, New York, and of the U. S. Council of the Intl. Chamber of Commerce

International economist, maintains Western World's security is gravely threatened by internal disunity resulting from major economic barriers and obsolete national policies. Asserts governmental planning in an insulated economy must lead to regimented poverty. Declares our new Administration must open our market to foreign goods; end Western Europe's import quotas; and restore her currency convertibility.

I

It is one of the jobs of historians, when they look back upon past events, decades or centuries after they have taken place, to ascertain when the destinies of countries and nations have taken fundamental turns, for better or for worse, in the course of their history, what the causes of these turns were — and their consequences, whether they could have been avoided or reversed, in brief, whether nations through their leaders and their public opinion have acted wisely or otherwise in the face of external forces and events.


Michael A. Heilperin

Perspective Needed

Contemporaries lack, of course, the perspective from which alone the tides of history can be properly appraised and fairly judged. An interpreter of the contemporary scene, be he a journalist, a commentator, a political analyst, or an economic counselor, cannot do the work, which will only be performed, years after he is gone, by dispassionate and detached historians. When living, however, in the midst of great changes and violent commotions, when facing an uncertain future against the background of a troubled past, how can we avoid the temptation to take stock in our present situation, to try to appraise the exact position we have reached along the road we are travelling and to make a guess, however hazardous, as to the course that is ahead of us.

Deliberately, I am yielding to this temptation. I am doing so because my reading of contemporary events leads me to the conclusion that our nation and the entire free world are on the threshold of one of the great turnings of history. This I believe not so much because of the clouds of war which are hanging over us, clouds which are not getting any lighter because many of us turn our eyes away from them in the hope that they will disappear, and not so much because of the great danger of Communist influences which, even without war, can undermine our society, our civilization, and our freedom.

The reason why I think that our destinies are about to take a major turn is that I am convinced that the unity of the Western World is threatened from within, as much as its security is threatened from without, and because I believe that the next *months* will show whether that all-important unity will be growing stronger or weaker in the *years* that lie ahead.

The imperialism of the Soviet Union, the pernicious infiltration of communism, these are the enemies whose power we must destroy. In order to do so, we, the nations of the free world, have to be strong, purposeful, and united.

Sound Economic Foundations Needed

The Western World through the North Atlantic Treaty Organization and other arrangements has achieved by now a considerable degree of military and political cohesion. The edifice of Western unity lacks, however, solid economic foundations. It is still divided by major economic barriers and by national policies which do little to promote unity and a great deal to prevent it. If the all-important cohesion of the Western World is to endure and if solid economic foundations are to be built underneath the military and political arrangements, one major obstacle must be got out of the way. Its name is economic nationalism.

In the world as it exists today there is only one power which can conduct successfully a struggle against economic nationalism: the United States. We have the means if we have the will to do to the of our time what England did to the world of a century ago: break down trade barriers, establish a stable international monetary system, promote a steady flow of foreign investments.

To be able to exercise this leadership, we in America have to give up one of our most traditional attitudes in the field of foreign economic relations. This attitude, although it has long since become obsolete in view of our own growth and of our position in the world economy, has still a great many adherents throughout the land. It is an attitude which goes back to the beginnings of the Republic and to Alexander Hamilton's famous Report on Manufactures. It looks upon a protectionist tariff policy as a foundation of American prosperity.

This protectionist outlook may —I say "may"—have been beneficial to America's growth in the 19th Century. If it was, this was less due to the tariff itself than to the fact that, under Great Britain's leadership, a large part of the world has moved away from protection and that from the middle of the 19th Century onwards free trade was the prevalent "climate" of the world economy. A protectionist nation, in a free-trade world, may conceivably have derived some benefits from its tariff. It would not have derived them in a protectionist world or one in which our own tariff measures would have been countered by foreign restrictions against our trade.

An Obsolete Policy

It was realized even before the First World War broke loose that this attitude and this policy was becoming obsolete. When the United Staes emerged frcm World War I as one of the world's most powerful economies, protectionism should have become confined to history books. Instead, it came back more virulent than ever.

In 1934, under the influence of the then Secretary of State, the great Cordell Hull, the United States entered upon a course of trade liberalization by adopting

*An address by Dr. Heilperin before the Commonwealth Club of California, San Francisco, Calif., Sept. 12, 1952.

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Blue Sky Legislation— A Lawyer's Viewpoint

By ROGER L. SEVERNS*

Partner, Isham, Lincoln & Beal, Attorneys, Chicago, Ill.

Chicago attorney lists as objections to prevailing Blue Sky legislation: (1) the heavy cost to issuers and underwriters; (2) lack of uniformity in theory and pattern of the laws, and (3) legal delays in clearing securities for sale. Holds many state laws are obsolete or out-of-step with current financing methods. Pleads for more liberal treatment of the "speculative security," and a uniform Blue Sky Law.

The discussion in which we are now engaged relates primarily to that phase of blue sky legislation and regulation which has to do with offerings of new securities and only incidentally with regulation of the sale of securities already outstanding in the hands of the public. A look at blue sky legislation and administrative regulation with respect to new offerings reveals a situation which falls far short of being ideal.

Roger L. Severns

In the first place, compliance with the securities laws of the various states in the case of offerings not considered as exempt from regulation in most of the states, is far too costly in terms of the money which must be spent by issuers or underwriters as compared to the values received therefrom by the investing public. By this statement, I do not mean that registration or qualification fees are too high. The chief elements of expense to issuers or underwriters in complying with blue sky laws and regulations are three: first, counsel fees, accountants fees (and in some cases appraisers fees); second, communications expenses, by which I mean telephone, telegraph, postage and travel expense; and third, costs of the mechanics of preparing and presenting the information concerning the offerings in the various forms required for compliance in the different states. If substantial savings in these costs could be effected, the investing public would be the ultimate beneficiary. Moreover, a number of desirable offerings which are now placed privately to avoid these and other costs, might become available to investors generally, to their very considerable advantage.

Lack of Uniformity in the Laws

A second problem confronting those engaged in blue sky work is the general lack of uniformity in the theory and pattern of blue sky legislation. This lack of uniformity produces a whole host of difficulties and is, of course, one of the prime contributing factors to the high cost of compliance just discussed. The facts are that the same information, both financial and descriptive, must often be presented in almost as many different forms as there are states in which offerings are to be made. Supervisory and mechanical costs are duplicated beyond reason in many situations. Despite the efforts of this Association, the Investment Bankers Association and others to achieve a uniform form of application, the problem continues.

The difficulties inherent in the lack of uniformity may be illustrated by reference to three fairly recent offerings. One of these consisted of sinking fund debentures. Of the 32 states in which the underwriters proposed to offer these securities, action to register or qualify them was required in 25. Of these 25, the uniform form of application could be utilized in nine. In four of the 32 states where the principal underwriter was registered as a securities dealer, it was decided to take no action because of difficulties in complying with the statutes. In two of these states, the reason was that the statute required the filing by the issuer of a general consent to service of process, instead of a limited consent related to actions under the securities laws. The requirement of a general consent was deemed to be unreasonable and unnecessary to the adequate protection of investors. In the remaining three states, the debentures were expressly exempt under the laws of one, and no action was required to be taken under the laws of the other two.

The other offerings were of the common stocks of industrial enterprises. In one of these, where a stock exchange exemption was available, the tally was as follows: The offering was exempt from action in 18 states, no action was required to be taken under the laws of five others, a filing of the SEC prospectus with some additions in certain instances was sufficient in nine states, while action to register or qualify the offering was necessary in the remaining 16 states.

The third offering was of the common stock of a very well managed enterprise with fine prospects of growth. In the case of this offering, action to register or qualify was necessary in 33 states and the uniform form of application could be used in only ten of these. The SEC prospectus with additions was a sufficient filing in nine other states, the offering was expressly exempt in one state and no action was required under the laws of five others. The difficulties in preparing the materials and in obtaining proper clearances by the date set for the public offerings are readily apparent.

Another example of the kind of difficulty produced by lack of uniformity in state legislation (and here the difficulty is increased by administrative regulation) is the lack of uniformity in the content assigned to the same terms as they are used in the statutes of the different states. Such terms as "income," "earnings," "value," "tangible property" are among the troublemakers. Even such a common term as "public utility" now and then causes trouble, to say nothing of such more formidable terms as "sale," "offer to sell," "book value" and others in frequent use.

The problems of lack of uniformity sometimes manifest themselves through varying administrative interpretations of substantially identical statutory provisions. A problem which the blue sky lawyer constantly meets in this regard is produced by lack of administrative agreement as to what constitutes audited financial statements or what constitutes an acceptable certificate from a certified public accountant. In this connection, let me mention the problem which arises when audited financial statements must be presented bearing a date within 60 to 90 days immediately prior to the offering date. Now and then market conditions or other causes make the meeting of the financial statement deadline a near or an actual impossibility. Frequently, shortened auditing procedures can be employed which will satisfy any reputable firm of public accountants, the SEC, the lawyers for the issuer and for the underwriters, that the resulting figures faithfully represent the true financial condition of the issuer. A limited accountants' certificate can be issued under such circumstances, but there is lack of agreement among administrators as to whether such a certificate can be accepted, and, in cases where such certificates are accepted, there is lack of agreement as to what the form and contents should be. I do not mean to suggest that the fault lines with arbitrary administrative action. Blue sky lawyers are only too well aware of the fact that legislatures in the several states have conflicting ideas as to the theory and purposes of securities regulation, and that administrative action must be taken consistent with the spirit of the law which is being administered. But the problem is a very real one in the case of many offerings. A sound and satisfactory solution can likely be worked out if the problem is carefully examined by administrators, accountants, lawyers and members of the industry.

Legal Delays

No lawyer who has practiced before the administrators of securities laws is unfamiliar with the strain upon his nerves occasioned by the delays in obtaining essential clearances as the date for the public offering draws inexorably closer. Delays result from many causes. I am glad of the opportunity to lay a portion of the blame at the door of the lawyers for the issuer and underwriters, and the other representatives of both who frequently neglect to call into consultation, during the formative period of the offering, the lowly blue sky lawyer, who, if he has nothing else to contribute, may, at least, from his sad experience, draw suggestions as to the form of offering, financial statements, prospectus and other materials, which will avoid the necessity of securities administrators withholding clearances until statements have been revised or other changes have been made in order to comply with clear provisions of blue sky laws.

Sometimes, however, the delays result from other causes. Frequently, the delay in obtaining necessary clearances results from the utter impossibility of complying in time with certain formal requirements of statutes such as the delivery of final prospectuses, or a certain number of copies thereof before clearance is given, even though the only difference between a preliminary prospectus submitted, and the final one may be the addition of price information which can easily be supplied by telephone or wire. A developed technique of qualified clearances is utilized in many states and can be resorted to without substantial danger of imposition in most of the other states.

There are many other difficulties in complying with state securities laws in their present form and some of these difficulties lead issuers and underwriters to take calculated risks in offering securities, or to resort to devices which comply with the letter but not the spirit of the laws, or more frequently to rely upon limits to jurisdiction imposed by the curious legal significance of state boundaries.

Obsolete State Statutes

Some of these difficulties are presented by obsolete provisions which exist in state statutes. Blue sky legislation has not been subject in many states to rigorous overhauling and in some states there are difficulties in obtaining revision which are inherent in the legislative process. We are all familiar with provisions of statutes which are completely out of step with modern financing methods and which make no differentiation between the functions and positions of issuers, underwriters, and dealers.

Ambiguous provisions of various statutes are another source of difficulty. Perhaps an outstanding example is the provision of the statute of one state which says:

> "* * * the issue of increased capital stock of a corporation sold or distributed by it entirely among its own stockholders, when no commission or other remuneration is paid or given directly or indirectly in connection with the sale or distribution of such increased capital stock."

Plight of the "Speculative Security"

There is another problem of securities regulation which has, in my judgment, received inadequate attention from members of the industry, lawyers and securities administrators. At the risk of voicing heresy, I wish to call attention to the plight under many securities laws of the so-called "speculative security." In the first place, the phrase "speculative security" covers a wide variety of offerings. In many states the test is one of earnings in terms of a fixed percentage of a part of capitalization for a period of time prior to the date of the public offering. If a security fails to meet the earnings test there are substantial difficulties placed in the way of its receiving the required administrative blessing before being offered. The result is frequently that, consciously or unconsciously, the offering is suspect from the beginning, as are all who have anything to do with it. Now this is unjust in many instances. In most states the sales of securities of public utilities are exempt from regulation, yet the common stock of many of such public utilities can not show the requisite earnings for the required period of time, nor is there any immediate prospect of such utilities earning the required standard, and if present depreciation practices under public utility regulation are carefully examined, an even more serious question my arise from the investor's point of view.

Now it seems to me that a word on behalf of the so-called speculative security is long overdue. I do not wish to be understood as speaking for the type of security that is marketed at a cheap price in order to catch the suckers or for the thousands of promotional schemes that verge pretty closely on fraud. But it can be observed that there is frequently an unjustified attitude of administrative suspicion and disapproval of a security which, either because the enterprise is new or because of some other clearly discernible reason, is not among the tried and true. The result is sometimes the imposing of every possible technical objection in the way of such an offering. Rigid interpretation of statutory provisions is sometimes employed, where liberal

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*Statement by Mr. Severns in a panel discussion at the Annual Meeting of the National Association of Securities Administrators, Portsmouth, N. H., Sept. 4, 1952

Canada's New Horizons: A Nation-Wide Survey

By HON. GEORGE PRUDHAM*

Canadian Minister of Mines and Technical Surveys

After reviewing Canada's economic and industrial progress, Canadian cabinet officer lists recent additions to his country's industrial facilities. Describes extent of Labrador's new iron deposits and the new petroleum developments in Northwest Canada. Says Canadians are proud of their recent financial achievements, and lauds defense program. Sees Canada, with its resources and enegetic people, a great hope to humanity.

Canada is a nation only 85 years old. Yet in that time it has developed untold possibilities. Its ten provinces stretch across six Standard Time zones and, among the nations of the world, it covers the third largest land area. Only China and Russia are larger. Canada's tremendous farm production, its forest wealth and its treasures of uranium, nickel, gold, copper, petroleum, natural gas, coal, iron, magnesium, titanium, asbestos and its rapidly mounting aluminum production, will do much to help shape the future of the world.

George Prudham

But the real strength of this country will not be found in the story told in its year books, trade reports or catalogues of progress. Great though its natural resources may be, the Canadian nation represents, above all else, qualities of mind and heart that can never be weighed or measured. Without recognition of these intangibles, Canada cannot be fully or truly understood.

This Canadian Confederation came into being as an experiment in nation building. It began as a vision in the minds of statesmen who saw in this land and its people the prospect of a great and happy country, one that would incorporate, in matters of government, the best features of British parliamentary institutions and of the Federal system of administration developed in the United States.

It was a bold undertaking. In those days this western country was largely unknown, even to Canadians. Voltaire once dismissed Canada lightly by describing it as "a few acres of snow." Even today we are occasionally startled to see American summer visitors arriving with skis and snowshoes strapped to their cars. But in earlier days even responsible newspapers in London, England, could only see in British Columbia what they described as "a sea of mountains unfit for anything."

The construction of railways and the attraction of homestead land soon changed the entire picture. In the early years of the present century a swelling tide of people from all over the world swept into Western Canada. This human flood doubled the population of Manitoba and brought into being the two provinces of Alberta and Saskatchewan. This important influx of people spread 600 miles north of the international border into the empire of the Peace River.

An area larger than Vermont was taken up in homesteads in 1909; an area twice that of Connecticut in 1910, more than Delaware and New Hampshire combined in 1911; nearly the area of Maryland in 1912 and more than the area of Massachusetts in 1913.

At first this development was largely agricultural. Even today agriculture holds a dominant position in our economy. For example, Alberta has 100,000 farms, with a total annual value of production exceeding $800 million, compared to the present annual Alberta petroleum production, valued at $116 million. But throughout Canada today the agricultural industry is being strongly challenged by manufacturing activity and by the other primary industries.

***An address by Mr. Prudham before the Interstate Oil Compact Commission, Banff, Alberta, Sept. 3, 1952.**

Canada's New Industrial Facilities

The industrial facilities we now possess, based on the harvest of field, forest, mine and stream, turn out each year in Canada over $15 billion worth of processed goods. The economic transformation of this country is truly national in scope. The Maritimes, as we call our provinces on the Atlantic Seaboard—the vast prairie region—the Precambrian Shield—and the Far North—all have taken on a new meaning and significance in recent years.

In Newfoundland many new industries are springing into life and a great causeway across the Canso Strait has been authorized.

Construction of a 360-mile railway is steadily pushing up into the Labrador-Quebec iron ore region.

Great new iron deposits are being opened up in Ontario.

Canada, on its own if necessary, is undertaking the deepening and power development of the St. Lawrence Seaway.

A new 147-mile railway line is being built into Manitoba's north, to help develop nickel deposits in the Lynn Lake area.

Uranium City has come into existence in Northern Saskatchewan and is growing rapidly.

Over 3,000 oil wells are producing or capable of producing, and a number of extensive natural gas fields have been discovered in Alberta and a 700-mile oil pipeline from Edmonton to Vancouver is under construction.

The tremendous new aluminum enterprise in British Columbia will have a capacity output, when completed, of over 1 billion lbs. of aluminum per year.

In the Yukon Territory new roads and power plants are being built to serve the important mining districts of the far north.

I am sure that you would want me to deal with these various regional developments in somewhat greater detail. But *first* I wish to say *this*. What I have outlined are not just accidental, unrelated happenings. Speaking as a member of the Federal Cabinet you will pardon me for pointing out that all this progress and advancement is part of a carefully designed policy to give breadth and depth to Canada. I may add that all this development is being accomplished by private enterprise with government assistance.

I have just quickly sketched in what is happening in this country from one coast to the other. I would like now to fill in the picture.

The Labrador Iron Deposits

As early as 1893 one of our Federal geologists, Dr. Low, had reported the existence of iron ore deposits in the Ungava Region of Labrador. No serious attempt was made to develop this ore until 1936. After several attempts to do so, six of the largest United States steel companies linked up with Canadian engineering enterprise to finance the project, including building the railway I have mentioned, extending from tidewater on the St. Lawrence to Knob Lake.

I understand that about 200 miles of the railway will be completed by the end of this year. The six United States companies along with Bethlehem Steel Corp. will buy the Ungava iron ore at the rate of 10 million tons per year as soon as production and transportation is in full swing.

At steep Rock, Ontario, north of Lake Superior, a large lake has been drained and 70 million tons of the lake bed removed in a four-year dredging operation in order to get at the rich iron ore deposited underneath.

Projects such as Knob Lake and Steep Rock will be well served by the proposed St. Lawrence Seaway. When this tremendous undertaking is completed, both navigation and commerce will benefit from the transformation of the Great Lakes system into a North American Mediterranean. Substantial blocks of hydro-electric power will also result from the seaway development. Canadians would have greatly preferred the full and active cooperation of the United States on the St. Lawrence project. Since this has not been forthcoming as hoped, Canada will have an opportunity to test its own financial and engineering muscles on one of the world's foremost challenges to human ingenuity, planning and enterprise.

Canada has for many years produced between 80% and 90% of the world's nickel and the new Lynn Lake development will help fortify Canada's leading position in that respect. The important uranium finds at Beaverlodge in Northern Saskatchewan will help maintain Canada's place as one of the world's foremost sources of that highly strategic metal.

Canadian Oil

Coming now to Alberta, it is exceedingly difficult to know how to summarize all that is taking place.

Perhaps some of you may have heard the clubman's definition of England — an island surrounded by three parts water and one part scotch. Alberta has a different type of geography to that but its climate tends to produce the same kind of results.

With the mighty Rockies on its western flank, this province spreads into great plains and parkland. Climate and altitude have combined to make for an energetic, enthusiastic people, noted for their determined optimism. Recent discoveries are providing something more than dreams and anticipation as a basis for their characteristic hope and confidence.

When one considers the situation in all its aspects, it may not be far from the mark to say that Alberta possesses the world's largest pool of energy supply. With an audience such as this I do not need to dwell on Alberta's position in the matter of petroleum and natural gas. In the short space of five years this province has become one of the world's major oil producing areas.

Oil continues to be found in Western and Northwestern Canada at points at least 1,000 miles apart. The pattern of these discoveries indicates the existence of an extensive belt of territory capable of producing oil and natural gas in quantities that will go far to meet the fuel needs of the free world. Gas, estimated in trillions of cubic feet, will prove to be a powerful magnet to industry.

But all this is only touching the fringe of our possibilities in the

Continued under "Canadian Securities" on page 26

Connecticut Brevities

Milford Rivet & Machine Co. has recently acquired Pacific Rivet & Machine Company of Alhambra, Calif. The new addition, which manufacturers tubular rivets, cold-headed specialties and rivet-setting machines, brings to five the number of plants owned by Milford Rivet & Machine.

* * *

The annual report of **Locke Steel Chain Company** shows that sales for the year ended June 30, 1952, were off about 3% to $3,667,000. Earnings per share were equal to $2.21 against $2.97 the previous year. The balance sheet shows a change in book value of the common from $16.96 to $17.58 a share, and an increase in cash from $226,000 to $537,000 largely due to a decrease in receivables and an increase in the tax reserve.

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At the annual meeting on Sept. 23 stockholders of **Marlin - Rockwell Corporation** will vote on a proposal to increase the authorized amount of common from 400,000 to 1,500,000 shares. If approved, the company will effect a four-for-one split by issuing three additional shares for each share owned of record Sept. 23. There are presently 339,245 shares outstanding. It is planned to retire an additional 24,900 shares of treasury stock. The annual report for the year ended June 30, 1952, shows that earnings on the common were $6.78 a share, after Federal income taxes at a rate of about 67%.

* * *

Pitney - Bowes, Inc., estimates that it will save about 42% on the manufacturing cost of 90 oilless bushings and 20 structural parts for its postage meters through installation of three single-punch power metal presses. An additional 12 structural parts will be added during this year. At the present time about one-third of the company's sales are derived from defense work.

* * *

Bridgeport Brass Company has inaugurated a voluntary employee stock purchase plan which will permit payroll deductions to be used on a regular instalment basis to buy the company's common stock. The maximum amount deducted cannot exceed 10% of salary or wages.

* * *

The Torrington Company reported net earnings of $2.37 a share for its fiscal year ended June 30, 1950, compared to $3.55 a year earlier. The decrease was largely due to the world-wide textile depression which resulted in lower sales of the Needle Division and a shortage of materials which caused a decrease in sales of the Cycle Division. With the aid of new plant facilities at the Torrington Broad Street Plant and at South Bend, Ind., sales of the Bearings Division reached a record level. During the past two years the company has spent approximately $6,000,000 on new plant and equipment. To provide funds for this expansion and for increased inventories arrangements have been made to borrow $4,000,000 through a 10-year loan.

The annual report of **North & Judd Manufacturing Company** for the fiscal year ended June 30, 1952, indicates that sales were somewhat below the level a year earlier. Earnings were reported equal to $3.51 a share compared to $4.28. Substantial plant expansion and modernization was carried out during the year to strengthen the company's position against foreign and domestic competition. The modernization program will continue in coming years.

* * *

On Aug. 29 **Connecticut Power Company** started to supply natural gas to the customers in Torrington. The gas is purchased from Northeastern Gas Transmission. Both Northeastern and Algonquin Gas Transmission are building lines across the state to provide service to additional areas.

Bankers Offer Farmer Bros. Co. Securities

P. W. Brooks & Co. Inc. headed a group which yesterday (Sept. 17) offered 100,000 shares of 6% cumulative convertible first preferred stock at par ($10 per share) and 50,000 shares of common stock at $2.37½ per share of Farmer Bros. Co., a California corporation.

The first preferred stock is convertible at par into common stock of the company at an initial conversion price of $2.50 per share, and is subject to redemption at the option of the company or through the operation of a sinking fund at $10.50 per share.

Over half of the proceeds of the offering will be added to working capital to provide for the company's growing volume of business, the remaining proceeds to be used to purchase from certain principal stockholders 98,625 shares of outstanding second preferred stock and 164,654 shares of common stock.

Farmer Bros Co., organized in 1912 and incorporated in 1923, is engaged primarily in processing and selling coffee direct to hotels, restaurants and institutional users in seven Western States. Throughout this 40-year period the company has never operated at a loss. Through a subsidiary manufacturing coffee urns, the company also presently manufactures component parts for jet airplane engines.

Net sales for 1951 totaled $13,157,653 and net income was $256,935. Sales for the first half of 1952 were at a record high and net income of $148,906 was ahead of the figure for the same period in 1951.

Other members of the underwriting group are Dempsey-Tegeler & Co. of St. Louis and Los Angeles, and Baker, Simonds & Co. of Detroit.

Robert Eaton Opens

RENOVO, Pa.—Robert E. Eaton is engaging in a securities business from offices at 624 Erie Avenue. He was formerly with Penington, Colket & Co.

W. Emlen Roosevelt Pres. Inv. Managem't

The election of W. Emlen Roosevelt as President of Investors Management Company, Inc. has been announced. He succeeds Edmund Brown, Jr., who recently resigned. Mr. Roosevelt, who is also President of the National State Bank of Elizabeth, New Jersey, is a nephew of George Emlen Roosevelt, senior partner of Roosevelt & Son, 155-year old investment firm, Chairman of the Board of Investors Management Company, Inc. and Chairman of Long Island Transit Authority. W. Emlen Roosevelt was formerly a partner of Roosevelt & Son and also formerly a partner of Dick & Merle-Smith.

W. Emlen Roosevelt

Investors Management Company, Inc., established in 1925, is one of the oldest research organizations specializing in the management of open-end investment companies.

Investors Management Company, Inc. manages the investments of Fundamental Investors, Inc. and Investors Management Fund, Inc. which have combined resources in excess of $150,000,000. Investors Management Company, Inc. and the affiliated firm of Hugh W. Long & Co. recently moved their offices from New York to Elizabeth because of the city's action doubling the tax on financial businesses.

The name of Roosevelt has been associated with finance for more than a century and with investment management of Mutual Funds for almost three decades. In 1797, James I. Roosevelt, a forebear of Theodore Roosevelt, established the partnership of Roosevelt and Son, which has been carried on from generation to generation for more than 155 years. The Roosevelt firm's pioneering efforts included the early financing of railroads and cable communication on this continent. C. V. S. Roosevelt was one of the founders of the Chemical Bank in 1824. Members of the Roosevelt family were actively associated with the earlier founding of the Bank of New York and one of them was its second President.

In 1924, under the sponsorship of Roosevelt & Son, Investors Management Company was formed to specialize in research and Investment management. Soon thereafter, one of the earliest modern investment companies was launched. This is now known as Investment Management Fund, Inc.

In 1939 the company undertook investment management activities for Fundamental Investors, Inc. At that time the Fund's assets were less than $10 million and today Fundamental Investors is one of the largest mutual investment funds in the country, with total net assets of more than $135 million.

Edward Jones to Admit Grosse to Partnership

ST. LOUIS, Mo.—Hamilton P. Grosse will become a partner in Edward D. Jones & Co., 300 North Fourth Street, members of the New York and Midwest Stock Exchanges, on Oct. 1. Mr. Grosse has been with the firm for some time.

E. C. Darbois With Florida Secs. Co.

ST. PETERSBURG, Fla. — Edmund Charles Darbois, former Floridan, has recently joined the staff of Florida Securities Company, local investment house, with offices in the Florida National Bank Building. He will become Manager of the Research and Advisory Department, as well as being a registered representative of the company.

Mr. Darbois has a background of 25 years diversified Wall Street experience, including key executive posts coupling Banking, Brokerage and Investment Counselling. His most recent connection was Research Director for J. Arthur Warner & Co., Inc., of New York City. Prior affiliations were as Manager of the Investment Advisory Department for Sulzbacher, Granger & Company and Bendix, Luitweiler & Company, New York City, both members of the New York Stock Exchange.

Mr. Darbois is a graduate of the American Institute of Banking as well as a post-graduate of the Graduate School of Banking for Bank Officers, Rutgers University, the first graduating class of 1937. Formerly he was Instructor in Banking and Investments for Mansfield & Staff, leading Wall Street Investment Counsellors and prior thereto was Assistant to the Executive Vice-President on Investments as well as Bank Educational Director for the Lawyers Trust Company, New York City.

Smith-Douglass Notes Placed Privately

Smith-Douglass Co., Inc., with executive offices at Norfolk, Va., have placed privately through F. Eberstadt & Co. Inc. an issue of $6,000,000 of 3⅞% notes due Sept. 1, 1967 with the Equitable Life Assurance Society of the United States and John Hancock Mutual Life Insurance Co. A sinking fund is to commerce on Sept. 1, 1956.

The proceeds will be used in connection with the acquisition by Smith-Douglass Co., Inc. of more than 98% of the outstanding stock of Coronet Phosphate Co., which has extensive reserves of high grade rock in Florida and supplies phosphate rock to manufacturers of poultry and animal feed. It has two plants in Florida.

J. S. Turner Opens

PENNS GROVE, N. J.—J. Stewart Turner has opened offices at 69 Maplewood Avenue to engage in the securities business. Mr. Turner was previously with Laird, Bissell & Meeds and Reynolds & Co.

Joins Edgerton, Wykoff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Thelma P. Furey has become affiliated with Edgerton, Wykoff & Co., 618 South Spring Street. Miss Furey was previously with Hannaford & Talbot and Pacific Coast Securities Co.

Worldwide Devices to Help The Saver Against Inflation

By CHARLES R. STAHL
Economic News Agency, Inc.

Swiss economist, tracing the worldwide course of monetary depreciation, cites the escalator and other ameliorative arrangements which have been tried in Europe over the past hundred years. Concludes all such devices are ineffective in dealing with root injury to savers from inflation, which he sees as pro-Communist "Fifth Column."

Inflation today is a problem which concerns everybody: labor, management, and professionals universally — a problem which today, not only for the U. S. A., but for the entire world economy is of inestimable importance. In the middle of a period in which production is increasing unprecedentedly, even in Switzerland a decline in the value of money is occurring which, if it cannot be brought to a halt and if this process of devaluation continues, will reduce the value of money by 50% within 15 years. This means that a saving of 1,000 Swiss francs at 3% interest would within this period nominally be increased to approximately 1,560 (assuming that the interest is compounded); but, calculated in francs of today's purchasing power, would actually be worth only Fr. 780, that is, half of Fr. 1,560. Insurance premiums, pensions, mortgages—our whole system of credits—is endangered for a long time to come. Whereas in the classic national economy a constant decrease of the interest rate below 2% was considered intolerable, as it would bring the saving motive to a standstill, we face today the phenomenon that many millions of savers, not realizing the importance of this process of devaluation, are investing money at a negative interest rate. The following figures show the results of the war and of a period of "comfortable inflation":

Charles R. Stahl

The devaluation of money in percentage between 1939 and 1951 was:

Switzerland	39.5%
South Africa	41.6
Sweden	43.7
Great Britain	48.5
Holland	61.5
Belgium	74.8
Brazil	76.3
France	94.6
Italy	98.1
Japan	99.3

This means that if, for instance, a Swiss saver who before the war had Fr. 1,000, has today—after 13 years—an amount of Fr. 1,468.60 (figured at the compound interest rate of 3%) at his disposal; but this sum would be equal to a purchasing value of only Fr. 880. In other words, his Fr. 1,000, not only has brought no gain for the saver, but moreover he has actually suffered a substantial loss of nearly 12%. Such loss under the same conditions has amounted to 18% in Sweden and to 22% in Great Britain.

Anti-Inflation Steps Not New

No wonder that schemes are being proposed in various countries in order to remove either inflation itself or, at least, its most dangerous effects. Already in the last century, at first in the American copper mining industry, the system of the "sliding wage scale" was introduced. The price of copper was particularly subject to strong fluctuations. The wages of the miners were tied to the quotation of copper; if the rate of copper increased, the income of the workmen automatically increased, too. The workmen participated in the gain. On the other hand, they also had to accept a reduction of their wages in case of a price decline. This idea of fixing wages according to the respective price index has also been accepted in Australia where from time to time in various States and cities a "basic wage" is fixed. This basic wage is the official minimum wage which, on the ground of the respective standard cost of living, is considered to be sufficient for a workman's family. In this manner the interests of the person receiving wages are protected against fluctuations of the purchasing power of money which might affect his actual wages. Professor Slichter, U. S. A., recommends in the interest of the savers the emission of bonds which "escalate" in return with inflation. It likewise has been proposed that railroad tariffs be made flexible.

A Finnish Proposal

Professor Bruno Suviranta of Helsingfors suggests the introduction of an Index Clause which—similar to the Gold Clause which would make the value dependent on the gold price—would make the nominal value of stocks of fixed interest, etc., dependent on the respective prevailing cost of living index. It is interesting to note that he also intends to establish a connection between bank deposits and the Index Clause. Whereas the investment of the depositor would be insured against the danger of inflation, any expansion of credits would—even more than by an increase of the interest rate—be hampered by the risk of having to repay a much higher nominal amount, and this would in a constructive manner contribute to dam up inflation.

Further Help for Insurance Holders

Of those who face the danger of inflation, insurance holders are particularly affected because of the long-term disposition of their means and the difficulty of their liquidity. Recognizing this, the Karlsruher Lebensversicherungs-Gesellschaft A. G. (Life Insurance Company of Karlsruhe) is now endeavoring to exclude the risk of money devaluation by establishing a plan of Index-Gain. It is a widely known usage in the insurance business to let the insured participate in the surplus of the insurance companies. These surplus funds are intended to be distributed not in the form of service increases, reductions of premium, participation in the gain, etc., but shall serve as a money-devaluation reserve. Insurance payments in case of death may be made from this reserve up to the amount of the insured real value. Aside from the fact that the reserve thus created is completely insufficient, the problem cannot be solved thoroughly in this manner. All means of the insurance companies would have to be invested "inflation-proof"; or—just as risks are reinsured—the companies would have to be able to reinsure themselves against devaluation of the insurance amounts. This, however, if at all possible, would require premiums to be so high that the purpose of the insurance would become null and void. The other projects which by flexible Index Clauses are trying to eliminate the consequences of inflation, seem to underestimate the difficulties of carrying through these projects in practice. It is difficult to imagine how a daily fluctuating value of money would be put into practice. Sooner or later, the entire function of money itself would be questionable. The general introduction of the Index Clause would certainly result in a boom for the manufacturers of calculating machines but the public would be in an unfavorable position with respect to the daily functions of life. Just imagine the housewife in the butcher shop with the index table in her hands! Fighting inflation means regulation, complications and red tape; the economy would be in the hands of index commissions, and their setup, and the technique of calculation would be the source of endless conflicts.

It is essential to remove inflation itself—not its consequences. The difficulties are caused by a variety of causes. For instance, while in the U. S. from December, 1945 to June, 1950 the wholesale price index increased by 50% and wages increased even more than the costs of living, the quantity of money increased by only 8%. Here, the price rise was caused by the civil demand which had been suppressed during five years of war. The Korea boom — the typical war boom—had the same price-stimulating consequences. Inflation does not necessarily mean an increase of the currency in circulation. The same results may be obtained by speeding up the circulation of currency and by expanding the volume of credits. The decisive function of saving and with it the valuation of money are dependent on psychological factors. The value of the dollar in the past several decades was subject to changes almost as incisive as the development of the rate of speculative securities. Its curve of value changed since 1913 (=100) as follows:

To 1920	50%
" 1930	60
" 1933	77
" 1935	72
" 1940	70
" 1943	60
" 1950	40

The equation still is: Savings plus taxes=private investments plus public expenditures. The effects of saving behavior in a political economy are those of a sponge: it regulates demand by taking away the purchasing power, and regulates supply by investments which are only possible by means of savings. Saving prevents an increased circulation of banknotes inasmuch as the capital from savings, at least in normal times, places sufficient means at the disposal of the State.

The Insured Middle Class

The money devaluation endangers the middle classes of society. One of the most important factors of progress in our democratic social order is the democratization of the capital distribution. While in the year 1929 the 5% of the highest incomes in the U. S. A. still included 34% of the total national income, the distribution change in the year 1944 to such a degree that in this year 5% of the highest incomes included but 18% of the public income. The taxation of maximum incomes in the U. S. A. was increased in the last 35 years by 20 times. Rising production increased the real income. From 1945 to 1951 alone, wages in the U. S. A. increased by 120%, while costs of living rose by only 80%. All these factors are apt to further considerably the formation of capital within wide circles of the population.

The social downward trend of the middle class endangers our social order. The small saver considers himself cheated by the devaluation of money. The small man whose only hope in the troubles of his daily life is a quiet, carefree evening of life, sees the basis of his old-age pension diminish more and more. The fear of old age, this central motive of his saving, drives him more and more under the influence of a Fifth Column, realizing in the midst of an increasing dearth the hopelessness of his saving activity. In the end, such a development could only be profitable for a communistic propaganda. In this connection, Lenin's words, which had already been cited by Keynes, should be remembered: "The best way to destroy capitalism is the deterioration of the currency. By means of inflation, the State can confiscate large parts of the public capital. Its consequences, however, are not equally divided. Not only the safety but also the confidence in a just distribution of the capital disappear. The relations between people, creditors and debtors get confused, the process of production, the saving becomes a gamble and a lottery."

Continued from page 10

Significant Gains to the Nation Resulting From the Steel Strike

to be bound by any laws covering wage stabilization—that they were going to get their demands . . . or else.

The previous November, the Regional Director of the United Steelworkers in Buffalo—Joseph P. Molony—said boldly and publicly: "We aren't going to pierce the wage stabilization formula, we're not going to bend it, we're going to break it."

With a Wage Stabilization Board set up exactly in accord with the desires of Union leadership, it was inevitable that Mr. Murray would not engage in any real wage bargaining with the steel industry.

That in itself would not have made an altogether impossible situation. What did make the whole controversy hopeless of settlement was the fact that we had a third party at the bargaining table. The third party was the government.

In the steel negotiations the government was an active proponent on the side of labor. The companies couldn't talk freely about wages which were government controlled because they had to consider increased costs and their effect on prices, and prices also were government controlled.

One of the functions of the government should be to maintain a stable economy. One would have thought, therefore, that the government would have agreed with the original position of the steel industry—namely, that there be no wage increase and no price increases, though the steel industry was entitled to an increase of almost $3 a ton under the Capehart Bill. But the government disagreed completely with this viewpoint. There seemed to be little interest on the part of Washington in holding down wages and prices and so prevent further inflation and stabilize the economy. As a result, we couldn't bargain, we couldn't give or take, because the government held the high cards and we held the low ones. The Union expected that, with government support, its maximum demands would be met. It had no minimum demands.

I am firmly convinced that if the Union and the companies had been permitted to carry on negotiations without governmental interference, much of the huge loss brought about by the steel strike would have been avoided.

So I hope that out of the steel controversy we will get a third gain. That gain will be that in the future the Union and company will be able to sit down together and bargain collectively to a conclusion in an uncontrolled economy—no wage fixing, no price fixing—but with the natural laws of supply and demand settling the issues.

Question of Union Shop

The fourth gain has to do with the Union Shop.

From the very beginning the steel companies announced, with all the force of which they were capable, that they would combat every effort to force their employees to join the Union as the price of working in the steel mill.

The Union was insistent that it would settle on no other basis than a complete Union Shop. And there the matter stood for weeks.

Some people perhaps wondered why the steel industry held to its point so steadfastly. The answer is simple. The companies believed sincerely and honestly that they had no right to take the freedom of choice from their employees. If an employee wished to join the Union, that was well and good—that was his business. But the companies refused to make of themselves recruiting agents for the Union.

We have seen too many of our freedoms abridged during recent decades to look lightly on a further abridgment. So on this point the companies set their course and stayed with it to the end.

It was interesting that in most of his discussions of the steel situation, President Truman scrupulously neglected to mention the Union Shop. He talked about the economic issues but never about the human freedoms which were endangered.

It seemed to the steel companies, therefore, that this issue should be brought to a head. Once and for all the principle of individual freedom from union domination should be settled.

The interesting thing is that the position taken by the steel industry met with almost universal approval. I have looked at scores of editorials. I have listened to hours of radio and television. Except in those cases where the writer or the speaker was an out-and-out labor proponent, there was approval of the steel companies' position.

It seems to me that again what we call the rank and file was aroused to a great danger. They hoped that the industry would hold to the position it had taken and see the fight to a conclusion.

So there we have a fourth gain from the steel controversy. We have set a pattern for solving the question of the Union Shop.

Lastly, there was the clear unmasking of the alliance between government and organized labor.

There had been rumblings of such an alliance but too few people took the rumblings seriously. I think that the speech which President Truman made when he announced the seizure of the steel industry did more to convince people of this alliance than any other one thing.

If there was still doubt in people's minds, the talks made by Vice-President Barkley and Secretary of Labor Tobin at the CIO convention in Philadelphia gave them ample confirmation. It was at this convention that Vice-President Barkley told 3,000 delegates that he hoped the Union would come out of the dispute with victory. And Secretary of Labor Tobin on the same platform told the Union members he was with them "heart and soul." "I don't feel any obligation to be impartial," he added. "The only way to settle this dispute is through the acceptance of the recommendations of of the Wage Stabilization Board."

Statements such as these could not help but convince even skeptics that the Federal government had aligned itself shoulder-to-shoulder with the United Steelworkers of America.

There was still another indication of this alliance. President Truman refused consistently to utilize the Taft-Hartley Law which would have permitted the steelworkers to return to their jobs and steel production to be resumed. He resorted to seizure and to threats of seizure instead. He denounced and scolded the industry and its executives. He urged Congress to suggest methods for settling the strike. Congress told him to use the Taft-Hartley Law and rejected his demand for seizure legislation. But he still didn't use the Taft-Hartley Law. At no time did he show the slightest willingness to use a law which had not only been passed by Congress but passed by Congress over his veto.

Why Taft-Hartley Act Was not Used

The real reason for the President's unwillingness to utilize the Taft-Hartley Law was revealed in a talk made on June 22, at Gary, Indiana, by Philip Murray, the Union President. Mr. Murray told his audience: "I remember distinctly just about the day before Christmas, 1951, President Truman communicated with me and in the national interest he suggested that the original strike scheduled for January 1 be postponed. He at that time said 'If you willingly and voluntarily agree to a suspension of the strike, I believe you need have no fear of the courts imposing upon your membership the so-called Taft-Hartley injunction process.'"

No labor leader, as far as I know, had ever previously planned his strike strategy in close consultation with the national Administration.

I am convinced both the President and Mr. Murray had a definite reason for not wanting the Taft-Hartley Law used. One of its provisions, as you know, is that the employees vote on the last offer made by the company. Both the President and Mr. Murray may well have been afraid of the outcome of that vote. They didn't dare take the chance of letting the men express themselves as individuals and not through the mouths of the Union heads.

So here again was a dramatic example of government-union strategy. It was entirely appropriate for union leader — Secretary-Treasurer David McDonald — to publicly refer to the President as the "friendly gentleman in the White House" whose attitude put the steelworkers into what he called "a particularly fortunate position."

At the Union Convention in Philadelphia Mr. McDonald commended President Truman even more warmly.

"We are certainly pleased today," he said, "in the role that Harry Truman is playing in behalf of the steelworkers in the wage dispute, since labor did so well by Mr. Truman at the polls in 1948."

It was undoubtedly shocking for the country to realize that the Federal Administration would cooperate with a union organization at the expense of the nation as a whole. With this object lesson before it, the general public will look with greater care on evidence of future government-labor relationships. This questioning attitude may serve as a deterrent to future political understandings of this type.

These five points are some benefits which have grown out of this serious labor controversy. In economic terms it has been vastly expensive. But there has been a great gain in public education. There is no really free education. Everything we learn we must pay for, whether with money, or experience.

If I am right in the assumptions which I have made, we may possibly look forward to a much better labor-management relationship in the future than we have had in the past.

The time is long since past when any sensible, responsible company has the remotest desire to break a union. We recognize that unions are not transient organizations. They are part of our economic system. But they must become a responsible part of that system.

Now let me make one suggestion to accomplish this.

The first point I made in this talk was that Congress in its next session will undoubtedly take some action which will lead to curbing labor monopolies. This is an issue on which the labor unions will fight to the very limit of their strength and means.

We on industry's side must be equally aggressive. We must show that labor monopolies are not bad for industry alone but for the nation as a whole. We must tell our Representatives in Congress what we think and why we think it. We must encourage them to take courageous, positive action on this controversial subject. In doing that we will be helping ourselves —yes—but we will be helping this country even more.

We have a great country—a country of tremendous possibilities. It is not a mature economy, as President Roosevelt once said, but an expanding, growing economy—an economy in which there are untold and unrealized opportunities for the individual. Until the perfect automobile is built, there will be new models developed annually. Until the perfect home has been constructed, new materials and new methods will be developed to build better homes. We will not be a mature economy until we have reached perfection.

To reach the new heights we must have cooperation, understanding and mutual responsibility on the part of all the important groups of the country. Labor unions are one of the most important groups in our modern way of life. I think that curbing labor's excessive power so that labor unions can take their proper place in our society will tend to speed that cooperation and understanding.

With a willingness to work together and a willingness to understand each other's problems, there is no height we cannot reach.

C. L. Felske V.-P. of Kalamazoo Co.

KALAMAZOO, Mich. — Appointment of C. Longford Felske as Vice-President in charge of Finance has been announced by the Board of Directors of Kalamazoo Vegetable Parchment Company. He will assume his duties about Oct. 15.

C. Longford Felske

Mr. Felske has been associated for the past 16 years with the investment banking firm of Harris, Hall & Company, Chicago, of which he is now a Vice-President. Formerly Secretary of the Investment Bankers Association of America, he is a graduate of Cornell University and served during World War II with the U. S. Navy, reaching the rank of lieutenant commander.

Reynolds & Co. Places Western Union Shares

Reynolds & Co., following the close of the New York Stock Exchange on Sept. 15, made a secondary offering of 100,000 shares of common stock (par $10) of Western Union Telegraph Co. at a fixed price of $39 per share, with a dealer's discount of 90 cents per share. The offering was quickly oversubscribed and the books closed.

The net proceeds from the sale of this stock will go to John Fox, who will retain 81,200 shares of Western Union stock as a permanent investment.

Edw. Luckett Joins F. S. Smithers Co.

The investment banking firm of F. S. Smithers & Co., 1 Wall St., New York City, members of the New York Stock and Curb Exchanges, have announced that Edward H. Luckett, formerly Vice-President and Treasurer of United Corporation, has become associated with them. Mr. Luckett will be a member of the firm's investment department.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The pressure was kept on the money markets, when the Treasury announced it would refinance the Oct. 1 maturity of 1⅞% certificates with a 14-month 2⅛% note, which will mature on Dec. 1, 1953. As a result of the announcement, the market is again adjusting its position to the new financing, which may bring in its wake, changes in the prime bank rate as well as the rediscount rate.

The short end of the list still continues to get the bulk of the demand despite the modest firming in rates, due mainly to the new operations by the Treasury. The longer market is thin and definitely on the uncertain side because buyers are inclined to wait for more favorable conditions before they will put important funds to work in these securities.

Not Entirely a Surprise

The Treasury's offering of a 14-month 2⅛% note to take care of the Oct. 1 maturity of 1⅞% certificates did not come entirely as a surprise to the money markets. There had been the usual amount of uncertainty in the market that generally accompanies the waiting period when a refunding operation is at hand. Added to this, however, were the effects upon the market of the many opinions as to what the Treasury would do in meeting the Oct. 1 issue of 1⅞% certificates. The belief was rather widespread for a time that the Treasury would reopen the Aug. 15 issue of 2% certificates, and in this way provide for the October maturity. This would have meant a 10½-month 2% obligation, which would have put a minor bit more of pressure on the money markets. Next came the reports that a one-year maturity bearing 2⅛% would be used by the Treasury in the impending refunding. This would have put considerably more pressure upon the money markets if it had been used. The next deal that was rather widely talked about and touted around was the so-called "package deal" which came into rather significant prominence about a week or so before the announcement by the Treasury was expected. This was supposed to be a three-way offer, reportedly consisting of a 3-months maturity, the reopening of the Aug. 15 2% certificates and a 14 or 14½-month 2⅛% obligation. Holders of the maturing Oct. 1 certificates, according to the rumors, were to be given the option of taking any one of the three maturities or a part of each, according to their needs and requirements.

The Treasury, as is the usual case, gave the market a mild surprise when it offered the 14-month 2⅛% note in exchange for the maturing 1⅞% October certificates. This exchange offer continues to put a modest amount more of pressure upon a tight money market, which is going to be kept tight as long as the loan trend and the inflationary forces appear to be in the ascendency. The new 14-month note should be well taken and, with Federal the holder of some $7 billion of the maturing Oct. 1 certificates, there does not appear to be any problem in the handling of the $10,861,000,000 of the 1⅞% certificates that come due the first of next month. By extending the maturity out to Dec. 1, 1953 there will be a spacing of maturities which would not have been the case if the Aug. 15, 1953 issue of 2% certificates had been used in meeting the October maturity.

Heavy Maturity Schedule in 1953

As a result of the current refunding, the 1953 maturities in the latter part of the year will be spread out a bit more with a large one coming in September when the $7,986,000,000 of the 2% of Sept 15 come due, to be followed by the present issue of 14-month notes which mature on Dec. 1. If the Aug. 15, 1953 certificates had been used to refund the Oct. 1 issue, it would have resulted in the very large maturity on Aug. 15, 1953, being followed almost immediately by another sizable one on the first of September, 1953. This is something that the Treasury would most likely be interested in avoiding.

Tight Money Policy Believed Temporary

Although the terms for the handling of the October certificates keeps the money markets tight and there are no signs of an immediate release of this pressure, there is apparently no change in the opinions of most money market followers that this is a temporary situation which could be altered in the not too distant future. It is well known that higher interest rates do not prevent the spiral of higher wages and higher prices from taking place, and it will not prevent loans from being made either. However, it does make the creation of excess reserves through the sale of government securities more difficult. This is the area in which Federal has made gains by its tight money policy, because the initiative for the creation of these reserves is now back with the Federal Reserve Banks. If business should start to taper off, and many believe it will in future months, the tight money conditions will give way immediately to easy money conditions. Federal fears inflation, but it hates deflation worse than the devil does holy water.

Chase Chemical Stock Offered at $1 a Share

Aigeltinger & Co. and Vickers Brothers are offering "as a speculation" an issue of 291,000 shares of common stock (par 10 cents) of Chase Chemical Co. at $1 per share.

The net proceeds will be added to the corporation's general funds and used as additional working capital in connection with financing increased inventories and establishing new sales territories.

The company was formed under the laws of New Jersey in 1942 as the successor to the business of a partnership organized in 1929 by Sydney and Randolph Chasman, the principal stockholders of the corporation, under the name of U. S. Pharmacal Co.

The corporation is engaged in the manufacture, distribution and sale of pharmaceutical, vitamin and household medicinal products. The corporation leases its principal plant facilities, located at 280 Chestnut Street, Newark, N. J.

Opens Offices

Gabriel Pap is engaging in a securities business from offices at 157 West 85th Street, New York City.

"Difficult Decade" Facing Beverage Industry!

Harry G. Serlis, President of Schenley Distributors, Inc., says for all elements of the trade the future holds stern competition for available business. Cites consumer's shrinking luxury dollars, high taxes, bootlegging and inventories as factors putting "squeeze" on industry.

According to Harry G. Serlis, President of Schenley Distributors, Inc., the beverage industry faces "at least a decade" of difficult selling conditions "during which population increases alone cannot relieve the pressure." In an address at the opening session of the Schenley company's three-day field management conference in New York City on Sept. 11, Mr. Serlis declared that for all elements of the trade "the future holds stern competition for the available business." But he stressed that his remarks were not "defeatist discussion," and added: "The supplier, wholesaler or retailer who furnishes true value and has a variety of quality products to sell will survive and prosper if he is alert to tomorrow's marketing opportunities."

Harry G. Serlis

Mr. Serlis stated that the industry must reorient its planning and its operations to "increasingly stern competition" because of the "squeeze" of the following four factors:

(1) **Economics** — The industry must compete for the consumer's luxury dollars, which are shrinking under conditions of steadily rising living costs.

(2) **Taxes** — The tax-inflated price of legal liquor has caused a continued decline in consumption.

(3) **Bootlegging**—The consumer of small or modest means has in many cases been forced out of the market for legal spirits and has become a regular customer of the constantly growing traffic in bootleg alcohol.

(4) **Inventories**—Due to the decline in consumption, the withdrawals of whiskey from the industry's inventories have not kept pace with production and unless the eight-year bonding period is extended to 12 years the inventory situation threatens the industry's financial stability.

Within the Schenley organization, Mr. Serlis revealed, recognition of the difficult selling period ahead has lead to the company's inauguration of a sales training program for new members of the sales staff and a continuing on-the-job training program "to provide both a highly skilled field staff and a reservoir of experienced managerial talent" for promotion to higher posts within the company.

"It is our conviction," he added, "that the quality of personnel—in other words, the human equation—will be the decisive factor in the industry during the next decade."

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Objectives in State Securities Act Legislation

may be considered to represent modern securities legislation. It was prepared with due regard to the fact that we, in our business, possess nothing of lasting value unless we possess the confidence and goodwill of our customers and the public we seek to serve, and out of realization that confidence and goodwill, in turn, are developed and retained only through the rendition of satisfactory service and adherence to high standards of commercial honor. This is merely another way of saying that, in the preparation of this model act, we strove diligently to incorporate fair and equitable principles. We definitely were not seeking to create for ourselves a "bed of roses." Some of us, in fact, may well find unpalatable certain of its provisions, such as the frequency of supervision of dealers and the substantial licensing fees. Our answers, frankly, to any objectors from among our ranks is that the administrative agency may be expected to provide a minimum of supervision as to those who consistently observe high standards of conduct and that a stout fee is a small price to pay for good government.

A model law of the type we propose admittedly requires intelligent supervision, but in this respect it would appear to impose no greater administrative burden than results under existing Blue Sky laws. Furthermore, through the imposition of a proper schedule of fees, it contemplates providing revenues sufficient to support an adequate examining and supervisory staff, a factor of real importance to you security administrators.

As already indicated, we sincerely believe that an act of the notification type represents sound, modern, securities legislation and we have been encouraged by the support of, and interest in, the model act displayed by certain of your member administrators. I should like to leave this additional thought with you. I don't know what percentage of the country's securities business is transacted by high-grade and thoroughly reputable firms but, if the membership of the NASD in relation to the total number of firms operating in the country is any criterion, the percentage must be a high one. For purposes of discussion let's arbitrarily say it is 95%, with the remainder accounted for by the five-percenters and fringe operators we seem to have with us in all spheres of activity. Now what I would like to suggest to you is that most of the Blue Sky laws today are in effect designed primarily to deal with the issues distributed by the dealers accounting for the remaining 5% of the business. The point is, however, that in endeavoring to reach this small minority, unwarranted shackles, restrictions and burdens are placed upon the thoroughly reputable people who do the great bulk of the business. Maybe that emphasis was justified in some prior period but, under present and prospective conditions, we feel it is definitely misplaced. The notification type of act effectively remedies this basic defect in concept. In effect it starts out with the assumption that, upon registration and compliance with statutory requirements, all registered dealers are competent and honest but, being realistic and understanding of the frailties of human nature, it goes on to say in substance that all hell will break loose if a dealer subsequently proves himself otherwise. It is a type of bill which, while simple in form and construction, has as many, if not more, "teeth" in it than most statutes on the books today.

Allow me for a moment to digress and to go back to my earlier statement about the fringe element in our business. It is there, I admit, but I sincerely believe we have less of it today than in any other business I know anything about. Please pardon the personal reference, but earlier this summer I spent a little time in the Colorado Rockies with my family and did a fair amount of mountain climbing. Even on the highest peaks I noticed growing and flourishing some of the most beautiful flowers I have ever seen, despite their obvious necessity at that altitude of combating all sorts of conditions and elements. The conclusion was inescapable that constant buffeting about and struggling for existence had only served to enhance the beauty and fragrance of these marvellous creations. If the best elements and characteristics are developed in this manner, then I submit to you that we today must be of necessity paragons of virtue and perfection, since for well nigh unto twenty years our garb has been a straitjacket and our diet has been a highly restricted one. The period has been a difficult one but, as in the case of the flowers, this very fact and condition has resulted in a development and progression that might otherwise not have taken place or at least not to the same degree. We have learned many lessons we are not likely to forget and, most importantly to my mind, there has developed a tremendously keen appreciation of social duty and responsibility as reflected, for example, in highly developed and energized educational and public relations programs.

Securities Business Is Highly Competitive

Getting back on the track again, we are interested in enactment of modern securities legislation because, quite frankly, we feel it is essential and necessary in our interest as well as in the public interest. Our business over the years has developed into a highly competitive one, with all that that implies, and I believe that the record to date in the pending anti-trust suit against the 17 investment banking firms is replete with evidence to bear out this contention. As a result we are extremely conscious of our costs and are doing everything possible to place our operations on the most efficient basis possible. It is true that the past several years have been active ones; yet mere activity is not always synonymous with profitable operations. Last year, for example, was a year of great volume but, because of inventory losses absorbed in the first half, it appears that the results for the entire year of many firms left a great deal to be desired. Those, on the other hand, that last year, and again this year, managed to do reasonably well did so, I believe, generally because of the fortunate circumstance that a great many corporations and municipalities found it necessary to come to market and to raise in the aggregate unusually large amounts of capital. In short, such profits as were and are being realized reflect mainly the sheer impact of volume. But volume in the very large amounts witnessed in recent years can hardly be expected to be with us always and, with any falling off, we may soon thereafter begin to see what many in our business have long contended, i.e., that competitive forces have driven unit profit margins down to unrealistic levels. When that time comes, incidentally, I personally believe we shall witness further attrition in our business, both in dealer firms and in manpower.

Finally, I suggest that a broad revamping of our Blue Sky legislation structure is required if we are to deal intelligently and effectively with private placements of securities.

It is unnecessary for me to point out the tremendous amount of business done on this basis, especially in recent years, and to the fact that the trend appears still to be upward. I personally believe that there are situations where private placements have a proper place and can readily be justified. Having said that, however, I want in the next breath to say that, entirely apart from any social implications I believe very definitely the thing has been overdone and that there have been, and will probably continue to be, many, many cases where a corporation would have been better advised, and would actually have fared better, if it resorted instead to a public distribution. There are, I know, usually a variety of considerations behind the decision of management to go down the private placement route, and it is conjectural to what extent the scales are tipped in that direction by the expense and difficulty of blue-skying securities. I do know for a certainty, though, that managements are very cost conscious and, furthermore, interested in getting the job done with a minimum of delay. As a result, if the trend toward private placements is to be arrested or reversed it is imperative that there be removed promptly all unnecessary obstacles and impediments presently standing in the way of distributing securities in the conventional manner, that is via the public offering method. And it is perhaps unnecessary to point out to you that, regardless of what may happen to others, the coffers of the several states will, through the medium of registration fees now being lost, benefit from any such shift in method of distribution.

With Rodman & Linn

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Arthur B. Hellyer has become associated with Rodman & Linn, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Hellyer was previously with Francis I. du Pont & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Thomas J. Hickey to Be Partner in Sparks

On Oct. 1 Thomas J. Hickey will be admitted to partnership in J. W. Sparks & Co., 50 Broadway, New York City, members of the New York and Philadelphia-Baltimore Stock Exchanges.

A. H. Bryant, Jr., Dir.

Samuel Metzger, Jr., President of Lock Thread Corporation, has announced the election of A. Hager Bryant, Jr. as a director. Mr. Bryant, a partner of H. T. Carey, Joost & Patrick, members of the New York Stock Exchange, was formerly President of International Safety Razor Corporation.

Canadian Securities

By WILLIAM J. McKAY

Continued from page 20

Canada's New Horizons: A Nation-Wide Survey

energy field. Located some 20 miles north of McMurray in this province is a deposit of sands containing an estimated 900 million barrels of oil over an area of nearly four and a half square miles. Locked up in that one resource Alberta and Canada have the largest known single source of oil in the world. Even now science is shaping the key that will unlock this unique storehouse of power to make its benefits available to free men everywhere.

Then there is coal. Alberta has close to 50% of all Canada's coal reserves, or about 48 billion tons. Over 200 coal mines are at present operating in the province. Their production is useful not only in the form of fuel, for heating, but also to some extent, in the production of power to supplement the output of our hydroelectric plants. Alberta's important coal reserves may soon be used in the large scale production of cheap power.

Coming to British Columbia, I shall speak of only one project, the one at Kitimat. There the Aluminum Company of Canada is actually taking the peak off a mountain and dumping it into a river that will be turned back on its course 150 miles and directed through a ten-mile tunnel for power production connected with the output of aluminum.

A new railway is being built from Terrace to Kitimat. It is expected that reserve power will be available to step up the Kitimat production of aluminum to 500,000 metric tons a year. The largest smelter of this kind in the United States has a capacity of 145,000 tons of aluminum per year.

Turning to the Canadian territories in the far north, it may be said that the curtain began to lift on the economic possibilities of that part of the continent in March, 1921.

That was when an experimental prospecting flight out of Edmonton proved that planes could fly to remote northern points in winter as well as summer. In 1929 and 1930 the use of planes for prospecting resulted in the discovery on the shores of Great Bear Lake, near the Arctic Circle, of pitchblende deposits. Port Radium, 1,000 miles north of Edmonton, is still the most northern centre in a mineral empire that now includes Yellowknife, Fort Norman Oil Field, Goldfields and Uranium City on Lake Athabasca.

Much of our northern development has been expedited and helped by the construction of the Alaska Highway. We hesitate to give Americans the entire credit for the miraculous completion of this 1,200-mile highway in record-breaking time. The road followed a course that was direct, inland and already served by air communications. In other words, the highway linked up an existing chain of air bases, pioneered in the northern wilderness years before by Canadian bush pilots and other personnel. This was, in fact, the famous North West staging route.

I feel I have spoken far too long but I have managed only to suggest the variety and scope of Canada's resources, human and material. I am sure that you must feel that I have caught Texas fever in the course of my remarks. But there is one more claim I would like to stake before I finish.

Proud of Financial Achievements

Canadians are proud of their recent financial achievements. We are proud that we paid our way through both World Wars without requiring any lend-lease aid from the United States. We are proud, too, that we Canadians are carrying by ourselves the full load of our extensive defense costs up to date, as well as giving financial aid to the United Kingdom and other NATO countries. Today 50 cents out of every tax dollar in this country goes for defense purposes.

We are paying our way and we are balancing our national budget. We used to have the second best money in the world. I won't say anything more on that score. And we have retired approximately 15% of our national debt in the last five years.

Canadians have the reputation in some quarters of being cautious in spending money on the development of their own natural resources. Much as we want and appreciate having a great influx of American capital in this connection, I should point out that Canadians themselves are now providing upwards of two-thirds of the money currently being required for resources development in this country. To put it briefly, we are not only paddling our own national canoe; we have attached a jet-propelled outboard motor.

What I am stating is not offered in any spirit of boasting but rather with the desire to make more widely known the extent to which this country has stood on its own feet, internationally and at home.

At the outset of my remarks I referred to Canada as an experiment, a vision and a great achievement. It is more than all these. Canada is also a great hope. With its human resources and with its oil, natural gas, iron, nickel, aluminum, uranium and titanium, Canada, with the United States, can together form the solid and enduring bastion of the free world of the future. We need the neighborly comradeship and cooperation of the United States just as the United States needs us and what we can supply. Side by side we can, in confidence and high hope, travel steadily toward the goal of a brighter day for all mankind.

Edwards Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—John A. Wutzler has become associated with A. G. Edwards & Sons, 409 North 8th Street, members of the New York and Midwest Stock Exchanges. He was previously with Fusz-Schmelzle & Co.

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The Aircraft Industry Today

procurement in FY '52 for the Navy and Air Force, and none of the almost equivalent amount appropriated for FY '53. With these 15 companies receiving about one-half of the combined military procurement of aircraft, it would appear that over the next few years they will be operating at the annual rate of as much as $8 billion in the aggregate, or approximately the peak of their World War II business. Certain of the 15 companies, taken individually, are operating substantially in excess of their wartime peaks while others will be below that rate.

So much for sales volume—let us look at how much of the income from these sales will be carried through to net. A good deal has been said—both pro and con—concerning the pricing policy of the Air Force, particularly with respect to profit margins. In some rather authoritative quarters in Congress, the view is entertained that the aircraft industry is being treated too well profit-wise by the Services. In industry, on the other hand, the view is shared by many, including undoubtedly some of those present here today, that the Services, or at least the Air Force, have been too niggardly, particularly in the failure to give enough weight to the "feast and famine" nature of the industry. To satisfy myself on this issue, I had made an independent analysis which came up with the following conclusions:

Industry Profits

Assuming an annual volume of $8 billion of sales a year for the 15 companies that I have mentioned, and an average profit before taxes of 7% of sales—the latter being a composite figure reflecting current rates on both Air Force fixed price and CPFF contracts—these companies' total profits after taxes of 70% will be 2.1% of net sales, or 26% of their net assets as of Dec. 31, 1951. This latter percentage will obviously decrease somewhat by 1953 or 1954 as the net assets of aircraft companies are increased through retained earnings. These profit rates do not compare unfavorably, from industry's standpoint, with 1943-1945 results. During that period these same 15 companies reported net income per dollar of sales of 2.2%, 1.7% and 1.8%, respectively, and return on net assets of 37%, 26% and 13%, respectively. Bear in mind the net assets of these companies were less during the 1943-1945 period than they are today.

These statistics, to my mind, go far to meet any argument that the present procurement policies of the Air Force will result in inadequate profit margins, thereby strangling the growth of the industry. On the other hand, it does not necessarily follow that the estimated profits, if realized, will be excessive, particularly when the uncertainties of military aircraft business are taken into account.

I recognize that anyone can use figures to prove a point and that industry-wise statistics are often misleading. Some of those present may take issue with my conclusions, just as I have with some of the earnings analyses put out by industrial sources. Nevertheless, I believe that the aircraft industry, as a whole, is in sound financial condition today, and the prospects are that it is entering into a period of prosperity in spite of high taxes. When total military expenditures for aircraft fall below the level of $10 billion a year, it will be necessary to review the overall picture of profit margins and taxes so that the aggregate net income will bear a reasonable relationship to the size of the industry that should be maintained in the national interest.

Danger of Reprograming

If what I have said thus far about the Air Force program and the condition of the aircraft industry seems to leave an optimistic ring, I must add a few words of caution. The greatest peril faced by our program and by industry is the repetition of a process euphemistically called reprograming. Whether reprograming is due to an increase or decrease in force levels or a change in force composition, the effect is the same, namely, to set back the Air Force build-up and to unsettle industry. As I have indicated, it is the fervent hope of all concerned that, after a two-year period punctuated by at least a half dozen reprogramings resulting from the successive increases of Air Force end strength from 48 up to 143 wings and such fiscal-political decisions as the stretch-out of last January, the Air Force can keep its sights fixed as they are now, namely, in completing the activation and equipping of the 143-wing goal by mid '55. Any one of several occurrences could, however, frustrate that hope.

In the first place, there could be a major change in national policy growing out of unforeseen developments in foreign affairs. A sudden increase or decrease in international tension would almost automatically change our present defense program. It is also conceivable that such a consequence might flow from significant political developments in this country reflecting themselves in decisions drastically to revise downward the defense budget.

But these risks to the stability of the Air Force program and the aircraft industry are inherent in our American system and the state of the world in which we live. No amount of advance planning or good management can do much to mitigate the consequences of contingencies of the character of those I have just mentioned. But there are other conditions which may imperil our program and which are in a measure within our control, and when I say "our," I refer to all those concerned with air power both within and without the government. It is these conditions which I would like to consider with you briefly.

Among the causes for the frequent reprogramings by the Air Force over the past two years is one that I have not mentined before, namely, reprogramings of this character, of which we have had several in the Air Force, form a vicious circle, for they feed upon themselves. For example, when we find in 1952 that aircraft ordered two years before and financed out of appropriations during that earlier period cost, when delivered, substantially more—say 10%—than we budgeted for, one of two things must happen. The Air Force can go back to Congress and try to fund the deficiency. This has been done in the past and perhaps can be done again as long as the American people, through their representatives in Congress, are willing to appropriate more money for the military. But the time will come—indeed it may not be far off—when the Defense Department like other American institutions will have to live within its budget. In that event, the Air Force would have to reprogram downward not only to absorb by reductions in end items brought about by the assumed 10% deficiency but also the additional costs generated by the cutback itself. The consequences of such a reprograming are sufficiently familiar to this audience as not to require any elaboration by me.

It therefore behooves both the Air Force and the industry to hold down the costs of aircraft and related equipment. To a large extent, unfortunately, those costs are not within our control. Increased labor rates and higher material prices are something that neither you nor we in the military establishments can do much about. But we can do a better job of management and husbandry with the dollars given us whatever be their purchasing power.

Cost Reduction

On this score I am glad to be able to report progress in the cost reduction program undertaken by the aircraft industry at the urging of the Air Materiel Command and with the cooperation of most of the individual companies as well as the Aircraft Industries Association. The industry has, over the past two years made real advances in such areas as (1) conservation of materials through such steps as scrap control; (2) better production planning, scheduling and standards; (3) methods improvement and new manufacturing techniques; (4) standardization and interchangeability of parts, and (5) a higher degree of labor utilization.

The benefits of many of these forward looking steps are contingent, however, on corresponding action within the Air Force. For example, standardization of materials, components and systems hinges on Air Force specifications, a field in which there is room for major improvement. Similarly, considerable savings should result from simplified inspection procedures and reduction of expensive and repetitious testing of aircraft and aircraft engines. Better planning and scheduling of government furnished equipment would avoid costly out-of-station installations and delayed acceptances. Better spares provisioning and less piecemeal follow-on ordering would also make our dollars go further. In some of these directions AMC has already taken action; in others much remains to be done.

Our slogan of "More Air Force per Dollar" is not a mere catch phrase; it is a very serious and necessary objective. If—assuming no major change in world conditions—this country approaches first the level-off period and later reduction in military expenditures—cycles which are bound to come regardless of the outcome of next November's election—the Air Force is going to be as hard put to maintain in readiness its 143-wing force as the aircraft industry is to sustain its present healthy condition. To satisfy what I believe are the requirements of air power within a defense budget compressed to say 10% of the gross national product will call for the highest type of government planning and industry management of which this country is capable.

To achieve a real economy in our security programs will entail far greater selectivity in military forces and weapons than has ever before been attempted—far less accomplished. The policy decisions implicit in that process are not the sole responsibility of either the Air Force or the aircraft industry, but each of us will have some part in those decisions and will be substantially affected by the results. All of us must, therefore, approach the future with a sharper sense of the seriousness of the problems that lie ahead, while at the same time allowing ourselves some satisfaction out of what has been accomplished up to now.

Judson Strong Opens

GREAT NECK, N. Y.—Judson M. Strong is engaging in a securities business from offices at 2 Deepdale Drive.

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Blue Sky Legislation— A Lawyer's Viewpoint

and common sense interpretation applies in other cases.

Now, no one can quarrel with administrative action which has as its primary objective the proper protection of the investing public. But there has always been in the United States a considerable amount of risk capital available for investment in the new enterprise and in the reorganized enterprise with a future. The placing of too many obstacles in the way of the public offering of securities of such enterprises results frequently in the private placing of such securities with the few who are possessed of large means, and the exclusion of the smaller investor who has a certain amount of risk capital to invest. The problem is to make sure that the facts are made available in such form that the risks to the enterprise are as obvious as the possibilities of gain. Statutes and administrative interpretation and practice alike need overhauling to permit the offering of the frankly speculative security which is offered as a legitimate investment opportunity and not as a means of circumventing the gambling statutes.

The solution of the problem is not easy. I do not believe that my own state of Illinois achieves very worthwhile results by requiring the securities of every issuer who cannot show a certain earnings record, except those whose securities are exempt, to bear the label "these are speculative securities." This method seems to me more like an open invitation to gamble than a sound word of caution. In many states the attitude of suspicion and the emphasis upon safety and security above all else, whatever the sacrifice, that were engendered by the great depression have never been overcome. Proper regulation of securities would seem to require the making available of proper opportunities for the investment of risk capital. Far better the open supervision of such offerings to the end that the true facts are set forth, than the piling up of obstacles in the way of such offerings, with the result that good and legitimate opportunities are available only to those of great resources, and the small and medium sized investor is left without opportunity for his risk capital or is made the prey of the unscrupulous individual whose attitude is that all securities laws were made only to be violated.

The thoughts that are here expressed, outline some of the problems inherent in present blue sky legislation. Some of them might be solved within the framework of existing legislation but most of them probably could not be so corrected. What are the possible solutions? Two things are obviously required. One is statutory revision. This is primary. The second requirement is informed, positive and uniform administrative interpretation.

Blue Sky Objectives

Blue sky legislation appears to have two objectives, both of which must be recognized by legislators. First, there is the prevention of fraud. Once this was the sole objective. Today the business world has developed beyond the point where prevention of fraud is sufficient. There is a parallel in public utility regulation. Once such regulation was believed to be necessary only to prevent monopolistic utilities from gouging the consuming public. Today every conscientious public utility commission recognizes its obligation to preserve the soundness and financial integrity of utility enterprises to the extent of its power to do so—and that there are times when increased rates are in the public interest.

Today, in addition to preventing fraud, blue sky legislation and regulation must make possible the effective financing of private enterprise. This objective itself is twofold; first, legislation and regulation must enable legitimate business enterprise to obtain capital on advantageous terms and thus foster the development of individual enterprise and initiative; second, legislation and regulation should make available to investors as wide a variety of honest investment opportunities as possible, ranging from those in which little risk is involved to those which are frankly speculative.

I think it is a fair observation that these objectives are being sought and to a great extent accomplished within existing legislation through the efforts of the great majority of investment bankers and securities dealers who cooperate fully with the securities administrators in the various states. But these efforts without legislative revision are not enough.

The Needed Legislation

What kind of legislation is needed to accomplish these objectives? In addition to the principal need for effective regulation two principal requirements for securities legislation would seem to be uniformity and simplicity. Furthermore, uniformity and simplicity can be secured more easily than in any other way by legislation which regulates primarily those who engage in the securities business. This kind of regulation is most effectively accomplished by the dealer-notification type of statute.

Under the proper form of such a statute close scrutiny is made of those who seek to become securities dealers. Rigid requirements as to financial responsibility and carefully drawn provisions for examination of the personnel connected with the enterprise should be characteristic of this type of legislation. Moreover, there should be provision for continued strict supervision of those who meet the requirements to engage in the securities business, involving visitation, inspection and the requirement of periodic reports.

In addition to these provisions the ideal statutes of this type should provide swift and effective remedies for non-compliance, subject only to such court review as may be necessary to avoid arbitrary action. There should also be criminal penalties for fraud and dishonest dealing.

Such statutes should require dealers to advise the administrators to whom they are responsible, of the non-exempt securities which they intend to offer. Sufficient information should be required to be submitted to provide the administrator with all of the essential facts concerning the offering. But the requirements in this regard should be the same as to form and substance everywhere. Such a statute should give the securities administrator power to issue a stop order in any case in which he believes that a fraud is being perpetrated or the statute in other respects is not being complied with.

Of course, proper fees should be provided to permit the employment by administrators of a sufficient staff and to permit the carrying on of a program of effective regulation.

Finally, under such a uniform statute there should be uniformity of administrative interpretation—an object which this Association might materially aid. An administrator should have the authority, to the extent constitutionally possible, to make binding rulings on questions of interpretation, particularly as to exemptions and exempt transactions.

As a final suggestion it would be desirable to work out a means of obtaining the cooperation of other agencies in the state governments, such as the attorney-general and the public utility commission, in securing careful consideration and fast, authoritative rulings on questions within their special competencies.

It would seem that a statute which contained provisions for accomplishing the objectives which have been outlined might have sufficient appeal to secure approval of the legislative assemblies in most, if not all, of the states, provided, of course, that the problems which face the securities administrators in such states were laid before them. The experience of the Commissioners on Uniform State Laws with such model statutes as the Uniform Sales of Goods Act, the Uniform Stock Transfer Act and others, is proof that with proper presentation, substantial uniformity between states can become an accomplished fact. The results would, I think, provide effective regulation and accomplish to a great degree the objectives of uniformity and simplicity.

With Founders Mutual

(Special to THE FINANCIAL CHRONICLE)

HASTINGS, Neb. — George J. Kister is now associated with Founders Mutual Depositor Corp. of Denver. He was previously connected with Waddell & Reed, Inc.

Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C. — Archie B. Joyner has become associated with Bache & Co., 108 Market St. He was formerly with Merrill Lynch, Pierce, Fenner & Beane and Thomas Darst & Co.

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New York City Bonds — Their Investment Merits

wish to check upon among which are the following:

(1) Is the debt excessive in relation to taxable revenues?

(2) What are the purposes for which financing was done?

(3) Is there critical need for additional costly improvements?

(4) What are the practical or legal factors that might make payment of debt service by the City difficult?

I want to avoid burdening you with too many figures, but we are compelled to use them in some measure. I will use rounded figures to simplify, as of July 1, 1952 in most cases.

The City Comptroller in a statement during the past month referred to the gross debt as having reached a staggering sum—the highest in the City's history. The gross debt referred to was $3,350,000,000. This is a high debt representing over 17% of the assessed value of taxable real property. It is, in fact, about 15% of the total of all tax exempt bonds outstanding which includes, in addition to all state and municipal bonds, the debt of various Federal housing authorities as well.

There are some interesting and unique things about New York City debt, however, that should be noted:

(1) Two-thirds of the gross debt is for revenue producing purposes, nearly 40% for Rapid Transit and nearly 20% for Water Supply. The Water Department is self-supporting and is probably the only public service enterprise in the City that has this distinction. Accounting practice at present, unfortunately, does not make entirely clear what the status is of most of the public service operations. We do know all too well, however, that the Rapid Transit System produces a substantial deficit.

(2) The net debt, as municipal debt is normally computed, is $1,940,000,000, or approximately 10% of assessed value. It may be appropriate to repeat here that New York City has no over-lapping debt. This is quite unique among our largest cities.

(3) Practically 50% of New York City debt is owned and held by City Sinking Funds and New York City Retirement System Funds. The division of such bonds between the funds is almost even. These investments exceed $1,600,000,000. In addition to these New York City bonds, these Funds hold approximately $380 million in United States Government obligations.

(4) There are outstanding $247 million New York City Housing Authority bonds guaranteed by New York City. The extent to which this may prove to be a burden, time will have to show. It is hoped in many cases the projects will be self-sustaining.

The debt is not excessive in relation to taxable resources. If the public service enterprises were self-supporting, as is true in most cities, the net debt in fact would be relatively light. In spite of the shortcomings of the Transit System, it is the operating budget that is under increasing strain partly because of the annual deficits in Transit Operations, not the budget needs for debt service. Debt service requires about 18% of the total budget, which is not excessive, 25% being commonly accepted as a safe maximum figure.

The reason why there is no strain on the budget for debt service is clear when it is recognized that the law prescribes no limit on the right of the City to levy taxes on real estate for debt service requirements. The real estate tax produces about 47% of the total revenues in New York City. Proportionately this is not a high contribution. The basic tax rate of 1952-1953 on real property in New York is $3.22. After equalization as applied by the State formula, it would be slightly less — probably under $3.10. This is considerably lower than any of the larger "up-State" cities. Buffalo and Rochester are both over $4. On the other hand the per capita dollar tax on real estate in New York City is slightly higher.

Funding of the transit deficit for past years and through the year 1952-1953 in the amount of $100 million authorized by the Legislature earlier this year, will further boost the real estate tax. This borrowing will be retired over a three-year period and the full cost will fall upon real estate. As a temporary expedient and relief measure this fundamentally unsound program was approved. The transit system operations, the source of the trouble, should be dealt with as expeditiously as possible, in a manner that will not continue these annual operating deficits. There have been several influences tending to hold down real estate values in New York City, the most important of which are probably rent control, depreciation, obsolescence, and the fear of higher taxes.

The State Constitution restricts the tax that may be levied on real property in New York City to $2 per $100 of assessed value, for other than debt service needs. This has placed great pressure on the operating budget and is in large part responsible for the variety of other taxes that the City has asked authority of the State Legislature to levy and is presently collecting. Some of these are of questionable character as far as equitable and desirable forms of taxation are concerned, but the City has had to face its share of rising costs and find some way of dealing with them. What should be understood, however, is that in spite of recurring problems with the operating budget, and there is no desire to make light of these, there has at no time been any reason for concern in recent years regarding the City's ability to levy and collect taxes for the purpose of meeting its debt service requirements. This pressure of operating costs is a deterrent, in fact, on the incurring of additional debt as exemplified by a statement issued by the City Comptroller on Aug. 18 last. I quote in substance: "I must again repeat the recommendations previously made to the City Planning Commission as well as to the Board of Estimate, that *extreme caution* must be observed in preparing the capital budget for 1953. Time and again I have stated that the expense budget is affected by an increase in debt for construction purposes, as the operating and maintenance of such new projects must be added to our already high expenditure budget."

The first step was taken in amending the State Constitution to increase the tax on real property from 2% to 2½% for operating expenses when the Legislature earlier this year approved such a step. If the next Legislature approves, the matter will be placed before the voters at the general election in November 1953.

If the City is to meet what are now accepted as essential costs of government, which expanded services and inflation have cumulatively increased for nearly 20 years, it is appropriate that real estate should bear some reasonable share of this cost. Economies and greatly improved efficiency in government, if ultimately realized, cannot absorb such costs. We should face the fact there will be a continuing need for higher revenues. In addition to the expanded services and inflated costs, long deferred maintenance and repairs in many of the City's operating departments, if properly dealt with, will tend to keep the expense budget at a high level.

The purpose for which bonds have been or may be issued in recent years are under quite satisfactory control and restrictions, as provided by the City Charter and State Constitution. Interestingly, the people voted to approve two sizable issues within the past five years and exempt them from the Constitutional debt limit. One was an issue of $500 million for the purpose of constructing the Second Avenue Subway and the other was a $150 million issue for hospitals.

While the bonds have been authorized they cannot be issued until approval is given by the Board of Estimate. Present conditions would not appear to justify going forward with either of these programs. Although the need must be recognized for improved transportation and hospital facilities, the City has already been quite ambitious in both of these departments, and the annual cost is a substantial one on the taxpayers. There comes a time when some regard must be given to proportionate costs in relation to other essential services and how far the City can afford to go in financing certain projects, worthy though they may be.

The Comptroller's statement above quoted was made, I am sure, with the view of discouraging at the time favorable action by the Board of Estimate in approving the sale of bonds to finance the cost, in part, of the Second Avenue Subway. The voters approved this project when costs were substantially lower than today and when the Transit System was producing an operating surplus, disregarding debt service, as compared with a deficit last year of $35 million, if pension costs are included, and a prospective deficit for the year 1952-1953 of $47 million, if allowance is made for the elimination of combined rides. In addition, the annual debt service on Transit System debt approximated $72 million. Until some prospective solution is found for our major "transit problem" there is no justification for proceeding with this expenditure and the City Comptroller is to be congratulated on the soundness of the position he has taken in this matter.

There is always a need for additional capital inprovements in an operation that has the varied demands such as New York City has. Fortunately, the City for some years has had a highly competent and conscientious Planning Commission and careful attention has been given to what appeared to be appropriate priorities as among the many needs pressing for attention. It is the function of the City Planning Commission to study the respective needs and present a capital budget. The Board of Estimate, after reviewing the recommendations of the Budget Director, must ultimately decide what the City can and cannot afford to do.

In connection with the incurring of new debt, it should be noted that the City retired or provided for debt retirement in excess of $100 million a year for the past two years. Thus, this sizable amount of new debt could be issued each year for the most pressing needs without any increase in the present debt total. The expenditure for capital improvements for the past two years has been close to $200 million a year.

Investment Factors

As one views impartially the various factors which determine the merits of investment quality, it is found that while many questions can be raised, most of the serious ones can be quite acceptably answered. We find that:

(1) Size results in staggering responsibilities and capital outlays as well as operating costs, but

(a) Taxable resources are not presently under undue strain.

(b) The percentage of the total budget required for debt service is not excessive.

(2) The tax on real property, the most dependable source of income in municipal revenues, is supplemented by a diversity of other revenues, including state grants and sharing of taxes. These combined taxes provide assurance of reliable income.

(3) While tax limit restrictions on real property present some difficulties for the operating budget, no such limits apply to provision for debt service.

(4) Although considerable comment has been given to the problems of the operating budget and a repeated substantial annual deficit year after year might present an ultimate crisis, it should be observed that for each year of the past five years and more, the budget has shown a credit balance at each year end. In contrast 36 states were reported in 1950 with deficits and in 1951 the record was 27 states.

(5) With nearly 50% of New York City's bonds owned by its own Sinking and Retirement Funds, any temporary problem that might conceivably arise could be effectively cushioned by funding or delaying payment on such obligations until the crisis is passed. There is some question whether it is wise policy for a public or private corporation to invest its trust funds to any such extent in its own obligations. While this may be a debatable question, it must be admitted it might serve the useful purpose indicated above.

There are many other phases of the New York City debt structure or its manifold operations that might be appropriate in this discussion, but I wish to have some regard for your patience and other subjects on today's program. Before closing I would like to make a few observations on the broader aspects of the New York City picture and the benefits and improvements which those of us, who may be optimistic, hope may be in prospect.

When Mayor O'Dwyer appointed the Mayor's Committee on Management Survey, he well knew and made public acknowledgement of the fact that the many operating departments of the City needed study and analysis by an impartial and competent group of citizens for the purpose of improving the value received in services for the City dollars spent. This called for both more effective and more economical performance by City officials, departments and employees. Under the Chairmanship of City Comptroller Lazarus Joseph, this Committee has continued its studies with the full support of Mayor Impelliteri. Many of its final recommendations will probably be forthcoming within the next six months.

One can never be sure at this stage how much good should be expected from an effort of this character. The important thing will be to make sure that the long hours and arduous work of conscientious experts and committee members will be followed up by equally conscientious efforts of administrative officials. There will be possibilities of vitally important long-range economies and benefits, which should assure the taxpayers better and more efficient government administration. Some substantial economies are in prospect in the capital as well as in the operating field.

The Committee has enjoyed an entirely free hand in soliciting and engaging outstanding and independent experts for studies in their specialized fields, and Dr. Luthur Gulick as Executive Director of the Committee, has brought a leadership and direction of great value.

As the City faces the future it must come to grips with the question — How far can the City go within sound economic limits in planning and providing for both present and expanded public services without placing an undue or unreasonable strain on its financial and taxable resources?

The first subject for review is the transit operations. There are many others that follow and the studies made by the Mayor's Committee on Management Survey should be of tremendous assistance. The City renders many unusual services at extremely low costs to the users. This may be fine in some respects, but it must not extend beyond the point where the City can afford it or the whole structure will eventually be threatened. What is the answer? It is hard to say. We do know there is an opportunity for greatly improved management, which may be due in large part to our present structure of government.

It may be significant that a Citizens Union committee is seriously studying the possibility of proposing the council-manager plan for New York. We might well ask, "Why not?" in view of the advantages in efficient, economical administration this form of government has brought to more than 1,000 communities during the last 40 years. Does it make sense to claim that the manager plan might not work in a large city? That's like saying a small business must be organized efficiently but that a big one can be run any old way. It may be that some modification of the management plan is the answer.

In New York we elect a Mayor who is supposed to be the chief executive or general manager. Actually, he is required to spend much of his time greeting people, making public appearances and representing the world's biggest City in a ceremonial role. This is important; but it is even more important to taxpayers that its billion dollar annual business have experienced, responsible management. To this a City Manager would give his full time and expert attention. It is quite imperative that a City Manager be given sufficient stature and independence so that he can always maintain his position as chief administrative officer and not be involved in or responsive to pressure by political factions. With the manager plan or a suitable modification thereof, the Mayor would have far more time to give to the broader policy questions, could know that the major administrative problems were being competently followed and handled and feel greatly relieved as he attempted to fulfill some of the many obligations that are constantly harassing him.

Astute and farsighted over-all planning is called for and I am really hopeful that, with the Mayor's Committee's studies as a partial background and guide, sound decisions will be made and more effective administration of the great City of New York will follow. There will be a rare opportunity afforded the City Administration, the Board of Estimate and the City Council courageously to make some important decisions that will in some cases break with tradition, established procedures and organized groups. Recommendations alone, valuable and carefully studied though they may be, will accomplish little. There must be a desire on the part of those qualified and in a position to put them into practice, to act with vigor, courage and determination. Those officials willing to accept this challenge may earn for themselves a recognition and appreciation which they can richly cherish.

Estimates Hidden Payroll Costs

Dr. Emerson P. Schmidt, Director of Economic Research of Chamber of Commerce of the United States, finds costs of "fringe benefits" to 736 companies jumped to a high average of $644 per employee.

The Chamber of Commerce of the United States has announced that its Director of Economics, Dr. Emerson P. Schmidt has surveyed 736 companies and found that their "hidden payroll" costs jumped last year to an all-time high average of $644 per employee.


Emerson P. Schmidt

For 138 of the companies which had taken part in two previous surveys, these payments had jumped 66% in four years—from $410 to $681 per employee.

"In spite of this heavy increase, and in spite of the impact of these fringe benefits on the national economy, the bulk of hidden payroll costs are not reported by the Bureau of Labor Statistics, which is the Federal Government's primary source of such information," Dr. Emerson P. Schmidt asserted.

He estimated the national cost of the "hidden payroll" at "something less than $25 billion a year."

The costs to the 736 companies averaged 18.7% of their entire payrolls, or 31.5 cents per payroll hour. These final results of the Chamber's third such survey were contained in a booklet, "Fringe Benefits—1951."

The hidden payroll includes a broad list of employer costs including social security; unemployment and workmen's compensation; sickness, accident, hospitalization and death benefits; terminal pay; discounts on goods purchased; free meals, pensions; savings and stock purchase plans; paid vacations, holidays, rest and lunch periods; profit sharing and bonus arrangements.

Prior to the Chamber surveys, little was know about the scope of these "hidden payroll" costs. The Bureau of Labor Statistics, major source of wage data in the government, has reported fringe benefits only for the steel industry and this is not a continuing project.

Not included in the "hidden payroll," are extra pay for night shift and Sunday work or straight production bonuses, all of which are considered part of the regular payroll.

W. F. Rutter Adds

(Special to The Financial Chronicle)

BOSTON, Mass.—Donald A. Bye has become affiliated with W. F. Rutter, Incorporated, 19 Congress Street. In the past he was with R. H. Johnson & Co.

Hear! Hear!

"There are those who will argue that the thing we have lived under for the past 20 years is Americanism. I hear this kind of talk daily on the Senate floor, but the more I hear it the less I believe it. The political legacy of the past 20 years has been offered to the people as an improvement on the real American way of life; no one can deny that. But somewhere along the line—and it will remain for history to say whether it has been by accident or design—the theory of 'big government' has won acceptance and has been translated into action. And 'big government' is not traditional Americanism. There are many areas in which policies of the past two decades have altered our traditional concepts. It is, indeed, surprising that the American public has allowed some recent administrative policies to go through unprotested.


Wallace F. Bennett

* * *

"History may have a different verdict, but the only view available now reflects little if any credit upon the Truman legacy. The sooner its deteriorating effect can be corrected, the better."—Senator Wallace F. Bennett in "U. S. A."

We would not gild the lily!

Railroad Securities

Gulf, Mobile & Ohio

The railroads, as well as practically all other sections of the market, came in for some profit taking last week. No selling of any particular importance developed but some of the stocks that had been the more prominent in the prolonged advance of recent months gave ground fairly easily. By the end of the week, however, the tone had improved considerably and partial price recoveries were common all along the line. As is usual in such short-term movements the market paid little, or no, attention to the position and prospects of the individual company. Stocks of the roads that have done well so far this year, and have favorable prospects so far ahead as can now be estimated, suffered as much as did the stocks of the roads having less favorable histories and prospects.

One of the stocks that fell off fairly sharply percentagewise in spite of highly favorable earnings trends was Gulf, Mobile & Ohio. At the close last week it was selling to yield 6% on the well covered current annual dividend of $2.00 a share, and the price was less than four and a half times reasonable estimates of probable 1952 earnings. Considering the high degree of operating efficiency that has been attained in recent years, the favorable margin of profit, and the pronounced growth characteristics of the territory served, many analysts look upon the stock at these levels as having outstanding intermediate and longer term potentialities.

The road was one of the first in the country to be completely dieselized, reflecting which it joined last year that select group of roads with a transportation ratio below 30%. Further improvement has been realized in the current year to date. Even in July, and despite considerable traffic loss due to the steel strike, gross revenues continued above year earlier levels. For the full seven months the gross topped 1951 results by nearly 5%. The already low transportation ratio was cut another point and a half, to 29%, and the maintenance ratio was down more than a point. Over all, the operating ratio stood at a flat 71% for the period compared with 75.1% for the first seven months of 1951.

Naturally a substantial part of the benefits derived from higher gross and well controlled expenses was offset by a rise of about $1.2 million in Federal income taxes. Nevertheless, net income before sinking and other reserve funds jumped from $2,807,000 in the 1951 interim to $4,206,000 in the current period. Earnings on the common stock, after allowing for preferred dividend requirements, reached $3.68 a share, a substantial increase over the $2.16 a share realized in the seven months a year ago. It is anticipated that traffic comparisons with a year ago will continue favorable and further strict control over expenses appears virtually assured. On this basis, full year's earnings of $7.50 to $8.00 seem possible. Last year the company reported earnings of $5.69.

While the earnings picture is particularly bright, most analysts who have followed the situation are of the opinion that at least for the time being there is little likelihood of an increase in the $2.00 dividend. In connection with its rehabilitation program the company has purchased a large amount of new rolling stock and motive power in recent years. Thus, annual requirements for equipment trust maturities are fairly heavy. Moreover, considerable cash will be needed for down payments on equipment now on order, or contemplated. These purchases, however, will be calculated to improve the basic earning power of the property further, and in any event the present dividend itself affords a generous yield.

It is not only the near-term prospects that impress the analysts. The long-term outlook is also considered very favorable. The southeastern territory as a whole is still in a growth phase and the ports at Mobile and New Orleans, both of which are served by the system, are expanding consistently and sharply. Also for the future, it is expected that within the next year or so the company will be getting a substantial import movement of iron ore from Mobile to Birmingham as the Venezuelen mines of the U. S. Steel Corporation are exploited. This should prove to be particularly lucrative traffic. Finally, there is the prospect that a year or so hence the company should be able to cut back on its relatively heavy maintenance of way expenses as rehabilitation work on the old Alton lines is completed.

With Stein Bros. & Boyce

(Special to The Financial Chronicle)

LOUISVILLE, Ky. — Morey L. Booth is with Stein Bros. & Boyce, Starks Building.

Raymond Healy Joins Cruttenden & Co.

CHICAGO, Ill. — Raymond J. Healy has joined Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was previously Secretary-Treasurer of Thor Corporation where he spent the past 11 years. Before that Mr. Healy worked in the Chicago loan office of the Reconstruction Finance Corp. and in the Trust Investment Department of the First National Bank of Chicago.

Mr. Healy's association with Cruttenden & Co. was previously reported in the "Chronicle" of Sept. 11.

Continued from page 18

Economic Nationalism as an Obstacle to Free World Unity

the Reciprocal Trade Agreements program. But the world was being increasingly torn by conflict and by the impact of totalitarianism and was moving inexorably towards another world war. The time was not ripe for an effective exercise of our leadership and the Second World War was upon us before we could make any impact upon the tidal wave of economic nationalism which was sweeping the world.

Our Santa Claus Role

The history of our endeavors and frustrations of recent years is too long to be recounted here; it is, however, familiar and calls for only one comment. Instead of launching an all-out attack on economic nationalism, our Administration compromised with it. Instead of playing the role of St. George to the deadly dragon of economic nationalism, we temporized and compromised in quest of a *modus vivendi*. A little later we found that the role of Santa Claus was more comfortable than that of St. George: we fed the dragon dollars hoping he would turn into an amiable beast. Need I say that the dragon did nothing of the kind, much as he enjoyed our dollars!

Now, however, as 1952 draws to a close, we are moving towards a very important turn of the road. The year that lies ahead of us will, I feel, be a year of great opportunity. It may prove in the annals of the future to have been a year of great achievement. It may prove to have been a year of another great frustration. In the former case, 1953 will have been the year of an all-out frontal attack against the forces of economic nationalism, a year in which great strides will have been taken in the direction of currency convertibility and international monetary reconstruction, a year in which we will have called a halt to the protectionist tendencies which are again on the rampage, a year in which we will have told the world, friends and foes alike, that we are aware of our place in the world economy, of our leadership, of our opportunities, and of our responsibilities.

Failing this, 1953 may be the year in which hope for a sound world economy will have been decisively dimmed, in which new international economic crises will destroy what is left of the endeavors of the past few years, in which our friends will be disillusioned over our leadership and our foes cheered by our failures; a year in which it will become apparent that the free world is moving away from unity rather than towards it, because of the growing, not declining, influence of economic nationalism.

The situation strikes me as being serious in the extreme. Whether we shall move towards success or towards disaster depends largely on us in this country.

Common Sense in Western Europe

In Western Europe a new wind of good economic sense is blowing with increasing strength. Governments in power today in Western Europe are led by moderate people, wholehearted believers in the virtues of individual freedom, of private enterprise, and of the market economy. They are people endowed with great common sense and who have given proof in recent years of both daring and wisdom. They are trying very hard to put their houses in order even if that means a temporary decline in living standards.

I had long conferences with many of these statesmen as recently as May and June of this year. They are willing to be our partners in a common pursuit of a sound world economy. They are awaiting our cooperation and our leadership. They want trade rather than aid, they want to earn their prosperity rather than to get it as a gift.

The world doesn't stand still. Opportunities come and go. A new Administration is going to come into office next January. The stage is set for great positive accomplishments in the international economic field. Will the American nation as a whole overcome the protectionist tradition in favor of a dynamic new outlook in international trade? It is harder, I know, to change habits of thought and long-standing patterns of emotion than it is to accomplish anything else in the world.

There are, I am sure, many people who would heroically fight for their country, who would sacrifice their health and their wealth alike for national survival but who will cling emotionally to the last shreds of a worn-out policy, such as protectionism, not wanting to admit that the future of their country depends upon its being overcome and reversed. To these I say: think well, think fast, for time is running out on us!

II

Defining Economic Nationalism

"Ecomic nationalism" is then the arch enemy of free world unity, but what exactly is economic nationalism? So far in this address, I have used the term without definition, assuming that we have, all of us, an intuitive understanding of its meaning. The moment has come where a precise definition is of essence. To be successfully fought, an evil must be well understood. Part of our troubles since the war has consisted precisely in allowing the contours of our problems to get blurred; consequently our policies lost both sense of purpose and dynamism.

In order to perceive clearly the nature of economic nationalism, let us reflect for a moment upon the contrast which exists between the physical structure of our planet and its political organization.

In physical terms the planet is a single unit which cannot be subdivided into equivalent or self-contained parts. Politically, however, it is divided into a multitude of separate states, all bent on independence, often seeking at least partial economic self-sufficiency, and, throughout the course of history, moving in an ever-changing pattern of alliances and conflicts.

Neither the earth's surface nor its interior can be divided into fully or partially independent sections. The distribution of fertile soil, of climates favorable to human well-being, of land and sea, mountains, rivers and lakes, does not favor the kind of political division which prevails on our planet. The interior of the earth, in so far as it is open to human exploitation, is not as homogeneous as, for example, an apple nor divisible into equivalent and self-contained portions as is an orange. There is no way in which the political division of the planet can be reconciled with its physical structure by apportioning in some way or other the surface and the resources of the globe among individual states. The alternative is to reduce the importance of political divisions in terms of economic relationships.

Here we get into the heart of the problem. Given the multiplicity of nations and states, on one hand, and the fundamental natural unit of the planet, on the other, governments can, through their policies, foster unity or increase division. In some areas, such as trade, government can best promote unity by standing aside and allowing individuals to work things out among themselves. This was the doctrine and the practice of free trade. In other areas, such as international monetary relations, positive measures on the part of public bodies, governments and central banks, are necessary to create an international system out of the multiplicity of national currencies. How this can be done was illustrated by the long and highly successful experience of the gold standard.

Division, on the other hand, is fostered willfully or unwittingly whenever governments interfere in trade transactions between residents of their country and people living elsewhere in the world; whenever they restrict migrations and travel; whenever they limit the freedom of people to buy and sell foreign goods or to invest capital in foreign lands.

From Adam Smith to Lord Keynes, economists have been well-nigh unanimous in recognizing the virtues of unfettered, unhampered trade relations between people living in the various countries of the globe. Whenever departures from free trade were advocated, this was done for reasons of a political or social character, such as military strength or the diversification of industries, or the maintenance of high-cost farming, for example. These military, political, or social aspirations had then to be paid for by the loss of some of the benefits of international trade and of the international division of labor.

Such—apart from the "protection" of special vested interests by means of tariffs—were the major motivations of the relatively mild form of economic nationalism which was experienced in some countries (including the United States) during the nineteeth century. The fact that individual freedom was greatly respected in those days and the powers of the state were limited, and the fact that a large part of the world, under leadership emanating from England, was on a free trade basis, tended greatly to mitigate tendencies toward economic nationalism.

Recent Changes Dramatic

More recently the situation changed very dramatically. The rise of collectivism in the 20th century and the widespread (and only too well founded) sense of political insecurity have played into the hands of economic nationalism. Economic planning became the intellectual fashion of the twenties, and the reality of the thirties and the forties; currently it shows, for the first time since the Great Depression, signs of receding.

Centralized economic planning is a typical feature of the totalitarian state; but it *can* be advocated also in the name of well-being or in the name of security. The economists of the Keynesian school have been at pains to demonstrate that national planning fosters prosperity—even though it breaks up the world economy. Both reasoning and experience shows them to be wrong; their influence, however, although it has passed its zenith, it still considerable. The popular appeal of the full employment slogan is still very great in certain countries as is the appeal of the economic development slogan in some areas of the globe. It is one of the tragedies of our age that these slogans should have become the weapons of economic nationalism; actually those who use these weapons are incapable, in the end, of delivering the promised goods, but by the time this is discovered much harm has been done.

Full Employment Leading to Regimented Poverty

Actually, governmental planning for full employment can only result, in an economy insulated from the rest of the world, in regimented poverty. Prosperity is a child of freedom and of enterprise. Economic development, too, is jeopardized by governmental regulations and restrictions; it calls for the best possible utilization of resources and is stimulated by the availability of foreign capital and imported skills.

In a growing world economy there are jobs enough for all. In a world economy free from restrictions economic development of any one area can be carried out with the help and the resources and skills of other, more advanced, areas. There is actually no confiict between full employment and economic development, on the one side, and the freedom of international economic intercourse, on the other. It is a tragedy that millions of people all over the world have been misled into believing the opposite.

It is up to those who believe in the virtues of private enterprise and individual endeavor as against the paternalism of an all-powerful state to fight against the fallacies that are being spread in the world by the adherents of economic nationalism and its siamese twin, collectivism. Actually, this is a task for Americans, in the performance of which we can count, at this point, upon the able partnership of our friends from Western Europe. They are the people who have awakened — or are in the process of awakening — from the daydream turned nightmare of the "Welfare State" and who are today in the front ranks of the defenders of sound, time-proven, principles of "old-fashioned" economic liberalism.

A fake promise of welfare is one of the propaganda weapons of economic nationalism today: the other is the promise of national security. That promise, too, is unfulfillable. Two world wars have abundantly demonstrated the hopelessness for any country to be strong in and through economic isolation from the rest of the world. National strength requires the use of resources, many of which are outside of the country's territory. Only a group of countries working freely together can achieve strength. This is the basic concept of NATO and it is in urgent need of an economic implementation.

Undermining of NATO

It is when one examines a common endeavor such as that of NATO countries that one is most forcibly struck by the folly of economic nationalism. Here we are, a group of friendly nations, seeking by common effort protection against outside aggression. We are working towards a common foreign policy. We are working towards a joint military force. And yet we continue having economic policies which create division amongst us. Unless we decide to abolish the use of exchange controls, import quotas, high tariffs and discriminatory trade practices, all of them tools of economic nationalism, we, the countries of the Western World, will most certainly fail to achieve the unity upon which our common survival depends.

Nor does the practice of economic nationalism allow the governments of the underdeveloped areas of the world to join with the United States and Western Europe in a common endeavor for a richer and more abundant life. Economic nationalism of the underdeveloped countries of Asia, of Latin America, of other areas, discourages today most effectively a large and sustained influx of capital and know-how from abroad without which no major economic advance can rapidly be made.

The security and the prosperity of the free world alike demand that an end be put to policies of economic nationalism. We alone in America can provide effective and dynamic leadership towards that end. We are strong and young and prosperous. We are the leaders of the free world in the fight against tyranny and aggression. We alone can be its leaders in the fight for economic unity and against economic nationalism.

How can we do that? This is the big question before us and one which we must answer fast if we are not to miss our chance of making our leadership effective. The following, in conclusion, are some positive suggestions for an American foreign economic policy aimed at the unity of the free world.

III

U. S. Must Set the Pace

Our fight against economic nationalism must begin at home. As was suggested earlier in this discussion, we ourselves still have the protectionist virus in our system. It frustrates our commercial policy by our insistence upon escape clauses which make it possible to reverse tariff concessions granted to foreign countries (should it be shown that these concessions hurt some establised industrial and agricultural interests at home). It creates in the world a great deal of uncertainty as to the American market, since our tariff increases can destroy long, painstaking, and costly, efforts on the part of foreign producers to sell their products to the American public. Thereby it destroys all the effectiveness we might have when urging other countries to liberalize their own trade policies. The example we are giving is what matters!

Protectionism is not only an *obsolete* policy for a country that leads the world in productive efficiency and in managerial skill, it is also a very *costly* policy for the great mass of American consumers and taxpayers. Consumers often fail to realize it, but they are paying more for a great many of the things they buy because the competition of foreign goods in the American market is interfered with by the imposition of high import duties. We all favor competition—but many want to stop it where foreign goods are concerned. This makes, of course, no sense—and it is a very expensive form of nonsense.

In the second place, we have been maintaining, for a number of years now, an export surplus financed through gifts and grants to foreign countries made at the expense of the American taxpayer. There has been much justification for these grants at the immediate aftermath of the war—but one should not mistake an emergency action for a new way of life. The American taxpayer is getting tired of the load he is bearing; the "dollar shortage" is a familiar complaint in a great many American households and there is a growing feeling that Santa Claus ought to be a sporadic event in the life not only of children but of nations!

Two Sole Ways of Balancing Foreign Payments

If we are, however, to balance our foreign payments without making gifts or grants, there are only two ways by which this can be achieved:

(1) We can allow our exports to fall to the level of our imports. This would follow automatically upon the cessation of foreign aid. This solution would cause widespread difficulties in our export industries, which are among our most efficient ones, and it would

deprive the rest of the world of American-produced goods of which there is great need. This, then, is a bad solution, for it is prejudicial to our own prosperity and to that of the world.

(2) We can, on the other hand, expand our imports so that foreign countries could *earn* the dollars needed to pay for the goods they are buying from us. This solution can maintain the prosperity of our export industries while allowing foreign countries to expand their production and trade. Because it favors both our own prosperity and that of the rest of the world, I should regard this as a good solution.

Tariff Policy and Procedure

To open more widely the American market to foreign goods is then the *first* and major requirement for our foreign economic policy. This calls for a number of measures on our part. While a new and low tariff is being worked out, we should "bind" our present rates (in our relations with friendly nations) and we should pass through Congress, as soon as possible, the presently pigeonholed Customs Simplification Bill. We are keeping out goods from the American market not only because tariff rates are high but also because the administration of the tariff involves many elements of arbitrariness and of uncertainty, as well as an excessive amount of red tape. When we get a new and low tariff, we should use it as an instrument of trade negotiation in order to bring about a reduction of trade barriers by the other free countries of the world.

The *second* major objective of our foreign economic policy should be the re-establishment of convertible currencies throughout the largest possible part of the non-Soviet world. This process could best be started in Western Europe and the Sterling Area. The United States has had no really active foreign monetary policy since 1947. In that year an attempt to restore the convertibility of the pound sterling had failed through bad preparation and premature action, and ever since then we have avoided pressing this basic objective of our foreign policy.

Exchange Control a Devastating Instrument

Exchange control, however, is one of the most devastating instruments of economic nationalism. It insulates, more effectively than any other device, a country's economy from the rest of the world. It provides a wall behind which the country's internal prices can develop out of touch with the course of world prices, thereby creating balance-of-payments difficulties. And by appearing to protect a country against the consequences of mistaken domestic policies, it encourages complacency towards internal inflation and the growth of economic maladjustments. Furthermore, exchange control combined with the use of import quotas restricts international trade and payments and leads in the direction of bilateralism *a la* Doctor Schacht. Until exchange control has been eliminated, multilateral trade based on private trading and individual enterprise cannot be restored.

It has been my conviction for a number of years now that the Marshall Plan might have become an instrument of monetary reconstruction. This has not, however, been the case. Now, we must adopt a number of important measures if we are to benefit from the outlook in Western Europe which is currently very favorable to the removal of exchange control. What stands in the way of realization along that line is the lack of adequate reserves with which to buttress the position of central banks once convertibility of currencies has been restored.

Together with Switzerland and Canada, but much more importantly so, the United States is the source from which additional reserves could be obtained by foreign countries. We must design a program which would create a monetary reserve fund of substantial magnitude and make it available to our friends in Western Europe first, elsewhere afterwards. It would be tedious, at this point, to go into a welter of technical detail. Let me indicate, however, my personal conviction that the solution of this problem calls for a major upward revision of the world price of gold, as a part of a comprehensive, many-faceted, program.

Foreign Investments

Let us now turn our attention to a *third* aspect of our foreign economic policy: the problem of foreign investments. Much has been said on this subject in recent years. The U. S. Government has been greatly concerned over methods of encouraging private foreign investments. Rivers of ink have flown concerning the "Point Four" program. And yet capital movements have not been revived to anything like the hoped-for extent. In spite of the very successful operations of the International Bank for Reconstruction and Development, of the activities of the Export-Import Bank, and of a certain amount of private investment, economic development of many areas of the world has been slower than it might very conceivably have been with a more abundant supply of capital.

Another frustration? Indeed, yes! And why? Essentially for two reasons: the prevalence of economic nationalism amongst the governments of underdeveloped countries and the prevalence of exchange controls. The combination of the two has resulted in an atmosphere which is most unfavorable to the expansion of private investments in the underdeveloped countries. The problem is ours, for we have a stake in an expanding world economy. It is our problem, too, for we don't want the dissatisfied masses of underdeveloped countries to be led astray by Communist blandishments. But the problem is not ours alone. Indeed, it is first and foremost the problem of the underdeveloped countries themselves. They stand to gain very much by the speed-up of their growth and they stand to lose their very freedom if the lack of growth gives way to discontent and despair.

It is the governments of underdeveloped countries which have the greatest responsibility in the matter and the government of the United States should make this abundantly clear to them and to the rest of the world. It should be made abundantly clear, as the International Chamber of Commerce urged as recently as last May that governmental loans or grants could never be a *substitute* for private capital. Such governmental funds as could be made available from time to time to underdeveloped countries should go preferably in the direction of countries whose governments have taken positive measures to attract private capital.

So long as private investors are discouraged from going abroad by a hostile attitude of foreign governments, international capital movements cannot revive. Here is a wall which the United States could very effectively help to break down. It could do so by an adroit combination of the proverbial carrot with the proverbial stick, by rewarding fair treatment of private investments and by penalizing acts of arbitrary nationalism.

These three aspects of our foreign economic policy are very closely tied together. Unless we have monetary reconstruction in the world, we can achieve neither the liberalization of trade nor the revival of foreign investments. Nor can monetary reconstruction endure if our commercial policies result in a chronic "dollar gap" and balance-of-payments difficulties for foreign countries. The revival of foreign investments must not be regarded, as it sometimes is, as an alternative way of resolving the "dollar gap" problem. Capital exports are not a substitute for merchandise imports. If our foreign loans and investments are to be secure, we have to accept foreign goods and services more abundantly than heretofore.

A Program for the New Administration

It is greatly to be hoped that the new Administration of the United States which will be inaugurated in January will put high on its agenda the formulation of a comprehensive program for a foreign economic policy. This program must be a deliberate and bold attack against economic nationalism, both our own and that of other countries. It must be a program based on the realization that, unless we open our market more widely to foreign goods, we are incapacitated in our struggle against economic nationalism and the division it creates in the free world. In contrast with what has been the case for the past quarter century, our foreign economic policy must be acutely aware of the importance of a sound international monetary system for our own prosperity and for that of the other free nations of the world, and for the unity of us all.

A comprehensive tour of Western Europe conducted early last summer has persuaded me that there is a very good opportunity for restoring currency convertibility in Western Europe in the course of the next 12 months and for bringing to an end the widespread use of import quotas. If these goals are to be reached, we shall have to act fast and act forcefully. Time will be of the essence. Even if we win the Battle of Convertibility, there will be a hard struggle ahead of us in the war against economic nationalism —but the chances of eventual victory will then be bright.

Prosperity is a wonderful objective. Even more wonderful is the objective of human freedom. Both of these are within the reach of the Western World if—and only if—that world achieves internal cohesion and unity. After the many tribulations, disappointments and frustrations of the past, will future historians be able to record that by the end of 1952 we Americans—and the free nations of the world—have learned the lesson that we must all prosper together if we are not to go down separately in misery and distress? The answer is in our hands!

Hayden Memorial Golf Tournament Today

The 24th annual Charles Hayden Memorial Trophy Golf Tournament will be held today (Sept. 18), at The Apawamis Club, Rye, N. Y. Four-man teams from a large number of New York investment banking houses will take part in the tournament which was won last year by a team representing Merrill Lynch, Pierce, Fenner & Beane. The trophy was donated by the partners of Hayden, Stone & Co. and is kept in perpetual play as a memorial to the late Charles Hayden, founder of the firm. Caryl H. Sayre, of Merrill Lynch, Pierce, Fenner & Beane; Wickliffe Shreve, of Hayden, Stone & Co.; C. Courtney Keller, Jr., of Blair, Rollins & Co., Inc., and William M. Rex, of Clark, Dodge & Co., compose the Committee on Arrangements.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Operating earnings of the major banks throughout the country for the third quarter of 1952 to be published in approximately two weeks are expected to be about the same or in some cases slightly better than those of earlier periods this year.

Comparisons with the third quarter of last year, however, should be relatively favorable. Earnings have been trending upward for over a year and operating results are now at a higher level.

Nevertheless, too much emphasis should not be placed on exact comparisons with the third quarter of a year ago. In the period which ended with Sept. 30, 1951, operating earnings were distorted by tax considerations. A year ago Congress was writing a new tax law under which the normal and surtax rates were increased from 47% to 52% and made retroactive for a portion of the year.

In computing results for the third quarter, some banks took this fact into consideration and adjusted earnings accordingly. Others, however, made no provision for this increased liability in the third quarter and had to absorb it in the final period. This caused earnings in some cases to be lower than justified because of the retroactive feature and in others, higher than warranted because of the increase in taxes subsequently approved.

These factors should be kept in mind when operating results are reviewed in the coming weeks.

It may be that some institutions will adjust their 1951 earnings to make quarterly operating results more comparable with the actual tax liability incurred in the respective periods. For this reason operating statements should be watched for footnotes which may provide an explanation as to the manner of handling the taxes in respective periods.

In the table below, the operating earnings for the first half of 1952 for the 16 major banks in New York City are compared with those of 1951. In addition the earnings for the second quarter of the respective periods and for the third quarter of 1951 are also shown. In cases where operating results have not been published on a quarterly basis, the indicated earnings are presented.

	Operating Earnings				
	6 Mos. to June 30		2nd Quarter		3rd Qtr.
	1952	1951	1952	1951	1951
Bank of Manhattan	*$1.07	*$1.06	*$0.56	*$0.53	*$0.52
Bank of N. Y. & Fifth Ave.	*10.79	*10.81	*5.27	*5.41	*5.24
Bankers Trust	1.94	1.61	0.94	0.81	0.85
Chase National	1.61	1.31	0.79	0.71	0.69
Chemical Bank	1.95	1.69	0.98	0.88	0.82
Corn Exchange	2.44	2.51	1.21	1.25	1.15
First National	*12.38	*12.87	*6.87	*6.79	*5.74
Guaranty Trust	10.10	8.86	4.92	4.38	4.59
Hanover Bank	*2.80	*2.80	*1.40	*1.40	*1.40
Irving Trust	0.79	0.75	0.40	0.38	0.38
Manufacturers Trust	2.58	2.40	1.30	1.28	1.25
J. P. Morgan & Co.	9.54	7.14	4.62	3.66	5.90
†National City	1.93	1.61	0.98	0.81	0.87
New York Trust	4.28	4.03	2.17	2.08	2.15
Public National	1.71	1.90	0.83	1.00	1.00
U. S. Trust	*9.42	*8.48	*4.92	*4.59	*4.38

*Indicated earnings. †Includes City Bank Farmers Trust Co.

As can be seen in the above figures the earnings for the third quarter of last year and those of the second period show considerable variation. In a number of instances net earnings declined although operating results before taxes continued to improve. This in most cases reflects tax adjustments.

So far this year earnings for most banks have shown gains over those of 1951. With expectations that results for the third quarter will equal those of the second period, a favorable comparison for the nine months is assured.

The gain for some banks may be restricted because a number of institutions are approaching the point where they will become subject to excess profits taxes which will absorb 82% of any increase in earnings. Others, however, have not reached this point and should be able to show some gain in net results.

On the whole we expect the results to compare favorably with the earlier periods.

Joseph F. Whalen Now With Hanrahan & Co.

(Special to The Financial Chronicle)

WORCESTER, Mass.—Joseph F. Whalen has become associated with Hanrahan & Co., 332 Main Street, members of the Boston Stock Exchange. Mr. Whalen was formerly manager of the New York Bank and Insurance Department for Frederick C. Adams & Co. and in the past was trading manager for Raymond & Co.

Public Utility Securities

By OWEN ELY

San Diego Gas & Electric Company

San Diego Gas & Electric serves the City of San Diego and environs, about two-thirds of revenues being from sale of electricity and one-third from natural gas. Electric revenues are about 45% residential and farm, 29% commercial and 21% industrial. About 54% of electric and 69% of gas revenues are derived within the City of San Diego, which has a population of some 334,000. The service area includes the permanent U. S. naval base and some industrial activity, principally aviation manufacturing. Grain and citrus fruits are the chief agricultural products.

Most of the electric output is generated by steam units, with a small amount purchased from Southern California Edison or others. About one-third of generating capacity is more than a decade old; the two largest stations (66,000 capacity each) were installed in 1948 and 1950, and another of the same size is being installed currently. Generating plants burn gas or fuel oil.

Natural gas requirements are obtained from Southern Counties Gas Co. under contracts calling for delivery of 73 million cubic feet per day, which have about seven years to run. Southern Counties obtains less than half of its gas from California fields, the balance being from out-of-state sources under contract with El Paso Natural Gas. Fuel oil is purchased by San Diego from the Union Oil Company, the price for 1952 being $1.91 compared with $1.80 last year; however, the higher price does not seem important from an earnings angle.

The company has enjoyed rapid growth, revenues increasing from less than $11 million in 1941 to nearly $33 million recently. Share earnings up to this year, however, have remained comparatively stable within a range of 81¢ (1947) and $1.19 (1950). The dividend rate was somewhat irregular in 1941-43, but since 1944 has remained at 80¢. The common stock has also been quite stable in recent years around the 12-15 level; during 1945-47 it sold at somewhat better levels, with a high of 19⅜ in 1945.

Earnings this year have advanced sharply, reaching $1.33 a share for the 12 months ended July 31. Chairman Klauber, in his recent talk before the New York Society of Security Analysts, estimated that the figure for the calendar year 1952 might improve further to around $1.35-$1.40. This increase, however, is considered to be due in large part to higher leverage resulting from increased debt. The capital structure is currently as follows:

	Millions	Percentage
Funded Debt	$38	41%
Preferred Stock	20	22
Common Stock	34	37
Total	$92	100%

At the end of last year the equity ratio was 41% but the issuance of $12 million bonds in April this year reduced the equity ratio. According to Chairman Klauber the company may do equity financing late this year or early next year, and after such dilution 1952 earning power might approximate $1.18 on the increased shares, he estimated.

San Diego's rates are low considering the fact that its power is steam-generated. Residential revenues in 1951 averaged 2.40¢ per KWH. The only rate increase obtained by the company in the postwar period was an increase of about 7% in gas rates in May, 1950. If the company is required to meet any substantial increases in costs of the operation of the electric department in the future, it might apply to the California Public Utilities Commission for an electric rate increase, according to a statement in the bond prospectus.

Mr. Klauber has estimated that the company is currently earning about 5.5% on the electric rate base and 7.8% on gas, or an overall return of about 6%. Next year, with higher costs, the average rate of return may drop to around 5.6%. However, it seems unlikely that the company will ask for a rate increase next year, despite the fact that a somewhat higher average return would seem warranted.

The stock, which is traded over-the-counter around 15 to yield 5.3%, is largely held in the service area. Only about one-fifth is owned outside the State of California. There is no present indication that the dividend will be increased.

Israel & Co. Offering Capitol Hill Oil Stock

Israel & Co. are offering "as a speculation" an issue of 300,000 shares of common stock (par 10 cents) of Capitol Hill Oil Corp. at $1 per share.

It is intended to use the net proceeds to drill a test well in the Marshall County Prospect in Marshall County, Okla., and if well is commercial producer to equip said well. The remainder of the proceeds will be added to working capital.

Capitol Hill Oil Corp. was organized in Delaware July 24, 1952 for the purpose of exploring for gas and oil and the development of likely gas and oil prospects. The corporation has acquired oil and gas mining leases covering approximately 1,060 acres.

S. T. Whitney Opens

BOSTON, Mass. — Stephen T. Whitney is engaging in the securities business from offices at 53 State Street.

Luke J. Murphy

Luke J. Murphy, 69, Vice-President of The Public National Bank & Trust Company of New York, died at Mount Vernon Hospital on Thursday, Sept. 11, after a long illness.

Mr. Murphy was widely known and had many friends in banking circles throughout the country. His banking career covered a span of 55 years. Starting with The Western National Bank of the U. S. in New York in 1897, which later merged with The National Bank of Commerce in New York, he remained with the latter institution until 1923. He was associated with The Public National Bank for 23 years.

His son, Walter E. Murphy, of New Rochelle, N. Y. survives.

Joins A. L. Albee Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert H. Nance has become affiliated with A. L. Albee & Co., Inc., 4 Liberty Square. Mr. Nance was formerly with Boardman & Freeman, Inc. and R. H. Johnson & Co.

Continued from first page

"Trade, Not Aid?"

tariffs serving as excuse for inflating wages and farm prices.

It would be gratifying to see Europe's thoroughly restrictionist statesmen return to "classical" economics. Some may believe in it literally; there is a strong current at least in Belgium and in Germany. But the majority interpret it in a specious way. What they have in mind is a lop-sided free trade: they shall keep their own barriers—tariffs, import restrictions, exchange controls, discriminations. The appeal for free trade is addressed to Uncle Sam, and to no one else.

The argument is very simple. America being the country where dollars grow, how could the outer world earn them except by selling goods and services to America? This is an adaptation of the old and respectable thesis that a debtor nation cannot pay its creditor unless the latter buys from the former.

The argument is supported by reference to the example set by Britain in the 19th century. While she was the leading creditor country, she kept her foreign trade free from impediments. Now that we have taken over the lead, is it not the logical thing to follow the same pattern? The answer to this alleged historical parallel is that in 1846, when the "Corn Laws" were abolished, France, the German Customs Union, the Low Countries, etc., were on, or soon turned to, free trade. The American tariff did not amount to anything. Every commercially relevant corner of the globe was free from protectionist excesses. The Open Door prevailed; the principle of nondiscrimination was universally accepted.

Presently, mankind lives behind Closed Doors. Not a single country is left without towering tariff walls, most of them higher than ours. American trade policy is just about the world's most liberal. Our reciprocity policy is the one major force driving in the direction of moderating tariffs. (At the last G.A.T.T. conference in Torquay, we made some 120 concessions which automatically apply to Britain; she reciprocated with—none.) But excises levied on imports constitute a minor element in blocking and distorting the traffic. "Quantitative" controls, preferences, exchange manipulations, bilateral and "bloc buying" practices, governmentalized cartels, and a host of subsidies do the real job. In these respects, Switzerland is the one country in Europe whose policy is almost as clean as ours, which is far from being entirely clean. As it is, the tariff is prohibitive in few cases only; it is doubtful that a further reduction of its rates could make a great deal of difference in the volume of imports, though the profits of the importers would be favorably affected.

II

We are asked to establish a caricature of free trade by eliminating the tariff without reciprocity of any sort. The request implies a left-handed compliment, namely, that we are a nation of idealists (a term with sarcastic connotations), leaving us no choice but between providing unilateral free trade or free handouts, with the further implication that Europe itself cannot do anything more about its own plight. Nay, we will be held responsible for its plight unless we open our allegedly "locked" doors. But the classical free trade theory never was meant to apply to managed economies. In fact, Welfare State and Free Trade are mutually exclusive concepts. Welfarism, with its arbitrary dictates over the allocation of resources, rules out the benefits of international competition, as can be shown by a hypothetical (but not fictitious) illustration.

Suppose that Danish, Dutch and Swiss producers offer blue cheese on the American market at lower than Wisconsin prices and/or in superior quality. Normally, this would help to raise our standard of living. Capital and labor would be drawn out, or kept out, of a nonremunerative business and in due course canalized into more profitable lines. Society as a whole will have gained, although there may be losses on investments and temporary unemployment, as must occur in risk-taking ventures. The losses would soon be wiped out; what the consumer saved by buying foreign cheese, he would spend presumably in buying more of other American goods and to argue otherwise is to deprecate the ability and ingenuity of American business.

That is where the Welfare State comes in. It says, in effect, that there must be no risk, no loss of income either to the entrepreneur or to employees. The workers would get generous doles or may be put on WPA projects. The excess milk of the dairy farmers must be bought up by the Department of Agriculture; maybe they would get RFC loans to produce more. What we gain as consumers of cheaper cheese, that much or more we lose as taxpayers by footing the subsidy bill. Instead of providing sound incentives for mobilizing our resources in the most efficient way, Free Trade under the Welfare State indirectly helps to freeze them where they are, or actually to shift them into still less efficient occupations.

Far be it from us to advocate protectionism! But from the point of view of social economy, not from that of vested interests, Free Trade under the Welfare State pays no dividends. It may be costlier to society to have cheap cheese than to cut out its imports altogether. In fact, the cheaper product must be costlier when every loss caused by competition to any influential group automatically sets the apparatus of welfare-spending into motion.

The protectionist himself has a case. He can argue that when income distribution is determined by political fiat, when his labor costs per unit of output are being raised out of proportion to labor productivity, "free competition" with foreign producers is a farce. He can claim that he pays higher taxes than the foreigner (which is difficult to prove or disprove) and is, therefore, entitled to have his profits (or what is left of them after taxes) protected. Why, inasmuch as he carries the financial burden of the equalitarian Welfare State, is it not fair to receive some benefits, too?

At any rate, abolishing or even reducing the tariff, in the face of the damage to private interests, has no justification except in terms of economic gains to society. But those gains are bound to be wiped out when income distribution and resource allocation are not determined by the rules of the free market.

That free trade and a manipulated market are not comptatible, should be obvious. The one pays for services rendered in accordance with competition and the consumer's appreciation; the other according to some ideas or ideals of equalizing incomes or stabilizing them, or simply to do favors to pressure groups.

A sad commentary it is on the intellectual state or integrity of the crypto-liberals that while they are planners and socialists of one sort or another in domestic affairs, they revert suddenly to *laissez-faire* when it comes to American trade policies. Maybe they simply follow the apparent State Department line: that anything that is good enough to relieve Europe of its inexhaustible dollar "emergency" is good enough for us, and never mind the cost to us.

III

Suppose, however, that by some miracle the American tariff would be done away with: would that produce the dollars abroad? Let us recall at once that not all foreign countries are in the same boat, not by a long shot. Even among Europeans, quite a few are gaining gold if only at the expense of their neighbors: Belgium, Holland, Norway, and Germany. Note that these are the nations which have instituted strong measures to reduce welfare subsidies, to compress credit, to provide incentives for dollar-earning exports, to liberalize foreign trade, etc. As a matter of fact, about three-fifths of the outer world's deficit of $4 billion last year was accounted for by the Sterling Area and the French Commonwealth. They are the problem children of our international finance.

Take Britain as the focal point. Her commodity exports have risen from about £600 million sterling per year before World War II, to some £2,700 million currently, just about in proportion to the increase in world trade (taking the pound devaluations into consideration). The trouble is, one trouble, that simultaneously her imports went up from around £1 billion sterling to over £4 billion. Her deficit has trebled, partly offset by a tremendous increase in invisible trade such as shipping and tourist traffic.

Now then, the American tariff surely cannot be indicted for the decline by more than one-third of British exports in the category "raw materials and articles mainly unmanufactured"—mostly coal. Output restrictions by the gentlemen-miners, combined with a greatly increased domestic demand for coal, are to be blamed.

Nor has our tariff anything to do with the insatiable British demand for imports. Partly, that is due to higher exports, and to a moderate extent, to armaments. However, the British derive some compensation for their armament costs from our off-shore purchases and from the lavish spending by American troops abroad. In any case, the additional need for raw materials so far does not amount to much.

Also, it could be pointed out that the American tariff is not responsible for the decline of East-West trade, or for the fact that a substantial portion of British exports is of the "unrequited" type: paid in sterling balances or not paid at all—legitimate capital exports and illegal capital flight.

Worldwide deficit in the British balance of payments, not just against the United States, is the crucial point. In 12 months' time, the Sterling Area account with the E.P.U. went into the red to the tune of $900 million. Note that Britain enjoys the preferential tariff rates within the Empire and that her exports are boosted with the aid of "cheap" (transferable) pounds, barter and clearing agreements and similar bilateral tricks. Yet, percentage-wise, she loses ground in most export markets of the world. Between 1929 and 1951, her share in the imports of Canada tumbled from 15% to 10.3%; in the East Indies from 42.4% to 18.2%; in France from 10% to 3.6%; in the U. S. from 7.5% to 4.2% (while our total imports have risen nearly three-fold, to an all-time record of $11 billion); in Brazil from 19.2% to 10.2%, etc.

Instructive is the case of British cotton goods exports. In volume, they have fallen since 1938 actually by two-fifths, not just percentage-wise. This, too, has little more than nothing to do with our tariff that, in the meantime, has been appreciably reduced. Here is what it has to do with, in the words of an English economist, Professor Ely Devons ("Lloyds Bank Review," July, 1952): "A new feature of international trade in cotton goods—although there were some signs of it in the 1930's—is the development of a substantial export trade by some of the newer countries such as India and Brazil, and the continued high level of exports from the United States. India is now a keen competitor with the United Kingdom in most Colonial Empire markets and Brazil has captured an appreciable trade in South America. The continued strength of United States competition is more surprising. Before the war the United Kingdom had little difficulty in competing with the United States in world markets for cotton goods, and United States exports were practically limited to countries, such as the Philippines and Central America, where there were special circumstances in her favor. But now United States exports are much more widespread.

"The most striking example of this change is in Canada. Before the war the United Kingdom supplied over one-half of Canada's imports of cotton piece goods and the United States less than one-third. Since 1948 the United States has supplied three-quarters of a much increased Canadian import trade, while imports from the United Kingdom are now (1951) only 6% of the total. It is difficult to tell how far the virtual disappearance of the United Kingdom from this most important market is due to price differences compared with the United States, and how far to the inability of British exporters to deliver cotton goods of the right style and quality promptly. If the United Kingdom cannot compete effectively with the United States in such a market as Canada, where there is still a tariff preference in favor of British cotton goods, the prospects of her being able, without special protection, to compete in other markets with countries such as Japan and India—whose prices for cotton goods are much lower than those of the United States—is perhaps even more gloomy than is generally recognized."

IV

The outlook for Britain's equilibrium is dark, indeed. A most threatening aspect is the competitive situation in the export markets of the world. Inexorably, it seems, Germany takes a growing share of trade in Europe and beyond; Japan in Southern Asia and in Africa; the United States in Canada and Latin America. Why is Britain falling behind, comparatively speaking, except in a few countries such as Denmark and Australia?

The British like to lament about the loss of their foreign investments and the physical damage they have suffered; both are fractional compared with what the Germans took on the chin. Britain lacks equipment, they say; so do, and much more so, Germany and Japan; besides, the latter two received only a small fraction of the American postwar benevolence. Their wage rates are lower than those on the British Isles; which is true, but they in turn lag even more behind American wages. Evidently, this competitive weakness of one country cannot be caused by our tariff which hits the others equally.

The conclusion that emerges is as absurd as it is inescapable. If tariffs constitute the hurdle that obstructs the restoration of Britain's solvency—all trade barriers of all countries ought to be scrapped, excepting those of the United Kingdom itself. Even then, American, German and Japanese competition may still have the upperhand. Thus, it follows from the false premise—that the tariff is the guilty party—that Britain has to be the sole beneficiary of a world-wide trade liberalization, while her own trade should not be liberalized at all: global discrimination in favor of one country! (Which is precisely the policy London tries to put over in bilateral dealings with commercially dependent countries like Denmark, following the example the Nazis set in the Balkans.) That might help, provided the imports of the United Kingdom do not keep out-rising its exports.

V

This is not the time and place to reopen the question: why Dollar Shortage? But a few closing remarks may be apropos. First, the concerted attack—on behalf of Europe—against the American tariff ignores its relative unimportance. At best (or at worst) it is one factor among others.

Secondly, the champions of the anti-tariff argument are silent about the long-run consequences which the achievement of their objective would bring about: If effective, duty-free import of manufactured products (the ones primarily affected by the tariff) tends to deflate domestic prices and costs, and *to increase thereby America's competitive power abroad.* Given the flexibility and adaptability of our enterprising system, it might then be in an even better position than heretofore to displace the sale of British goods in third countries.

Thirdly, with all due respect to the anti-protectionist sentiment of genuine free traders: the attempt of Keynesians and Fabians to shift the blame for Europe's plight on the American tariff smacks of escapism—from the results of their own perverted and befuddled economics. By this time, even an official body like the Board of Directors of the International Monetary Fund feels constrained to discard diplomatic courtesy and to spell it out bluntly (in self-defense against the pressure exerted by insolvent nations for more dollars) that the policies practised by many countries trying to live belond their means are "bound sooner or later to be frustrated." Dollar shortage is the form the unavoidable financial frustration takes.

Lastly, it is scarcely possible that European politicians should believe in the likelihood of a radical tariff reform in this country, knowing as they do how difficult it is to overcome the vested material and emotional interests built up by protectionism. The chief purpose of their "free trade" argument is, I suspect, to divert public attention from their own nefarious policies, to pave the way and to provide fresh ammunition for the real "shooting," with a new formula for handouts the ultimate goal.

Continued from first page

As We See It

The "Mess" Is Real

The danger is that if McCarthyism (with which as such we, too, have little patience) and repeated denunciation of it is permitted to dominate the scene, the terrible venality, corruption and treason which have made and make McCarthyism possible will be overlooked or at most take a place of secondary importance in the mind of the public. Something of this sort is what appears to have taken place in the campaign four years ago. There are a great many who profess to be wholly unable to understand what happened in Wisconsin last week. We should suppose, and we should certainly hope, that the balloting in that State for the most part reflects a feeling on the part of the rank and file in Wisconsin that the "mess" in Washington has done, is doing and will continue to do, if not eliminated, a great deal more harm than so-called character "assassination."

Of course we, along with a great many others, would much prefer to do without either, but if we must choose we think a real clean-up in Washington is infinitely more important than the slapping down of what is, after all, a rather small figure in the State of Wisconsin. And, of course, the clean-up in Washington should go much further than mere discharge of individuals or groups here and there who have been guilty of misconduct. There has grown up in Washington a hierarchy, partly New Deal and partly Fair Deal, which not only has in its midst unscrupulous men, but has nurtured many, many men who either are ignorant of American tradition and the American way of life or are wholly out of sympathy with them. Among these, possibly predominant among them, are individuals and groups who, as Mr. Eisenhower has said, have not only proved themselves "too small for their jobs," but "too big for their britches," and in addition have been in Washington long enough in many instances to develop a very high degree of confidence in their own ability and ultimate wisdom.

Much to Clean Up

There are many degrees of un-Americanism which do not reach to the point of treason. Doubtless many men whose being is shot through with New Dealism, Fair Dealism, and a dozen other notions alien to our history, our traditions and to any solid foundation upon which this country can erect a sound future, are as sincere in their beliefs as are we in ours. Others are probably what might in a sense be termed "career men" whose minds and better judgments have suffered damage from too close contact with pseudo-liberals who are convinced that whatever is, is wrong, to misquote the poet. And, of course, there is the un-Americanism which takes the form of plain old-fashioned dishonesty and corruption. All of this needs to be rooted out—and we earnestly hope that the primary results in Wisconsin may be taken as an indication that the citizens of that State at least are determined not to permit other matters to turn their eyes from this need of cleaning house.

Another thing we hope is that the results in Wisconsin will arouse the rank and file elsewhere to the fact that excesses by Senator McCarthy in no way lessen the importance of a house cleaning, and to the further fact that regardless of the McCarthys and the Jenners it is still good policy to select the party and the candidate most likely to undertake and to give thorough practical effect to this house cleaning. There are those who seem to suppose that should McCarthy and Jenner return to Washington as members of the party in power rather than as part of a minority party, then — well, the Lord knows what would happen to us all. This strikes us as utter nonsense. A strong Republican Administration represented at both ends of Pennsylvania Avenue by men and women really determined to clean house and without sympathy with the sort of character assassination with which Senator McCarthy is charged would, obviously it seems to us, be in a much stronger position to deal with the situation than any Administration of which such members of Congress are in the opposition party—as has been the case heretofore.

More "Americanism" Needed

Of course, we may as well be candid and say that we earnestly wish that we could find in either party any real determination to reestablish Americanism in this country of ours. In the sense that apparently the leaders of both parties and all the candidates, either expressly or by implication, have revealed themselves as victims of the "welfare economics" school of propaganda, they are all largely "me-too-ers." We should be much happier if we could find in any of them any genuine devotion to real liberalism. That we do not find, but we should greatly fear that a wave of public sentiment against the McCarthys and the Jenners would tend to get in the way of such reform as might otherwise be effected at this time.

Meanwhile, we must take into pleased consideration the assurances that have of late come from the Republican headquarters that real effort is to be made to reduce Federal outlays and hence the burden of taxation. For this and certain other somewhat less precise assurances we give thanks. We, for our part, would much rather hear such news as this than most of what is being said from day to day about McCarthyism—and we believe that most of the American people feel the same way.

Federal Reserve Suspends Regulation X

Suspends control of credit terms on both residential and nonresidential properties, but conventional mortgage loans remain subject to State and Federal statutes.

The Board of Governors of the Federal Reserve System on Sept. 15 suspended Regulation X—Real Estate Credit—in connection with its announcement of a period of real estate credit control relaxation prescribed by the 1952 Amendments to the Defense Production Act. The suspension of Regulation X, effective Sept. 16, 1952, applies to credit terms on both residential and nonresidential properties. Conventional mortgage loans are, of course, still subject to basic State and Federal statutes governing real estate loans by financial institutions.

The Board's action relates only to real estate credit not insured or guaranteed by the government. A statement on terms that will apply to government aided real estate credit is being issued separately by the Housing and Home Finance Administrator, Raymond E. Foley, who concurred in the Board's announcement.

Regulation X was first issued in October, 1950, under authority of the Defense Production Act of 1950 and Executive Order 10161 providing for regulation of real estate credit terms to restrain inflation and conserve defense-needed materials. It was suspended in view of mandatory provisions in the 1952 Amendments to the Defense Production Act. These amendments required that a period of residential credit control relaxation be announced if estimated residential construction starts for three consecutive months were below a seasonally adjusted annual rate of 1,200,000 units. Information has been received from the Secretary of Labor that the seasonally adjusted annual rate of housing starts, as estimated for this purpose, was less than 1,200,000 units in each of the months of June, July, and August, 1952.

Washington Dodge Dir.

Washington Dodge, well-known writer of economic articles and a partner in the New York Stock Exchange firm of Roberts & Co., has been elected a director of Colonial Sand & Stone Co., Inc., it was announced by Anthony Pope, President. Mr. Dodge also is a director of several other companies, including A. G. Spalding & Bros., Inc., and Henry Holt & Co.

Washington Dodge

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

GORHAM, Maine — Samuel A. Brocato is with Waddell & Reed, Inc.

Now With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif.—Joseph Fabretti has become associated with E. F. Hutton & Company, 28 North First Street. He was formerly local Manager for Davies & Co.

Mutual Funds

By ROBERT R. RICH

SEC Strikes Harsh Note at Conference

The fourth annual Mutual Fund Conference on Wednesday ended its three-day session at New York's Hotel Statler with the discordant notes of Donald C. Cook's morning speech still ringing in the ears of many of the dealers.

Mr. Cook, Chairman of the Securities and Exchange Commission, mixed sparse praise with bad news as he told his audience that:

(1) Bad practices in mutual funds selling have not been eliminated.

(2) Sales literature still all too frequently contains misleading material, in spite of the progress which has been made in the policing of the investment companies' sales literature.

(3) It is the hope of the SEC that a rule permitting the distribution without a prospectus of articles, brochures and pamphlets might entirely replace the interpretation contained in the Cashion letter. Such a rule *might* also permit, subject to appropriate conditions, advertising that such publications (pamphlets and the like) were available, he said.

(4) The SEC is now preparing a questionnaire which will be sent to all open-end investment companies and their underwriters, as well as dealers, on the nature and scope of the practice of allotting brokerage commissions to dealers in investment company securities. Mr. Cook spoke at length on the "obvious dangers" in the practice of allotting brokerage commissions to selling dealers.

Mr. Cook, who at an earlier mutual fund conference surprised some dealers by the public admittance that the SEC had a "double standard" of administration in its option to get tough or go soft, said Wednesday that the Commission believes mutual funds have reached a point where the Commission "must give serious thought to undertaking a Section 14 study." Mr. Cook was referring to a section of the Investment Company Act of 1940 which states that the SEC "is authorized, at such times as it deems that any substantial further increase in size of investment companies creates any problem involving the protection of investors or the public interest, to make a study and investigation of the effects of size on investment policy of investment companies and on security markets," etc.

Mr. Cook, duplicating an earlier confusion of entities by another SEC Commissioner, Clarence H. Adams, laid at the doorstep of the mutual fund sponsors the responsibility "to see that the men engaged to sell their shares are thoroughly qualified to perform the services they are supposed to perform." Some of those attending the conference remarked that it seemed more likely that this responsibility was one for the dealer himself who was employing the salesmen, not for the mutual fund; that the funds were hardly auxiliary policemen for the SEC.

Clarence H. Adams, in an address two weeks ago before the 35th Annual Convention of the National Association of Securities Administrators in New Hampshire, had declared that, "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 "such persons" Mr. Adams was referring to were "an old person in dotage or a widow whose funds are no more than sufficient to provide against the uncertainties of life."

If Mr. Adams' statement means anything, it would mean that the funds are charged with the responsibility of making a financial investigation of every new shareholder, a problem that is certainly in legal twilight. There is also the further question of how much responsibility a mutual fund or dealer should assume, after the risks of equity investments are made clear, in dissuading an investor from a decision he has made on the basis of complete facts. One dealer wanted to know if mutual funds were a rationed commodity, available to some and not others on the basis of arbitrary standards. He also wanted to know who was going to make up the arbitrary standards for excluding certain prospective investors from equity ownership and whether or not the same standards would apply to the sales of individual securities.

Totally aside from Mr. Cook's speech, the seven hundred dealers and salesmen, from forty states and over 110 cities, attending the Conference learned that mutual funds managers are expecting a "stable to rising market" for the future. They also heard an address by Clyde F. Gay, Vice-President of John Hancock Mutual Life Insurance Company, say that insurance companies and mutual funds can "supplement and complement each other." Mr. Gay remarked that insurance and mutual funds people should know their respective limitations and boundaries.

The Mutual Fund Conference was held under the auspices of the Investment Dealers' Digest.

Mutual Fund Notes

THE FORMATION of Canada Research & Management, Inc., investment advisors specializing in Canada and Canadian industries, was announced Friday by Harold Long, President. The new company has offices at 39 S. LaSalle Street, in Chicago, and is designed to provide complete information on Canada to American investors of institutional funds and to private investors.

"With the growing interest in Canadian investments in this country, more specific information is needed by larger groups of investors," Mr. 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 had been associated with Royal Securities Corp., of Montreal, Canada.

CHEMICAL FUND, in one of the most original and effective sales aids put out by the fund business in a long time, has just released for investment dealers its "Financial Records of Portfolio Companies." In this 52 page book, Chemical Fund presents the operating record and financial position for each year from 1929 to 1951 for the 45 companies whose shares are in the Chemical Fund portfolio.

The report on each chemical company includes the capitalization, the products manufactured, the operating record (including net sales, net income before and after taxes, earnings per share, dividend per share and price range) and the financial position (including total assets, fixed assets, current assets broken down into total and then cash-and-securities, current liabilities and working capital). Copies are available to investors and investment dealers without obligation from Chemical Fund, 39 Broadway, New York 6, N. Y.

FOR THE FIRST time in its history the International Food and Home Show will feature a booth sponsored by a securities firm. M. H. Bishop & Company, a leading Minneapolis firm, is presenting the exhibit. The show will run from Sept. 17 to 21 at the Minneapolis Municipal Auditorium and an attendance of 60,000 is expected.

Realizing that the public is not often informed about opportunities for investments, M. H. Bishop & Company is planning a display which will feature National Stock Series, a leading mutual investment fund. A feature of the exhibit will be an award of ten shares of National Stock Series to a lucky ticket holder. The drawing will take place the final night of the show.

Edward Wichman, William Giesen and Daniel Needham are the firm members planning the exhibit.

A NEW PLAN for systematic accumulation by small investors of shares of Knickerbocker Fund was announced by Karl D. Pettit, President of the Fund.

Under the plan the investor makes an initial investment of $200 and subsequent investments of $50 or more, with a minimum of $100 annually in subsequent payments. The amount and frequency of the investments may be changed at any time without penalty to the purchaser.

Cash distributions received by the investor on his Knickerbocker Fund shares may, at his option, be automatically reinvested in additional shares of The Fund.

CONVINCED THAT A saleman's ownership of mutual fund shares will increase his own sales efficiency, Distributor's Group announced it would allow dealers the entire sales charge on shares of any Group Securities, Inc. Funds purchased by a dealer or a salesman for his own investment.

The letter to dealers states that "our objective is to help your salesmen to be more forceful, more productive distributors of mutual funds."

This action was influenced by the preliminary results of a survey of securities salesmen which the firm is conducting to ascertain the degree of fund ownership by fund salesmen. The offer is open for the balance of this year.

A NEW, 2 color folder "11 reasons for investing in Knickerbocker" has been prepared for dealer use by Knickerbocker Fund.

Written in non-technical language, and using a combination text and pictorial treatment the folder describes the purposes and operations of the fund.

The fund's new share accumulation and distribution reinvestment plans are also outlined in the folder.

A NATIONAL survey seeking to determine the basic housing needs and preferences of couples looking forward to retirement is being launched this month by Investors Diversified Services, it was announced Saturday by Earl E. Crabb, Chairman and President.

The Minneapolis investment organization, for many years one of the nation's largest factors in the financing of low-cost housing, seeks through the survey to "establish a blueprint which will accurately reflect public wants, needs and desires in retirement housing," Crabb explained, "with the objective of developing and mass-producing low-cost retirement homes in suitable communities."

"There is comparatively little data now available on where people facing retirement want to live and what kind of housing they can afford to own and manage during their later years," Crabb declared.

A start toward assembling this data must be made now, he emphasized, if both finance and the building industry are to render practical and effective housing service to the coming and rapidly expanding market of retired men and women over 65.

The I. D. S. survey, being conducted thorugh the medium of national magazine advertising, has two fundamental objectives:

The first is to encourage financially equipped mature couples on the threshold of retirement to form and indicate their retirement housing plans in advance of the time when they quit working.

The second is to help make such plans workable by attempting to develop, finance and build retirement living houses in specially developed communities that will conform with the indicated preferences and pocketbooks of qualified retired persons. If the demand exists then it may be that private enterprise could give better values at lower prices through assembly line mass building methods, made possible in well-planned retirement home community developments than could be provided individually.

The I. D. S. survey is in the form of a questionnaire, in which retirement planners are asked to spell out their retirement living and housing plans in some detail. They are asked to state where they'll want to live, to indicate their preference between a separate house, double house or an apartment, to state whether they want a one-floor home, more than one floor, one, two or more bedrooms. They are also asked to indicate what size plot of ground they feel their preferred retirement home should occupy.

Through answers to these and many other related questions, I. D. S. hopes to gather an accurate consensus of opinion and a clear-cut picture of the kinds of retirement living and housing most retiring couples will want and can buy.

"In most discussions and planning now going forward in the interests of better retirement living for our aging population," Crabb pointed out, "housing, the most important factor of all, is being left largely to chance.

"For example, many assume that elderly couples want to own for their later years the same type of housing they have owned and lived in during their younger and middle years. But preliminary studies indicate that older couples find it not only financially impractical, but also burdensome to live in and operate the larger houses which they may have needed during their families' growing-up years.

"There may be a broad variety of views among older families as to what their particular retirement housing needs or objectives are, but it seems to us that a real cross-section of these views should be obtained in order that private finance and industry may determine more exactly what the retirement housing market is, and get started on the job of serving that market now and in the future."

OPEN-END REPORTS

GROSS DOLLAR sales of Wellington Fund shares have been running at a record level, A. J. Wilkins, Vice-President, said Tuesday. Mr. Wilkins said that Wellington's sales thus far this year show an increase of about 11% over the like period last year.

"Should this rate continue throughout the balance of the year," he added, "Wellington's annual sales will exceed the $50 million mark."

Mr. Wilkins attributed the larger sales generally to broader public acceptance of mutual funds as a medium of investment. "This year," he said, "not only has there been more institutional buying of Wellington Fund, but it has been accompanied by the largest number of small purchases in the Fund's history."

FULLY ADMINISTERED Fund of Group Securities, reported an asset value of $7.90 per share on Aug. 31, 1952, compared with $7.88 three months earlier.

The Common Stock Fund of Group Securities, reported an asset value of $8.67 per share on Aug. 31, 1952, compared with $8.39 three months earlier.

TOTAL ASSETS OF the Axe-Houghton Funds, managed by E. W. Axe & Co., Inc., on Sept. 1 amounted to $60,179,621—a gain of $13,134,768 or 27.9% over the Sept. 1, 1951 total of $47,044,853.

NATURAL RESOURCES of Canada Fund, the first open-end mutual fund incorporated in the United States to invest exclusively in the securities of companies operating in the natural resources fields of Canada, is 85% invested, according to an announcement by Frank L. Valenta, President.

The largest investments, oil and natural gas companies, are 24.84%. Assets of Natural Resources of Canada Fund since the formal general public offering on June 4 had increased to $1,200,000 from $107,238. The Fund is qualified for sale in approximately 20 states.

PERSONAL PROGRESS

JULIAN K. ROOSEVELT has been elected to the Board of Directors of Fundamental Investors, it was announced today. Mr. Roosevelt is a partner in the investment firm of Dick & Merle-Smith and a Vice-President of the Investment Association of New York. He is the son of George E. Roosevelt, Chairman of the Board of Investors Management Company, research managers of Fundamental Investors, and is also a director of Investors Management Fund.

NEW PROSPECTUSES

SOVEREIGN INVESTORS' latest prospectus is dated August, 1952, and is available from 345 Land Title Building, Philadelphia, Pa.

N. Y. Curb Holds Golf Tournament

The twelfth annual New York Curb Exchange members' golf tournament was held on Tuesday, Sept. 16, 1952, at Siwanoy Country Club, Bronxville, New York.

About 200 members and guests participated in the day's activities which was followed by a dinner in the evening.

Harold J. Brown, Brown, Kiernan & Co., won the President's Trophy with a low gross of 76. Robert Hornblower, Jr., Hornblower & Weeks, was runner-up with 81. Benjamin R. Nichols won low net with 96—30—66, with Vanderpool Adriance, Adriance & Finn, second with a score of 82—10—72.

Harold J. Brown was Chairman of the Golf Committee, assisted by Townsend E. Allen, Leonard C. Greene, Henry C. Hagen, Marcus Kaufman, Edward A. O'Brien, Milton E. Reiner, and Lincoln O. Robertshaw from the Exchange membership and Farncis X. Gaudino of the Exchange staff.

Hemphill, Noyes Co. Announces New Name

Hemphill, Noyes, Graham, Parsons & Co., members of the New York Stock Exchange, announce that effective Sept. 15 it will be known as Hemphill, Noyes & Co.

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Mutual Funds and the SEC

edge, experience and integrity required of a trustee engaged in a complex and hazardous undertaking involving the safety of other peoples' money. The industry must somehow see to it that mutual fund managements always possess these necessary qualifications.

Sales Literature

Turning now to sales literature, some indication of the size of the task involved in the administration of the Commissin's Statement of Policy is to be found in the volume of supplemental sales literature filed with us. During the Commission's past five fiscal years an annual average of somewhat in excess of 2,000 pieces of such literature has been filed. For the fiscal year ended on June 30, this year, 2,100 pieces were filed.

The largest amount filed in any one year, fiscal 1951, was just under 2,600 pieces. This appears to have been occasioned by the revision of material to make it conform to the Statement of Policy. Aside from this the Statement of Policy does not seem to have had much effect one way or the other upon the volume of sales literature used, since the amount of material filed each year over the past five years has been about the same. But as new supplemental sales literature is always being proposed and used, the problems with it are continuing ones and we must be prepared to deal with them for the indefinite future.

As you know, the Statement of Policy resulted from a survey of a vast quantity of sales literature voluntarily submitted by investment companies and their sponsors. The survey was made jointly by the Commission and the National Association of Securities Dealers. It revealed a great variety of exaggerations, misstatements and even some falsehoods in the sales literature then in use. In fact the literature was so bad that many of the companies in the industry were thoroughly disgusted over the situation.

Nevertheless, we are realistic enough to know that the Statement of Policy was not welcomed unreservedly by the entire industry. Indeed it was rather sharply attacked by some. A few financial writers even described it as an unnecessary limitation upon private initiative. However, it was in the main accepted in good faith and with good grace by most of the industry. The attacks upon it gradually petered out when it became apparent that it had the real effect, not of stifling the use of legitimate sales literature, but rather of elevating it to a higher level of accuracy and effectiveness.

Generally speaking, I am satisfied that the industry has made a sincere effort to bring its sales literature into line with the Statement of Policy. This has been indicated by the frequency with which material is submitted in advance in order that there may be no doubt as to whether it meets the requirements of the Statement when it is released to the public. Of course, we have not achieved perfection. The administration of the Statement of Policy has been and still is largely a process of education, both as to its requirements and as to its objectives. There are still today a considerable number of persons who inadvertently violate its provisions and there are even a few, I regret to say, who have indulged in calculated circumventions.

As an example, the Statement of Policy requires that under certain circumstances the market risks involved in the investment shall be pointed out or explained. Efforts have been made to meet this requirement by inserting a brief phrase that the investment is "subject to normal market risks." Of course, this does not adequately point out or explain the risk involved. Further it is felt that it is misleading since it obviously can be taken to mean that the investment is not subject to abnormal market risks of which there are many.

Sales Literature Improved

By and large, however, the sales literature presently used is free of the more flagrant misstatements of several years ago. One now seldom sees in sales literature express or implied promises of a consistent return of 7% or 8% on one's investments in mutual funds. Formerly, such representations were frequently made. Such a return was arrived at only by ignoring the sales load and by treating as a part of the return distributions of profits arising from the sale of portfolio securities even though these "profits" were bought and paid for by the investor when he purchased his shares and the dividend in reality was a return of the investor's capital, on the receipt of which he was obliged to pay taxes. The Statement of Policy now places very exacting requirements upon statements relating to past and future returns on investments in investment company securities. Those requirements have resulted in much more reliable statements as to the rate of return on investment in such securities.

But all of the bad practices have not been wholly eliminated. We know that some salesmen still point to the prospects of capital gains distributions in the future as an inducement to buy shares, without disclosing the fact that the investor will be paying for these distributions in advance. This situation is further aggravated by the excessive delays between the declaration, the fixing of record dates, and the payment of dividends, which prolong the period during which salesmen are tempted to use this misleading sales argument. In fact there is reason to believe that sometimes these dates are fixed with this sole purpose in mind.

Most persons are motivated, at least in substantial part, in making their investments by their desire to accumulate a fund for future use. For some it is to provide financial security in old age; for others, it is to provide the necessary funds for the education of their children; and still others seek to provide for some deferred pleasure, such as long-dreamed-of travel.

The investment trust industry was quick to realize the effectiveness of appealing to this desire. For example, supplemental sales literature in the pre-Statement of Policy era contained enticing promises of security in one's old age (sometimes illustrated by an elderly couple walking hand-in-hand toward the sunset with contented and carefree smiles upon their faces). Of course the possibility of lower security prices was nowhere alluded to.

Under the Statement of Policy such emotional appeals are no longer permissible. The results and achievements of investment companies must be staked with an accuracy and objectiveness in keeping with the investment hazards involved.

Praises NASD Investment Companies Committee

Much of the credit for the measure of success already achieved under the Statement of Policy goes to the Investment Companies Committee of the NASD. That Committee, under the direction of its Chairman, Harry Prankard, and through the labors of its Secretary, Ray Moulden, has assumed great responsibility for the enforcement of the Statement of Policy as a substantial measure of self-regulation. The Commission has cooperated closely with the Committee and has, of course, acted in those areas not subject to the jurisdiction of the NASD.

As might be expected, administration of the Statement of Policy has revealed certain defects in its provisions. It was prepared with a view to correcting certain specific evils which our previous experience had revealed to be prevalent. As we have worked with the Statement of Policy, it has become apparent that its provisions could now be improved so as to make it a more effective document. It is our intention to undertake such a revision in due course.

One of the difficulties in the operation of the Statement of Policy arises from the fact that sales literature is frequently not filed with the Commission or the NASD until after it has been widely distributed to the public. Section 24(b) of the Investment Company Act only requires that sales literature be filed within ten days after it is used.

Frequently, where the literature contains misleading statements, it has had its damaging effect before the Commission or the NASD has had an opportunity to require a correction. The NASD's requirement is that such literature need only be filed within three days after its use. Thus, both the Commission and the NASD are required to rely on the voluntary cooperation of the companies to submit literature for examination prior to its use. "Withdrawal" of the material after it has been widely distributed obviously does not undo any damage that has been done. However, as a matter of practice, and to the credit of the industry, much of the sales literature used is submitted to the NASD or to the Commission, or both, prior to its distribution. This makes it possible for us to make suggestions or comments before the material is put in final form, and distributed to the public.

In spite of the progress which has been made in the policing of investment companies' sales literature, it still all too frequently contains misleading material. While a revision of the Statement of Policy might go far in correcting the defects which have become apparent since it was promulgated, it is doubtful that any code of disclosure can ever completely curb the activities of those bent upon evasion. For this reason there are some who believe that the use of supplemental sales literature should be prohibited altogether and that the prospectus should be the sole selling document. I am not yet prepared to subscribe to such an extreme measure. In the light of the progress already made, it seems to me entirely possible, in due course, through the joint efforts of the Commission, the NASD and the individual members of the industry itself, to keep the content of supplemental sales literature within reasonable bounds. Further, the Commission desires it to be understood that it intends to deal very firmly with any future violations so that the temptation to both mislead investors and to steal a march on competitors will be greatly minimized.

One type of sales literature being used with increasing frequency is a certain standardized "performance" chart which we have permitted as being within the Statement of Policy. This chart, as you know, is one which shows the net asset value of a given investment over a period of ten or more years, together with accumulated capital gains distri-

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butions and dividends from investment income. Previously charts containing such information had been used in highly misleading forms but as a result of the joint study by the Commission and the industry certain basic revisions were agreed upon. It was only then that the Commission decided that for the time being, at least, it would raise no objection to the use of the standardized chart.

Although the charts now in use are much less objectionable than they were prior to the formulation of the standardized chart, they are still not wholly satisfactory. For example, such charts do not clearly show the sales load, a matter about which the entire industry seems unduly self-conscious. Further problems regarding the presentation of capital gains distributions still exist. It is to be hoped that we can soon jointly work out some reasonable solutions to these problems.

Institutional Literature

Another problem the Commission has wrestled with is the use of so-called "institutional" literature. Institutional literature is that which does not advertise the securities of any particular company but which seeks to interest the public in a particular class of securities, such as mutual funds generally, or in a particular type of service, such as the advisory services rendered by a broker or dealer.

Back in 1948, the staff of the Commission expressed the opinion in a letter, since referred to as the "Cashion letter," that institutional advertising by a dealer in investment company securities would not constitute an offering of securities of any investment company, if the dealer was prepared to offer more than one security and, before determining which security to offer, considered the individual needs of the prospective investor. Since that time most institutional advertising with respect to investment companies has been done on the basis of that opinion.

The so-called Cashion letter has proved to be an unsatisfactory basis for the authorization and regulation of institutional advertising, both from the standpoint of the industry as well as from that of the Commission. We believe it is unrealistic in its approach in that a certain type of advertising by a dealer who has only one security for sale is deemed to violate the Securities Act of 1933, whereas another dealer using precisely the same advertising does not violate that Act if he has more than one security for sale and the proper state of mind. Such a construction of the statute is obviously very difficult to administer since compliance with it rests upon the dealer's unexpressed intention. For example, if he determines in advance to offer prospective investors a particular security, then he does not come within the principles enunciated in the letter. If, however, he fully intends to consider the investor's needs he may use such advertising material.

For some time now the Commission has been considering the possibility of formulating a more practical basis for institutional advertising. Specifically, we have been thinking in terms of a rule which might permit the distribution without the use of a prospectus of articles, brochures, pamphlets or other publications which meet certain standards of comprehensiveness and objectivity. Such a rule might also permit, subject to appropriate conditions, advertising that such publications are available.

We doubt that it would be wise to permit such a publication to identify by name or context any particular investment company or security. In our opinion, it should only present a fair and objective description of the nature and method of operation of investment companies generally, or of one or more of certain classes of them. Further, we believe that any advertising of such a publication should be limited to such a description of the publication and its contents as would tend to arouse interest only in the publication and not in any particular company or security. Further, any person advertising the publication should be required to furnish a copy of it to every person who requests it and should be prohibited from offering the securities of any investment company to any such person until that person has received the publication and had an opportunity to examine it.

It is our hope that such a rule will entirely replace the interpretation contained in the Cashion letter and that all future institutional advertising with respect to investment companies would be governed by its provisions.

If such a rule is worked out it might also serve as a useful medium for educating the public about investment companies. This is a well worthwhile objective. Of course, as you know, if such a rule seems feasible it will be circulated for public comment and the Commission will carefully analyze and weigh all comments and suggestions received.

Brokerage Commissions

Still another problem with which the Commission has been concerned for some time, but which it has not yet been able to explore, is the practice of reciprocal business, or as it is sometimes called, "give-ups." Reciprocal business involves the practice on the part of investment companies or their underwriters of alloting to dealers, who sell the company's securities, a portion of the brokerage commissions on the company's portfolio transactions. Usually portfolio transactions, as a matter of convenience and efficiency, are effected through one or a limited number of brokers. However, since the dealers who sell the company's securities have indirectly produced the business which necessitates the effecting of at least some portfolio transactions, many dealers and some issuers feel that they are entitled to a portion of the commissions on such transactions.

One of the obvious dangers in the practice of alloting brokerage commissions to selling dealers is the necessity of churning the portfolio for the purposes of producing enough commissions to satisfy the dealers. Such churning is more apt to occur where dealers have been promised in advance that they will receive a portion of the commissions. But it should be remembered that where there has been an express advance promise, the commissions really constitute additional remuneration for selling the company's securities and, therefore, should be fully disclosed in the prospectus.

In other cases, there is no advance promise to dealers that they will share in the commissions on portfolio securities. But where a company has followed the practice of voluntarily alloting such commissions the dealers may well regard themselves as being entitled to a portion of the commissions as a matter of right. Therefore, it is questionable whether there is more than a difference of degree in those cases where a share of the commissions is promised in advance and those where such commissions are distributed as a matter of custom. Thus in either case there is a violation of the statute if adequate disclosure is not made in the prospectus. Further, where a portfolio is churned to provide for brokerage commissions, charges of breach of trust or fraud might well be made.

The Commission is now engaged in the preparation of a questionnaire the purpose of which is to furnish more accurate information than it now has as to the nature and scope of the practice of alloting brokerage commissions to dealers in investment company securities. It is intended to be sent to all open-end investment companies and their underwriters as well as dealers. After the survey has been made, the Commission will be in a position to determine what action should be taken.

Today we hear on all sides the cry that the sources of venture capital are drying up and that new undertakings are finding it increasingly hard to obtain the necessary capital to explore new fields. For the most part organized investing has overlooked the fact that the blue chips of today were the promotions of yesterday.

Most new enterprises have been largely dependent upon such funds as they were able to obtain from venturesome individuals. Institutional investors do not, as a rule, place their funds in such undertakings.

Prior to the adoption of the Statement of Policy many mutual funds claimed in their literature that they were an important source of new capital. This was not true in the sense in which it was intended to be understood, although a few such funds did provide venture capital for new enterprises. Hence, the Statement of Policy now provides that it is misleading to represent or imply that investment companies in general are direct sources of new capital to industry or that a particular investment company is such a source unless the extent to which such investments are made is disclosed. It is hardly necessary to add that this provision of the Statement of Policy virtually put an end to such advertising for the simple reason that investment companies had generally not been furnishing such capital.

It has been suggested to me that here is a field in which mutual funds might make a real and very constructive contribution to our economy; that here is an opportunity to show not just by words, but by deeds, a faith in the strength and dynamic character of our great democratic capitalistic system. This would not mean, of course, that mutual funds would proceed to load their portfolios recklessly and indiscriminately with large amounts of securities of immature enterprises with only remote hope of success. What is meant, I take it, is this: there are today, as there have always been, worthwhile business ventures in the early stages of development which need and merit the reasonable support of those in control of large pools of capital, such as mutual funds. If such support were forthcoming many of them would no doubt in due course become seasoned companies whose securities would then be suitable for inclusion on a larger scale in the portfolios of mutual funds as well as in those of other types of investors.

Limited financial support by the mutual funds might well produce profits more than commensurate with the risks assumed. It was pointed out that as a matter of technique such investments could be made through a corporation organized for that purpose in which a number of mutual funds might invest a limited portion of their assets. Such an undertaking seems to merit careful consideration. It may well be in view of the enormous growth enjoyed by mutual funds in recent years, and in view of their consequent greater role in the investment field, that such activities may now be safely undertaken on a scale which would be important to the economy, while limiting the exposure of any one fund, and would hold real hope of a substantial excess of profits over losses. Further, it would be an answer the the charge that mutual funds are parasites in the investment field, standing between investor and issuer and performing relatively usless functions.

It has been also suggested that there is yet another field in which mutual funds might well operate to maintain and strengthen our industrial economy. This is the field of so-called special situations. Large profits have been made in this area by those who have been wise enough to invest in companies whose securities were undervalued because of special but essentially temporary circumstances. These circumstances might be a lack of adequate working capital and a resulting inability to obtain new funds. Or, paradoxically, they might be an excess of current assets not yet profitably employed or a niggardly dividend policy in relation to earnings both present and anticipated.

The primary reason for mutual funds is expert management. Hence it is said that they should be in a peculiarly favorable position to locate and exploit such situations. It is argued that a group of investment companies could, either as a syndicate or through a new company, acquire enough of the securities of individual special situations so as to enable them to be a real force in the elimination of the factors causing undervaluation. Such activity, the argument goes, could make a real contribution to our economy as well as proving profitable for the mutual funds themselves. This suggestion also merits careful consideration.

I have commented on these matters of managerial concern only because I believe that all of you are entitled to hear publicly some of the views which have been sought privately.

Growth of Mutual Funds

Mutual funds have grown rapidly over the past ten years, both in number and in size. At the beginning of 1942 there were 73 companies in the field, having total assets of about $412,000,000. At the end of June 1952 the number of companies had increased to 133 and their total assets had increased to approximately 3.6 billion dollars. Of course, some of this growth has been due to the upward trent in the market during that period, but much of it is also due to the increasing popularity of mutual funds.

While the great majority of mutual funds have less than $50,000,000 each in total assets, there are ten companies having total assets between $50,000,000 and $100,000,000; four companies have total assets between $100,000,000 and $200,000,000; and there are two companies with total assets of more than $300,000,000. One of these has total assets in excess of $400,000,000. The Commission has been carefully following this growth process and intends to give it increasing attention.

In this connection Section 14(b) of the Investment Company Act of 1940 provides as follows:

"The Commission is authorized, at such times as it deems that any substantial further increase in size of investment companies creates any problem involving the protection of investors or the public interest, to make a study and investigation of the effects of size on the investment policy of investment companies and on security markets, on concentration of control of wealth and industry, and on companies in which investment companies are interested, and from time to time to report the results of its studies and investigations and its recommendations to the Congress."

The Commission believes that the mutual funds have reached a point where the Commission must give serious thought to undertaking a Section 14 study. If any of them have reached the point where their size seriously hampers the performance of their true function, it might well be misleading for them to continue to advertise and sell securities on the assumption and representation that those functions will be performed. Investors should not be sold on the promise of professional management, if such management, as a practical matter, is impossible because of the size of the company. Nor should the investor be sold on the promise of the liquidity of his investment, if an attempt to liquidate on any substantial scale would result in a disastrous price decline or in the necessity for suspending the redemption privilege.

Mutual funds shares are sold to the public as a medium through which the investor can obtain both a diversification of risk and professional management of his funds. It is important to know whether a mutual fund, after it reaches a certain size, can continue to exercise real management of its investments or whether the amounts of securities in which it deals are of necessity so large that that degree of flexibility essential to the achievement of the best investment results is no longer possible.

It is important to know whether excessive size renders it impossible to shift from one security to another when conditions indicate that it would be desirable to do so. Would the effort to liquidate large holdings of a given security break the market and hence either make it impossible to liquidate the holdings or if liquidation is forced through, then only at a substantial loss? It is possible that after a certain size is reached the most that can be done is to hold on to the securities and watch the value of the portfolio rise and fall with the market as a ship rises and falls on an ocean swell?

These are questions which can only be answered, if at all, after a thorough study of the many problems involved. Serious consideration is now being given to the undertaking of such a study.

These, then, are some of the problems that we at the SEC are pondering today. They are not problems of easy solution. At the least they will require a great deal of careful study; and even then easy solutions will not be found. But the more closely the industry cooperates with the Commission, the more likely it will be that a solution satisfactory to all concerned will be found. I can assure you that you will have our cooperation and I believe that it is desirable for you to give us yours. If we work together, this industry, in the basic soundness of which all of us believe, will come to realize the high hopes we have for it.

Sunflower State Oil Offering Completed

The recent offering of 300,000 shares of Sunflower State Oil Co., Inc. common stock (par 10 cents) "as a speculation" at $1 per share, which was made by Israel & Co., members of the NASD, has been completed, all of said shares having been sold.

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

Hayden Stone Adds

(Special to The Financial Chronicle)

SPRINGFIELD, Mass. — Albert H. Peek is now with Hayden, Stone & Co., 1387 Main Street.

Continued from page 5

The State of Trade and Industry

stipulated time. Prior to the suspension, down payments ranging from 5% to 40% were required.

Construction expenditures in August advanced to $3,152,000,000. This was the largest monthly dollar volume on record, according to the United States Departments of Commerce and Labor, but physical volume was about the same as in August, 1951. The higher dollar figure resulted from increased costs for labor and materials. Building outlays for the first eight months of the year were slightly above $21 billion, a 5% gain over a year ago. Spending for public construction was 20% above the like 1951 period.

New business incorporations in the United States during the month of July totaled 7,549, or slightly less than the revised June figure of 7,819, reports Dun & Bradstreet, Inc. The July number at 7,549, however, was 17.4% greater than the July, 1951, total of 6,428, and marked the sixth successive month to show an increase over the corresponding month a year ago.

New company formations recorded during the first seven months of 1952 reached a total of 54,996. This was better by 7.4% than the 51,189 for the similar 1951 period, although 7.8% fewer than in the corresponding 1950 period when 59,629 charters were issued.

Steel Output Moves Moderately Higher in Current Week

The next eight weeks will clear up a lot of questions about the size of steel demand and supply for some time to come, says "Steel," the weekly magazine of metalworking, the current week.

The eight weeks will take us through the national election week, and, states this trade paper, reports persist that President Truman will bend every effort to get the Korean War ended before the election so that voters will feel the Democratic party is a party of accomplishment. An end of that unpopular war couldn't help but take some of the pressure off the demand for military steel.

By the end of this month the steel industry expects to have cleaned up the military steel orders that accumulated during the steelworkers' strike.

The next eight weeks, continues this trade weekly, should unfold also a strong clue as to size of civilian steel demand for some months to come. By that time the demands accumulated during the steelworkers' strike will have been satisfied to some degree, and civilian attitudes should be more in terms of current needs. The auto industry, it adds, is so otpimistic that it is programing big production schedules. September will be its best output month in more than a year. By election day it should be pretty clear whether the big production of autos is selling up to expectations. The auto industry is a master key to steel demand and production, for it is the biggest consumer of that metal.

The next eight weeks will determine too, whether a coal miners' strike will cause another break in steel production this year, "Steel" points out.

Scrap, a closely watched barometer in the steel industry, is stagnant marketwise. Mill inventories of scrap are high and there is reluctance to buy. In some areas, some steel scrap grades are swinging below government ceilings, just as they were before the end of the steel strike firmed them up pricewise, the above trade paper concludes.

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 101.8% of capacity for the week beginning Sept. 15, 1952, equivalent to 2,115,000 tons of ingots and steel for castings. In the week starting Sept. 8, the rate was 100.8% (revised) of capacity and actual output totaled 2,093,000 tons. A month ago output stood at 97.1%, or 2,017,000 tons. One year ago the rate was estimated at 101.2% and production at 2,023,000 tons.

Electric Output Shows Recovery in Post-Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Sept. 13, 1952, was estimated at 7,654,324,000 kwh., according to the Edison Electric Institute.

The current total was 330,197,000 kwh., above that of the preceding week when output amounted to 7,324,127,000 kwh. It was 516,672,000 kwh., or 7.2%, above the total output for the week ended Sept. 15, 1951, and 1,205,223,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Rise for Week and Year Ago

Loadings of revenue freight for the week ended Sept. 6, 1952, which included the Labor Day holiday, totaled 746,044 cars, according to the Association of American Railroads, representing an increase of 18,700 cars, or 2.6% above the preceding week when loadings were reduced by the mine workers' memorial holiday.

The week's total represented an increase of 13,275 cars, or 1.8% above the corresponding week a year ago, but a decrease of 5,405 cars, or 0.7% below the corresponding week in 1950.

United States Auto Output Sets New High Record In Latest Week

Passenger car production in the United States last week soared to its highest point in 1952 to 103,054 cars compared with 84,865 (revised) cars in the previous week, when the Labor Day holiday cut production, and 100,584 cars in the like week a year ago, according to "Ward's Automotive Reports."

Total output for the past week was made up of 103,054 cars and 25,454 trucks built in the United States against 84,865 cars and 18,500 trucks (revised) last week and 100,584 cars and 28,905 trucks in the comparable period a year ago.

Canadian plants turned out 6,533 cars and 2,960 trucks against 6,020 cars and only 1,710 trucks last week, and 4,709 cars and 1,952 trucks in the like week of 1951.

Business Failures Hit Lowest Level Since 1948

Commercial and industrial failures fell to 91 in the week ended Sept. 11 from 110 in the preceding week, Dun & Bradstreet, Inc., reports. This decline brought casualties to the lowest level since 1948; they were down considerably from 1951 and 1950 when 164 and 165 occurred, respectively. Only one-third as many businesses failed as in prewar 1939 when 269 were recorded for the comparable week of that year.

Failures involving liabilities of 5,000 or more declined to 71 from 91 a week ago and 129 last year. Little change appeared among small casualties.

All the week's decrease centered in retail trade where casualties dropped to 37 from 66. No industry or trade had as many failures as last year, with the sharpest downtrends from the 1951 level occurring in retailing and wholesaling.

Six of the nine geographic regions reported fewer casualties during the week. Small increases occurred in the Pacific and South Atlantic States, while the West North Central continued unchanged. Failures were less numerous than last year in all regions except the East South Central which remained the same.

Wholesale Food Price Index Drops to Lowest Point In Seven-Week Period

The wholesale food price index, compiled by Dun & Bradstreet, Inc., declined sharply last week following last week's leveling off movement. The index fell to $6.60 on Sept. 9, from $6.70 the week before. This was the lowest in seven weeks and the sharpest week-to-week drop in almost two years. It compared with $6.79 on the like date a year ago, or a decline of 2.8%.

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

Wholesale Commodity Price Index Recovers Moderately After Early Decline

After trending downward in the first part of the week, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., recovered moderately to finish at 293.29 on Sept. 9. This compared with 293.87 a week previous, and with 297.91 on the corresponding date last year.

Grain markets generally ended on a firm note after fluctuating in a narrow range. Wheat prices were buoyed to a large extent by an improvement in export business, smaller receipts and a heavy movement of wheat into storage.

Export clearances of wheat and flour for the first two months of the new crop year have exceeded expectations, totaling approximately 55,000,000 bushels for the period.

The corn market displayed a fairly firm tone, aided by an expanding export demand. The crop continued to make good progress with prospects for an early maturity. Following recent declines, rye prices turned upward. An improvement in demand was sparked by the belief there may be some frost damage in Canada. Oats prices advanced, influenced by a decrease in receipts and smaller imports from Canada. Trading in grain futures on the Chicago Board of Trade declined last week. Daily average sales of all grain and soybean futures totaled about 32,500,000 bushels, against 37,400,000 the previous week, and 26,000,000 a year ago.

Cautiousness in buying persisted in the domestic flour market the past week. Both hard and soft wheat bakery flours were inactive with bookings confined to scattered small amounts for immediate or nearby shipment. Interest in advertised brands of family flour was a little better as mills protected against price advances during the week. Export flour business showed little if any improvement. Cocoa prices went sharply lower last week as the result of heavy trade and commission house selling prompted by prospects of a large African cocoa crop. Warehouse stocks of cocoa were reported at 121,037 bags, down from 127,063 a week ago, and 204,228 bags at this time a year ago. Coffee was active and strong. Increased roaster interest in offerings was attributed to the threat of a dock workers' strike. Lard was in slow demand and both cash and future prices again worked lower.

Despite relatively light receipts, hog prices fell to the lowest level in four months.

A depressing influence was the continued weakness in wholesale pork quotations.

Cotton prices were irregular most of the week but moved sharply higher on Monday of last week, following publication of the official Sept. 1 crop forecast. The estimate was for a crop of 13,889,000 bales. This was considerably lower than the trade had expected and touched off a buying movement which carried spot prices well above the 40-cent level. The indicated outturn at 13,889,000 bales, was 846,000 bales less than the estimate of a month ago, and compared with a yield of 15,144,000 bales last year, and a 10-year average of 11,775,000 bales.

Trade Volume Suffered Declines Both for the Latest Week and Year Ago

Consumer purchases declined from both a week ago and a year ago in the period ended on Wednesday of last week. Many stores returned to the practise of Saturday opening although there was growing demand on the part of the employees for a five-day week. A few localities were testing a Tuesday-to-Saturday week. Specialty stores continued to fare somewhat better than department stores.

The total dollar volume of goods sold the past week in retail stores throughout the nation was estimated by Dun & Bradstreet, Inc., as being 1% below to 3% above a year ago. Regional estimates varied from the year ago level by the following percentages:

Southwest +2 to +6; South +1 to +5; Northwest unchanged to +4; East —1 to +3; New England, Midwest and Pacific Coast —2 to +2.

Food sales were moderately above a year ago and moderately below the holiday week. Housewives favored purchases of poultry and ham, but continued to shun expensive cuts of meat. Volume in produce diminished slightly. Unit-wise, volume appeared to be lower than in preceding week.

Apparel sales continued to be above a year ago. A wider diversification was noted in back-to-school volume as consumers displayed a preference for more expensive merchandise for the first time in several months.

Volume in housefurnishings remained unchanged from a year ago and was slightly below the preceding week. Appliance and television sales continued to taper off from the summer spurt. More interest was evident in floor covering. Volume in upholstered furniture, case goods and bedding continued to be strong.

Buying activity in most of the nation's wholesale markets in the week held close to the increased level of the week before and remained slightly higher than in the comparable 1951 week.

Bulwarking much of the week's volume was a heightened demand for merchandise appropriate to the late fall and the winter holiday promotions. A further tightening of delivery schedules was noted in some seasonal lines.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Sept. 6, 1952, fell 1% below the level of the preceding week. For the four weeks ended Sept. 6, 1952, sales reflected an increase of 2%. For the period Jan. 1 to Sept. 6, 1952, department store sales registered a drop of 2% below the like period of the preceding year.

Retail trade in New York last week was subject to a set-back the latter part of the period which resulted in a decline in the total weekly volume of about 11% 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 Sept. 6, 1952, decreased 11% below the like period of last year. In the preceding week a decline of 4% (revised) was reported from that of similar week of 1951, while for the four weeks ended Sept. 6, 1952, a decrease of 6% was registered below the level of a year ago. For the period Jan. 1 to Sept. 6, 1952, volume declined 10% under the like period of the preceding year.

Glenmore Distilleries Debentures Offered

Glore, Forgan & Co. headed a nation-wide group of underwriters which on Sept. 12 made public offering of $12,000,000 of 4% sinking fund debentures, due Aug. 1, 1972, of Glenmore Distilleries Co., one of the country's leading distillers. The debentures are priced at 100% and accrued interest.

Proceeds of the financing will be used for retiring all term debt of the company and its outstanding 6% preferred stock. About $10,750,900 will be needed for this purpose and the remaining proceeds will be used for additional working capital.

The company last year had sales of $59,054,873 and sales of $27,767,071 for the first six months this year. Its principal business is the production and sale of various types of domestic whiskeys. The principal brand names under which the company's whiskeys are sold are Kentucky Tavern and Yellowstone bonded whiskeys; Glenmore and Yellowstone straight whiskeys and Old Thompson and Tom Hardy blended whiskeys.

W. P. Mulligan With Wm. E. Pollock Co.

William P. Mulligan has joined the sales department of Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City, dealers in U. S. government securities, state, municipal, revenue, railroad, industrial and public utility bonds and equipment trust certificates.

Nassau-Suffolk F I F

HUNTINGTON, N. Y.—Stephen T. Monahan has opened offices at 304 West Main Street to conduct a securities business under the firm name of Nassau-Suffolk F I F Sales Co. Mr. Monahan was formerly connected with Ira Haupt & Co.

Securities Salesman's Corner

By JOHN DUTTON

Selling Literature

One of the best securities salesmen I have ever met doesn't even carry a personal calling card. He uses no printed literature whatsoever in his personal conferences with clients. His entire sales kit consists of a few blank pages of paper and a pencil. The rest of his sales story is in his head.

This does not imply that all sales literature is valueless. I know of some good salesmen who use visual selling aids to great advantage. But they know how to do it. There is a knack of knowing when to pull out an illustrated folder, or a chart, or a picture. There is also a time to put it aside and not to overtalk it. When a salesman goes out with a definite prepared sales talk that is based upon a book full of pictures, or a pretty story that is illustrated with charts and figures, he is sometimes inclined to wear a prospect's interest down, just because he feels he has to go through with the thing or die trying. You've seen that sort of a sales talk before, and I believe that you will agree with me when I say that it can kill more sales than it will make, providing it isn't very deftly handled. I once attended one of those evening parties where some sauce-pan fellow had cooked the meal. My wife dragged me in on it. About six couples were there. The food was good but the long harrangue that followed it, combined with a tripod full of pictures and selling points, which this salesman read off one by one as we patiently waited for him to get it over with, killed all my wife's interest in any of his most excellent sauce pans.

Use Selling Literature Carefully

Let us assume that you have finished a promissing interview with a prospect. Possibly you have been discussing Mutual Funds, or a special investment situation. There is a time lag for consideration on the part of the prospect before your next meeting. This is a good time to use an effective mailing piece. Write a short note like this, "Dear Mr. Prospect: Please read the enclosed at your leisure when you can go over it carefully. I feel that you will find it quite interesting. Kindest regards," That's all you need. Make it short and sweet, and use a good mailing piece. The simpler the better.

I have seen some salesmen stuff an envelope with advertising literature. Possibly they feel that the quantity of it alone will overpower their unwilling prospects. Others have used a mailing piece every two or three days for several weeks. Those stunts, too, are not for the investment business. When a man invests his money he isn't going to be pushed into anything with a barrage of high pressure mailings. Of course, if you are selling promotions, that may be another story. I am talking about investments.

Don't Build Up Objections

Many years ago, when I was starting out in the securities business, I tried to find new approaches to the selling problems that came up. One day I was sitting at my desk laboriously drawing a chart that I thought was very simplified. If memory serves, it had something to do with the book values, and the then depressed market price of some of the New York City Bank stocks. Finally I proudly took the completed work of art over to the head of the firm. Incidentally, he too was one of the best salesmen I ever knew. He looked at it a moment and said, "What do you expect to do with it?" I told him I thought it would be a very impressive exhibit to place in front of an investor, and that it would show at a glance just how much below book value those stocks were then selling. He replied, "Why put ideas into their heads? If you show a man that these stocks are appraised so low in the market compared to their book value, he is going to ask you why this is so. Then you're in for an argument that you should avoid." I got the point. Incidentally, those bank stocks are still below their book values.

Good literature can be helpful. My point is — use it when it should be used. The best selling is based upon finding out where the other man's interest lies. Then appeal to this interest. Help him to develop a buying urge. If "selling literature" can assist you in making a point then use it. If it can help you to establish confidence in the fund you are offering, use it. Don't abuse it.

M. S. Wien & Co. Offers Mineral Water Stock

M. S. Wien & Co. (in business since 1919) are offering publicly "as a speculation" an issue of 299,000 shares of common stock (par 10 cents) of Spa-King Mount Clemens Water Products Corp. at $1 per share.

It is intended to use the net proceeds from the sale of the stock to commence operations, for advertising, for the payment of certain obligations, and for additional working capital.

Spa-King was organized on July 24, 1952 in Delaware to acquire all of the assets of Mount Clemens Water Products Corp. of Mount Clemens, Mich., and Mount Clemens Products Co. of New York, consisting principally of the registered U. S. trade mark "Spa-King" and of the trade marks "Spa-King" or "Spa-King Mount Clemens" registered in various states and of its formula and process (unpatented) for the manufacture of Mount Clemens mineral water into a tasty table water and mixer.

Moran & Co. Offers Electriglas Stock

Moran & Co., Newark, N. J., are offering "as a speculation" an issue of 300,000 shares of common stock (par 10 cents) of Electriglas Corp. at $1 per share.

The net proceeds from the sale of the stock are intended to be used to pay $60,000 due to creditors of the company; $40,000 for payment of taxes; approximately $60,000 to reduce accounts payable; and the balance for working capital.

Electriglas Corp. is engaged primarily in manufacturing and selling Electriglas radiant heating panels. It also manufactures and sells threezone lighting glass bowls and some home lighting fixtures. Its products are distributed throughout the United States.

The corporation was incorporated in New Jersey on March 26, 1946, as the Appleman Art Glass Works, Inc., and changed its name to the present title on Aug. 25, 1952.

Joins Kinsley & Adams

(Special to THE FINANCIAL CHRONICLE)

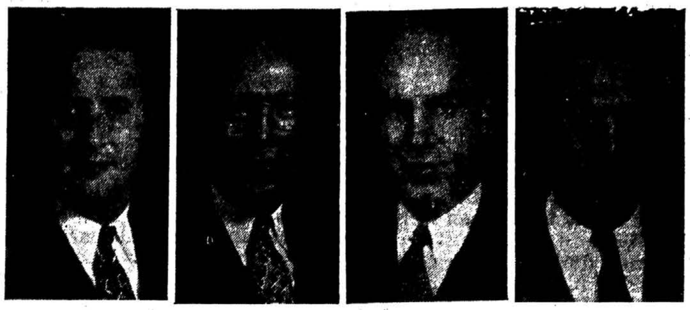
WORCESTER, Mass.—James B. Kenary, Jr. is now associated with Kinsley & Adams, 6 Norwich Street, members of the Boston Stock Exchange.

Continued from page 8

NSTA Notes

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The annual election of officers of the Investment Traders Association of Philadelphia will be held on Sept. 23rd. The following slate has been presented by the nominating committee:



Joseph E. Smith C. L. Wallingford Joseph R. Dorsey Edgar A. Christian

President: Joseph E. Smith, Newburger & Co.; First Vice-President: Charles L. Wallingford, H. M. Byllesby and Company, Incorporated; Second Vice-President: Joseph R. Dorsey, Merrill Lynch, Pierce, Fenner & Beane; Treasurer; James G. Mundy, Stroud & Company, Incorporated; Secretary: Edgar A. Christian, Janney & Co.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League Standing as of Sept. 11, 1952 are as follows:

TEAM—	POINTS
1. Donadio, Demaye, Whiting, O'Connor, Rappa	9
2. Goodman, Smith, Valentine, Meyer, Farrell	6
3. Meyer, Kaiser, Swenson, Frankel, Wechsler	6
4. Mewing, Bradley, Weseman, Hunt, Gronick	6
5. Krisam, Ghegan, Jacobs, Gannon, Cohen	5
6. Murphy, Manson, R. Montanye, O'Hara, Pollack	5
7. Lytle, Growney, Craig, Fredericks, Bies	5
8. Serlen, Gresten, Krumholz, Rogers, Gold	4
9. Bean, Frankel, Casper, Nieman, Bass	4
10. Leone, Greenberg, Tisch, Werkmeister, Lopato	4
11. Hunter, Klein, Weissman, Sullivan, H. Murphy	3
12. Burian, G. Montanye, Voccoli, Siegel, Reid	3

5 POINT CLUB

Walt Mewing
Joe Donadio

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The IBA Model Blue Sky Laws

the commissioner or by mailing by registered mail properly addressed to the commissioner; filing for all other securities is completed only by delivery in the office of the commissioner. The commissioner can at any time issue an order forbidding the further sale of securities described in a notice of intent to sell filed with him if he finds that the sale of such securities in the state would work or tend to work a fraud on purchasers thereof.

The model law of the **qualification** type, patterned generally upon the old Uniform Sale of Securities Act, provides that to register securities by qualification, there must be filed with the commissioner an application for registration containing specified information, a prospectus meeting prescribed requirements, payment of an examination fee and a registration fee, and in some cases, a consent to service of process. Registration of securities by qualification does not become effective until the commissioner has taken affirmative action to register the securities in a Register of Securities and has notified the applicant of such registration. Securities issued by seasoned companies which meet earnings standards may be registered "by description," a simplified procedure under which registration becomes effective and securities may be sold by any registered dealer as soon as a registration statement and payment of the required registration fee (and a consent to service of process, when required) are filed with the commissioner, either by delivery in the office of the commissioner or by posting by registered mail properly addressed to the commissioner. This model law is specifically designed to permit the use of the uniform application form in registering securities which are being or have been registered under the Federal Securities Act of 1933.

In making a choice between the notification type model law and the qualification type model law, two significant facts should be noted:

(1) The investment banking industry has a vital self-interest in the prevention of fraud in the purchase and sale of securities because the industry as a whole suffers a loss of public faith from any such fraud and an individual firm can continue in the securities business only by maintaining a record of integrity and fair dealing. The source of most fraud in the purchase and sale of securities lies in promoters who are not regularly engaged in the securities business and in a few fringe firms who are willing to risk their business reputation and expulsion from the business for a few fast dollars. This fact has been recognized very clearly by past presidents of the National Association of Securities Administrators. President Harold Johnson (of Nebraska) at the Portland convention in 1948, after suggesting certain duties and responsibilities of the securities industry, states:

"It is conceded that the above recommendations do not apply to 99% of the securities representatives. It is only to the few marginal operators that the message should be directed."

Similarly, President William King (of Virginia) at the Oklahoma City convention last year stated:

"True, we have our policing problems, but again my experience shows that those problems have been with that segment of people who are not really a part of the securities industry at all, but those who, from the very nature of the securities they offer, know in the beginning that an application to have them properly registered in a state would be fruitless."

Recognition of this fact leads to the conclusion that an effective blue sky law is one which permits reputable dealers to conduct legitimate business without unnecessary restrictions but which enables the administrator (i) to deny to persons who engage in fraudulent activities the right to engage in the business of selling securities and (ii) to forbid the sale of securities which would work or tend to work a fraud on purchasers thereof. We submit that such requirements are embodied in the notification type blue sky law.

(2) Most of the principal securities markets in the United States are located in states which have the notification type law, or a simpler law of the dealer-registration or fraud type. This is no geographical or historical accident. Business naturally and necessarily gravitates to a favorable climate.

In this connection, the recent study prepared by the Brookings Institution at the request of the New York Stock Exchange and published in the booklet entitled "Share Ownership in the United States" indicates that 48.58% of the shares of publicly owned common and preferred stock in the United States are owned in nine states which have the notification type of blue sky law or a simpler law of the fraud or dealer-registration type. This concentration of ownership cannot be attributed to large institutional holdings in the nine states because the study indicates that 49% of the shareholdings of publicly owned common and preferred stock in the United States are in those nine states; furthermore, this concentration of ownership cannot be attributed to the greater population of the nine states because the total population of those nine states under the 1950 census was 41,228,000 while the total population of eleven of the principal states which have the qualification type blue sky law, in which only 23.30% of publicly owned common and preferred stocks in the United States are owned, was 43,841,000.

In these nine states which have the notification type law or a simpler type law, in which most of the principal securities markets are located and in which 48.58% of the publicly owned shares of common and preferred stock are owned, we believe that the public and the state authorities are satisfied with the present blue sky laws and the protection afforded by those laws against fraud in the sale of securities.

Since these facts lead to the inevitable conclusion that the notification type law achieves the protection of investors against the perpetration of fraud in the purchase and sale of securities with a minimum of restraint on the legitimate conduct of the securities business by reputable dealers, we strongly recommend the adoption of the model law of the notification type in preference to the model of the qualification type.

The IBA would welcome the opportunity to cooperate with the state securities commission of any state in amending an existing blue sky law to remedy the problems outlined above or to obtain the enactment of a complete new blue sky law. Also, we invite your request for any other assistance or information that we may be able to furnish at any time.

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:

		Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Sept. 21	101.8	*100.8	97.1	101.2
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 21	2,115,000	*2,093,000	2,017,000	2,023,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Sept. 6	6,441,550	6,284,450	6,265,850	6,278,200
Crude runs to stills—daily average (bbls.)	Sept. 6	¶7,002,000	7,110,000	6,909,000	6,705,000
Gasoline output (bbls.)	Sept. 6	23,220,000	23,936,000	22,984,000	22,156,000
Kerosene output (bbls.)	Sept. 6	2,591,000	2,664,000	2,604,000	2,620,000
Distillate fuel oil output (bbls.)	Sept. 6	10,612,000	10,253,000	10,178,000	8,732,000
Residual fuel oil output (bbls.)	Sept. 6	8,882,000	8,839,000	8,856,000	8,865,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 6	116,830,000	117,240,000	117,248,000	124,584,000
Kerosene (bbls.) at	Sept. 6	33,374,000	32,080,000	28,808,000	34,400,000
Distillate fuel oil (bbls.) at	Sept. 6	106,326,000	102,295,000	90,035,000	97,219,000
Residual fuel oil (bbls.) at	Sept. 6	53,275,000	52,296,000	51,302,000	49,458,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 6	746,044	727,344	782,171	732,769
Revenue freight received from connections (no. of cars)	Sept. 6	585,870	657,100	643,691	614,725
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 11	$264,618,000	$109,956,000	$237,500,000	$189,224,000
Private construction	Sept. 11	126,482,000	57,239,000	75,127,000	102,892,000
Public construction	Sept. 11	138,136,000	52,717,000	162,373,000	86,332,000
State and municipal	Sept. 11	84,616,000	41,567,000	56,739,000	62,586,000
Federal	Sept. 11	53,320,000	11,150,000	105,634,000	23,746,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 6	9,110,000	*2,230,000	9,540,000	9,298,000
Pennsylvania anthracite (tons)	Sept. 6	698,000	152,000	713,000	592,000
Beehive coke (tons)	Sept. 6	59,900	29,700	47,000	116,400
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Sept. 6	100	110	90	100
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 13	7,654,324	7,324,127	7,626,608	7,137,652
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Sept. 11	91	110	141	164
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 9	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Sept. 9	*$55.26	*$55.26	*$55.26	$52.69
Scrap steel (per gross ton)	Sept. 9	$42.00	$42.00	$42.00	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 10	24.200c	24.200c	24.200c	24.200c
Export refinery at	Sept. 10	34.975c	34.575c	34.800c	27.425c
Straits tin (New York) at	Sept. 10	121.500c	121.500c	121.500c	103.000c
Lead (New York) at	Sept. 10	16.000c	16.000c	16.000c	17.000c
Lead (St. Louis) at	Sept. 10	15.800c	15.800c	15.800c	16.800c
Zinc (East St. Louis) at	Sept. 10	14.000c	14.000c	15.000c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 16	97.12	97.50	97.17	98.85
Average corporate	Sept. 16	109.60	109.79	109.79	111.62
Aaa	Sept. 16	114.08	114.27	114.27	116.22
Aa	Sept. 16	111.81	112.00	112.00	115.43
A	Sept. 16	109.06	109.24	109.42	110.52
Baa	Sept. 16	103.64	103.97	103.97	105.00
Railroad Group	Sept. 16	106.56	106.74	106.92	108.34
Public Utilities Group	Sept. 16	109.42	109.60	109.42	111.44
Industrials Group	Sept. 16	112.75	112.93	113.12	115.24
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 16	2.71	2.67	2.70	2.58
Average corporate	Sept. 16	3.19	3.18	3.18	3.08
Aaa	Sept. 16	2.95	2.94	2.94	2.84
Aa	Sept. 16	3.07	3.06	3.06	2.88
A	Sept. 16	3.22	3.21	3.20	3.14
Baa	Sept. 16	3.53	3.51	3.51	3.45
Railroad Group	Sept. 16	3.36	3.35	3.34	3.26
Public Utilities Group	Sept. 16	3.20	3.19	3.20	3.07
Industrials Group	Sept. 16	3.02	3.01	3.00	2.89
MOODY'S COMMODITY INDEX	Sept. 16	424.5	428.5	437.2	452.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 6	269,531	216,985	233,200	262,017
Production (tons)	Sept. 6	175,730	224,724	220,763	161,170
Percentage of activity	Sept. 6	72	90	89	63
Unfilled orders (tons) at end of period	Sept. 6	430,274	388,360	456,005	566,141
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Sept. 12	109.11	109.43	108.96	116.53
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	Aug. 30	19,632	21,563	24,301	26,153
Number of shares	Aug. 30	548,682	612,336	697,796	766,124
Dollar value	Aug. 30	$25,125,125	$27,804,822	$32,123,853	$33,035,485
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 30	18,161	19,188	20,890	24,510
Customers' short sales	Aug. 30	110	126	85	211
Customers' other sales	Aug. 30	17,991	19,062	20,805	24,299
Number of shares—Total sales	Aug. 30	489,697	520,090	589,114	697,344
Customers' short sales	Aug. 30	3,776	4,749	2,887	7,448
Customers' other sales	Aug. 30	485,921	515,341	586,227	689,896
Dollar value	Aug. 30	$19,946,318	$21,622,815	$24,478,557	$27,855,249
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 30	149,240	150,740	186,740	222,600
Short sales	Aug. 30	------	------	------	------
Other sales	Aug. 30	149,240	150,740	186,740	222,600
Round-lot purchases by dealers—					
Number of shares	Aug. 30	220,310	233,480	273,750	295,400
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. 23	154,610	148,150	219,550	264,490
Other sales	Aug. 23	4,691,310	5,142,870	5,247,660	6,147,950
Total sales	Aug. 23	4,845,920	5,291,020	5,467,210	6,412,440
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 23	479,350	458,600	538,450	678,000
Short sales	Aug. 23	85,530	98,740	124,700	136,590
Other sales	Aug. 23	412,860	378,780	438,050	584,190
Total sales	Aug. 23	498,390	477,520	562,750	720,690
Other transactions initiated on the floor—					
Total purchases	Aug. 23	74,700	81,320	107,340	130,680
Short sales	Aug. 23	10,900	4,500	11,400	8,900
Other sales	Aug. 23	74,400	93,100	101,300	146,860
Total sales	Aug. 23	85,300	97,600	112,700	155,760
Other transactions initiated off the floor—					
Total purchases	Aug. 23	175,745	207,570	203,035	271,962
Short sales	Aug. 23	17,690	13,640	43,670	29,550
Other sales	Aug. 23	228,317	247,620	264,565	295,685
Total sales	Aug. 23	246,007	261,260	308,235	325,235
Total round-lot transactions for account of members—					
Total purchases	Aug. 23	729,795	747,490	848,825	1,080,642
Short sales	Aug. 23	114,120	116,880	179,770	174,950
Other sales	Aug. 23	715,577	719,500	803,915	1,026,735
Total sales	Aug. 23	829,697	836,380	983,685	1,201,685
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	Sept. 9	111.5	*111.7	112.0	------
Farm products	Sept. 9	107.2	*107.9	110.0	------
Processed foods	Sept. 9	110.3	*110.7	110.8	------
Meats	Sept. 9	113.7	115.0	116.4	------
All commodities other than farm and foods	Sept. 9	112.6	*112.8	112.7	------

*Revised figure. ¶Includes 690,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of July	78,368	77,476	72,698
Stocks of aluminum (short tons) end of July	15,759	13,753	11,369
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of August	8,499,000	*1,626,958	8,739,095
Shipments of steel products, including alloy and stainless (net tons)—Month of May	1,250,243	5,947,450	6,645,897
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of June (millions of dollars):			
Manufacturing	$42,096	*$42,450	$39,009
Wholesale	9,507	*9,467	10,151
Retail	17,737	*17,997	20,282
Total	$69,340	*$69,914	$69,442
COKE (BUREAU OF MINES)—Month of May:			
Production (net tons)	5,960,867	*5,806,153	6,747,900
Oven coke (net tons)	5,535,222	5,373,630	6,138,900
Beehive coke (net tons)	425,645	*432,523	609,000
Oven coke stocks at end of month (net tons)	1,957,982	1,872,764	1,444,663
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (excl. of linters) prior to September 1	1,413,099	------	2,013,658
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—Estimates as of Sept. 1			
Production 500-lb. gross bales	13,889,000	14,735,000	15,212,000
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX — 1935-39=100 (COPYRIGHTED)			
As of August 1:			
Composite index	104.7	105.1	107.2
Piece goods	95.2	96.7	101.7
Men's apparel	105.5	106.0	106.2
Women's apparel	101.8	100.9	103.1
Infants' and children's wear	104.8	105.6	106.3
Home furnishings	107.7	107.7	111.5
Piece goods—			
Rayon and silks	89.8	89.6	92.9
Woolens	108.0	108.8	114.6
Cotton wash goods	94.6	94.6	102.4
Domestics—			
Sheets	100.1	100.7	111.8
Blankets and comforters	120.2	120.3	124.7
Women's apparel—			
Hosiery	95.2	95.1	98.4
Aprons and housedresses	97.5	97.5	99.9
Corsets and brassieres	107.7	107.3	108.0
Furs	94.0	95.5	100.7
Underwear	100.0	100.1	102.0
Shoes	108.8	108.9	110.1
Men's apparel—			
Hosiery	106.7	106.5	107.0
Underwear	110.7	110.4	110.6
Shirts and neckwear	102.4	102.4	102.7
Hats and caps	100.3	100.2	100.4
Clothing including overalls	103.8	104.3	103.9
Shoes	107.8	108.4	112.5
Infants' and children's wear—			
Socks	102.9	102.9	102.3
Underwear	102.9	102.9	102.7
Shoes	110.4	111.1	112.5
Furniture	107.8	108.0	106.5
Floor coverings	117.4	117.4	125.6
Radios	102.3	102.3	102.8
Luggage	101.0	101.2	104.2
Electrical household appliances	105.1	105.5	107.4
China	100.5	100.7	102.9
METAL PRICES (E. & M. J. QUOTATIONS)—			
Average for month of August:			
Copper (per pound)—			
Electrolytic domestic refinery	24.200c	24.200c	24.200c
Electrolytic export refinery	34.904c	34.815c	27.425c
Lead (per pound)—			
Common, New York	16.000c	15.257c	17.000c
Common, St. Louis	15.800c	15.051c	16.800c
Silver and Sterling Exchange—			
Silver, New York (per ounce)	83.250c	82.886c	90.160c
Silver, London (pence per ounce)	73.000d	72.609d	78.500d
Sterling Exchange (Check)	$2.78830	$2.78827	$2.79921
Zinc (per pound)—East St. Louis	14.061c	15.000c	17.500c
Tin (per pound)—			
New York Straits	121.500c	121.500c	103.000c
§§New York, 99% min.	120.500c	120.500c	102.000c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$187.000	$189.608	$195.852
¶Antimony (per pound) (E. & M. J.)	42.470c	42.470c	45.307c
Antimony (per pound) bulk, Laredo	39.000c	42.077c	42.000c
Antimony (per pound) in cases, Laredo	39.500c	42.577c	42.500c
Platinum, refined (per ounce)	$90.000	$90.000	$90.000
†Cadmium, (per pound)	$2.00000	$2.25000	$2.55000
‡Cadmium (per pound)	$2.07500	$2.32500	$2.67500
§Cadmium (per pound)	$2.15000	$2.40000	$2.80000
Cobalt, 97%	$2.40000	$2.40000	$2.10000
Aluminum, 99% plus, ingot (per pound)	19.923c	19.000c	19.000c
Magnesium, ingot (per pound)	24.500c	24.500c	24.500c
**Nickel	56.500c	56.500c	56.500c
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of Aug:			
Industrial (125)	5.51	5.41	5.98
Railroad (25)	5.68	5.61	6.33
††Utilities (24)	5.31	5.44	5.77
Banks (15)	4.39	4.52	4.67
Insurance (10)	3.15	3.21	3.20
Average (200)	5.46	5.39	5.86
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of Aug.	£10,384,000	£7,948,000	£6,465,000
NEW YORK STOCK EXCHANGE—			
As of July 31 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers net debt balances	$1,337,103	$1,322,264	$1,265,897
Credit extended to customers	66,759	32,051	43,054
Cash on hand and in banks in U. S.	335,336	362,979	378,300
Total of customers' free credit balances	691,949	713,874	825,187
Market value of listed shares	115,824,575	114,488,919	104,609,682
Market value of listed bonds	100,273,060	95,964,179	98,457,150
Member borrowings on U. S. Govt. issues	307,021	210,346	87,693
Member borrowings on other collateral	1,156,400	951,841	705,114
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of August 31	$263,224,860	$263,106,924	$256,676,556
General fund balance	6,952,146	7,925,452	5,094,609
Net debt	$256,272,714	$255,181,472	$251,581,947
Computed annual rate	2.345%	2.339%	2.231%

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Based on platers' quotations. ¶Domestic, five Colburne, N. S., U. S. duty included. ††Not including Amer. Tel. & Tel. Co. §§Tin contained.

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Investment Status of Bank Stocks

earnings will be an index of national growth as they used to be and as they should now be. Fortunately the Federal Reserve is favorable to this point of view and in time may exert effective influence.

On a price basis, bank stocks are reflecting the problems of the industry and therefore carry a lower degree of risk than other industries in which security prices are a measure of factors which are temporarily favorable. There is a great deal to be said for an investment which pays a sound, well protected return, which sells for less than a reasonable valuation of its net worth, which has gradual longer-term growth, and which is basic to our economic system. The industry is aware of its problems and while they are difficult ones, they will be met. Interest rates may again turn down but are most unlikely to return to the absurd levels of a few years ago. Progress has been made by the industry in meeting rising costs and more will be made in the future. It is my opinion, therefore, that bank stocks presently are favorably priced compared with most other types of equities. While their growth prospects can hardly be characterized as dynamic, it is a failing which should not be over-emphasized at this stage of the business cycle.

For the selection of a portfolio of bank stocks, balance should be the watchword. While the bulk of your holdings may continue to be in the strongly capitalized and stable banks of the East, a growing proportion might be devoted to the Middle West, Southwest, and the Farwest. The virtues of such stocks as First National of Boston, National City and the Guaranty Trust can be enhanced by balancing commitments in others such as Republic National of Dallas and Security First of Los Angeles.

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News About Banks and Bankers

of the Executive Committee of American Enka Corp., National Biscuit Co., and Bankers Trust Co. He was also Chairman of the Trust Investment Committee of Bankers Trust Co. He was a trustee emeritus of Princeton University and during the course of his association with Princeton was for several years Chairman of the Finance Committee of the University. He was also a life member of the New York Academy of Science.

* * *

A group headed by Blair, Rollins & Co., Inc., is offering 17,104 shares of capital stock (par value $10 per share) of **The Franklin National Bank of Franklin Square, N. Y.,** priced at $51 per share. These shares are being offered subject to the effectiveness of the consolidation of The Franklin National Bank of Franklin Square and the **First National Bank & Trust Company of Floral Park, N. Y.** The stock is to be purchased from stockholders of The First National Bank & Trust Company of Floral Park, and no proceeds from the sale of this stock will accrue to The Franklin National Bank. The Floral Park Bank is engaged in a general banking business similar to that of the Franklin National. Upon completion of the consolidation, the combined bank will have resources of approximately $139,642,000 and deposits of approximately $128,-359,000. The Floral Park Bank will be operated as the Floral Park office, adding a fifth branch to the four now operated by The Franklin National, viz: Elmont, Levittown, Rockville Center and Farmingdale.

Other members of the purchase group included W. C. Langley & Co.; Hornblower & Weeks; Grimm & Co.; Boenning & Co.; and Hallowell, Sulzberger & Co. An item bearing on the proposed merger of the two banks appeared in our issue of Aug. 14, page 572.

* * *

Ray E. Mayham, President and Chairman of the Board of the West Side Trust Company of Newark, N. J., died on Sept. 13 at Colonial Terrace Rest, at Coxsackie, N. Y. Born in Jersey City, in 1882. Mr. Mayham graduated from Friends School, Rahway, N. J. and Centenary Collegiate Institute, Hackettstown, N. J. and later took courses of the American Institute of Banking. He entered the banking business in 1899 as a clerk in the Equitable Trust Co. of N. Y. City, and from 1910 to 1912 was Assistant Treasurer of the Union Trust Co. of Jersey City, now the Hudson County National Bank. From 1912 to 1920 he was State Bank Examiner and Assistant to the Commissioner of Banking and Insurance of the State of New Jersey, except during World War I, in which he was a captain in the U. S. Army. In 1920 Mr. Mayham was elected Comptroller and Trust Officer of West Side Trust Co., Newark, N. J., of which he became a director in 1922, Vice-President in 1924, and had been President and Chairman of the Board of directors since 1928. He was one of the organizers of South Side National Bank and Trust Co. of Newark in 1925, serving as Vice-President until 1928, when he became President, and also was an organizer of Peoples National Bank of Newark in 1926, of which he was Vice-President until 1928, when he was elected President, and remained as President of both banks until they were merged with West Side Trust Co. in 1934.

When the Newark Clearing House Association was organized in 1922, Mr. Mayham was a member of the organization committee and had served as Treasurer, Vice-President and President of the Clearing House, and a member of the Clearing House Committee since 1931. He also has served as President of the Essex County Bankers Association, and for eight years was Chairman of the Federal Reserve Relations Committee of the N. J. Bankers Association. He was appointed a member of the State of New Jersey Banking Advisory Board in 1942 by Governor Edison and served until 1946. Among his numerous other activities Mr. Mayham had been a member of the Bond Club of New Jersey. Of three children Mr. Mayham leaves two sons Ray E. Mayham, Jr. an Assistant Vice-President of West Side Trust Co., and Robert T. Mayham, of the Bank of America, of California.

* * *

Effective Aug. 27 the **First National Bank of Cameron, West Va.** increased its capital from $100,000 to $200,000 by a stock dividend of $100,000.

* * *

An addition of $150,000 has been made to the capital of the **Farmers National Bank of Shelbyville Ind.** as a result of which the capital has been increased to $250,000 from $100,000, as of Sept. 12. Part of the increase was brought about by a stock dividend of $100,000, while the further addition of $50,-000 resulted from the sale of new stock.

* * *

An addition of $100,000 to the capital of the **Marquette National Bank of Chicago,** increasing it from $250,000 to $350,000, has been brought about by the sale of $100,-000 of new stock. The enlarged capital became effective Sept. 9.

* * *

Directors of the **Bank of America, N. T. & S. A. of San Francisco,** on Sept. 10 named Carl F. Wente as President of the bank to succeed L. M. Giannini, who died Aug. 19, according to an announcement by A. J. Gock, Chairman of the Board. Mrs. Claire Giannini Hoffman, Director, sister of the late L. M. was named to the Board's Executive Committee. Mr. Wente, who had semi-retired three years ago at the age of 60, relinquishing his post as Senior Vice-President but continuing as a Director and member of important committees, takes the Presidency with the support not only of all directors but also of the bank's Managing Committee, headed by S. C. Beise, present Senior Vice-President. In 1907 Mr. Wente began as a messenger boy with the Central Bank in Oakland. Shortly after he went to his home town of Livermore, Cal. to work in the local bank, but in 1918 he joined the Bank of America at its Madera Branch, shortly after becoming a Manager and serving as such in Visalia, Fresno, Modesto and Stockton, finally being designated as Supervisor of Credits for the entire Bank of America system. Later he was borrowed by the First National Bank of Nevada, to serve as its President for three years, after which he was called back to Oakland as President of the Central Bank, where he had started his career as a messenger. In 1943 he relinquished that post to take on the Senior Vice-Presidency of the Bank of America, to work with L. M. Giannini in directing the affairs of that institution. The death of L. M. Giannini was noted in our issue of Aug. 28, page 751.

* * *

James F. Cavagnaro, Chairman of the Board of **Transamerica Corporation** has announced that Frank N. Belgrano, Jr., President of **The First National Bank of Portland, Ore.,** a Transamerica subsidiary, has been elected a director and member of the Executive Committee of the Board of Directors of **Transamerica Corporation** to fill the vacancy created by the death of L. M. Giannini. The Board elevated W. L. Andrews from Vice-President to Senior Vice-President and appointed R. A. Peterson of Los Angeles a Vice-President. Mr. Belgrano has been associated with the Transamerica organization for over 25 years prior to being named as President of The First National Bank of Portland in 1947. He was President of Central Bank of Oakland from 1943 to 1947 and President of Pacific National Fire Insurance Company from 1930 to 1943. He was a director and Vice-President of Occidental Life Insurance Company of California from 1933 to 1946.

Mr. Andrews, a director of Transamerica, has been connected with the company since March, 1930 and has been a Vice-President since March, 1940. He will continue to be the Treasurer of the corporation.

* * *

H. J. Mendon, Vice-President of **California Bank of Los Angeles, Cal.,** has completed his 30th year of service with the bank A native of Iowa, Mr. Mendon started with California Bank as a bookkeeper in 1922 and following a series of promotions he was elected Assistant Vice-President in 1934 and Vice-President in 1940. Active in local and statewide banking circles, Mr. Mendon is President of the California Bankers Association and Chairman of the Board of Directors of the Pacific Coast School of Banking in Seattle, Wash.

Continued from page 11

We Have a Dictatorship of A Few Powerful Men!

misguided few so easily steer us down the course of nationalization, socialism or collectivism.

If that happens, gentlemen, the second era of trust-busting will be automatic. The people will break up with violence the most insidious monopoly of all, the out and out economic dictatorship of a few politically powerful men who are overriding your desires and mine, men who are holding the very destiny of the country in their hands.

Single Man Controls Nation

I have had some little experience with this kind of dictatorship, and I was overruled by a single man who was never elected or appointed to national office, but a man who exercises more control over this country than the President, the Congress we elected, and the officers appointed under the government.

The President of the United States agreed to a plan to settle the controversy in the steel industry. He knew, and told me, that it was a just solution, that was the best possible for all concerned, and all concerned, mind you, were not just the workers in the steel industry nor the management and shareholders of that industry. Included were all the people of this country; yes, even the troops on the battlelines in Korea.

But the solution did not happen to give all that was wanted to one single man, this man who is able to ride roughshod over the President and the people. And he did just that. I could no longer tolerate the atmosphere that permitted so brazenly selfish an act—an act opposed to the government's own plans to sustain the economy of the country in a time of national peril, and I resigned. That one man gained his ends through the steel strike that he personally called. And he did it without regard for the hardships he caused the people he put out of work, without regard for the troops in Korea; and with full knowledge of the dagger he was holding at the back of all of our citizens. As a nation, we lost two months' steel production and set back our production of the war material so vital to the security of the nation, even more than two months.

What kind of business or statesmanship is this anyway? Why in the name of common sense and fair play do Americans permit this? Don't we have the courage to battle for justice and fair play for all Americans—even if the adversary is powerful and politically well placed to fasten his selfish demands on America?

I for one believe that we do. There is still a lot of fight within us. This is not an easy job—nor one that can be done quickly, but we have to light the spark of understanding. An awakened people are strong, but they must look at all the angles, including those that don't seem to favor their own fortunes of the moment. We cannot be both strong and selfish.

I can see how we have fallen into this mire of lassitude. We have the vested interest of six million people on the public payroll. We have permitted a handout economy to suck the courage from a proud people like a vampire bat. We have encouraged a false job security which permits a handful of labor leaders to disregard the rights of all of us, including the rights of their own union members.

The precedent has been set for us in almost all of the countries in Europe. Only, as Americans, we will outdo them. We always have. Instead of six million government workers, we'll have ten million by 1960. And that means that we will be asked to support somewhere between 40 and 50 millions of people whose entire income will come from the government.

"It Can Happen Here"

If this is crying wolf, then I suggest that we look more closely at the not so happy plight of the people of France and England. Perhaps, we too had better reexamine one of the greatest documents ever composed that was drafted to set forth a set of rules which once guided us. Our Constitution recognized the interdependence of all of our people; it gives all of us rights and responsibilities. Are we abrogating those rights by inaction and tracking in the bumbling footsteps of millions abroad? If we are, and I think we are, isn't it time that we took a look?

I applaud the Eastern railroads. I recognize that they are fighting in their own interest, but at the same time they are carrying the ball for all of us. And I realize that if they are not successful in these efforts, inevitably they will fall headlong into government ownership.

The railroads' program doesn't happen to belong just to them. The task ahead is much too big for the railroads. It is much too big for all of American business. It belongs to all Americans — to labor, agriculture, and industry. Only when there is widespread realization that the road we are following, is the road to failure, only then will we be able to start back towards sanity.

H. R. O'Neil Jr. Is With Fairman & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Hubert R. O'Neil, Jr. has become associated with Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. O'Neil was previously with Barbour, Smith & Co., Merrill Lynch, Pierce, Fenner & Beane and Dempsey-Tegeler & Co. In the past he conducted his own investment business in Los Angeles.

Hubert R. O'Neil, Jr.

Sills, Fairman Wire to Toronto, Canada

CHICAGO, Ill. — Sills, Fairman & Harris, Inc., 209 South La Salle Street, members of the Midwest Stock Exchange, have established a direct wire to Bunting & Skaith, members of the Toronto Stock Exchange, Toronto, Canada.

With Paul H. Davis

(Special to The Financial Chronicle)

ROCKFORD, Ill.—Paul A. Kent has joined the staff of Paul H. Davis & Co., Rockford Trust Building.

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.

● **Allpark Finance Co., Inc. (9/24)**
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. **Office**—Houston, Texas.

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.

★ **Anheuser-Busch, Inc. (10/2)**
Sept. 11 filed $35,000,000 of debentures due Oct. 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—To prepay outstanding bank loans and for expansion program. **Underwriter**—Dillon, Read & Co. Inc., New York.

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. Statement effective Sept. 16.

● **Associated Telephone Co., Ltd. (Calif.) (10/7)**
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, and Stone & Webster Securities Corp. (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly). **Bids** — Expected to be received about Oct. 7.

Associates Investment Co.
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. Temporarily postponed.

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.

Beaver Dam Petroleum Corp.
Sept. 12 (letter of notification) 4,000 shares of capital stock. **Price**—At par ($10 per share). **Proceeds**—To drill a well and for working capital. **Office**—c/o Young, Kaplan & Edelstein, 12 East 41st St., New York 17, N. Y. **Underwriter**—None.

NEW ISSUE CALENDAR

September 19, 1952
General Bronze Corp.____Common
(Reynolds & Co.)

September 22, 1952
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)
Electro-Components Corp. of America____Common
(Royal Securities Corp.)
Idaho Power Co.____Common
(Underwriters—To be named)

September 24, 1952
Allpark Finance Co., Inc.____Debenture Notes
(C. K. Pistell & Co., Inc.)
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 26, 1952
Southeastern Fund ____Debentures & Common
(Barrett Herrick & Co., Inc.)

September 30, 1952
Consolidated Freightways, Inc.____Common
(Blyth & Co., Inc.)
Honolulu (Territory of Hawaii)____Bonds
(Bids to be invited)
Washington Water Power Co.____Bonds
(Bids noon EST)

October 1, 1952
Chesapeake & Ohio Ry____Equip. Tr. Ctfs.
(Bids noon (EST)

October 2, 1952
Anheuser-Busch, Inc.____Debentures
(Dillon, Read & Co., Inc.)
San Jose Water Works____Preferred
(Dean Witter & Co.)

October 6, 1952
Sierra Pacific Power Co.____Common
(Stone & Webster Securities Corp., and Dean Witter & Co.)

October 7, 1952
Associated Telephone Co., Ltd.____Bonds
(Bids to be invited)
California Electric Power Co.____Common
(Underwriter—to be named)
Gulf Sulphur Corp.____Common
(Peter Morgan & Co.)
Harnischfeger Corp.____Common
(First Boston Corp.)
United Gas Corp.____Debentures
(Bids 11:30 a.m. EST)
White's Auto Stores, Inc.____Preferred
(Merrill Lynch, Pierce, Fenner & Beane)

October 14, 1952
California Oregon Power Co.____Bonds & Common
(Underwriters—To be named)
Utah Power & Light Co.____Bonds
(Bids noon EST)

October 15, 1952
Seiberling Rubber Co.____Debentures
(Blair, Rollins & Co., Inc.)

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)

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.
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.

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.

★ **Carolina Power & Light Co. (10/20)**
Sept. 17 filed $20,000,000 of first mortgage bonds due 1982. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; W. C. Langley & Co. and The 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**—Tentatively scheduled to be received up to noon (EST) on Oct. 20.

★ **Central Eureka Mining Co., San Francisco, Calif.**
Sept. 5 (letter of notification) 66,600 shares of capital stock (par $1). **Price** — Approximately $1.50 per share. **Proceeds**—For new mining equipment and other corporate purposes. **Underwriter**—Shaw, Hooker & Co., San Francisco, Calif.

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 at company's office.

Central Illinois Public Service Co. (9/23)
Aug. 18 filed $5,000,000 first mortgage bonds, series F, 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**—To be received up to 11 a.m. (CDT) on Sept. 23. at company's office.

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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.

Chemical Ventures Syndicate Ltd. (N. Y.)
Sept. 11 (letter of notification) 200,000 shares of common stock (par 1 cent). **Price**—$1 per share. **Proceeds**—To purchase site, for purchase of inventories and for working capital. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York.

● **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 next month.

Clinchfield Coal Corp.
Sept. 12 (letter of notification) 2,500 shares of common stock (par $20). **Price**—At market (about $35 per share). **Proceeds**—To Joseph P. Routh, the selling stockholder. **Underwriter**—None, but Fahnestock & Co., New York, will act as brokers.

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.

★ **Cook Electric Co., Chicago, Ill.**
Sept. 9 (letter of notification) 7,172 shares of common stock (par $25) to be offered for subscription by stockholders; unsubscribed shares to be offered to public. **Price**—$40 per share to stockholders and $41.75 per share to public. **Proceeds**—To purchase building. **Underwriters**—Blunt Ellis & Simmons and Swift, Henke & Co., both of Chicago, Ill.

● **Deerpark Packing Co., Port Jervis, N. Y.**
March 21 (letter of notification) 235,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay RFC loan of $41,050 and for working capital. **Offering**—Expected before Oct. 15.

Devil Peak Uranium, Ltd. (Nev.)
April 7 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds** — For rehabilitation and development program. **Office** — Suite 839, 60 East 42nd St., New York 17, N. Y. **Underwriter**—Gardner & Co., New York.

★ **Downtown Realty Co., Oakland, Calif.**
Sept. 8 (letter of notification) 1,830 shares of capital stock. **Price** — At par ($100 per share). **Proceeds** — To erect parking garage. **Office**—1419 Broadway, Oakland, Calif. **Underwriter**—None.

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.

● **Electro-Components Corp. of America (9/23)**
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.

★ **Erie Commerce Building Corp.**
Sept. 10 (letter of notification) 400 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To purchase building. **Office**—241 South Beverly Drive, Beverly Hills, Calif. **Underwriter**—None.

● **Excelsior Insurance Co. of New York**
Sept. 6 (letter of notification) 20,000 shares of capital stock (par $6) being offered for subscription by stockholders of record Sept. 8 at rate of one share for each five shares held (with an oversubscription privilege); rights to expire on Sept. 30. **Price**—$10 per share. **Proceeds**—To increase capital and surplus. **Office**—Syracuse, N. Y. **Underwriter**—None.

★ **Family Finance, Inc., Indianapolis, Ind.**
Sept. 9 (letter of notification) $150,000 of 5% subordinated notes to mature not more than five years from first interest payment date and 620 shares of 5% preferred stock (par $100). **Price**—At par (the notes in denominations of $500 and $1,000 each). **Proceeds** — To operate small loans business and to purchase conditional sales contracts. **Office**—612 Illinois Bldg., Indianapolis, Ind. **Underwriter**—None, but City Securities Corp., Indianapolis, Ind., will act as agent.

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.

Fischer & Porter Co., Hatboro, Pa.
Sept. 9 (letter of notification) about 833 shares of common stock (no par). **Price**—About $12 per share. **Proceeds**—For working capital. **Underwriter**—None.

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.

★ **Front Range Mines, Inc., Denver, Colo.**
Sept. 3 (letter of notification) 125,000 shares of common stock (par $1). **Price**—At market (approximately 37½ cents per share). **Proceeds**—To Irene F. Marple, a director. **Underwriter**—Stanley Pelz & Co., Inc., New York.

● **General Bronze Corp. (9/19)**
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 $14 per share. **Proceeds**—For working capital and to finance inventories and receivables. **Underwriters** — For 28,576 shares, Reynolds & Co., New York. **Offering**—To be made tomorrow (Sept. 19).

● **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 rate of $8.63 per 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.

● **Golden Cycle Corp., Colorado Springs, Colo.**
Aug. 28 (letter of notification) 16,594 shares of common stock (par $10), being offered for subscription by stockholders at rate of one new share for each 13 shares held as at July 31, 1952; rights to expire on Sept. 20. **Price**—$16 per share. **Proceeds**—To make repayment of bank loans. **Office** — 500 Carlton Bldg., Box 86, Colorado Springs, Colo. **Underwriter**—None.

★ **Goldwaters, Inc., Phoenix, Ariz.**
Sept. 8 (letter of notification) 2,800 shares of 5% cumulative preferred stock and 200 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To increase operating capital. **Office**—31 N. 1st St., Phoenix, Ariz. **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.

Gyrodyne Co. of America, Inc.
Sept. 10 (letter of notification) 2,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Office**—Flowerfield, St. James, L. I., N. Y. **Underwriter**—None. Of the amount offered, $5,000 may be used as payment for services and for materials supplied.

Gyrodyne Co. of America, Inc.
Sept. 16 (letter of notification) 12,300 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Underwriter**—None, sales to be made through certain officers and directors.

● **Haloid Co., Rochester, N. Y.**
Aug. 14 filed 47,183 shares of convertible preferred stock (par $50), being offered for subscription by common stockholders at the rate of one preferred share for each four shares of common stock held Sept. 10; with rights to expire Sept. 29. **Price**—At par. **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.

★ **Harnischfeger Corp. (10/7)**
Sept. 17 filed 150,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To repay part of bank loans 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 noncumulative 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.

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.

★ **Klamath Oil, Inc., Klamath Falls, Ore.**
Sept. 8 (letter of notification) 1,000 shares of common stock. **Price** — At par ($100 per share). **Proceeds**—For exploration and development of oil properties. **Office**—206 N. 7th St., Klamath Falls, Ore. **Underwriter**—None.

★ **Lake Superior Refining Co., Superior, Wis.**
Sept. 11 (letter of notification) 630 shares of common stock and $63,000 of promissory notes to be offered for subscription on a pro rata basis by stockholders. **Price**—For stock, $100 per share; and for notes, at par. **Proceeds**—For addition to plant. **Underwriter**.—None.

★ **Lindberg Instrument Co., Berkeley, Calif.**
Sept. 9 (letter of notification) $30,000 of 10-year promissory notes (in denominations of $1,000 each) and six shares of capital stock (par $10). **Price**—At par. **Proceeds**—For working capital for development of product "Fluid Sound." **Office**—1808 Harmon St., Berkeley, Calif. **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.

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.

★ **McGraw (F. H.) Co., Hartford, Conn.**
Sept. 10 (letter of notification) 5,000 shares of common stock (par $2) and warrants to purchase 20,000 shares of common stock at $6 per share to be offered in units of one share and warrants to purchase four additional shares. **Price**—$19.87½ per share. **Proceeds**—To Clifford S. Strike, the selling stockholder. **Underwriter**—Granbery, Marache & Co., New York.

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.

★ **Multiple Dome Oil Co., Salt Lake City, Utah**
Sept. 8 (letter of notification) 150,000 shares of common stock. **Price**—At market (approximately 10 cents per share). **Proceeds**—To George W. Snyder, President. **Underwriter**—Greenfield & Co., Inc., New York.

★ **National Discount Corp., Spartanburg, S. C.**
Sept. 8 (letter of notification) 200,000 shares of class A common stock and 100,000 shares of class B common stock. **Price**—$1 per share. **Proceeds**—For organizational expenses and working capital. **Office**—410 E. Main St., Spartanburg, S. C. **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.

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 to stockholders; $1.75 to public. **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). **Office**—c/o Nevada Agency & Trust Co., Inc., Cheney Bldg., 139 N. Virginia St., Reno, Nev.

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.

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.

★ **Safeway Stores, Inc.**
Sept. 12 filed 1,900 shares of 4% cumulative preferred stcok (par $100) and 18,000 shares of common stock (par $5) to be issued to James A. Dick Investment Co. (formerly The James A. Dick Co.) in exchange for inventories, fixtures, operating supplies, good will and other assets of Dick. It is anticipated that the Dick Company will sell all or a substantial part of these shares from time to time on the New York Stock Exchange. **Underwriter**—None.

● **San Jose Water Works, San Jose, Calif. (10/2)**
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.

★ **Seacrest Productions, Inc., Newport, R. I.**
Sept. 8 (letter of notification) 5,000 shares of non-voting common stock, series B (no par). **Price**—$10 per share. **Proceeds**—To acquire real estate and buildings, convert sound stages, install recording equipment and cameras, and for other corporate purposes. **Office**—73 Bliss Road, Newport, R. I. **Underwriter** — Kidder, Peabody & Co., New York.

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 1,769 shares will be offered to employees and persons otherwise associated with the company and 5,231 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.

★ **Sierra Pacific Power Co. (10/6)**
Sept. 15 filed 26,775 shares of common stock (par $15) to be offered for subscription by holders of preferred and common stocks on the basis of one share for each six shares of preferred and one share for each 12 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, plus proceeds from private sale of $1,500,000 first mortgage bonds in October, 1952, to be used to repay $1,100,000 bank loans and for new construction. **Underwriter**—Stone & Webster Securities Corp., New York, and Dean Witter & Co., San Francisco, Calif.

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 stockholders of record Sept. 3 at the rate of one new share for each 19 shares held; rights to expire on Sept. 30. **Price**—$2.25 per share. **Proceeds**—For increased production at mine. **Office**—434 U. S. National Bank Building, Denver, Colo. **Underwriter**—None.

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.

★ **South Texas Oil & Gas Co., Corpus Christi, Tex.**
Sept. 2 (letter of notification) 748,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Proceeds**—For drilling expenses, acquisition of leases, etc. **Underwriter**—Hunter Securities Corp., New York.

● **Southeastern Fund, Columbia, S. C. (9/26-30)**
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.

● **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. Letter subsequently withdrawn.

● **Standard Oil Co. (Indiana)**
Aug. 28 filed $139,647,200 of 30-year 3⅛% debentures due Oct. 1, 1982 (convertible on or before Oct. 1, 1962), being 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. 17; rights to expire about Oct. 6. **Price**—100%. **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.

Suburban Propane Gas Corp.
Sept. 8 (letter of notification) approximately 4,440 shares of common stock (par $1). **Price**—At market (estimated at$17.87½ per share). **Proceeds**—To SBN Gas Co., the selling stockholder. **Underwriter**—None, but sales may be made through Eastman, Dillon & Co., New York, and/or Bioren & Co., Philadelphia, Pa.

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 & 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.

★ **United Hardware & Furniture Distributing Co., Minneapolis, Minn.**
Sept. 12 (letter of notification) 1,650 shares of 5% cumulative preferred stock (par $100), of which 506 shares are to be offered for the account of a selling stockholder; and 2,100 shares of common stock (par $10). **Price**—At par for preferred; and at $50 per share for common. **Proceeds** — For working capital. **Office** — 2432 North Second St., Minneapolis 11, Minn. **Underwriter**—None.

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. (10/14)
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. 14.

★ **Virginia Electric & Power Co. (10/21)**
Sept. 17 filed $20,000,000 of first and refunding mortgage bonds, series J, due Oct. 1, 1982. **Proceeds**—For construction 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 scheduled to be received on Cct. 21.

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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.)

Wilson Organic Chemicals, Inc., Sayreville, N. J.
Sept. 10 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For new equipment, for research and development and for working capital. **Underwriter**—Graham, Ross & Co., Inc., New York.

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

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.

★ Benson & Hedges
Sept. 10, Joseph F. Cullman, Jr., President, announced proposed offering of common stock for subscription to stockholders at rate of one new share for each 10 shares held, also proposed issue and sale of $3,000,000 of debentures. **Underwriters**—For stock: none, with Tobacco & Allied Stocks, Inc. (owner of over 50% of present outstanding common stock) to buy any unsubscribed shares. For debentures: Morgan Stanley & Co., New York. **Offering**—Expected some time prior to end of 1952.

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. (10/14)
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, probably 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. **Bids**—Tentatively expected to be received on Oct. 14. **Registration** — Tentatively scheduled for Sept. 22.

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.

★ Chesapeake & Ohio Ry. (10/1)
Bids will be received up to noon (EST) on Oct. 1 for the purchase from the company of $5,250,000 of equipment trust certificates to be dated Oct. 15, 1952 and to mature semi-annually from April 15, 1953 to Oct. 15, 1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Cleveland Electric Illuminating Co.
Sept. 11 it was reported company plans to raise about $28,000,00 later this year through the sale of additional common stock, probably to its stockholders on a 1-for-5 basis. **Proceeds**—For expansion program. **Underwriter**—None.

Connecticut Light & Power Co.
March 1 it was announced that it is presently estimated that approximately $11,000,000 of additional capital will be required during the latter half of 1952. **Underwriter**—Putnam & Co., Hartford, Conn.

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.

★ Duquesne Light Co.
Sept. 10 it was reported that Philadelphia Co. is considering plans to sell publicly about 200,000 shares of common stock of Duquesne Light Co. **Underwriters**—May be determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); The First Boston Corp.

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.

★ Gulf Interstate Gas Co., Houston, Tex.
Sept. 16 company applied to the FPC for authority to build an 860-mile pipe line from Louisiana to Kentucky, which, it is estimated, will cost about $121,887,000.

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.

★ Honolulu (Territory of Hawaii) (9/30)
Sept. 11 it was announced that bids will be received on Sept. 30 for the purchase of an issue of $6,600,000 school, tunnel and flood control bonds to be dated Oct. 1, 1952 and to mature annually Oct. 1, 1953 to 1982, inclusive, with a coupon rate not to exceed 5%. Probable bidders may include Halsey, Stuart & Co.; The First Boston Corp.

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.

★ Kaiser-Frazer Corp.
Sept. 9 it was reported that company may come to market soon with an issue of common stock, or convertible preferred stock or debentures, to yield between $25,000,000 and $30,000,000. **Proceeds**—To repay bank loans, now amounting to $22,000,000. Financial Adviser—The First Boston Corp., will handle the financing, with Henry J. Kaiser Co. purchasing a major part or all of the issue, whichever it may be.

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.

• Laclede Gas Co.
Sept. 7, William G. Marbury, President of Mississippi River Fuel Corp. said his company was withdrawing an application with the Missouri P. S. Commission for permission to purchase stock control of Laclede Gas Co.

• Leonard Refineries, Inc.
Aug. 26 stockholders were to vote on authorizing an issue of $500,000 convertible debentures or preferred stock. **Proceeds**—Together with funds from private sale of $1,500,000 7-year serial notes, to be used toward expansion program. **Underwriter** — Probably Bradbury-Ames & Co., Grand Rapids, Mich.

Long Island Lighting Co. (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.

★ Oklahoma Metropolitan Oil & Gas Corp.
Sept. 10 it was announced that company plans some additional common stock financing in about three or four weeks. **Proceeds**—For acquisition of properties, working capital and drilling expenses, etc. **Underwriter**—Scott, Khoury, Brockman & Co., Inc.. New York.

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 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.

San Diego Gas & Electric Co.
July 1, L. M. Klauber announced that of the more than $18,000,000 required for capital improvements in 1952, approximately $4,000,000 will become available from depreciation reserves and earned surplus, while the remainder must be secured through the sale of securities. **Underwriter**—Blyth & Co., Inc. handled previous preferred stock financing.

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.

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 (with offer to be made first to stockholders) and use the proceeds toward its construction program which, it is estimated, will involve approximately $23,000,000 for the year ended Aug. 31, 1953. Additional bond and preferred stock financing may also be necessary; this previously was done privately. **Underwriter**—Dillon, Read & Co. Inc., New York.

● United Gas Corp., Shreveport, La.
Sept. 10 Electric Bond & Share Co. applied to SEC for authority to offer for subscription by its stockholders 525,000 shares of common stock (par $10) of United Gas Corp. on a 1-for-10 basis. **Price**—To be named later. **Proceeds** — To Electric Bond & Share Co., which now (owns 3,165,781 shares, 27.01%) of outstanding United Gas stock. **Underwriter**—None.

★ United States Pipe Line Co. (Del.)
Sept. 25, 1950 it was announced that this company had been formed to build, own and operate a petroleum products pipeline from the Texas Gulf Coast to St. Louis, Chicago and other midwest markets to operate as a "common carrier." The initial financing has been arranged for privately with no public offering expected for at least two years. E. Holley Poe and Paul Ryan, of 70 Pine St., New York, N. Y., are the principal officers of the corporation. **Underwriters**—Probably Dillon, Read & Co. Inc. and Glore, Forgan & Co., both of New York.

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.

★ White's Auto Stores, Inc. (10/7)
Sept. 17 or 18 registration statement was expected to be filed with SEC covering a proposed issue of 100,000 shares of convertible preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

Our Reporter's Report

With the Treasury paying the highest rate in some 18 years for 14 months' money in connection with its forthcoming Oct. 1 refunding, it is apparent that the Federal Reserve Board is standing fast to its views on credit.

True, the Reserve is supporting the new Treasury 2⅛% notes through the exchange period, but as near as can be learned it is doing little more in the market. Meantime, due to circumstances which are regarded as temporary, the government market has had the added support of a free supply of money this week.

But this has not changed the views of some observers with regard to the basic money situation. The consensus is that unless the Reserve does a complete "about face" interest rates may be expected to stiffen somewhat further through the balance of the year.

An economist for one of the larger commercial banks is on record as expecting firmer rates with a rise in the rediscount rate considered quite likely before the year closes.

For the moment the interest of the investment world, both investment bankers and institutional investors, centers around the forthcoming bidding for some $160,000,000 of housing loans to be marketed by the Federal Housing and Home Finance Administration. This operation had been scheduled for earlier consummation, but was put back presumably to await more favorable market conditions.

Corporates Sluggish

Even though the Treasury market has tended to harden since the details of the new issues came out over the week-end, the corporate end of the list, that is the gilt-edge classifications, have not developed any real snap.

Nor has there been any marked acceleration of demand for recent new offerings which found the going a bit on the slow side in the early stages. Reports indicate that the bulk of the Tennessee Gas Transmission issue is still around.

Illinois Central Railroad's new bonds were reported to be cleaning up in good fashion with the balance in dealers' hands believed below $5,000,000. Meantime Arkansas Power & Light Co.'s recent issue is making slow progress.

Break in Clouds

Preliminary indications are that Columbus & Southern Ohio Electric's new issue of 90,000 shares of cumulative preferred stock is attracting considerable interest. Thus far there has been little or no discussion of prospects for the 300,000 shares of the utility's common which also is on schedule.

But judging by the comments around the Street the senior stock is the center of considerable preliminary inquiry.

Similarly, conjecture on Standard Oil Co. of Indiana's huge offering of convertible debentures, now being made to common stockholders, indicates there is a wide interest among investors in any of these securities which reach public offering.

Smaller Offerings Ahead

Next week will bring a sprinkling of corporate offerings of limited dimensions, largely of the competitive bidding variety. On Monday Pacific Power & Light Co. will open bids for $7,500,000 of new bonds.

The same day Duquesne Light will complete the second and final phase of its current operation through the sale of $14,000,000 of first mortgage bonds.

The following day Appalachian Electric is slated to sell at competitive bidding, $17,000,000 of bonds together with $6,000,000 of serial notes. Central Illinois Public Service Co. has 50,000 shares of new preferred and $5,000,000 of first mortgage bonds up for bids the same day.

William J. Shirley

William J. Shirley, 47, Assistant Cashier of The Public National Bank and Trust Co. of New York, died suddenly on Sunday, Sept. 14. Mr. Shirley was associated with Public National Bank for 15 years. He was a graduate of New York Chapter of the American Institute of Banking and of the Graduate School of Banking at Rutgers University.

Joins Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Thomas G. Moran and John M. Munoz are with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

With Field & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — W. Theron Jones has been added to the staff of Field & Co., Inc., Cascade Building.

Lancelot Howard

Lancelot Howard, associated with H. M. Byllesby & Company, Incorporated, New York City, passed away Sept. 14, 1952.

Joins Michael Alperin

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edith L. Alperin is associated with Michael Alperin & Co., 154 Boylston Street.

Morgan Stanley Group Underwrite Standard Oil Co. (Ind.) Offer'g

Standard Oil Co. (Indiana) is offering to its shareholders rights to subscribe for $139,647,200 of 30-year 3⅛% debentures due Oct. 1, 1982. This offering represents the largest convertible debenture financing by an industrial corporation in recent years. Stockholders will be entitled to subscribe for $100 principal amount of debentures for each 11 shares of stock held of record on Sept. 17, 1952 at the subscription price of 100%. The subscription offer will expire at 2.30 p.m. (CST) on Oct. 6, 1952.

Morgan Stanley & Co. heads a nationwide group of 187 investment banking firms which is underwriting the offering.

The new debentures are convertible into capital stock at $87 per share through Oct. 1, 1957 and thereafter through Oct. 1, 1962 at $92 per share. They are redeemable at the option of the company at prices ranging from 103% on or prior to Oct. 1 1957 to 100% after Oct. 1, 1979.

The company will make 20 equal sinking fund payments beginning on Nov. 1, 1962 and annually thereafter sufficient to redeem by maturity 70% of the debentures outstanding on the day following the expiration of conversion rights. The debentures are subject to redemption through operation of the sinking fund at 100%.

The proceeds of the issue will be used in part to retire $81,500,000 of bank loans of the company and its subsidiaries, and the balance for expansion and working capital. One of the major proposed capital expenditures is the construction of a 30,000 bbl. a day refinery at Mandan, North Dakota, in the rapidly expanding Williston Basin area and a products pipeline from Mandan to Moorhead, Minn., which will connect with the presently existing distribution system of the company. The two projects are expected to cost about $30,000,000.

Standard Oil Co. (Indiana) is one of the largest oil companies in the United States and, with its subsidiaries, is fully integrated, being engaged in exploration for, production, refining, transportation and marketing of petroleum. Standard and its subsidiaries market branded products in 41 states under the familiar brand names "Amoco," "American," "Pan-Am," "Utoco," "Standard Red Crown," and "Standard White Crown." The company's production of crude oil and natural gases is currently being obtained principally from the States of Texas, Louisiana, Oklahoma, Wyoming, Kansas, New Mexico and Colorado, and its net reserves of crude oil and natural gas liquids were estimated as of June 30, 1952 to be 1,827,000,000 bbls. The company has acquired leases on more than 4,000,000 acres in the Williston Basin. During the year 1951 the company and its subsidiaries produced over 95,000,000 bbls. of crude oil and natural gas liquids and their refineries had an average daily input of crude oil and natural gas liquids of over 542,000 bbls. In August 1952 crude oil refinery runs were the highest in the company's history.

For the first six months of 1952 consolidated earnings of the company and its subsidiaries amounted to $766,718,000 and net earnings were $57,814,000, equal to $3.76 a capital share. The company is currently paying a regular quarterly cash dividend of $0.625 per share and in the last five years has paid an extra dividend in Standard Oil Co. (New Jersey) capital stock.

With G. R. Wortman Co.

(Special to THE FINANCIAL CHRONICLE)

AURORA, Ill. — Gordon P. Wortman is now with G. R. Wortman & Co., Aurora National Bank Building, members of the Midwest Stock Exchange.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky. — James A. McCrocklin is with Merrill Lynch, Pierce, Fenner & Beane, 231 South Fifth Street.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

EUREKA, Calif.—Charles Russell Harms has become associated with Walston, Hoffman & Goodwin, 635 Fifth Street. Mr. Harms was formerly Eureka representative for Dean Witter & Co.

Joins Davies & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Theodore H. Kobey has become affiliated with Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

C. A. Botzum Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Russell W. Porteous, Jr. has been added to the staff of C. A. Botzum Co., 210 West Seventh Street.

With Curtis Lipton

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles R. Hathaway has joined the staff of Curtis Lipton Co., 338 South Western Avenue.

King Merritt Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Rose Herrt has become connected with King Merritt & Co., Inc., 1151 South Broadway.

With Paine, Webber Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joel E. MacDonald has become affiliated with Paine, Webber, Jackson & Curtis, 626 South Spring Street.

Three With R. A. Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Herbert Baum William C. Carson and Marion O. Mason have joined the staff of Richard A. Harrison, 2200 Sixteenth Street.

J. Barth Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Guerdon D. Smith has been added to the staff of J. Barth & Co., 210 West Seventh Street. He was previously with Dean Witter & Co.

Join Gill Assoc.

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, Ohio—Phil J. Evans and Guernon E. Moore have joined Gill Associates, Inc., Gardner Building.

With Lamson Bros. Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb. — Jay B. McKoane is now with Lamson Bros. & Co., City National Bank Building.

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Dealer-Broker Investment Recommendations & Literature

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

Rohr Aircraft Corporation—Analysis—Lester, Ryons & Co., 623 South Hope Street, Los Angeles 17, Calif.

Southeastern Public Service—New circular—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Southern Company—Data in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue are a selected list of **Convertible Bonds.**

Rix Athabasca Uranium Mines, Ltd.—Bulletin—A. G. White & Co., 300 Bay Street, Toronto, Ont., Canada.

Tampax, Incorporated—Bulletin—Reimer, Mitchell & Reitzel, Inc., 208 South La Salle Street, Chicago 4, Ill.

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Meeting the Threat of Creeping Scarcities

of primary timber products in 1975.

Demand for water for industries will more than double.

Demand for energy in all forms will nearly double, but for electricity alone it will more than triple.

For the rest of the free world the percentage of increase could be even larger.

I know that none of us in the United States is easily accustomed to the idea that raw materials—an adequate supply of cheap materials—can be a problem to us. In fact, partly because our national patrimony was so rich, we have become the supreme advocates of the idea that man and his labor are the most valuable resources of all, and that inanimate materials should be used as fully as possible to give men the greatest amount of return for the effort they put forth.

I do not think that any of us would want to change that principle. Improving productivity, constantly increasing the output per hour of work, has been a large factor in our economic growth and prosperity — and in our strength. But in the consumption of materials, the application of this principle has contributed to this kind of picture:

The Consumption Picture

Although the United States has less than one-tenth of the population of the free world, it consumes more than one-half of all materials produced in the free world. Indeed, we have used so much materials that there is scarcely a metal or a mineral fuel of which the quantity used in the United States since the outbreak of the first World War did not exceed the total used throughout the world in all the centuries preceding.

We are net importers of quite a number of materials that we formerly exported as surplus: Petroleum, copper, lumber, zinc, lead, to pick some prominent ones. We are even beginning to import high-grade iron ore, once a symbol of America's self-sufficiency in raw materials.

The fact of the matter is that where raw materials are concerned, we have crossed the great industrial divide:

We used to produce more materials than we consumed; now we consume more than we produce. The Commission could find no evidence that the trend was likely to reverse itself. In 1900, we produced 15% more materials than we consumed, except for food. In 1950, we ran a deficit—we consumed 9% more than we produced. By 1975, the deficit may well increase to 20% by value of all the raw materials we consume.

This then is the picture: soaring demands, shrinking resources, and the consequent pressure toward rising real costs. The danger of crisis shortage is real, but there is a greater danger: the ultimate threat of an arrest or decline in our standard of living, the slowing of our economic growth.

The problem is not that we will suddenly have no more iron, or copper, or other basic materials, and that economic activity will suddenly die. The essence of the danger, the essence of the Materials Problem, is the *real cost* of materials—the hours of human work, the amount of capital needed to bring a pound of industrial material or a unit of energy into useful form. We face the threat of having to expend *more* in labor and in capital to win equivalent amounts of materials from resources which are dwindling in both quantity and quality.

Rising real cost for materials could thus divert manpower and capital from other industries or services that would have higher product value; and the total national production would be reduced by loss of the greater values which that diverted effort could otherwise have turned out. Productivity does not need to *decline* in the resource industries to produce this result. If it merely *lags* behind the general rise in productivity — the great dynamic of our nation's progress —it can impair economic growth.

As our report points out, this is not the sort of economic ailment that gives dramatic warning of its onset: "it creeps upon its victim with insidious slowness." It is, in fact, the very result of the *creeping scarcities* with which we are chiefly concerned.

The question naturally arises: What are the real costs of materials today? Is there any evidence that they are rising?

It is not an easy question to answer. Inadequacy of statistical data usually makes it impossible to establish a satisfactory trend in real cost as it is defined here.

However, in recent years, the prices of all raw materials have risen more rapidly than the average of all other wholesale prices. Using an index which represents that relationship at the turn of the century as 100, this trend for all raw materials shows that between 1900 and 1940, materials prices had dropped to 94. But by 1950, the prices had risen adruptly to around 114. This means that between 1940 and 1950, raw materials prices rose about 20% more than the average of all other prices. Since then, there have been both great rises and subsequent falls.

This above-average rise in materials prices cannot be taken as conclusive evidence that real cost is going up, but it should give us genuine concern.

There is another factor of an entirely different kind that I believe lends a special urgency to our thinking about materials.

The land area and the materials controlled by Russia and most of her satellites is virtually untouched. It is a reasonable assumption that many minerals lie there awaiting discovery. We do not know too much about what goes on inside Communist countries, but this much is clear: Communist industrialization has been so recent, its total capacity is still so limited, that those countries must have rich and ample supplies of the very materials whose scarcities begin to afflict us.

It is a sobering thought, and it is with this background as well as in the hope of our further development, that I want to discuss our recommendations, and industry's role, for dealing with the materials problem of the United States and the free world.

Three Approaches to Solution

The Commission made some 70-odd recommendations for solving various aspects of our material problem. Every recommendation was based on one or more of three approaches to solution:

First. We can get more materials and more energy from our domestic resources at low cost.

Second. We can make better use of what we get, and find ways to use new and abundant materials as substitutes for the scarce.

Third. We can get more materials from other nations of the free world on terms that are advantageous to both us and them.

Now the first: finding and making better use of domestic resources.

An important step would be to improve our knowledge of what materials we have. On most minerals, our knowledge of reserves extends only a few years into the future. Our geological mapping should be pushed ahead more rapidly.

Geologists tell us that the United States probably still possesses many large deposits of familiar minerals that have not yet been found — probably as many and as large deposits as those we already have discovered. But they are deep deposits, or at least hidden deposits that do not have outcroppings. The old pick and burro methods of prospectors will not find them.

For this job, we need new tools and new methods, and economical methods to recover ores when they are deeply hidden. We need new laws to permit profitable, large-scale search. The Commission thought that the present mining claims law could be improved and that leasing rights for exploration and development on public lands would help. The Commission also thought that tax depletion allowances were justified incentives for finding and producing scarce materials, and that miners should be given the same tax privilege of deducting exploration expenses that oil men have. On the technical side, we must improve our methods of recovery and extraction, cut the cost of handling low-grade materials, and get more energy from each unit of our fuels.

In the vast field of our renewable resources, we must cut the costs of logging, conquer the pests and diseases that deprive us of more trees than do fires, find better methods of using the trees we have, bring new species into use, reduce the enormous waste. About one quarter of the total wood content of a tree is left in the forest, and another quarter is lost in milling. Proper forest management, to establish forests on a sustained yield basis is not widely enough used, especially in the smaller holdings.

Water for industries. Here the elimination of pollution, the recovery of useful wastes need to be made economical.

Technology — Better Use of Materials

My second point—the better use of old and new materials—brings forward more jobs for technology: putting abundant raw materials to work as substitutes for the scarce, not only aluminum for copper, and titanium for stainless steel, but other materials for as yet unguessable purposes. Technology can produce new synthetics. It must explore the qualities of the unused materials, of which there are an abundance. We are making use now of only about one-third of the 90-odd known elements.

It is not too soon to begin the long task of making atomic energy and solar energy broadly useful to relieve the pressure on our exhaustible mineral fuels.

The jobs that technology *should* do are endless—and more will develop. The jobs that technology *can* do are sharply limited. We have a major stumbling block, and that is a shortage of trained manpower. We must take steps to see that we train more. And we will need to make sure that our research is directed toward solving first problems first.

But even when technology provides the answers, the savings and gains are not always put to work promptly. We know right now how to increase the output of our farm acres by anywhere from 80 to 200%. But it takes time and education for new ideas to be circulated. And, after that, the businessman on the farm wants to make very sure a new idea will pay off before he puts his money and his effort behind it.

Perhaps the third point, the third approach to solution of the materials problem, present the greatest difficulties of all. At the same time, it offers the greatest prospects:

"Importing more materials on terms advantageous to supplier and consumer alike."

The economic opportunities in free world cooperation to produce materials are tremendous. The less developed countries—in the Americas, in Africa, in the Middle East and Southeast Asia — have rich stores of materials; the industrial nations have the necessary skills, and the capital. These facts suggest the possibility of a new era of advancement for the world which is dazzling in its promise.

In our report we said:

"We believe that the destinies of the United States and the rest of the free non-Communist world are inextricably bound together. . . . If we fail to work for a rise in the standard of living of the rest of the free world, we thereby hamper and impede the further rise of our own, and equally lessen the chances of democracy to prosper and peace to reign the world over."

It's a fine statement. I deeply believe in the interdependence of the free world. But I am well aware that some Americans do not share that belief. And we must be aware from the day-by-day news that there are people in many free nations of the world who apparently do not share this belief.

To me, the interdependence of the free world is a matter more of fact than of belief. The industrial nations need the materials that the less developed nations have. The less developed countries need a market as a means of building up capital to promote their economic progress and to improve the living standards of their people.

Man-Made Obstacles

But before capital can flow to the less developed countries, and materials flow back into the world market, obstacles must be overcome. There are stubborn obstacles, and most of them are man-made. Some of them originate in the countries that have the resources—super-nationalism, for instance, that makes it hard for outside capital to carry on a legitimate business, whether for development or trade; a sheer political instability that makes investors reluctant to put their money to unreasonable hazard. Most of these particular obstacles are beyond direct control, either by investors or other nations. But much can be done to smooth them out through patience and understanding, and through persistence by our foreign investors and operators; and also through a greater awareness of our materials needs on the part of our officials who direct our foreign affairs and our foreign aid programs.

Here in the United States we create some of the obstacles too. In many ways, our thinking has not caught up with events — we still act as if we had a *surplus* of raw materials. We behave as if we had *unemployment* for our labor and capital. We are importing large quantities of copper, zinc, manganese, tungsten and mercury — to name only a few deficit materials — but we are making things harder for ourselves by adding import duties. Tariffs range from 9 to 40% of the import value on the commodities I just mentioned. And we have a Buy American Act which dates from depression days and which is interpreted to mean the Government must buy domestic materials if it can get them even *for 25% more* than they would cost abroad.

A Wasteful Policy

This is a wasteful pattern. By discouraging low-cost foreign producers and encouraging high-cost domestic producers, this policy fosters higher real cost for all of us—the cost increases that can sap our economic vitality by diverting manpower and capital that would be better employed producing higher value items.

True that in reducing or eliminating tariffs on scarce raw materials, some people, some businesses, would be hurt. And in such cases, steps should be taken to ease the blow. But the time-worn idea of protecting our industries from the competition of "low-wage foreign labor" simply does not hold water any longer. To the extent that we can cut our real cost by importing scarce materials, we are benefiting, not harming, our economy. And, with stockpiles as a backstop, we are improving our security position at the same time by strengthening the economic base on which military production depends. There may be cases when our security demands fostering domestic production, but when necessary it should be done with the rifle shot of subsidies, not with the shotgun spread of tariffs.

These are the reasons why the Commission stated flatly that self-sufficiency should be rejected as an objective of policy.

I have given you only a partial outline of the Commision's report, and I have tried to make clear the nature of the materials problem which this Nation faces

Many major tasks which industry should undertake, if we are to mitigate the pressure of the scarcities, are implicit in the report's discussion of separate aspects of the problem. I will not take the time to review them now, but I do want to talk to you about an important fact concerning industry that impressed itself on me as I dug into the materials problem. It was that remarkably little was known about the future demand and supply of materials, and that there was a serious lack of long range planning in our production industries.

Up until the second world war perhaps, industries could afford to let materials problems work themselves out at a leisurely pace. But amid the pressures of today's divided world and our own revealed materials position, the chance that drifting and casual events will provide us with the *right* solution is too slim to gamble on. The stakes are too high.

Long-Range Planning Needed

And so, I submit that long range planning is necessary. If more or less permanent scarcities or higher cost may plague an industry, its managers need to know about it well in advance. Developing new sources, arranging for imports, improving technology — these things take planning and they take time.

Would it not be possible for groups of companies, for representatives of industries, to band together in organizations for long range research on the future of materials that affect their businesses? I know that the National Industrial Conference Board has done excellent research, as have the Committee for Economic Development, and others. We need more of this type of work in the field of materials. Inter-industry groups need to do continuously for themselves the kind of study that the President's Materials Policy Commission attempted for the entire economy. And it is not a job that can be done once, and then forgotten. It must be carried on day-by-day, and year-by-year.

Such planning requires a survey of a multitude of different materials, and the economic and polit cal conditions under which they are produced. It implies a study of the supplies of energy that can be provided, and the cost of those supplies; and, importantly, it demands a continuing review of technology. There is serious need to inspect our political and our economic instruments and policies which bear on materials, and equally to examine the policies of industry in their effect upon our position. The needs and problems of other free nations will have an important bearing on all conclusions. When men of industry have reviewed these matters, they will need to determine what actions to take, both as representatives of industry and as private citizens.

I believe no greater issue lies before American industry today. As it hopes to prosper in a prosperous America, industry must equip itself with this radar eye of long-range planning to pierce the fog of the future—or I firmly believe we will be headed for the backwaters of progress.

My fellow commissioners and I ask ourselves: Will the materials problem receive sufficient attention? Will necessary action be taken?

A part of the answer to those questions clearly rests with the new Administration that will take over in Washington in January—a new President and a new Congress. But by far the greater part of the answer must lie with industry.

The consequences for America can be very serious unless **both** government and industry act decisively. The materials problem is serious, and it touches on many matters vital to us all as our stock-taking has revealed. I'm not trying to sound alarmist about it, but rather to generate deep concern.

For I have every confidence that if we develop enough concern for the future, enter vigorously into long-range industrial planning, and press for political action as necessary, our living standards will rise, our economy will grow and prosper, and we will have the military might to guard our freedoms.

With First California

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Ralph W. Wood has become associated with First California Company, 300 Montgomery Street.

A. R. Nowell Forming Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Alexander R. Nowell will form A. R. Nowell & Co. to engage in the securities business. Mr. Nowell was formerly with Hannaford & Talbot and in the past conducted his own investment business. Loren R. Nowell will be associated with him in the new firm.

Now With Gibbs & Co.

(Special to The Financial Chronicle)

WORCESTER, Mass. — John L. Brady has joined the staff of Gibbs & Co., 507 Main Street. He was formerly with Hayden, Stone & Co.

Joins King Merritt

(Special to The Financial Chronicle)

ATLANTA, Ga. — Thomas H. Stafford is with King Merritt & Co., Inc.

FINANCIAL NOTICE

GENERAL REALTY & UTILITIES CORPORATION

4% Cumulative Income Debentures Due September 30, 1969

NOTICE OF PAYMENT OF COUPON NO. 16

Payment of the amount called for by Coupon No. 16 representing interest for the six months period ending September 30, 1952 on the above-mentioned Debentures of General Realty & Utilities Corporation, will be paid on September 30, 1952 at Bankers Trust Company, Successor Trustee, 46 Wall Street, New York 15, N. Y.

GENERAL REALTY & UTILITIES CORPORATION

By SAMUEL M. FOX, Treasurer

September 15, 1952.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

In the column of July 14, I wrote, "If you are carrying a load of stocks I would suggest you use strength to lighten up. If you are carrying a comparatively light load, make it still lighter. If you are tempted to do any new buying at this stage, I suggest you resist it."

* * *

Then later in the same column I wrote, "If there is any new buying to be done, I suggest you wait for weakness to step in."

* * *

Two weeks ago I thought I saw the start of a reaction that would carry stocks down far enough to make new buying once again a profitable proceeding, so I mentioned a number of stocks which I thought would benefit.

* * *

Last week's column did not run because it arrived too late to make the issue, but had it appeared you would have seen the advice to buy also repeated.

* * *

Bearishness is now almost universal. Just as there were countless reasons a few weeks ago to remain bullish, there are many reasons circulated today to stay bearish. I am afraid a market outlook is never so white or so black as to permit of any precise interpretation. It changes from day to day, week to week and certain from month to month. Sometimes the market takes as much as six months to forecast coming news. The reaction of the past two weeks and any further decline from here is the market's way of saying there will be some changes between now and next spring. Seldom do markets discount the same things twice.

* * *

The election will undoubtedly play a major part in market action from here on in, but whatever candidate or party comes out on top, there will be little inclination to upset the economic applecart.

* * *

Inflation is one thing neither party wants to tackle. They will both give its solution lip service. As a matter of fact so long as we are in an armament race, I fail to see how inflation can be checked short of deliberately forcing a depression, and if any politician wants a depression, it will be a kind of politician we have never met with here before.

* * *

Nobody can buy stocks at the bottom eighth except by accident, just as nobody can get out of a stock at the very top except by accident. The chances are that any recovery from these prices will be slow; a new reaction may even be seen. But in the final essence, just as I saw reaction ahead in mid-July, so do I see recovery in the weeks ahead. What will happen in the long distance future, I leave to others to determine. I prefer to look at it from a week to week angle.

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

DIVIDEND NOTICES

CITY INVESTING COMPANY

25 BROAD STREET, NEW YORK 4, N. Y.

The Board of Directors of this company on September 17, 1952, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the Company, payable October 1, 1952, to stockholders of record at the close of business on September 29, 1952.

EDWARD FRAHER, Secretary.

Exide BATTERIES

THE ELECTRIC STORAGE BATTERY COMPANY

208th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of fifty cents ($.50) per share on the Common Stock, payable September 30, 1952, to stockholders of record at the close of business on September 15, 1952. Checks will be mailed.

H. C. ALLAN, *Secretary and Treasurer*

Philadelphia, September 5, 1952

DIVIDEND NOTICES

GENERAL REALTY & UTILITIES CORPORATION

DIVIDEND ON CAPITAL SHARES

The Board of Directors has declared a semi-annual dividend of 25 cents per share on the Capital Shares of the Corporation payable September 30, 1952, to stockholders of record at the close of business September 19, 1952.

SAMUEL M. FOX, Treasurer.

September 15, 1952.

MIAMI COPPER COMPANY

61 Broadway, New York 6, N. Y.

September 16, 1952.

A dividend of fifty (50¢) cents per share has been declared, payable October 10, 1952, to stockholders of record at the close of business September 26, 1952. The transfer books of the Company will not close.

JOHN G. GREENBURGH, *Treasurer.*

International Minerals & Chemicals

Mining and Manufacturing

Phosphate • Potash • Plant Foods • Chemicals
Industrial Minerals • Amino Products

★

Dividends were declared by the Board of Directors on Sept. 11, 1952, as follows:

4% Cumulative Preferred Stock 42nd Consecutive Regular Quarterly Dividend of One Dollar ($1.00) per Share.

$5.00 Par Value Common Stock Regular Quarterly Dividend of Forty Cents (40c) per Share.

Both dividends are payable Sept. 30, 1952, to stockholders of record at the close of business Sept. 22, 1952.

Checks will be mailed.

Robert P. Resch
Vice President and Treasurer

★

INTERNATIONAL MINERALS & CHEMICAL CORPORATION

General Offices: 20 North Wacker Drive, Chicago 6

Clement Evans Adds

(Special to The Financial Chronicle)

ATLANTA, Ga. — Frank W. Blalock, Jr. has been added to the staff of Clement A. Evans & Company, Inc., First National Bank Building.

DIVIDEND NOTICES

NATIONAL SHARES CORPORATION

14 Wall Street, New York

A dividend of fifteen cents (15c) per share has been declared this day on the capital stock of the Corporation payable October 15, 1952 to stockholders of record at the close of business September 30, 1952.

JOSEPH S. STOUT, *Secretary.*

September 11, 1952.

New York & Honduras Rosario Mining Company

120 Broadway, New York 5, N. Y.

September 10, 1952.

DIVIDEND No. 400

The Board of Directors of this Company, at a Meeting held this day, declared an interim dividend for the third quarter of 1952 of Sixty Cents ($0.60) a share, on the outstanding capital stock of this Company, payable on September 27, 1952, to stockholders of record at the close of business on September 18, 1952.

W. C. LANGLEY, Treasurer.

New England Gas and Electric Association

COMMON DIVIDEND NO. 22

The Trustees have declared a regular quarterly dividend of twenty-five cents (25c) per share on the COMMON SHARES of the Association, payable October 15, 1952 to shareholders of record at the close of business September 22, 1952.

H. C. MOORE, JR., *Treasurer*

September 11, 1952

With Waddell & Reed

(Special to The Financial Chronicle)

MARIETTA, Ga. — David S. Jones is now connected with Waddell & Reed, Inc.

Joins Hogle Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Jack G. Waldron is now with J. A. Hogle & Co., 507 West Sixth Street.

DIVIDEND NOTICES

WESTERN TABLET & STATIONERY CORPORATION

Notice is hereby given that a dividend at the rate of $.60 per share on the issued and outstanding shares without par value of the Common Stock of Western Tablet & Stationery Corporation has been declared payable on October 15, 1952, to holders of record of such shares at the close of business on September 26, 1952.

E. H. BACH, Treasurer.

United Shoe Machinery Corporation

The Directors of this Corporation have declared a dividend of 37½ cents per share on the Preferred capital stock. They have also declared a dividend of 62½ cents per share on the Common capital stock. The dividends on both Preferred and Common stock are payable November 1, 1952, to stockholders of record at the close of business October 3, 1952.

WALLACE M. KEMP, *Treasurer.*

United States Plywood Corporation ® Weldwood

For the quarter ended July 31, 1952, a cash dividend of 35c per share on the outstanding common stock of this corporation has been declared payable October 10, 1952, to stockholders of record at the close of business October 1, 1952.

SIMON OTTINGER, Secretary.

New York, N. Y., September 10, 1952.

PACIFIC GAS AND ELECTRIC CO.

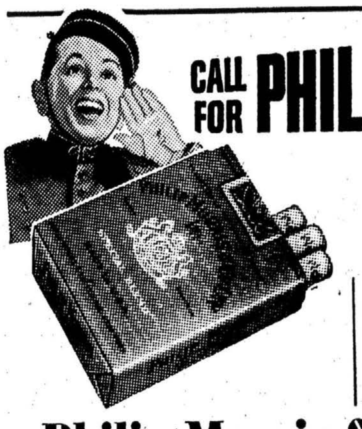
DIVIDEND NOTICE

Common Stock Dividend No. 147

The Board of Directors on September 10, 1952, declared a cash dividend for the third quarter of the year of 50 cents per share upon the Company's common capital stock. This dividend will be paid by check on October 15, 1952, to common stockholders of record at the close of business on September 22, 1952. The Transfer Books will not be closed.

K. C. CHRISTENSEN, Treasurer

San Francisco, California



CALL FOR PHILIP MORRIS

***104th* COMMON STOCK DIVIDEND**

Philip Morris & Co. Ltd., Inc.

Our Institutional SHARE OWNERS

Corporation Dividends Are Good Providers

The Church Pension Fund is one of many institutions depending on income from investment in American free enterprise. It has long shared in Philip Morris ownership. Corporate dividends provide a source of income enabling the Fund to send regular pension checks to retired clergymen or their widows. Here Mr. Robert Worthington, Executive Vice President, is explaining the organizational workings of the Church Pension Fund.

CUMULATIVE PREFERRED STOCK

The regular quarterly dividends of $1.00 per share on the 4% Series and $0.975 per share on the 3.90% Series have been declared payable November 1, 1952 to holders of record at the close of business on October 15, 1952.

COMMON STOCK ($5.00 Par)

A regular quarterly dividend of $0.75 per share has been declared payable October 15, 1952 to holders of record at the close of business on October 1, 1952.

L. G. HANSON, *Treasurer*

September 17, 1952

New York, N. Y.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—L'affaire Turner, comic and inexplicable, has served one purpose: It has aroused, perhaps earlier than otherwise, speculation about what the new Administration to be installed next January will do when it is faced with the choice between a business let-down and war.

Robert C. Turner is the Indiana professor who several days ago became a member of the President's Council of Economic Advisers, along with the trained lawyer, Leon H. Keyserling, who is Chairman, and the university-trained economist, Dr. John D. Clark, Vice-Chairman.

Mr. Turner sounded off at a press conference in connection with his swearing-in ceremony to the effect that the United States was reaching its peak defense production. Hence, according to press reports of his comments, the United States in the near future will be faced with the necessity for adopting some form of economic statesmanship to keep the full employment going. [Ed. Note: Full text of Mr. Turner's statements appears on page 5.]

Even though Mr. Turner is a new member of the CEA, succeeding Roy Blough, who retreated to the United Nations bureaucracy, there is no reason why the Indiana economist should not have known better.

Turner should have known better because he has been the occasional ghost of Harry Truman. The new CEA member is a buddy of Dr. John Steelman, "The Assistant to the President," whom Mr. Truman employs for many jobs, including that of being an economist.

When the CEA submits its annual and semi-annual "Economic Reports" to the President, it is Dr. Steelman's job to pick out those things from the CEA report which Truman wants to adopt as his own "Economic Report," plus anything else the President may decide to put in this report. When Dr. Steelman has been confronted with this job, he often called in Robert Turner who would journey here during summer vacations, Easter vacations, Christmas vacations, and so on, to help ghost the economic report of the President.

Peak Due in 1953

Hence Mr. Turner should have been well-informed that the official party line of the White House is that the peak of defense production will be reached about mid-1953. He should also have known that the official dogma is that while the peak will be reached at about that time, there will be no downswing in defense production but a levelling off, as the economists put it. In other words, the official line is that defense spending will be a big prop under the economy for an unlimited number of years, certainly for a generation.

At present defense spending—in this case the figure of Defense Department expenditures plus military procurement for foreign arms aid, exclusive of "defense related"—is running at a monthly rate of about $4 billion per month. It is not officially expected to hit its peak until this figure reaches $5 billion per month.

Hence Mr. Turner's remarks raised the thought that maybe neither Mr. Truman nor the Defense Department or both expected to let defense hit the $5 billion monthly peak. This inference is not justified. Mr. Turner has learned that he was wrong. He is very sorry and he is unhappy over his remarks.

Capital Spending Peak Due in 1953

If Harry Truman were to be President in 1953, it could be doubted whether the peak in defense spending would be due in 1953. The cut-back in rate of expenditures made earlier this year was for the ostensible purpose of preventing the defense program from impinging too harshly upon the civilian economy.

From the factual viewpoint the cut was made inevitable by the inability or unwillingness of the military to agree upon final designs of heavy military equipment. Such an agreement was an inevitable prelude to volume production.

This cut-back also gave the Administration the heavy advantage of continuing to savor a tool of economic planning which would keep the economy booming without achieving the alleged goal of building up a military establishment capable of discouraging the Reds from further adventures.

If Harry Truman were President for another four years it would be likely that the $5 billion goal would not be reached until 1954. Although some reliable Administration observers still anticipate the target being reached in 1953.

Since Mr. Truman will not be President after next Jan. 20, the whole outlook will have to be appraised afresh next winter after the new President and Congress make known their objectives and attitudes.

Regardless of the time when this goal will be reached, it will be reached some day unless the scope of the war production program is broadened.

And the peak of the program of industrial facility expansion is now in sight. The force of the steamed-up plant expansion program as a factor in bulling the economy can hardly be underrated. For instance, the Commerce Department estimated that the dollar value of corporation capital assets increased from 1946 (and with a projection for the balance of this year) through 1952 by $124 billion.

This, said the Department, is 90% of the dollar value of corporation assets as they existed on Jan. 1, 1946. While dollar values are only crude guides, these figures do indicate, however, that business productive capacity has been expanded enormously, and the residual force behind much of this has been the defense build-up.

New approvals to additions to capacity are now on the decline, so by mid-1953, the new Administration will visualize the time when both defense production and increasing of plant capacity will cease to be factors building up the economy to ever-new highs.

Then the Choice

When this time comes, it is reasonable to expect that government officials will fear a depression, for by the end of 1953 industry will be faced with a capacity to produce sufficient both for war and civilian purposes, and again with the prospect of surpluses and and price cuts.

Hence in 1953 or 1954 at the latest, the new Administration may be confronted with the serious possibility that without a new shot in the arm for a war program, without a further seeming necessity to boost defense production and plant capacity goals, that a business set-back will be due.

Some such choice confronted Harry Truman in the spring of 1950. Although the CEA advised the President then that the outlook was inflationary, advisers whom the President regarded personally higher than he does Mr. Keyserling, told the President in the spring of 1950 that the nation's business faced a serious downward readjustment.

By the end of June the President had precipitated the seemingly impulsive step of war in Korea. Only the gods and Truman know whether the advice of a business set-back played any part in this decision, and Truman has probably forgotten, so easy is it for men to rationalize their motives.

In any case the President's schemes to bull the domestic economy by new domestic and foreign programs short of war had failed. Congress laughed at his "Spence bill" to provide that government should direct the construction of new industrial capacity, but later approved the same under the Defense Production Act since the start of war in Korea. Congress ridiculed "Point IV" but through "off-shore purchases" of military equipment has helped continue large subsidies to finance, albeit indirectly, the U. S. exports that would have been given away under a really flourishing Point IV.

Kremlin Wants Catalogue

One of the large number of Moscow spies was seen in the elevator of the National Press building with a new copy of the Sears-Roebuck catalogue. He was asked if he thought his pals in the Kremlin were trying to find out what they could buy with some good money if they got a hold of same. He procured the catalogue, he confirmed, on orders from Moscow.

Fringe Benefits Studied

According to the Chamber of Commerce of the U. S., fringe or hidden payroll costs of 736 companies it studied, by 1951 had reached an all-time high average of $644 per employee. This study, "Fringe Benefits 1951," is one of the most penetrating and thorough inquiries into non-wage costs, and may be obtained at a cost of $1 for four copies by writing to the Chamber of Commerce of the U. S., Washington 6, D. C.

(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

"—And I am glad to be able to say a few, brief words—"

Business Man's Bookshelf

Evolution of Industrial Relations 1922-1952 — phamplet of selected references — Industrial Relations Section, Princeton University, Princeton, N. J.—paper—20 cents.

Major Problems of United States Foreign Policy 1952-1953 — The Brookings Institution, Washington 6, D. C.—paper, $2.00—cloth, $4.00.

P. G. and E. of California—The Centennial Story of Pacific Gas and Electric Company—Charles M. Coleman—McGraw-Hill Book Company, Inc., New York, N. Y.—cloth—$4.50.

Shackles of Gold—Frank Chodorov—The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York—paper—single copies without charge; quantity prices on request.