Chemical Industry Featured In This Issue

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EDITORIAL

As We See It

For a long time Administration spokesmen insisted day in and day out that the long series of wage increases being granted had no important economic significance—or, at all events, had no untoward economic significance. Again, and again and again, to use a phrase so dear to the heart of the late President Roosevelt, it was asserted that such advances in the pay of workers, and hence in the cost of production, laid no basis for higher prices. They are even yet not ready apparently to cease harping on the Capehart Amendment as something very nearly indecent in recent legislative history, although, of course, the Administration has had to yield a good deal more, at least, in the steel case, than that Amendment made mandatory.

But the time has come now when it is merely silly to assert that the repeated "breach of the line" in wage cases can fail to have wide reverberations throughout the business world. It is still being argued in some unrealistic quarters that the steel settlement set no new "pattern" of wage increases, since what was granted the men in that instance, so it is alleged, merely permitted steel mill employees to "catch up" with those in other industries. We do not think the issue is worth much argument, since the defense of this settlement seems to come down at bottom to an assertion that prior increases had already "breached" the wage line and set a "pattern" of wage increases.

But the triumph of Mr. Lewis in the case of coal, made much easier obviously by the experience of the steel industry, can certainly not be regarded as merely permitting the miners to

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The Short-Term Economic Outlook

By SUMNER H. SLICHTER*

Lamont University Professor, Harvard University

Professor Slichter, in viewing possible developments in the months ahead, sees defense spending reaching peak by middle of 1953, while, at same time, total demand for goods will be slowly increasing. Forecasts little up or down movement in business conditions within next year, because of a plateau of defense spending, but looks for some likelihood of a contraction thereafter, when defense spending slides off. Expects only slight rise in prices in coming months.

I

Within the next six or nine months the peak rate of defense spending (including foreign aid) is expected to be reached. It will approximate $60 billion a year, or perhaps a little less. The present outlook is that this rate of defense spending will be continued throughout the rest of 1953, and perhaps all of 1954—certainly until after the Congressional elections in November, 1954. Late in 1954 or early in 1955 a gradual slide-off in defense expenditures will probably begin. It is impossible at the present time to say anything very definite about the rate and the size of the slide-off. It is likely to be not less than $5 billion a year and not more than $10 billion a year. After the slide-off has occurred, defense expenditures will remain indefinitely at about $45 billion to $50 billion a year. This is roughly the average rate of defense spending during the first half of 1952.

Prof. S. H. Slichter

There are three principal reasons for expecting that the level of defense expenditures will not drop below $45 billion or $50 billion a year. One is that no improve-

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*An address by Prof. Slichter before the National Hardwood Lumber Association, Boston, Mass., Sept. 24, 1952.

Chemistry's Vital Role in Developing Nuclear Power

By EUGENE M. ZUCKERT*

Member, U. S. Atomic Energy Commission

Speaking to chemists and chemical engineers, Mr. Zuckert reveals role of chemists in developing and controlling nuclear power. Describes recent developments leading to its use in civilian life. Though stressing main activity of Atomic Energy Commission still lies in creating atomic weapons, says progress is being made in speeding use of atomic power for other purposes. Forecasts likelihood of nuclear power plants within next decade, and discusses problems of admitting atomic power production to private operation. Holds foremost question is how to tie in use of atomic power for both civilian and defense purposes.

I welcome the opportunity to speak at your Atomic Energy Day. This Seventh National Chemical Exposition is indeed inspiring and is a tribute to the ability and ingenuity of American chemists and chemical engineers. The growth of the American Chemical Society over the years is symbolic of the spread and growth of chemistry's contribution to modern life.

Eugene M. Zuckert

It is fitting that this milestone of science and engineering, commemorated in Chicago, should feature the progress and uses of atomic energy. It is a little startling, perhaps, to realize that only 10 years ago, in this very city, man first initiated a self-sustaining nuclear chain reaction, and controlled it. The anniversary date will be Dec. 2—only 10 years away as the calendar measures time, but eons away in terms of atomic progress.

Because laws of physics govern the operation of chain reactors and nuclear weapons, it sometimes seems that

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*An address by Mr. Zuckert at the Chicago Section of the American Chemical Society on the occasion of their Atomic Energy Day, Chicago, Ill., Sept. 11, 1952.

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 42.

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

Fiduciary Management, Inc. — Horace I. Poole, Manager Trading Department, Eisele & King, Libaire, Stout & Co., New York City. (Page 2)

Selections Based on Investor's Status — John B. Shober, Partner Woolfolk & Shober, New Orleans, La. (Page 29)

HORACE I. POOLE
Manager Trading Department,
Eisele & King, Libaire, Stout & Co.,
New York City
Members, New York Stock Exchange

Fiduciary Management, Inc.

1500% gain since 1944! Few companies record such an increase in the asset value of their common stock. Fiduciary Management, Inc. common stock has enjoyed a 1500% increase in asset value for the period Dec. 31, 1944-Dec. 31, 1952. Is there basis for hope that this achievement will be duplicated during the coming decade? What methods were employed to achieve the 1500% gain? First allow me to say that general market investments accounted for but a small portion of the gain. Special situations; (1) a reorganization, (2) a liquidation and two advances to the working capital of small companies have produced much of the gain recorded by Fiduciary Management, Inc.


Horace I. Poole

Operations began early in 1944. The company was formed at the request of certain clients of Fiduciary Counsel, Inc. This latter concern provides investment advice to wealthy individuals. Its accounts are limited to approximately 100 and the minimum amount accepted is $500,000. Approximately $500,000,000 of funds are thus supervised!

In Fiduciary Management, Inc. the founders sought to create a vehicle for investment a small part of their funds in venture opportunities. They felt that in an inflationary period they should endeavor to secure growth in capital in order to offset the effect of declining purchasing power. It was their opinion that this objective could not be accomplished individually without risking too great a portion of their funds and without too great an expense; but by pooling their funds with others, a fund large enough to be effective could be raised and operated without undue risk on the part of any. No fee or commission of any kind was paid for the raising of the capital of Fiduciary Management, Inc. The management was allowed to buy 20,000 shares common stock without having to buy any preferred stock.

The original capital of the enterprise consisted of 20,000 shares of $100 par, $4 non-cumulative preferred stock for which the company received $100 per share. 60,000 shares of common stock were sold at $1 per share. In June, 1945 the common stock of Fiduciary Management, Inc. was split 4-for-1. The company operated with the preferred stock supplying a leverage factor until 1949. At that time the preferred was retired at 104. In 1946 additional common stock was offered to shareholders at $3 per share. As of Dec. 31, 1951, the outstanding capitalization of the company consisted of 454,495 shares of common stock — par value 25c per share.

One of the early ventures of Fiduciary Management, Inc. was the purchase of all the capital stock of the Buffalo Foundry & Machinery Co. Properties of this concern were sold to Blaw-Knox. The realized net profit to Fiduciary Management, Inc. amounted to about $448,000. This transaction was completed in 1945 by Raymond Hartz, now Chairman of the Board of Fiduciary Management, Inc.

The purchase of Donald L. Murray Co. resulted in no profit after almost nine years but the investment was very small, amounting at the inception to but $63,000.

In 1946 negotiations were conducted with Aviation Corporation and the Crosley Corporation by Clinton Davidson, Sr., Vice-President of Fiduciary Management, Inc.—looking toward the sale of certain assets to Aviation Corporation—and a contract between these two corporations was negotiated which provided that Aviation Corporation would accept shares of stock of Crosley Motors in exchange for certain assets which would become the property of Crosley Motors. At the beginning of these negotiations, Fiduciary Management, Inc. purchased stock in Crosley Corporation which it later sold at a gross profit of $145,656. Fiduciary Management, Inc. later bought stock of the Crosley Motors from Aviation Corporation. On these transactions total realized profits were in excess of $300,000.

A number of subsequent transactions did not turn out well. A small property purchased in Oakland, Cal., and three other small transactions resulted in little profit or loss. For almost two years—1948-1949 — operations of Fiduciary Management, Inc. were practically at a standstill. The company retired its preferred stock and made an offer to purchase its common stock at $2.35 per share (which was equal to 90% of asset value), from those stockholders who wished to liquidate. This situation was accompanied by a management reorganization from which Clinton Davidson, Jr. eventually emerged as President. The rise in asset value of Fiduciary Management, Inc. common stock since has resulted largely from the policies and programs developed by him in cooperation with Raymond Hartz and Clinton Davidson, Sr. As of March 31, 1952, asset value was $4.18 per share. Clinton Davidson, Jr. has had an unusually broad background of experience in preparation for investment management!

In late 1950 Fiduciary Management again used its capital and advisory services and invested in Resort Airlines, Inc. This company had suffered operating losses from the day of its incorporation aggregating approximately $600,000. Operations for the year 1951 resulted in gross operating revenues of $4,335,752 and net operating revenues of $523,882. Net income after taxes, but including $590,472 profit on the sale of aircraft, amounted to $783,758. This was equal to 8¾ cents per share on 8,956,240 shares. By the end of 1951 the investment in this concern was represented by 5,553,866 shares of common stock. This stock had cost Fiduciary Management, Inc. 10 cents per share. On Dec. 15, 1951, Resort Airlines, Inc. paid a dividend of 2 cents per share on its common stock. A second dividend of 1 cent a share was paid on Jan. 15, 1952. This afforded a return of approximately 30% on Fiduciary's investment in Resort Airlines during a 17-month period. At the beginning of 1952, Resort Airlines common was selling at 30c per share. Thus a $555,386 investment had increased to $1,666,159 when computed at market quotations.

On Jan. 15, 1951, Resort Airlines, Inc. acquired all the assets and personnel of Nationwide Air Transport Service for 2,000,000 shares of Resort stock. On June 2, 1952, Fiduciary negotiated the acquisition of 1,953,000 of these Resort Airlines' shares in exchange for 104,412 shares of Fiduciary Management common stock. This exchange is subject to the approval of the Securities and Exchange Commission. It will result in Fiduciary's ownership of 84% of the capital stock of Resort Airlines and raise the total outstanding common of Fiduciary to 558,907 shares.

Resort Airlines, Inc. is now embarked on an extensive advertising campaign to promote its all-expense cruises to the Caribbean and is said to be booked through the summer of 1952. The all-expense cruises of Resort Airlines have created a good deal of interest as they are $239 for a one-week cruise which takes the vacationer to three foreign ports. At present Haiti, Nassau and Havana are on the one-week flight and Jamaica and Guatemala on the two-week tour.

The acquisition of Nationwide Air Transport, Inc. brought into Resort Airlines an experienced personnel which further rounds out the organization. Resort Airlines today employs 80 pilots. It has a complete training program for bringing through to this level qualified personnel. Operations also include military charters within the United States secured daily through the Air Transport Association of scheduled airlines. Transportation of British West Indian laborers is furnished under contract with large U. S growers such as Green Giant and General Foods.

On Feb. 1, 1952, the corporation invested $300,000 in Brown-Allen Chemicals, Inc. in the form of a one-year 5% note and received an option to purchase 30,000 shares of common stock at $3 per share for one year. Fiduciary Management in turn borrowed $300,000 at 4½%.

In 1950, Mr. Clinton Davidson Sr. prepared for clients a method which enabled them to secure tax advantages and large profits in oil operations without being subject to all the risks an inexperienced oil investor usually incurred. In 1950 a fund of $1,450,000 was provided largely by clients and 36 wells have been drilled 28 are producing and 8 are dry. The income from these wells is now said to be at the rate of $1,-200,000 annually. A subsequent fund established in March, 1951 was recently producing at the rate of $400,000 per year.

A wise man once said that three things entered into the success or failure, of an undertaking—men, methods and money, and that the greatest of these was men. Methods and money were important, but incidental, and if not properly manned they meant

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Can You Really Afford Not Taking Profits?

By RALPH A. BING

Head, Analytical Department, Sutro & Co., San Francisco, Members, New York Stock Exchange

Commenting on the restraint imposed by the Capital Gains Tax against "taking profits" in stock market operations, Mr. Bing reveals a variety of situations under which it may be either advisable or inadvisable to sell stocks in a declining market. Gives table as guide in determining when to take profits.

Many investors believe that stocks may be close to, or even past their peak, and that they may, broadly speaking, be in a declining phase for some time. Some of them make it a rule not to part with their stocks, regardless of cyclical market swings. However, many others would like to protect at least part of their substantial paper profits through selling and switching operations, were it not for the resulting tax liability; they feel they simply "cannot afford" taking good profits because, they think, the tax bite would probably offset, or even outweigh, any probably market decline.

Ralph A. Bing

In order to form a reasonable opinion on this problem, one has to try to answer three basic questions: (1) How big a general market decline, if any, can be expected in the next six to twelve months? (2) How will individual stocks, now held, behave in the market? Are they likely to fully participate in a prevailing down trend, or are there special circumstances pointing toward different action? (3) How much would the tax be in each individual case, and how much would the stock, subsequent to a sale, have to go down to permit the seller to come out even or to remain "ahead of the game."

Obviously, any answer given to the first two questions will remain in the realm of estimates, or "guesstimates"; the answer to the third question can be given in arithmetical terms, once the assumptions answering questions one and two have been made.

The hesitant and easier tone in the stock markets, which has been apparent since August, seems to reflect a growing concern of investors about the long-term business outlook. As I pointed out in the "Chronicle" on May 10, 1951, the likelihood of a decline in capital outlays by private business, together with a leveling off in direct defense spending in 1953, may well foreshadow the start of a business recession later next year, always barring new international incidents that would force us into a re-acceleration of our armament effort.

The stock market tries to anticipate the business cycle, and although there are currently few, if any speculative excesses in the U. S. stock markets, acceptance of the thesis of an oncoming recession by a majority of investors would undoubtedly have a depressing effect upon stocks.

How Far a Stock Decline

How much could stocks, on the average, decline? This naturally would depend on how severe a recession the public would anticipate, how actual business develops, how the government shapes its policies regarding taxes, credit, public works, etc., how other countries are affected, and what the repercussions on international trade and on politics are, and other factors; since the answer to these questions can be provided in advance, at best, in terms of trends, and not in quantitative terms, it is of course impossible to forecast the exact extent of any resulting stock market decline. It seems safe to say that no Administration will allow a recession to degenerate into an extreme depression of the 1929-32 model, quite apart from the fact that continued huge defense requirements, savings, social insurance schemes, and other factors would stand in the way of a deep and protracted depression. On the other hand, one should not underrate the serious effect on profits which shrinking volume could have in the face of sticky wages and large depreciation charges.

Although each of the three previous stock market recessions occurred for a different reason and under different circumstances, they give at least a rough idea as to what stocks might do on the downside under serious strain, other than an economic catastrophe of the 1929 type. Here is the overall picture, as reflected in two different stock averages:

Percent. Declines

Stock Market Decline	Stand. & Poor's 416 Stock Aver.	Dow-Jones Industrial Stock Aver.
1937/38	44%	50%
1941/42	24	29
1946/47	25	25

So far, that is by mid-September, the Dow-Jones industrial average is only about 4.2% below its postwar peak, a rather insignificant reaction to the prevailing downtrend in annual corporate earnings. It does not seem to be an unreasonable assumption that the market, on the average, could decline 20% to 25% if and when increasing sections of the public

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Sales Development For New Chemicals

By DONALD K. BALLMAN*

General Sales Manager, The Dow Chemical Company

In describing methods of developing sales for new chemical products, Sales Manager of prominent chemical manufacturer reviews the various research stages and promotion projects to be undertaken. Traces history of hypothetical product through processes of solving laboratory, patent, and market research problems, leading finally to sales promotion activities. Stresses complexity of new chemical products and difficulties in appraising their commercial value.

The rise of the chemical industry as a dominant, creative force is one of the least understood but most profoundly influential happenings of the Twentieth Century. The motto of the American Chemical Society's Diamond Jubilee, "Chemistry—Key to Better Living," correctly implies that we are on the brink of opening the door to new discovery productivity and utilization of chemical products.

Donald K. Ballman

The industry is still relatively young, highly imaginative in its leadership and extremely ambitious. Since it is a creative industry, the chemical production field has attracted men who prefer to explore rather than exploit . . . men who have visions of producing low-cost useful things for every phase of human endeavor.

As the industry mushroomed in size, the problem of translating ideas into products became cumbersomely complex and the expense became tremendous. As the result, there was, of necessity, established groups charged with the job we have come to know as commercial chemical development.

In most companies, commercial chemical development is usually conducted by a highly coordinated team. Men of specialized abilities in the research, production, promotion and sales fields combine their talents to market saleable products of the company, which, after all, is the basic reason for being in business.

To understand the mechanism of successful chemical development, one must realize that no single group within a chemical company can mature a new product with efficiency. The new-born chemical is frequently a problem child, with a personality of its own, requiring many guiding hands until it reaches the maturity of volume sales.

A new product may come into being as the result of an idea from a potential customer, a thought on the part of a company representative after contacting outside researchers or by an inspiration in one of the company laboratories.

Creation of a New Product

The creation of the new product immediately starts the development machinery. The machinery may merely sputter and reject the new material for an obvious deficiency or it may proceed smoothly with all the gears turning in well-oiled fashion. There are many factors that enter into the degree of success for a new chemical. Development groups which may be located within the sales or research departments or which may be separate entities have been established to rapidly determine the potential of the infant.

We might consider the development group as the fuel pump for the engine. It keeps information correlated and flowing not only within a company but also from one company to another, just as the fuel pump sustains the motor operation by taking its driving power from the engine. Once the initial energy to turn the engine is provided, the development group acts as a clearing house for data until the product is established on the market in one, or preferably more, end uses.

With our center of activities located, let us take an inside look at the various parts of the machinery in motion. In normal times, and especially in our tax conscious economy of recent years, a careful study of the suitability of the product for manufacture is essential. A few points are quickly judged and may decide the fate of the product. Availability and cost of raw materials and process equipment, familiarity with the reaction techniques involved and profit incentive are important considerations in the initial analysis of the potential product.

If the comments, after a cursory examination, are favorable, the product is given a closer scrutiny. Many profitable items in commerce at present probably have not appeared attractive at first glance. It is imperative that a critical examination be made of the chances and rewards of success versus the cost of failure. The use of rose-colored glasses is as bad as unwarranted pessimism, and it is the function of the development team to provide management with sufficient facts to make certain the rewards are worth the risk involved.

Company managements have projects of all types constantly before them for review. Our assumed chemical must compete against the other projects for the right to have management put their approval, that is, risk money, on the project.

Risks Must Be Taken

Because of the very nature of the chemical business, the chemical entrepreneur must be more willing to take risks than the managers of many businesses. The success rate of new products is lower—often he is dealing with 100 to 1 odds in the preliminary development stages—but the reward is frequently greater since he works so often with abundant materials and almost limitless markets.

The extensive and detailed information necessary to justify the risk demands that specialists in the various lines of endeavor present a clear picture of each segment that later can be assembled into a complete story. Although we must take up the work of the different groups separately, we should assume that several or all of the independent investigations can be occurring simultaneously. Above all, coordination of the many specialists is mandatory.

The development procedure begins in the laboratory from which the new product was synthesized. A few grams or, at most, a few pounds of material have been produced in the beginning. Physical properties should be investigated immediately upon synthesis of a new compound. These will be required for process development and initial market investigation. Consideration of pilot plant or greater production requires a study of possible processes with special emphasis on relative ease and economy of manufacture. Careful consideration must be given to the availability of raw materials for the proposed process and the economics of purchasing rather than manufacturing one or more of the intermediates.

Necessary purity of the saleable product must be determined for its effect upon the process. The end use will limit or define the contaminants which may be present. By-products or co-products must be accounted for as to sales value. Sometimes these unwanted impurities become the most sought after chemicals, but in this analysis they should be presumed as liabilities unless information to the contrary is at hand. Consequently, the process should be adjusted for minimum appearance of other than primary product. The development of a suitable process also includes consideration of safety and control features which may be required of a pilot or commercial plant.

Miscellaneous problems of the future, such as waste disposal will consume a portion of process study. Our company has one of the most modern waste disposal plants in the country. It is designed to handle large volume chemical wastes of every description because of this type of foresight on the part of our management.

Coincidental with the factors studied in the laboratory, the sales development group is gathering data, preliminary in nature

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*Extract from paper by Mr. Ballman prepared for the Annual Meeting of the American Chemical Society, Atlantic City, N. J., Sept. 16, 1952.

Savings Banks' Hazards in Common Stock Investments

By ROGER F. MURRAY*

Vice-President, Bankers Trust Company, New York City

Mr. Murray points out as principal hazards confronting savings banks in their common stock investments: (1) temptation to seek a high immediate yield; and (2) excessive devotion to "defensive" stocks. He lists as major considerations to success or failure of any stock purchase program: (1) rate of return which should be sought; (2) "defensive" strength desirable; and (3) proper timing of purchases. Holds savings bank "ought to put away the income yield book, and acquire stocks on basis of future earning power."

I know that you have long since debated and resolved the general questions involved in entering this new field of savings bank investment. Some of you have already started common stock programs and others have decided to take the plunge in the near future. It is time to get down to cases, therefore, and to deal with some of the policies and points of view which dictate the amounts and types of individual stocks to be purchased. We all recognize that these are the considerations which will determine the success or failure of any stock program. They deserve our most careful analysis and appraisal.

Roger F. Murray

I shall deal with only three aspects of this broad subject: first, the question of the rate of return which you should seek; second, the amount of defensive strength which is desirable; and third, the emphasis which should be given to the timing of purchases.

Put Away the Yield Book

My first point has to do with the question of yield. We all agree, I am sure, that savings banks were authorized to buy common stocks for the purpose of improving their earnings and not in order to obtain trading profits. By this we ought to mean the rate of return over a five-year or a ten-year period. No one really knows what dividends a stock will pay; there is no contract as in a bond or mortgage, no preferential claim on earnings as in a preferred stock, and seldom even definite assurance of a particular rate. It is only as we look back over the record that we can say what yield a stock has actually provided.

The pertinent question, then, is what will a particular company be able to pay its stockholders next year, or five years from now, rather than what it paid last year. If you can reasonably determine by careful analysis that a company's favorable position in a good industry will enable it to pay you 6%, 7% or 8% or more on your purchase price within the comparatively near future, then you have a promising investment regardless of what current return it may show.

This is obviously quite a different approach from that followed in appraising bonds. We look at a bond to satisfy ourselves that there is a real margin of safety for unforeseen developments in the company's ability to meet interest and principal when due. Bearing in mind the degree of confidence merited by a company's promise to pay, we open up our yield book, determine the yield at the offered price, and reach our decision. Most of the time, we are principally concerned about the outlook for interest rates, the relative position of the issue in the market, and trying to out-guess other bond buyers in finding favorably priced situations. Once we have formed our judgement on the company's ability to pay and satisfied ourselves that its position will continue to be at least as good as it is this year or was last year, the yield book becomes our guide.

In approaching common stocks, however, we ought to put away that yield book. Our appraisal has to be of future earning power under varying conditions. Considering the known and unknown contingencies in the outlook, the final decision on purchase or sale must be in terms of what we are willing to pay for that kind of earning power. It is obvious that if earnings expectations are realized, dividends will take care of themselves.

Thus, the logical conclusion is that we should not be greatly influenced by the current rate of return in selecting either individual stocks or groups of stocks. We should concentrate our attention primarily on future earning power and only secondarily on yield. I would not set any specific target, therefore, in planning a stock portfolio. In the present market, the range might be from about 4½% to 5% at the most. I would have fairly serious reservations about buying a list of stocks which showed a current return in excess of 5%, because I would suspect that prospects for a good long-range experience had been sacrificed for the sake of immediate income.

Don't Be On the Defensive!

My second point deals with the function of so-called "defensive" stocks. A good case can be made for including representation in

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*An address by Mr. Murray before the Annual Meeting of Group Five Savings Banks Association, Brooklyn, N. Y., Sept. 23, 1952.

The State of Trade and Industry

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

Steady progress is reported in total industrial production for the nation-at-large the past week as many plants continued to recover from the recent steel shut-down.

The steel industry itself is not only increasing its capacity but is operating at full tilt. In the week ended Sept. 20, production of steel for ingots and castings was at a rate of 102% of capacity, or 1 point above the preceding week and only one-half of a point below the year's high mark just before the steelworkers' strike.

As during recent weeks total output did not vary sharply from the high level of a year earlier; however, it was about 10% below the all-time peak reached during World War II. Insofar as claims for unemployment insurance benefits were concerned they remained slightly above the year preceding.

The steel industry must dig deeper into its pocket to pay for the higher cost of coal resulting from the quick settlement of northern coal producers with John L. Lewis' United Mine Workers, states "The Iron Age," national metalworking weekly, the current week. The settlement of $1.90 per day increase in wages and 10¢ per ton more to be donated to the union's welfare fund will cost steel mills from 50¢ to 60¢ per ton of finished steel. Their coal costs will rise between 37¢ and 40¢ per ton.

The actual wage increase will give miners 23¾¢ per hour on the basis of an eight-hour day. Tack the 10¢ per ton welfare fund money to this and the "package" won by the union equals about 31¢ per hour. Average daily wage of the northern coal industry was about $17.86. The increase amounts to 10.4% of that average. This is seen as topping the Wage Stabilization Board formula, this trade journal notes.

This was a settlement born in haste to avoid a strike. It reflected industry's desire to avoid another economic crisis, masterful maneuvering by Mr. Lewis which split the coal operators into manageable segments, and determination of the coal producers to resist cutting the number of hours in the working day. The working day stand had to be paid for by an increased wage offer.

Probably the biggest factor in determining how soon and to what extent controls are removed will be the election this fall, states the above trade authority. For this reason, much of what is said about controls and the need for them must be taken as pure window dressing.

From a practical viewpoint, steel people expect to start gaining in the long race to fill supply pipelines during the fourth quarter. By the first quarter of next year they expect a number of products to be in ample supply. Balance in supply and demand of major tonnage products is expected during the second quarter, it adds.

This week the steel market is a paradox. Consumers are exerting all-out pressure for every available pound they can get. But consumers and producers alike expect the intensity of demand to begin tapering off in the early part of next year. When that happens the differences in demand for various products will become strikingly apparent. At present the impact of 19 million tons of steel lost because of the strike makes nearly all steel items appear uniformly tight, states this trade journal.

Working off the tremendous carryover of old orders is one of the sternest jobs facing the industry. This is highlighted by the National Production Authority announcement that most manufacturers of civilian goods will be permitted a first quarter quota allocation only 75% as large as for fourth quarter of this year. This is in spite of the fact that they expect the industry to hang up an all-time production record during that period. The goal is to clean up all carryover orders by the end of the first quarter, concludes "The Iron Age."

More cars were assembled last week than any other week in the past 15 months.

There were 105,135 cars made in United States plants, or about 2% more than the 102,763 in the preceding week and 5% above the 100,299 put together in the like 1951 week, according to "Ward's Automotive Reports."

In a drive to make up for losses due to the July 3-Aug. 18 auto plant shutdowns due to the steel strike, car producers used overtime and extra shifts to push their output high.

"Greater output is in prospect," said the statistical agency. It predicted the auto industry will hear a "favorable" decision next week from the National Production Authority regarding steel allocations for the industry's fourth quarter operations.

It is learned this week that the soft-coal strike of 170,000 Northern miners was averted when John L. Lewis won the largest wage and fringe increases in the United Mine Workers' history. The agreement calls for direct wage and fringe boosts of about 31 cents an hour. It is estimated it will cost the industry more than $300,000,000 a year. The miners won a $1.90 increase in the present basic daily wage of $16.35 and a 10-cent increase in the 30-cents operator-paid royalty to the UMW welfare fund.

Living costs increased 0.2% between July 15 and Aug. 15, setting a new high for the third straight month. Fuel and electricity costs went up 0.6% in the latest period; retail food prices and rents climbed 0.3% each. Prices for apparel declined 0.1%, those for home-furnishings remained unchanged.

The United States Bureau of Labor Statistics' consumer price index on Aug. 15 stood at 191.1% of the 1935-39 average. This was 3% higher than a year ago and 12.3% above the level just prior to the Korean outbreak.

Continued on page 30

Mexico's Booming Securities Markets

With a Miniature "SEC" Appearing on the Scene

By A. WILFRED MAY

MEXICO CITY—Although the securities business here is still small, its recent rapid growth midst the country's boom makes its market practice and the public's reaction to its "SEC" regulation interesting.

A. Wilfred May

Mexico now has two stock exchanges; a small one in booming industrial City of Monterey having been recently added to the principal market in Mexico City. On the latter exchange transactions during the last five years have increased by a full 510%, now running at 6.6 million pesos ($770,000) per month.

Since 1939 the general stock price index has risen fourfold, with industrial shares up 575%. The amount of fixed-income issues has risen from 218 million pesos ($26 million) to 5,473 million pesos ($644 million). This market expansion reflects a sevenfold rise in the national income, and an 84% expansion of production, including a doubling of petroleum output. The total market value of listed stocks and bonds has grown to 7 billion pesos ($825 million), contrasted with $114 billion of stocks alone listed on the New York Stock Exchange.

The placement of securities thus far has been largely concentrated in the hands of institutional investors, which justifies expectations of much further market expansion among individuals. On-the-spot investigation indicates that fear of inflation has been only a minor motivation behind equity-popularization.

Stock Exchange Organization

The Mexican Exchanges are organized as "Sociedades Anonimas," an entity similar to the typical American corporation, including administration through a board of directors. The Exchange must have a capital of 200,000 pesos ($23,500) consisting of shares of 2,000 pesos ($235) apeice, acquisition of which is an admittance prerequisite for Exchange membership. Only such broker-members are permitted to trade within the Exchange house, and hence private investors send them their orders for execution at the next trading session; these Exchange hours extending from 11:30 to 1 o'clock.

There are now 59 broker-members (with 41 places open) on the Mexican Exchange, and 25 in Monterey. There is no separate category of customers' broker or its equivalent, the broker-members merely having assistants to help them keep track of their orders from the public.

Over half of the activity on the Exchange takes place in bond issues, with most of the stock business occurring in certificates of participation of the *Nacional Financiera*, a government-controlled investment trust functioning as a kind of RFC in making credit and equity advances to private industry.

Industrial and mortgage bonds afford liberal yields, of about 8%—in line with the National Savings Bonds which yield 7.17%. The yield on leading stocks ranges between 8 and 15%. The net return to the holders is even further enlarged by the prevailing use of the bearer form of certificate which facilitates tax evasion.

Over-the-Counter Domination

One of the most striking characteristics of investing activity in Mexico, and of particular interest to the American financial and regulatory community, is the secondary position the Mexican exchanges have always held to the over-the-counter market. A large majority, estimated at 70%, of transactions are effected outside the exchange, where the market is indeed more liquid.

Most of the large important issues are dealt in both on and off the exchange. Similar to the situation on the New York Curb in the less active issues, large investors have adopted the habit of instructing their brokers to withhold their orders from the Exchange, for later execution over the counter at a price geared to the preceding exchange session's quoted price. Institutional investors are confined to issues which are listed on an exchange, but may still buy them over-the-counter.

SEC—Mexican Version

In its generally satisfied attitude toward its supervisory and regulatory body, the Mexican investment and banking community differs sharply from that existing in the United States, Great Britain, and the Continental countries. It is pretty generally felt here that the public confidence derived from the existence of a supervisory body in a mushrooming securities situation is serving as a constructive help to such growth. This "honeymoon" attitude is, of course, enhanced by the fact that up to the present the Commission —*El Comision Nacional de Valoras*—has confined itself to lenient cooperation with the industry.

The Commission is administered by a board of eight Commissioners, each of whom represents an institution or government department; including the Department of Finance, the Department of National Economy, the Central Bank, the Bankers' Association, etc.

The Chairman of the Board of Commissioners, appointed by the Department of Finance, occupies a full-time position, while the other members of the Board are only required to attend meetings, usually held weekly.

The principal duties of the Commission are the following:

To grant Exchange listing privileges — concerning which they are quite strict, including plant appraisal.

To determine the issues eligible for investment by credit institutions and insurance companies.

To pass on applications to offer unlisted issues directly to the public. The events of listing and public offering are the only occasions when the Commission steps in.

To approve offerings of Mexican issues in foreign markets.

To determine maximum and minimum interest rates on the obligations of credit institutions.

To govern admission of Stock Exchange members, and

To watch closely investment companies and their operations.

That Inevitable Mutual Fund Movement

There are no investment companies or mutual funds denoted by that nomenclature, but credit institutions, including trust companies, act in the traditional investment trust manner. They steadily sell certificates to the public, with a redemption privilege — the counterpart of our open-end funds. As here, they are becoming increasingly popular and the fastest growing sector of the securities business.

There are regulatory laws specifically applicable to investment trusts; but since none registers as such, up to the present they are strictly academic.

* * *

Assuredly the course of this expanding Latin-American economy's investment activities will bear interested watching over the years.

COMING EVENTS

In Investment Field

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.

Continued on page 6

Prosperity Should Not Be Based On Defense Effort

By HON. JOHN W. SNYDER*
Secretary of the Treasury

Secretary Snyder, in praising role of advertising in defense efforts and in civilian field, points out our real prosperity, now as in the past is derived from permanent factors, such as population growth, abundant natural resources, individual enterprise, wide distribution of income and increasing pace of scientific discoveries. Says burden of maintaining nation's financial strength has been placed on tax system.

Our present situation — one short of all-out war, but with many of the burdens of actual war —requires a tough and long-lasting brand of patriotism. It requires a new degree of statesmanship on the part of all of us. It requires courage to face the facts and to hold to our purpose of preventing another full-scale war and preserving freedom and decency in the world. We have, I think, made substantial progress in that direction in the two years since the invasion of Korea.

John W. Snyder

Our national defense program is already well advanced. Deliveries of all military procurement items have risen steadily and are now proceeding at a rate in excess of three-fourths the peak rate at which they are scheduled to level off. We have made notable progress in further developing our basic resources and in expanding our industrial capacity, as well as in providing additional military production capacity to be used in the event the communist leaders insist on bringing about full-scale war.

We should not, however, underestimate the magnitude of the job still before us. National security in these troubled times does not come cheaply or without effort. This fact is apparent, if only because of the growing complexity of military weapons, of which our aircraft is a particularly significant example. The first B-47 "stratojet" medium bomber required 3½ million engineering man-hours, compared to only 85,000 man-hours for the first production model of the B-17—our standard heavy bomber during most of World War II.

Today's Navy or Air Force jet fighter weighs nearly as much as the old B-17 bomber, and today's B-36 weighs 2½ times as much as the older B-29. Automatic devices—many of them electronic—to provide the pilot with greater and more accurate fire power or bombing performance, more maneuverability, day and night combat capability, and a better chance of combat success, require tons of equipment in a plane where a few hundred pounds used to be enough. The stronger construction needed to withstand high-speed conditions demands tougher and heavier materials, while new jet engines, developing as much as 25,000 horsepower—2½ times the power of the combined four engines of a B-29 Superfortress—have required the use of new heat-resisting alloys demanding larger amounts of metals already in short supply.

I need not tell you then, when we consider the defense program as a whole, that all of this is expensive; that all of this necessary preparation places a burden on our economy. It has been a most remarkable experience that through the ingenuity, the will to do and the clarity of thinking of the American people that while we have met the demands of the defense program, we have at the same time enjoyed a real prosperity in this country.

The prosperity which we are now enjoying, however, can neither be measured by nor based upon our defense effort. While our defense program has, it is true, resulted in increased productivity and employment in defense and defense-related industries, our real prosperity, now as in the past, is derived from more permanent factors—the growth of our population, the dynamic force of individual enterprise and productive power in a country of abundant natural resources, the wide distribution of income, and the increasing pace of scientific discoveries.

A most vital element in welding these permanent factors into unparalleled personal and national prosperity is the increased utilization which is being made of product advertising. Inventive minds can make new discoveries, and business management can devise the efficient production techniques for new products, but neither will prove profitable unless the product is effectively brought to the attention of the masses of our people who furnish the great market potential for these goods and services. Advertising is assuredly the great connecting link between business productivity and mass markets.

At no time has advertising been more vital to our business economy than in the recent postwar years. As American business converted from wartime production to peacetime products, new markets had to be found for the increased supply of goods and services which it was capable of producing. Advertising helped find those markets. Not only has American business substantially increased its advertising budget, but new communicatnon mediums, such as television, have made it possible for advertising to be more effective than ever before.

The result has been to create a solid and expanding demand for consumer goods and services, and to provide business with new and growing opportunities for profitable production and the expansion of production facilities. Our people have benefited from the increased incomes which have been generated by the resulting high-level business activity, and from the increasing array of new products and personal living conveniences which are daily enriching our lives.

Steps to Maintain Our Financial Strength

If we are to assure the continuance of this real prosperity, however, we need to take positive steps to maintain the strength of our financial system, which is basic to the smooth functioning of all sectors of the economy. This is the burden placed upon our tax system and on the Savings Bonds Program by our defense effort. This is the reason why it has been so important to increase our revenues during the past few years. This is why it is so important that we double and redouble our efforts in the months ahead to sell and resell the Defense Bond program to the people of America.

The tremendous part which advertising has so far played in making the Savings Bonds Program a success cannot adequately be measured, although its results are obvious. Advertising holds a position in the United States which, in comparison to its position in other countries, is unique. Nowhere else is advertising so highly developed or so important in the economy. It is to convincing advertising that I attribute a major credit for the fact that today over one-fifth of our public debt is in the form of Savings Bonds. In other countries—such as England, France, and Canada—which have also made efforts to sell government securities particularly designed to attract the savings of small investors, the corresponding figure is not more than one-tenth, and in some cases is much less than that. Advertising has, indeed, been one of the key forces in the achievement of our sales goals through the years and will remain a key force in the future.

To steadily maintain a successful sales program, even after such astounding results have been achieved, is a difficult job. We cannot rest on our oars. We cannot assume that our job, or your job, is ever done.

I want to pay a sincere tribute to the Advertising Council which has so well served the Savings Program. The creative planning and the technical skills which have been brought to this program by the eight leading advertising agencies which serve as your task-force are performing an important function in the development of Defense Bond advertising. During the last ten years, public service advertising, under your leadership and guidance has performed many miracles of persuasion. It has sold many worth-while ideas; it has delivered impressive results; it has done an important job for the public welfare. But as I have said, your job is never finished.

I personally, fervently hope for a continuation of the friendly and effective relationship of the Advertising Council with the Treasury and the bond program in the years ahead. Acting as an inseparable team, I hope that the Treasury, with your aid, will be able to continue to effectively sell thrift to the American people.

*From an address by Secretary Snyder at the Annual Meeting of the Board of Directors of the Advertising Council, Inc., New York City, Sept. 18, 1952.

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COMING EVENTS

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.

The Stock Market's Path: An "Obstacle Course"

By AUGUST HUBER
Spencer Trask & Co.,
Members New York Stock Exchange

Market analyst, in characterizing stock market's path as "an obstacle course," points to such hurdles as steadily increasing operating costs; mounting wages, the resulting squeeze on profit margins; the tax burden; and consumer reluctance to buy, along with other adverse factors. Lists as counteracting favorable factors in market outlook: (1) prospect of continued high level industrial activity; (2) relatively firm commodity prices; (3) steadily easing credit restrictions; (4) full employment at high wages; and (5) high volume of individual savings. Advocates conservative stock market policy.

During recent weeks stock prices encountered increased difficulties over the obstacle course they have been traversing this year. Recently, the stumbling became more pronounced. This could be attributed not only to the more cumbersome hazards along the path but also to the mounting fatigue which apparently overcame many of the participating equities, as the result of their continued exertions in coping with the handicaps which confronted them.

August Huber

The Dow-Jones Industrial Averages started the year at 270 and have pivoted around that axis ever since. A subsequent decline to about 256 was followed by an advance to 280. The market is now back to around 268 or approximately the same as when the year started.

In characterizing the market's path as an obstacle course there are such factors as steadily increasing operating costs, mounting wages, a resultant squeeze on profit margins due either to price ceilings or consumer reluctance to buy at advanced prices and the tax burden, all with reflection in a declining trend of corporate earnings. Additional obstacles and less encouraging developments have revolved around the record volume of new corporate financing so far this year, rising money rates, severe labor disturbances, foreign uncertainties, the enigma of the war in Korea, along with general investment psychology also being confused by the vagaries associated with the coming elections. Important questions revolve around whether a Republican victory would be on the deflationary side or whether a Democratic Administration would continue the trend toward increasing bureaucracy, with resultant impairment of investment and speculative confidence.

Although the trend of corporate earnings has been a pebble in the market's shoe for some time, one of the fundamental sustaining influences on common stock prices has been the relatively favorable yield afforded by equities. This has been manifest in a persistent demand from investment and various institutional sources.

Industrial Earnings

Earnings on the 30 Dow-Jones Industrial stocks declined to $5.73 per share in the first quarter of 1952, compared with $7.14 a year earlier. Second quarter results are likely to be modestly below those of the first quarter. Profits for the full year may run around $23 per share on the "Averages," compared with $26.59 in 1951, thus continuing the downtrend from the peak of $30.70 registered in 1950. This is still well above the dividends of $16.33 paid in 1951 but the coverage has been narrowing. The dividend "pay-out" was 52% of earnings in 1950; 61% in 1951, while the same rate of payments would constitute 71% of estimated 1952 earnings.

The established regular dividend rates on most of the first line stocks are fairly secure for this year but a moderate diminution in overall dividend disbursements should be witnessed, primarily as a result of fewer year-end "extras." During the current year a number of secondary companies have reduced or eliminated dividends due to developments adverse to the individual enterprise.

At the present level of 268 for the Dow-Jones Industrial Averages, the yield on last year's dividends of $16.33 would be 6%. A reduction to $15 would provide 5.6% or still a favorable spread over the average 2.90% on the highest grade industrial bonds and the 4.11% currently afforded by first line non-callable preferred stocks. However, the underlying trend of money rates has been upward and bonds have been showing a modest downward tendency. The heavy volume of new bond issues to be marketed over the relatively nearer term are being forced to carry more favorable interest rates to facilitate successful distribution. A continuation of this trend would not be particularly conducive to advancing stock prices, especially at a time when earnings are receding and the dividend coverage is narrowing.

A more fundamental consideration for longer term investment and institutional accounts is the fact that income from bonds and preferred stocks is on a fixed basis whereas common stock disbursements fluctuate over the years more or less in line with net earnings.

In this connection it should be recognized that *dividend payments last year were at an all-time peak*. Hence, the present yield of 6% in the Dow-Jones Industrial Averages must be gauged in that light. Common stocks purchased at a historically high price level for longer term investment are likely to show a less favorable return on *average* dividend disbursements over a period of years. This results in a less marked difference with the fixed income derived year in and year out from bonds and high grade preferred stocks. There are also the fluctuations in market price and diminution in principal to be considered during possible interim periods of reduced dividend payments. At the present Dow Jones Industrial price level of 268 the yield on the average dividends of the past five years would be 4.8%. Over the last ten years 3.8%.

Since the past ten-year span included a war period with its attendant severe economic dislocations and profit restrictions, adequate allowance must necessarily be made. Moreover, it may be granted the general economy is on a considerably higher plane, in view of the "inflation" frozen into the economy. However, the point cannot be ignored that in gauging income return on common stocks the longer term considerations should not be overlooked. The significance of this factor increases when earnings are already declining.

The utility stocks, because of their relatively stronger prospects of dividend continuity at established rates, have been a more favored group for many months. Still comparatively close to their highs, the utilities have shown greater resistance to the recent decline in the general market. A number of issues in this category now appear to be adequately priced from a yield standpoint. Utility holdings should be re-examined at this time with the objective of effecting advantageous switches for improved income return.

Constructive Factors in Market Outlook

The more constructive factors in the market outlook may be found in the prospects for a continued high level of overall industrial activity through the year; a relatively firm general price structure, easing of credit restrictions on consumer goods and housing, high level of individuals' savings, comparatively full employment and high wage rates, money supply likely to be maintained at historically high levels, defense expenditures of some $4.5 billion monthly through 1953 and into 1954; and the possibility of some action on taxes next year. The corporate excess profits tax is scheduled to expire June 30 and some modification is anticipated in some quarters.

There are entwined in the more favorable factors, briefly outlined above, the likelihood that private capital expenditures for plant and equipment — now running at a record $27 billion rate—will begin to taper off next year. Such expenditures exert a strong influence on general business activity and any decline could tend to mitigate in some measure the continued high level of defense expenditures. These are now approaching their peak of between $4.5-$5 billion monthly—a plateau of expenditures which should be maintained at least well into 1954 —and thus while a definite sustaining influence, such expenditures are not likely to provide an *additional* stimulus. Tax reduction, should it come later next year, may eventuate largely as a device for stimulating an economy which may have already developed moderately sagging tendencies.

The substantially expanded capacity of the country's industrial facilities should provide adequate insurance against presently foreseeable inflationary pressures from monetary sources. The expansion of productive facilities—entailing some $130 billion in recent years—should be more than adequate to meet the requirements of the civilian economy along with the needs of the defense program as scheduled. General industrial activity is currently running at 212 (F. R. B. Index 1935-39=100) and should recover to around 223 again before the year-end. The plant capacity of the country, as measured by some competent observers, is now around 260 and should rise to about 285 by the early part of next year. Obviously, with the ability to produce well above indicated demand, the inflationary possibilities arising from "dollars chasing goods" should be mitigated if not largely eliminated.

The probable lack of new strong inflationary influences and the lower rate of corporate earning power are the underlying forces determining common stock values. Consequently, it is not difficult to visualize a lack of sufficient stimuli for a renewed *substantial* upward move. Viewed in the other direction, however, some measure of inflationary sentiment will remain as budget deficits continue and the Government exercises its authority over credit and monetary policies. Also, while on a lower plateau, corporate earnings could stabilize at the reduced but still historically substantial level. It must be observed in this connection nevertheless that earnings on the Dow-Jones Industrial Averages for the first half of 1952 will probably approximate those shown in the similar 1949 period. Meanwhile, the market has advanced from the 175 level to the 270 area.

Technically, the market performance has been on the less favorable side. The Dow-Jones Industrials, after reaching a high of 280.29 in August reacted to 273.17, recovered to 277.15 and then declined to a new low of 268.40. This pattern of receding highs and lows in recent weeks—and duplicated by the railroad averages—may portend an extension of this intermediate decline although a moderate technical rebound may be witnessed at some point meanwhile. A resistance level may be found at around the 256-260 area by chart followers since this level marked approximate low points last November and again in March and April of this year.

A Conservative Market Policy Advocated

When all the threads are tied together, there seems no compelling reason arising from future possibilities, to merit any change in a conservative market policy. Now that stock prices have come down again there seems no more reason to become *excessively* bearish than there was early to become overly bullish when the market was advancing. The primary objective during the past year has been to keep the investor from veering to extremes in either direction. The decline in market prices — some more drastic than others—has been bringing a number of good trade issues into a more favorable area. This presents opportunities for switching less favorably situated issues into those possessing either better quality, relatively more encouraging prospects, improved income return, or a combination of such attributes.

In my judgment and interpretation of the underlying general market trend, reserve buying power should not yet be utilized. Lightening commitments in less desirable issues during recovery movements, rather than buying on moderate weakness, still appears the more prudent investment policy.

H. H. Butterfield Adds

(Special to THE FINANCIAL CHRONICLE)

JACKSON, Mich. — August G. Seibold has become affiliated with H. H. Butterfield & Co., Jackson City Bank & Trust Company Building.

Dealer-Broker Investment Recommendations & Literature

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

Appreciation Potential—List of stocks which appear interesting—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Bank Stocks—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Both Ends of the Spectrum—List of 20 stocks selling near 1952 highs and of 20 near 1952 lows—Francis I. duPont & Co., 1 Wall Street, New York 5, N. Y.

Canada—Booklet—Nesbitt, Thomson and Company, Ltd., 355 St. James Street, West, Montreal, Que., Canada.

Casualty Insurance Companies—Analysis of outlook—The First Boston Corporation, 100 Broadway, New York 5, N. Y.

Chemonomics—Newsletter on the financial, commercial and technical aspects of the chemical process industries—R. S. Aries & Associates, 400 Madison Avenue, New York 17, N. Y.

Fall Outlook for Canada—Bulletin—Ross, Knowles & Co., 330 Bay Street, Toronto 1, Ont., Canada.

Gas Outlook—Analysis in view of new rate policy—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Impressions of Western Europe by Dr. Marcus Nadler—The Hanover Bank, New York, N. Y.

Portfolio for Income and Long-Term Growth—Bulletin—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Products and Processes—Illustrated booklet describing uses of alloys, carbons, chemicals, gases and plastics (ask for booklet I)—Union Carbide and Carbon Corporation, 30 East 42nd Street, New York 17, N. Y.

* * *

Admiral Corporation—Analysis — Dempsey & Company, 135 South La Salle Street, Chicago 3, Ill.

Beech Aircraft Corp.—Memorandum — Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on Boeing Airplane Co. and Southern Production Co.

Bell & Howell Company—Analysis—Rothschild & Company, 135 South La Salle Street, Chicago 3, Ill.

Bendix Aviation—Analysis — E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Central Illinois Electric & Gas Co.—Analysis—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y. Also available is a card memorandum on Central Electric & Gas Company.

Central Illinois Light Company—Analysis—Central Republic Company, 209 South La Salle Street, Chicago 3, Ill.

Clinton Machine Company—Analysis — DePasquale Co., 57 William Street, New York 4, N. Y.

Columbia Gas System—Memorandum—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Ducommon Metals & Supply Co.—Analysis—Hill Richards & Co., 621 South Spring Street, Los Angeles 14, Calif. Also available is analysis of Kaiser Steel Corporation.

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.**

Kellogg Company—Special report — Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also available are brief analyses of Lake Superior District Power Company and The Torrington Company.

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

Pacific Mutual Life Insurance Company of California—Analysis—Hannaford & Talbot, 519 California Street, San Francisco 4, Calif.

Procter & Gamble Co.—Memorandum — Hill and Knowlton, 350 Fifth Avenue, New York 1, N. Y.

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

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

Continued on page 46

More on "Regulation A" Offerings and Small Business

Congressional intent to help small business would be emasculated by the adoption of SEC proposed revision of Regulation "A." Provisions regarding jurisdictions in which offering would be made make it possible for SEC to scuttle financing on purely technical grounds. Measure would also circumscribe fundamental rights of certain minority interests. Latest proposal of Commission reemphasizes need for Congressional curb on SEC rule-making power.

In a recent editorial, we discussed, in part, Release No. 3450 of the Securities and Exchange Commission, entitled "Notice of Proposed Revision of Regulation A."

As we indicated, this Regulation has to do with the flotation of small issues of $300,000 or less, and the intention of the Congress in passing the original legislation, under which Regulation A seeks to operate, was to help small business.

We now continue our evaluation of this "Proposed Revision." . . .

The form currently used for the letter of notification to the SEC, under Regulation A, is known as Form S-3b-1.

In connection with such form, the Commission, among other provisions, proposes the following:

"State the names of the jurisdictions (States, Territories, District of Columbia and foreign countries) in which it is proposed to offer the securities covered by this letter of notification. If all or any part of the offering is to be made by use of the facilities of a national securities exchange, it will be sufficient as to the securities to be so offered to name the exchange. *No securities shall be offered or sold in any jurisdiction not mentioned until an amendment to this letter of notification has been filed stating the name of the additional jurisdiction or jurisdictions." (Italics ours.)*

The present Form S-3b-1 does contain, among others, the following requirement:

"7. List the jurisdictions (stating territories, the District of Columbia or foreign countries) in which it is proposed to sell these securities."

In response, the underwriter usually lists those States in which there are no formal registration requirements for the issue by the State authorities, such as New York, New Jersey, Delaware, Maryland, and the District of Columbia.

Obviously, if the issuer and the underwriter were compelled to register a $300,000 flotation in many of the States of our Union, and comply with their Blue Sky Laws, the cost of such registration would make the flotation of a small issue prohibitive.

Now, what will be the effect of the requirement that no securities shall be offered or sold in any jurisdiction not mentioned in the letter of notification until such letter shall have been amended to state the name of the additional jurisdiction or jurisdictions?

This can best be analyzed by considering, in connection therewith, that provision of the proposed regulations which declares when the exemption from registration is available.

As we read these two provisions in combination, we can envisage some such difficulty as the following:

The underwriter of a Regulation A offering places an advertisement in the New York "Times." Let us assume that he has complied up to that point with all of the requirements of the Securities Acts and of the Rules and Regulations of the Commission thereunder.

An inquiry comes in by mail from a State not listed in the letter of notification and certain sales literature pertaining to the issue is mailed out to the inquirer in that State. The inquiry itself may be "inspired" from a source that is intent upon destroying the sale of the particular issue.

The matter being called to the attention of the SEC, the Commission now reasons as follows: These securities were offered through the mail and, therefore, through the medium of interstate commerce, in a State not listed in the letter of notification. This constitutes a violation of the proposed regulation and, therefore, the issue is no longer entitled to exemption. The Commission then proceeds to notify the issuer and the underwriter that the exemption no longer exists and the "offering" is smashed as a result.

Congress could never have intended such a debacle, yet that is exactly what could happen and, in our opinion,

Continued on page 28

Our Reporter's Report

The long-awaited, and once postponed, housing bond issue was put up for bids this week and from the course of events which followed it appears that much of the recent anxiety on this particular score was hardly necessary.

True the yield bases on the current issues reflected the broad changes that have taken place in the money market since the earlier bundle of similar securities, carrying the Government's guarantee, was brought out shortly after the turn of the year.

But this was to have been expected. The January flotation in which investment bankers took down $118,038,000 with the balance of $15,750,000 going to commercial banks, was reoffered to yield from 1% on the shortest maturity to 2.20% on the longest.

In the current operation the yield on the short maturity is not greatly changed, 1.05%. But in the case of the longest maturity it is up to 2.75%. This reflects the combined thinking of investment bankers down through those in the municipal field, whose bids were high for the entire issue of $171,000,000.

That they seemingly had their fingers on the pulses of potential buyers appears indicated by reports that inquiries for bonds, by the end of the first day, were in excess of $90,000,000, or better than half the total involved.

S. O. Indiana "Rights"

With the books open for stockholder subscriptions to Standard Oil Co. of Indiana's $139,647,200 of new convertible debentures, it was natural for brisk interest to develop in the "rights" growing out of this operation.

Undoubtedly sponsoring bankers stand ready to take up whatever "rights" come their way for the purpose of acquiring the debentures and moving them on to investors who seek this investment paper.

But conjecture in investment circles points to the keenest kind of competition prevailing with institutions vieing for possession of these "privileges."

Bonds Hard to Buy

Bond brokers are bewailing their plight these days. They have a goodly smattering of orders to buy but their bids are not receiving much attention from those who hold the securities.

As one of their number pointed out, he has good call for high-grade corporates all the way from a 3.10% to a 3% basis. But, he finds, institutions may be cool to new issues which yield something above that figure, yet they won't let go of any bonds.

Meantime, it is observed, pension funds and special funds, like trusts, are finding it difficult to keep their inflows of money employed.

Improved Undertone

The new issue market displayed a much improved undertone this week. Investors appeared to be in a more receptive mood, and in contrast with some recent operations which exhausted the patience of their sponsors, latest new offerings seemed to be moving out in much better shape.

The Business Outlook

By MARSHALL D. KETCHUM*

Associate Professor of Finance, School of Business
University of Chicago

On basis of gross national product analysis and projection, Professor Ketchum tempers optimism over continuation of "old and tired" postwar boom. Asserts Government possesses adequate machinery for surmounting problems arising from prospective slowing down of defense expenditures.

An analysis of the current business situation and a forecast of the future requires that we take a look at what has been happening to the levels of the relevant variables in the past, particularly the data on gross national product or expenditure and personal income. The figures have been set down by quarters, at annual rates, in order that we can see the trend from one quarter to the next. We are concerned primarily with the short-run, let us say, for the next year, and therefore it is necessary to consider the data on a quarterly basis. To consider only the totals for the year 1951, for example, would fail to disclose some important trends.

Marshall D. Ketchum

The gross national product represents the value, at current market prices, of all goods and services produced. It is the most all-inclusive measure of the level of business activity. Changes in the total of gross national product reflect two factors: changes in the production of goods and services on a physical unit basis, and changes in the price level at which these goods and services are valued.

The gross national product represents the production of goods and services which are bought by different groups and for different purposes. We cannot make a forecast of gross national product without breaking down this figure into its components and noting the factors that are likely to affect each component. There are four principal components. The first is personal consumption expenditures, which is what consumers spend for goods and services for consumption purposes. In the table personal consumption expenditures are broken down into expenditures for durable goods, for non-durable goods, and for services. Second is gross private direct investment, which represents expenditures, by business firms and by individuals, for goods of a capital nature, goods which are not consumed immediately but which are used to produce consumer goods later on or which have not yet gone into the channels of trade to the point of sale to consumers. Gross private domestic investment consists first of the construction of buildings in the form of residences and industrial and commercial establishments, secondly of producers' durable equipment, i.e., machinery and fixtures installed by manufacturers and commercial enterprises, and thirdly, changes in inventories in the hands of business firms. This latter figure can represent either an increase or a decrease in inventories.

The third item in gross national product is net foreign investment. It represents the net foreign balance, or the outflow or inflow of goods in a particular period. It can be either positive or negative, depending on whether exports or imports of goods are larger. The fourth item is government purchases of goods and services, which is broken down into Federal, and State and local.

From this classification it can be seen that all goods and services produced are bought by somebody: (1) by consumers for personal consumption purposes; (2) by individuals and business firms for capital investment; (3) by foreigners, and (4) by the government.

We shall consider each of these in detail to see what factors are working to change each of them and how these factors are likely to affect the totals during the next year.

Consumers' Expenditures

Personal consumption expenditures declined in the second quarter of 1951 to a low of $204.5 billion on an annual rate basis and then increased throughout the remainder of the year and so far into 1952. The expenditures of consumers are influenced by two factors, the ability to buy and the willingness to buy. The data on disposition of personal income which are given on the same sheet with the gross national product data are useful in evaluating both of these factors. The ability to spend is determined by the amount of income paid to persons, and by the amounts that consumers find are taken out of this income before they can start spending. The amounts taken out are primarily taxes. The data show that personal income has been rising throughout 1951 and the first half of 1952, although at a diminished rate in 1952, and that, although tax payments have been increasing, disposable personal income increased during the early part of the period and has remained stable for the past three quarters.

It is my opinion that the ability of consumers to spend, insofar as this is measured by personal income, will hold up well and will probably increase slightly during the coming year. Levels of employment will remain high, partially because of large purchases of goods and services by the government, as will be explained later. It does not seem in the cards that wage rates shall fall, and the government inflationary wage policy plus the desire to avoid strikes at such a critical time will cause wage rates to rise during the period. The combination of high employment and rising wage rates will increase the levels of personal income. It is noteworthy that personal income is estimated to have been running at a rate of $266.0 billion during June, although it fell to $264.0 billion in July because of the steel strike. I expect a figure of about $265 billion total of personal income for the year.

To arrive at the true ability to spend, however, we must deduct tax payments from personal income. This deduction gives us the level of personal disposable income, the income which income receivers can dispose of by spending or by saving. Tax payments, it will be noted, rose slowly throughout the first six quarters in the table. Two factors may cause increases in tax payments: (1) an increase in the tax base, i.e., in personal incomes, and (2) an increase in tax rates. The former is represented by personal incomes, which are likely to increase; tax rates will probably remain constant during the coming year. Total tax payments may rise somewhat more than at the same percentage as personal incomes, however, because of the progressive nature of our tax structure. Still, taxes will probably not take a much greater bite out of personal incomes. I would expect tax payments to be about $33 billion for the year, which, deducted from the $265 billion of personal income, would give $232 billion of disposable personal income for 1952, compared with $225 billion for 1951.

Willingness to Spend

The second factor in determining personal consumption expenditures, after ability to spend has been disposed of, is willingness to spend. Willingness to spend is reflected in the amount of personal saving, which is the residual after personal consumption expenditures are deducted from disposable personal income. The extent to which people will save is one of the most difficult things to forecast, primarily because it is so dependent on psychology and is so susceptible to very rapid shifts of sentiment. After Korea there was a heavy wave of anticipatory buying which left consumers well stocked with consumer goods. In 1951 the pendulum swung in the other direction. People became less fearful that there would be an all-out war and consumers used up their inventories. As a result the amounts of personal saving went up rapidly throughout 1951. Recent declines in personal saving and increases in consumption expenditures would seem to indicate that the percentage of disposable incomes saved is unlikely in the near future to go back to the abnormally high levels prevailing in late 1951. Stocks of consumer goods in the hands of consumers are gradually being used up at the same time that higher personal incomes are burning still deeper and larger holes in the pockets of consumers. A tendency towards decreasing savings will be accentuated if prices reverse their downtrend and start upward again, as they show some evidences of doing.

From the first quarter of 1951 through the first quarter of 1952 there was a divergence between the sales of durable and non-durable goods within the category of personal consumption expenditures. Durable goods sales decreased while sales of non-durables increased. The sales of durables may have turned the corner and started upward again. While there are no longer the pressures toward the purchase of durable consumer goods that existed in the immediate postwar years, we need to remember that every increase in incomes makes it possible for some income groups to purchase durable consumer goods which were formerly beyond their means, at the same time that rapid technological changes are bringing into the market new types of durables to tempt consumers. Consumer credit is currently undergoing a rapid expansion and this, too, will probably increase sales of durables.

A possible unfavorable factor in the expansion of consumption expenditures in terms of physical units is the existence of high prices and the possibility of still higher prices. High prices take out of the markets some who would purchase if prices were lower. However, it must be remembered that the effects of high prices may be offset by increased consumer incomes. Also it may be noted that rising prices work in two ways. Consumers hesitate to buy at high prices, but they may hasten to buy if they think prices are going still higher. The slight recession in prices in the past year has probably helped to account for what decline in consumption expenditures took place, but as prices are again turning upward, it will be a reinforcing factor in the upswing of consumption expenditures, measured both in terms of dollars and in terms of physical units.

We come now to gross private domestic investment. It should be noted that the figures represent the dollar amount of new investment, investment added to that already in existence, and that the figures do not include deductions for depreciation. Investment is ordinarily the most volatile component of gross national product. It tends to be very high in periods of boom and very low in time of depression. For example, investment fell from over $15 billion in 1929 to less than $1 billion in 1932.

Decline in Volume of Investment

The total volume of investment has declined by $10.5 billion, on an annual rate basis, since the first quarter of 1951. To understand the implications of this fact for the future, however, it is necessary to study the components of private investment. As the table shows, this component of gross national product can be subdivided into new construction, producers' durable equipment, and the change in business inventories. These subdivisions have undergone certain cross-currents during the period under survey. In late 1951 new construction and producers' durable equipment fell slightly, while the additions to business inventories were decreasing significantly because businesses found themselves over-invested in inventories in view of the decline in consumer buying which followed the overbuying immediately after Korea. The decline in all three components served to decrease new investment from $59.8 billion in the first quarter of 1951 to $52.9 billion in the fourth quarter. During the first half of 1952 domestic investment declined further, but it may be noted that this was wholly because businessmen did not add to their inventories. This means that businesses were no longer building up stocks of goods for sale, but it also means that new increases in sales which take place will sooner or later work inventories down to the point where businessmen will again feel justified in increasing their inventories. When this occurs, the additional investment in inventories will again have an expansionary influence on the level of domestic investment. It will be noted that the liquidation of business inventories of commercial and industrial enterprises (non-

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*A paper presented by Mr. Ketchum at the Eighth National Conference offered by the School of Business of the University of Chicago in cooperation with the National Restaurant Association, Sept. 15, 1952 and at the Second Conference of the Retail Food Distribution Program of the School of Business of the University of Chicago in cooperation with the National Association of Retail Grocers.

Chemicals—A Symphony Of Synthetics

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Current comment on some impressive companies in this field where recent chemical reaction in the market might be reversed.

On June 30, 1952, among the fifty stocks most widely held by investment trusts the three leading groups were oil, natural gas and chemicals (in that order), and of the 20 top favorites, four were chemicals. Although it might have appeared, from recent slippages in the chemical list, that investors here had been paying too high a price for glamor and growth, the solid statistics of the industry suggest only a lull in long-term forward motion.

Ira U. Cobleigh

Some 1,500,000 acres used to be devoted to raising indigo for dyes; now these coloring agents are chemically produced. Orlon, dynel, dacron and vicara have wool sort of taking it "on the lam" and plastics have been displacing wood and metal and other elements in such diverse fields as boat hulls and bottles, pipes and pans, floor covering and furniture parts, billiard balls and teeth fillings.

On the growth side, historically, from 1925 to 1950 the general annual average increase in U. S. industrial production was 2.9% while the chemical industry led all others with a 9.8% increase. For 1951 chemicals received the third largest allotment to industry of rapid amortization certificates; and the 1952 McGraw Hill projection for capital expenditure here was $1,464 million ($200 million above last year). It stands to reason that the managers of chemical enterprises, whose judgment has proved so sagacious in the past, would not now be spending all this new money, unless they expected unabated growth, and high-level profitability.

Today, no fine-tooth coverage of any company will be attempted; rather it is proposed to set down some current items—financial and production horizons—notes about five or six lab-leading companies whose shares, at present price levels, do not seem overly inflated.

There are three chemicals found in the imposing facade of the Dow-Jones Industrial Averages. I'd like to touch upon two of these.

First is **Allied Chemical and Dye Corp.**, a company that has been so good for so long, that praise gets a little redundant. Its balance sheets through the years have looked like custom tailored products of the Credit Men's Association.

Like other chemicals, however, **Allied** has found that, due importantly to taxes, it can no longer expand plant capacity from retained earnings alone. A $50 million loan has been arranged to piece out the $75 million 1952 expansion program. Incidentally, this three-year loan helps provide some E.P.T. relief and would seem to permit ACD common to earn nearly $3.50 a share on its 8,856,000 shares (sole capitalization, except for the loan) before getting hit with an excess profit tax bite. Because ACD at 75 is some 16¼ times projected 1952 earnings, you might not list it as a bargain; but it's pretty tough to imagine a rounded chemical portfolio without finding ACD aboard.

Of the investment trust chemical favorites mentioned a while back, **Union Carbide** leads the list. An impressive company grossing $927 millions in 1951, UK is the largest single producer of plastics in the world, manufacturing seven of the nine types. It is also making important contributions to the atomic energy program through design and operation of plants for the government. It is of some significance, I think, that the July 15 report of Chemical Fund, Inc., largest investment trust devoted exclusively to this industry, lists Union Carbide as its largest market holding.

New vistas for UK are suggested by the recent liaison between Pittsburgh Consolidation Coal and Union Carbide to work on coal chemistry. UK has already spent $11 million on a pilot plant for chemical production by coal hydrogenation, and this technique may prove an important competitor to petro chemical processes.

These footnotes about UK give no idea at all of the vast scope of this property and its kindness to shareholders through the years. Get a good statistical summary of UK, and you may well discern the quality and value of this common at 63½ and the call it gives on the future of the plastic age.

Commercial Solvents is a durable enterprise, increasing the diversity of its products, and becoming less importantly dependent on alcohol output. $2.22 was earned on the 2,636,878 shares in 1951. Less earning power is expected this year, but the first 1952 quarter looks like the low point in profitability and no one seems to think the 25¢ quarterly dividend is in danger.

CV now turns out over 200 products, with industrial chemicals such as ethyl, alcohol and derivatives, nitric acid and dry ice accounting for 35% of 1951 sales, 15% in farm chemicals and pesticides, 14% in pharmaceuticals (penicillin and bacitrain), 16% in car anti-freezes and washes, and 10% in spirits, neutral as well as the more aggressive kind!

Since 1939, dividends have been declared in each year. CV at 20 today, against 35⅛, the year's high, may suggest to you that there has been sufficient chemical reaction in this issue.

Mathieson has expanded faster than any other chemical but it's done it differently—by merging. In 1947 this company, under the dynamic leadership of Thomas S. Nichols, Chairman-President, took over two leading fertilizer companies. Last year, Mathieson moved into organic chemicals by buying, in toto, Mathieson Hydrocarbon through an offer of its own shares in exchange. And now there is in progress a merger with 96-year old Squibb—five Squibb's common for three Mathieson's. Squibb adds anti-biotics, vitamins, toilet goods and pharmaceuticals to the Mathieson sales arsenal.

As Mathieson goes past the quarter billion mark in the asset column, it now offers a broad diversity of industrial and farm chemicals, and fine entrance into the health trade—a big forward sweep from the early days when it lived almost exclusively on the alkaline side!

Mathieson, with 5,439,930 common shares outstanding, after the Squibb merger, sells around 42 with an indicated $2 dividend. We can't quarrel much about investment worth here; and current market is down about 7 points from year's high.

American Cyanamid continues to fascinate the chemically minded. It seems ever to be moving ahead at a prodigious pace. This year's advance is found in the new $50 million plant near New Orleans to make petro chemicals; and in its new metal extraction process. Refining and smelting for years have been standard procedure for extracting cobalt and nickel from ores. Now this can be done with chemicals, and Cyanamid is developing plants in conjunction with Howe Sound Co. (Utah) and the fabulous Sherritt Gordon Mines, Ltd. (Alberta).

For 1951, gross grew $76 million over the preceding year to $401,802,275 and net was $34.8 million. 100% stock dividend in July this year pleased the shareholders and brought a lot of new trading activity. Recently at 54 (against 65¾ equivalent high for stock before split) and indicating a $2 dividend, ACY yields about 3.80%. When chemicals advance, ACY usually joins in; and often it has led the parade.

Five thousand products, from standard chemicals to those for synthetic rubber and plastics, a marvelous drug and anti-biotic line, dyes, insecticides and explosives—all these are building sales, and a by no means dull future for ACY.

My last item for today is **Rayonier Inc.** It's really a chemical since by chemical processes it's engaged in producing purified cellulose from wood pulp. This base material, wood cellulose, is clamored for in such products as rayon, acetate, cellophane, all sorts of paper, plastics, tire cords and fabrics.

Rayonier is the acknowledged leader in this field, producing 60% of the dissolving pulp output of the United States, and about 20% of the world total.

Rayonier did not really begin to "rev" up till postwar when it began to latch on to vital timber reserves, owning or controlling at the 1951 year end, 340,000 acres in the Northwest and 375,000 acres in the Southeast. Only last June, Rayonier, Inc. won, at a bidding, the right to cut almost a billion feet of lumber on a 35,000 acre Indian Reservation in Washington.

Rayonier's best customers include DuPont, American Viscose, Eastman Kodak, Celanese and Industrial Rayon. None of these customers is exactly dying on the vine.

If you like leverage, Rayonier, Inc. has $40 million in debt, $23½ million in preferred ahead of its 1,987,742 common shares. At 33½ Rayonier pays $1.50 and gives some hint of $5 earnings in 1952. Thus, it sells below 7 times hoped-for earnings. But if our premise was right at the start, namely that Rayonier is a chemical, then it might seem these earnings should have the higher multiplier of a chemical—say 12 times. 12 x $5=$60. Come now, let's not run wild with optimism. Let's just say Rayonier, Inc. at present levels is not the most unlikely item in its price range.

We started with a title—"Chemicals—A Symphony of Synthetics." We may not have followed same too faithfully, but, quite possibly, some of these shares discussed, with a little luck and patience, could make sweet financial music.

Grateful Acknowledgement

In a "Chronicle" article, entitled "Climbing Banks," July 10, 1952, some of the more important factual material was derived from a most excellent monograph "Banking," written by Harry V. Keefe, Jr., Resident Partner of R. L. Day & Co., 75 Pearl Street, Hartford, Conn. Mr. Ira U. Cobleigh, author of the "Chronicle" article, wishes to express his sincere appreciation to Mr. Keefe for the use of some of the data prepared by him, and his regret for the omission of appropriate credit due Mr. Keefe and R. L. Day & Co. at the time of publication.

As a matter of fact, Mr. Cobleigh feels that Mr. Keefe's monograph "Banking" is must-reading for students of bank shares and investors in same.

NSTA Notes

AD LIBBING

This week we are anxious to mention members who have been outstanding in producing ads for our Convention issue of the COMMERCIAL AND FINANCIAL CHRONICLE. George M. McCleary of Florida Securities Company, St. Petersburg, sent in a commercial ad and has suggested three other possibilities.

Harold B. Smith

Sid Saunders of Foster & Marshall, Seattle, and Guy W. Prosser of Merrill Lynch, Pierce, Fenner & Beane, Cleveland, are also mentioned for real performance. I hope we can continue to give our members the names of those who are giving your Advertising Committee assistance needed to go over the top.

I impress upon those who are interested that the yellow contract forms are used for commercial ads and the orange colored forms are for broker-dealer ads. Also, in talking with Russ Hastings, S. R. Livingstone, Crouse & Co., Detroit, our National President, the basis used for affiliate participation is the same as heretofore—1949 and not 1951 basis as stated in my recent letter to the membership.

Our gross to date is $19,567, with New York City over $8,061. Let us all get behind this project during the period the phones don't ring on trades and you will surprise yourselves as advertising salesmen.

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

FROM THE CONVENTION COMMITTEE

All members planning to attend the NSTA Convention are urged to send in their registrations to John Bunn, Stifel, Nicolaus & Co., Incorporated, 314 North Broadway, St. Louis 2, Mo., at once to assure accommodations at the Roney Plaza. Late reservations may have to be accommodated at a neighboring hotel.

Roney Plaza rates are $12 per day, two in twin bedroom, and ten dollars per day single room, European plan. Please help your committee and do it now.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Sept. 18, 1952 is as follows:

TEAM	Points
Donadio (Capt.), Demaye, Whiting, O'Connor, Rappa, Seijas	10
Krisam (Capt.), Ghegan, Jacobs, Gannon, Cohen, Strauss	10
Serlen (Capt.), Gersten, Krumholz, Rogers, Gold, Young	9
Murphy (Capt.), Manson, D. Montanye, O'Mara, Pollack, Gavin	9
Goodman (Capt.), Smith, Valentine, Meyer, Farrell, Brown	8
Leone (Capt.), Greenberg, Tisch, Werkmeister, Leinhard, Lopato	8
Mewing (Capt.), Bradley, Weseman, Hunt, Gronick, Huff	7
Burian (Capt.), G. Montanye, Voccoli, Siegel, Reid, McGovern	7
Hunter (Capt.), Klein, Weissman, Sullivan, Murphy, Searight	6
Meyer (Capt.), Kaiser, Swenson, Frankel, Wechsler, Barker	6
Lytle (Capt.), Growney, Craig, Fredericks, Bies, Lyons	6
Bein (Capt.), Frankel, Casper, Nieman, Bass, Krassowich	4

200 Club
Tom Greenberg ---------- 200

5-Point Club
Hank Serlen
Wilbur Krisam

THE BOND CLUB OF DENVER

The Annual Bond Club of Denver-I. B. A. party which was held on Aug. 21 and Aug. 22 reports the following results of various activities: **Golf**—Leon Lascor of J. K. Mullen Investment Co. and Elmer Longwell of Boettcher and Co. tied with net 65's for the Arthur H. Bosworth Memorial Trophy. Other prizes were awarded as follows:

Low Gross: Bob Baker, Hamilton Management Corporation, Fort Collins, 71. (Third successive year.)

2nd Low Gross: Dave Lawrence, Boettcher and Company, 77.

Low Net: Sam Dunham, Earl M. Scanlan & Co., 59.

2nd Low Net: Fred Meyer, 61.

Team Low Net: Fred Meyer and Arthur Bosworth, Bosworth, Sullivan & Co., 134.

2nd Team Low Net: Elmer Longwell, Boettcher and Company and Jack Ormsbee, Peters, Writer & Christensen, Inc., 135.

Softball: Again the Over-the-Counters, piloted for the second year by Jack Ralston, Peters, Writer & Christensen, really poured it on the Stock Exchanges, winning by a teriffic score.

Tennis: Larry Inman, J. A. Hogle & Co., came through finally and won this event, beating out Phil Clark, Amos C. Sudler & Co., by a narrow margin. Vic Zahner, Zahner & Co., and Russ Siefert of Stern Bros. & Co., Kansas City, were finally stopped cold and did not even place, the first time in many a party.

Horseshoes: We had a real dark horse in this one, Bob Kirchner, Carroll, Kirchner & Jaquith, Inc., came through to the great surprise of himself and everybody else.

Putting: The competition in this event was very heavy and

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Socialized Medicine and Its Failure in Britain

By RT. HON. LORD HORDER*
Physician to the Queen of England

Prominent British physician describes, in detail, operation of Britain's Socialized Medicine, and lists four reasons for its failure to carry out its purposes. Says Britain's nationalized experiment "is splitting upon the rocks of economics," and British doctors now take up more time preparing and signing reports than in giving attention to patients. Warns our credulity may lure us into the "Welfare State," and outlines actions to be taken by physicians to ward it off.

My immediate and distinguished predecessor in the very honorable task which has been allotted to me today was given as his subject: "America of Tomorrow." Those of you who were present remember how Senator Kefauver developed his theme. He began by reminding you that America has become the leader of the nations "who are devoted to a free and democratic way of life . . . nations which respect the dignity of man."

He then pointed out that it was no longer by power alone—physical power—that this challenge to leadership must be accepted, but also by working "through men's minds and imagination."

Coming, next, to the sphere in which his hearers were specially concerned, the Senator affirmed that America had kept free the fields of science and medicine and, as the result of so doing, American medicine had made a big contribution to its foreign relations. This he illustrated by reference to the work of the Economic Cooperation Administration and the World Health Organization, which he considered to be "one of mankind's most stupendous efforts . . . to put into practice the ideals of brotherhood and faith in the fundamental goodness of human beings."

Senator Kefauver's next sentence must have given you much satisfaction. Said he, "The fact that American doctors, free of government domination and secure in the traditional doctor-patient relationship, have led the world in these health developments should be the answer to those critics who seek to destroy our kind of system through a system of socialized medicine."

As a statement of faith on the part of one of your prominent politicians that was, of course, excellent. But I wish I could free my mind of the thought that the argument, as presented, contained a large element of what the logicians call the "*non sequitur*."

You remember the lines in the Pious Editor's creed:

"I do believe in Freedom's cause
Ez fur away ez Payris is."

It is a weakness of our nature, both individual and national, to wish upon others, policies and principles which we hesitate to adopt ourselves. If you read, in conjunction with this reflection of mine, Herbert Spencer's corollary to the cliche—whether originally Curran's or Lincoln's or whose—about the price of liberty being eternal viligance, viz., that "it is far less against foreign aggression against liberty that this vigilance is required than against the insidious growth of domestic interference with personal liberty"; if I say, you add this reflection and this corollary to the Senator's statement of faith, you may count me as being amongst those who believe with him that "the America of tomorrow" will be a nation in which "our freedoms—and our sense of the individual man—will be safe and secure."

Very good; so much for the agreed Article of Faith in general. But what of its operation on the Home Front, for it is that with which I am concerned here?

"Democratizing social change is the order of the day. The organization of Health Services is one part of the movement . . . a very important part, because medical care is so intimate a need of everyone." (M. I. Roemer.) And so, whether you look at it from the angle of the State, as expressed in the old saying: "A nation's greatest asset is the health of its citizens"; or from the angle of the individual, with whom both the cost of living and the cost of doctoring are rocketing, the pressure upon the politician to do something about it is almost irresistible.

Witness President Truman's now historic "Point IV." You remember how it ran: "Now that we have the medical knowledge that can bring good health within our reach to a degree heretofore undreamed of, we must improve the means for putting that knowledge to practical use . . .; to see that our people actually enjoy the good health that medical science knows how to provide is one of the great challenges to democracy."

As I said at Atlantic City three years ago, it doesn't really matter whether the Presidential message was an expression of the Messiah-Complex or of political expediency. What matters is that it caught the popular imagination and that many of your citizens have tuned in to the idea and may, at any time now, ask for some practical fulfillment of the implied promise.

There was nothing really new in this inaugural message of the President. At Hot Springs and at Quebec the slogan had been anticipated and it has been repeated many times since. There is no reason whatever why meetings of the medical organizations of the United Nations should not open with a few verses from the Sermon on the Mount, for Medicine was made for Man, not Man for Medicine.

It is when you come to implement these good intentions that wisdom and foresight are needed.

British Socialized Medicine

In July 1948 medical care was nationalized or, as you term it here, "socialized," in Great Britain. Many friends of mine in this country know that I considered the plan upon which our National Health Service was based lacked both of these fundamentals, and that, as the result, it would largely fail, as, indeed, it has done. This being so, I might be reasonably accused of bias if I gave you my own summary of the view of my colleagues at home on the operation of the service. Let me rather choose the conclusions of one of your own observers—Dr. Stanley Dorst, Dean of the College of Medicine in the University of Cincinnati.

"What," asks Dr. Dorst, "do the thoughtful, intelligent members of the British medical profession think about this system under which they must work? . . . In the first place, they understand clearly the social and economic matrix out of which the present politics pattern developed. They know that nationalization of the people's efforts is basically a response to a grave economic emergency. They waste little time defining the National Health Service Act as a great achievement in social advancement but instead most of the physicians recognize it as part of a rather desperate effort to avert social and economic catastrophe. Because they understand this, the large majority of the medical profession are trying to make the system work even though frustration and disillusionment may be their personal lot. And it is working today, neither because the program was wisely conceived nor effectively executed, but because doctors are doctors and take care of the sick regardless of circumstances when the cards are down.

"There is almost universal agreement among physicians that the hospitals under existing economic conditions must be subsidized by the State. But there is much anxiety expressed because the government has taken over complete ownership as its method of providing subsidy. There is agreement that the medical schools must have greatly increased support from public monies and that this tax support has been wisely administered. There is universal disagreement with the revolutionary method by which the Act was put into operation. It is remembered that the Beveridge Plan allowed from 5 to 10 years to accomplish by gradual stages what was done at midnight on a certain date as an act of power. There is little sympathy for that part of the Act which places the whole medical profession on the payroll of the government and has led to the deterioration of general practice. This, they believe, was not necessary."

"Finally," says Dr. Dorst, "I must answer the question which my friends invariably bring out as the argument designed to annihilate any unfavorable criticism of British medicine. 'Is it not true,' they say, 'that more people are receiving medical care than ever before?' Let me substitute the words 'medical attention' for 'medical care' and the answer is an unequivocal—yes! But if you are interested in medical care, the early diagnosis of disease and its adequate management — the answer is just as emphatically—no!

"A type of medical attention in which unbelievable abuse of the doctor and the hospital are inextricably mixed with real medical need is producing a technique of medical practice which must lead to professional disintegration. That is the result of nationalized medicine as I see it in Britain today."

Dr. Dorst then reviews the situation from a wider and more philosophical angle. "My friends reply," he says, "that they realize Britain has gone too far; but there are many good things in the program and they wish to carry over only the good things and incorporate them into American medicine. When these good meaning people talk in this manner they astonish and frighten me . . . more than they would if they frankly advocated nationalized medicine with all its trimmings. . . . They do not understand the fundamental nature of Socialism in either theory or practice. The idea of a self-limiting or temporary collectivism is too absurd for serious discussion. It is opposed to the historical record of every attempt at limited collectivism by a major nation. . . . It is contrary to the essential nature

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*An address by Lord Horder at the Seventeenth Annual Assembly of the U. S. and Canadian Chapters of the International College of Surgeons, Chicago, Illinois, Sept. 5, 1952.

Marketing Process Stressed By Chemical Industry

Division of Industrial and Engineering Chemistry of the American Chemical Society hears papers on value of market research and innovation in selling of chemicals, together with problems of introducing and distributing new chemicals.

Among the many divisions of the American Chemical Society, the Division of Industrial and Enginering Chemistry is the most alert to the commercial and economic problems facing the chemical industry. A group of papers dealing with the fundamentals of chemical marketing was presented in Section B of this division at the recent annual meeting of the American Chemical Society in Atlantic City, N. J. Mr. Hal G. Johnson, of the Monsanto Chemical Co., in his introductory remarks, explained that the recent emphasis on commercial development and market research in the chemical industry stems from a number of factors. Among them, he listed the rapid growth of the industry, higher capital costs, higher taxes, and a need for greater accuracy in planning as a result of delegation of authority by management.

H. G. Johnson

Mr. Johnson pointed out that development of tools for greater accuracy has resulted from the application of the scientific method to reduce the margin of error in marketing judgment. This is being accomplished by ascertainment and presentation of facts by written and graphic means, which is becoming more and more important to the distributing end of the industry. Data is essential for proper judgment, not only for existing products but also for new products.

* * *

Mechanics of Research

According to Lauren B. Hitchcock of the National Dairy Research Laboratories, Inc., of Oakdale, Long Island, market research entails determination of the actual or potential market for products. It is directed toward ascertaining the need, acceptance, selling price, package potential volume, expected competition, channels of distribution, use patterns, along with trends and advantageous sales policies for already established as well as proposed new products. One of its most important functions is to determine factors which can make it possible to expand markets for absorbing new products. This necessitates qualitative and quantitative analyses of total markets, evaluation of competitive conditions, estimates of potential sales by areas and by classes of consumers, forecasts of future demand and supply trends, and estimates of proper selling prices which will permit the largest potential profits.

Lauren B. Hitchcock

All this research is, Mr. Hitchcock stated, indispensible and should be an integral part of any program of applied research and development of a new product. The research should be a part of the activities, which begin with the pilot plant and followed through simultaneously with other research activities to the final development of the product. As this research proceeds, further marketing possibilities are continuously reviewed in the light of new developments and additional information.

Mr. Hitchcock described "research development in a parallel system" which correlates points of view of personnel in different technical fields and thus facilitates discovery and elimination of unpromising projects and concentrates efforts on promising projects.

Mr. Hitchcock stressed the principle that marketing research activities should lead to participation of the sales department in the work of technical and commercial development projects. He concluded his talk by stating that as a result of the constructive thinking of chemical industry in the last decade, the activities essential to the successful development of a new product can now be set down systematically, and having been so defined, can be compressed greatly in point of time and expense by the resultant reduction in waste motion and false starts. The establishment of such methods tends to promote activity toward an early conclusion, and so helps to avoid inactivity, which may be more costly in a competitive economy. Even discovery itself is far less the result of accident and becomes more the result of planned expeditions into promising territories.

The benefits of today's more systematic methods are apparent when one contrasts nineteenth century time lags of 25 to 50 years, with the twentieth century intervals of 3 to 5 years from test tube to tank car. Pasteurization and DDT are examples of the former; nylon and butadiene examples of the latter. Applied research tells us if we can make a new product, but market research tells us whether it will pay.

* * *

Selling Principles

The principles of selling organization in the chemical industry and the cost of marketing chemical products was discussed by H. O. Ladd, of the E. I. du Pont de Nemours & Co. Mr. Ladd placed emphasis in his remarks on steps which may be taken to ensure effective marketing of chemical products as well as to control nonfixed selling and distributing expense. He gave illustrations of the application of his principles by a discussion of brief case histories.

Harold O. Ladd

Mr. Ladd also commented on the importance, as well as the limitations of published economic and market data as aids in planning direction, control and actual promotion of sales.

* * *

Challenge to Industry

Another paper covering the same subject was presented by Wroe Alderson, of Alderson & Sessions, Philadelphia, Pa. Mr. Alderson stated that the introduction of new products and the development of effective plans for marketing them present a major challenge to executives in the chemical industry. Not so long ago, he pointed out, it was customary to announce a new product and then wait to see what happened so far as market acceptance was concerned. Sales might lag for several years while the company was learning through trial and error how to sell it.

The pace of technological change nowadays makes such a casual procedure in marketing increasingly hazardous. The period of maximum opportunity for a given use may last as little as ten years. Much of the commercial potential of the product may be lost if it takes half that time to learn how to sell it. The threat of competitive developments, Mr. Alderson said, is increased greatly by the announcement of the new product and may further dissipate its profit possibilities if its market potential is not developed rapidly from that day forward.

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Marketing Problems

Concerning the marketing problems involved in the introduction of new chemicals, it was pointed out in a paper by R. L. Bateman and J. A. Field of the Union Carbide and Carbon Corporation that competition in the chemical and

R. L. Bateman

J. A. Field

process industries has never been keener, and this calls for a review of the methods for introduction of new chemicals. The "rifle" vs. "shot gun" techniques, timing on the introduction, specifications and and physical and chemical properties, distribution of samples, usage research, and patent protection were discussed by these experts. Special attention was given by them to toxicological considerations and problems of labeling and of traffic and distribution.

Kidder, Peabody Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Richard E. Wiley is with Kidder, Peabody & Co., 75 Federal Street.

With Waddell & Reed

(Special to The Financial Chronicle)

SOUTH DARTMOUTH, Mass.—Donald B. Carr is with Waddell & Reed, Inc.

Wahler, White Adds

(Special to The Financial Chronicle)

KANSAS CITY, Mo. — Roland C. Lambkin is now with Wahler, White & Co., Dwight Building.

Joins Slayton & Co.

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Oliver W. Hickel is now associated with Slayton & Company, Inc., 408 Olive Street.

David Rockefeller Is Sr. V.-P. of Chase

David Rockefeller has been appointed a Senior Vice-President of The Chase National Bank, responsible for the supervision of customer relations in the metropolitan area, including the bank's New York City branches, it was announced by Winthrop W. Aldrich, Chairman of the bank. He also will have general supervision of the bank's economic research department.

Mr. Rockefeller has been an officer of the Chase National Bank since 1946, when he joined its Foreign Department staff as an assistant manager, after completing three and a half years of wartime service in the United States Army. After successive promotions as assistant cashier and Second Vice-President, he was appointed a Vice-President in 1949, with supervision of the bank's business in Latin America. Under his direction the Chase has opened several new branches in Cuba, Puerto Rico and Panama. Mr. Rockefeller also was the founder in 1950 of a new Chase quarterly economic publication entitled "Latin-American Business Highlights," which has attracted wide interest in this country and abroad.

David Rockefeller is the youngest son of John D. Rockefeller Jr.

Joins Central Republic

(Special to The Financial Chronicle)

OMAHA, Neb.—Julius E. Polenske has become affiliated with Central Republic Company, Farnam Building.

With First of Iowa

(Special to The Financial Chronicle)

HASTINGS, Neb. — Dale D. Welch has become affiliated with the First of Iowa Corporation, Des Moines.

Bank Supervision and the Bank Capital Problem

By W. HAROLD BRENTON*
President, State Bank of Des Moines, Des Moines, Ia.
Vice-President, American Bankers Association

Mid-western banker, in pleading for Federal-State accord in bank supervision under our dual banking system, discusses bankers' responsibility in the future. Stresses the adequacy of banking capital as most serious problem, and says partial solution can be found in more realistic and more liberal reserves against losses of risk assets. Warns banking is a key business, and no solution if bank capitalization problem will be permanent unless line is held against inflation.

Freedom for competition has been one of the very great factors in the building of this amazingly productive nation. It must be recognized that our people have something here that other countries generally do not possess, when less than 7% of the world's population in the United States can outproduce all the rest of the world. Freedom to compete has engendered incentive to a degree never known before by so many people, and has provided a fertile ground for the growth of our productive genius.


W. Harold Brenton

In this election year, we see our competitive two-party system at work. Strong competition needs to be maintained in the political field even though at times there can be areas of agreement; but we must guard, in this political field, against so much agreement that the competition of our two-party system is weakened.

This year we have had the hearings of the Patman Committee. Without a doubt, these hearings have done much to clarify the lines of demarcation between the Treasury and the Federal Reserve Board. While they have a common interest, it has been reemphasized that each has its sphere in which to operate. As one Senator said at these hearings, "We will have a better end result and [that] the Treasury and the System will be better neighbors in the long run, the less they invite themselves in to play in each other's back yards. The proper principle is, 'Good fences make good neighbors.'"

This principle of working together for the public interest, while preserving the rights and privileges of the parties concerned, finds a parallel in the field of bank supervision.

I read with great interest the July 3rd text of accord between the Federal and state supervisors in various areas of their responsibility. Your discussions and understanding were desirable. You are to be complimented that your differences, where they existed, were not allowed to blossom into a full-scale conflict. After resolving your differences of opinion, and working out a mutually satisfactory agreement, it seems fair to conclude that the net result will be a closer understanding among the various agencies, to the end that banks and the public will be more effectively served. What you have done is in complete harmony with the basic principles of the dual system of banking.

Our dual banking system has played a tremendous role in our dynamic economic development. It embraces the fundamental principles of competitive checks and balances which were set forth in our Constitution. I hope that you state and the federal supervisors have many good, constructive visits over the back fence when it is in the public interest, even though you do not play together too much in your back yards.

The Adequate Capitalization Problem

Bank capitalization was given an important place in your text of accord. It is certainly a problem for thoughtful consideration not only by the various supervisory authorities, but also by the banks, the American Bankers Association, the Congress, and business leaders. I recently read with much interest the splendid 89th Annual Report of the Comptroller of the Currency, Preston Delano. This report discloses that fewer than 300 national banks are definitely undercapitalized when capital structure is studied in relation to risk assets and other factors. It is pointed out, however, that while this is only about 5% of the 4,946 national banks, there are additional national banks which might be termed in a borderline category and could use additional capital to advantage. On this, bankers and supervisors have a common interest—we both want to see banks have adequate capital.

Bankers have been mindful of this capital problem as evidenced by the fact that in the last ten years, banks have voluntarily increased their capital funds from $6,951,393,000 to $11,615,767,000.

The inflation resulting from World War II and its aftermath has had a debilitating effect upon the capital-asset ratio of the banking system. This was recently pointed out by Earl Cook, director of the Federal Deposit Insurance Corporation: "From 1934 to 1951 the . . . capital accounts to total assets declined from 13.2% to 6.7%, meaning the equity of bankers in their banks is only about half what it was 18 years ago."

It is generally recognized that the old ratio of capital to total assets or deposits needed a change because it did not properly evaluate the risk inherent in each category of assets. It also had to be changed to move along with the flow of inflation in order to have an attainable goal.

The currently discussed measuring stick is capital to risk assets. As presently considered, risk assets are all assets after the deduction of cash and due from banks, United States government securities, and loans guaranteed or insured by government agencies. This means that the risk assets, largely considered, are all other loans and other securities.

Determining Risk Assets

This method of determining risk assets though deserves further consideration. It does not cover all of the assets with elements of risk, or evaluate the extent of risk for each. For example, a different risk factor should be used for different types of assets since some types of loans carry more risk than others. I am convinced that some part of long term government or government guaranteed assets should be included with risk assets as they carry an element of market risk. As we saw not many months ago, banks owned securities and loans that could not be marketed at their book value. This could happen again, and during a crucial period.

All of this spells out that if we changed to a more realistic asset evaluation, the need for additional capital would be more clearly shown.

There is another reason why adequate bank capital is important. Inflation at the moment may have subsided, but there is no assurance that it will not resume its course again and bring in its wake greater bank assets with increased government bond holdings and increased loans. Over the last ten years, with inflationary pressures, bank assets have outgrown bank capital structures. The same factors which caused those inflationary pressures still exist. Prices are practically frozen at each increased level. We allow emergencies to be created which make for further increases; then we freeze prices at the new higher level. Our spending goes on at an alarming rate. There is no concrete reason to believe that this trend has been halted. So far there is no general public disapproval.

If inflation is resumed, it will devolve upon bankers and supervisory authorities to devise new ways of building bank capital.

Means of Obtaining Bank Capital

In obtaining additional bank capital, there are several possibilities, with varying degrees of effectiveness.

(1) **The Sale of Additional Common Stock.** The Comptroller's Report points out that national banks in 1951 added approximately $150,000,000 to their capital structure through the sale of new common stock. This is a small amount compared with the total national bank capital structure of $7,100,000,000. While the sale of common stock may be possible here and there, with present net profits after taxes, it is too much to expect that many people would be interested in buying new bank common stock. It could also be unfair to the present stockholders to further dilute their share of the earnings in view of present low dividend rates. Here and there are banks in growth areas where sale of additional common stock will be attractive. Under existing conditions, however, there appears to be little hope for much of a nationwide solution through the sale of common stock.

(2) **The Offering of Preferred Stock.** Perhaps a market for new preferred stock could be established, but it would probably need to carry attractive redemption or conversion privileges. So far as I have heard, most of you supervisory authorities are opposed to the issuance of preferred stock. I also am opposed. Preferred stock would be accepted by the market only in good times. In periods when the added capital protection would be needed, there would already have been partial retirement.

For my part, as a bank stockholder, I don't want preferred stock placed ahead of my common stock ownership.

(3) **Greater Additions to Capital Structure from Net Profits after Taxes.** Since 1940, insured commercial banks have added over $5 billion to their capital accounts. Almost all of this has been through retention of net profits. Nevertheless, with inflationary pressures and high taxes, the accumulation of capital through this method is a relatively slow procedure. Capital growth just hasn't been able to keep pace.

In 1951, all insured commercial banks after taxes and reserves had 7.8% of their capital funds avail-

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*An address by Mr. Brenton at the Annual Meeting of the National Association of Supervisors of State Banks, Baltimore, Md., Sept. 24, 1952.

Pricing Chemicals Under Current OPS Policies

By ELSTON E. FOGLE*
Director, Rubber, Chemicals, Drugs and Fuels Division
Office of Price Stabilization

After outlining origin and purpose of Office of Price Stabilization, Mr. Fogle discusses problems relating to pricing of chemicals. Says chief difficulty is in pricing new products, but reveals a more liberalized policy to meet current economic conditions. Lists recent basic exemptions from price controls and concludes, chemicals generally "are not eligible for decontrol to any important extent even under new standards."

This opportunity to talk for a few moments regarding the activities of the Office of Price Stabilization is greatly appreciated. In trying to decide the exact turn this talk should take in order to be of the greatest possible interest to you gentlemen of the Chemical Industry, it seemed to me that I might start by outlining for you swiftly the origin and purpose of the Agency. The invasion of the Republic of Korea on June 25, 1950, made clear to the American people that this nation needed a much higher level of preparedness to assure national security and peace.


E. E. Fogle

The Congress responded to this need with the Defense Production Act of 1950, which was approved Sept. 8, 1950.

To embark on a vast defense production program at a time when the national economy already was operating at record levels carried with it a serious threat of inflation. The Congress, therefore, in the Defense Production Act provided measures for maintaining our economic strength while building the national security.

The activities of the Office of Price Stabilization are an integral part of the economic stabilization program provided by Congress in the Act. The primary function and main program of the Office of Price Stabilization is to maintain a stable price structure and to safeguard the interests of consumers and producers, while furthering defense production.

To achieve this purpose, a number of integrated activities are required to support price operations, such as public information, industry advisory committees, cooperative activities with other government departments and agencies, as well as an enforcement arm.

Authority From Which Agency Derives Its Powers

Ceiling Price Regulations—Title IV and Title VII of the Defense Production Act of 1950 (Public Law 774, 81st Congress) conferred certain powers upon the President with respect to price and wage stabilization.

The law gave the President wide powers for the control of prices and wages and for the allocation of materials. It also contained certain limitations and exceptions. Specifically, it limited the authority to impose ceilings on agricultural commodities and on products manufactured and processed in whole or substantial part from farm commodities. It specifically exempted from ceilings real property, professional services, materials furnished for publication by press associations or feature services, books, magazines, motion pictures and newspapers, radio, television, theatres, outdoor advertising, insurance rates, rates of common carriers and public utilities, and commodity exchange margin requirements.

You may be interested in the statement of the purpose of this Agency as it is found in its Organizational Statement. I quote:

"The chief purpose of the Office of Price Stabilization is to promote the national defense by reducing the effects of inflation and preserving the value of the national currency. The major function of the Office is to establish price ceilings to stabilize the cost of living and the cost of production, both civilian and military, to eliminate and prevent profiteering, hoarding, manipulation, speculation, and other disruptive practices, resulting from abnormal market conditions or scarcities, and to protect consumers, wage earners, investors and persons with relatively fixed incomes from undue impairment of their living standards. In addition, the Office is charged with the maintenance of a reasonable balance between purchasing power and the supply of consumer goods and services, the protection of the national economy against future loss of needed purchasing power by dissipation of individuals' savings, and the prevention of a future collapse of values."

With that brief outline of its origin and purpose, I should like to turn for a few moments to consideration of some of the aspects of our activities which are of particular interest to you people of this organization. The Rubber, Chemicals, Drugs and Fuels Division of the Office of Price Sabilization has in it a Chemicals Branch staffed with people from your industry and from government who have the responsibility of carrying out the objectives of the Defense Production Act with regard to the pricing of chemicals. In the 20 months since the establishment of that branch it has drawn up a considerable number of regulations and letter orders establishing price ceilings or procedures for determining them.

As you know, the chemical industry for the most part operates under Ceiling Price Regulation 22. There have been issued under that regulation a number of supplementary regulations which have in some way modified its provisions to meet special problems or unusual market conditions. You are familiar with such special actions as SR-105 to the GCPR which covers certain polyvinyl chloride resins, and Supplementary Regulation 12 to CPR 22, which keeps certain organic insecticides under the provisions of the General Ceiling Price Regulation — Supplementary Regulation 24 to CPR 22, which provides for tailored pricing of certain phthalate plasticizers.

The problems with which the Chemicals Branch has to deal today are largely ones involving the establishment of ceiling prices for new products or special situations which arise because of changing

*An address by Mr. Fogle before the first of the Fall meetings of the Synthetic Organic Chemical Manufacturers Association of the United States, New York City, Sept. 10, 1952.

conditions or unforeseen developments. The people of the Branch are anxious and willing to be of help in every way possible. If a careful study of the applicable regulations does not indicate a solution to your problem, I suggest you consult with the Chemicals Branch Chief or some of his staff about your problem. Such an informal consultation has been of great value to industry people in a number of cases.

At this point I might call your attention to a few recent actions with which you may not be familiar, but which are important.

One of the most important of these is General Overriding Regulation 2, Revision 1, and Amendment 1 thereto, replacing GCPR, SR 1, which had provided exemption from price control for certain specified commodities, among which were "Chemical Products" when especially designed to meet military needs and sold to a defense agency. When GOR 2, Revision 1, was issued, "Chemical Products" was dropped from the order. That has created a problem for some companies who were producing special chemicals for defense agencies. We shall be glad to know of any difficulties which this change has created. Some companies have already consulted with us about this matter. The Manufacturing Chemists' Association has taken some action in an attempt to outline for us some difficult situations arising from this action.

General Overriding Regulation 27 on certain long-term contracts may be of interest. These are contracts for more than one year, and entered into prior to Jan. 26, 1951. A number of such contracts have been approved under this regulation. It permits escalation clauses of such contracts to resume operation under rather flexible control.

New Policy

During the last few months the Agency has been developing new policies and reviewing and revising old ones to meet the current economic conditions and recognize changes which have come about because of actions taken by our sister agencies. The steel, copper and aluminum price increases — particularly the steel settlement — broke through the standards being used by the Agency and has given impetus to the re-examination of policies and procedures. The Director of Price Stabilization recently issued a number of statements in the form of press releases which outlined the policy of the Agency for the next few months. You may be interested in some of the basic principles on which the new program is to rest:

"The new program is designed to meet the exigencies of the present over-all situation. It reflects the intention of Congress as expressed in the recent extension of the Defense Production Act, and recognizes the limitations on time, funds and authority imposed by law. It takes into account recent special price increases made without regard to OPS standards, and it recognizes the probability that there will be somewhat greater upward pressure on prices in the immediate future.

"*Basic Assumptions*—(1) Under normal conditions direct price controls have no place in the American way of life. They should be employed only when inflation endangers the public welfare and safety.

"(2) The present and prospective economic situation requires that active price controls be continued in many areas of the economy and suspended in others.

"(3) Where active controls are continued, ceiling price increases must be limited to those required by law or by fairness and equity.

"(4) Where active controls are continued they must be administered as efficiently as possible and with minimum administrative burden upon business enterprise.

"(5) The danger remains acute that international or domestic developments might create a new inflationary crisis, and it is necessary that plans be available to meet it promptly and efficiently."

In proceeding with the program, new standards and criteria for suspension and decontrol are formulated. All commodity areas are being examined to determine which ones may be eligible for decontrol or suspension action. Cotton linters, for example, are suspended. Suspension orders have been issued on a number of other products. The Chemicals Branch is actively at work on the problem and will make some specific recommendations within the next two weeks. The term "decontrol" as used by OPS means complete removal from all price controls. On the other hand, "suspension" means retaining a given price regulation and the price ceilings which it sets, but rendering them inoperative while actual selling prices of the commodity or service are below ceilings, and until such a time as selling prices begin to approach ceiling levels once more. A "trigger" mechanism will indicate when this point is reached, followed by reactivation of control.

Exemption from control will be approved when it can be shown that the situation involving a material or service meets the following conditions:

(1) (a) The material or service does not enter significantly into the cost of living of the average American family or into business costs; or (b) Control of the material or service involves administrative difficulties for OPS or the sellers of the material or service which are disproportionate in relation to the effectiveness of the control or the contribution to the price stabilization program.

(2) The material or service is appropriately separable from other materials or services and is not merely a subdivision of a broader area.

(3) There is no evidence to show that decontrol of the material or service will have a significant adverse effect on the price level when considered in conjunction with previous decontrol of related materials or services.

(4) Exemption from control of the material or service presents no substantial threat of diversion of materials and manpower from sellers remaining under control.

We will not suspend controls where such action would result in levels of prices or margins higher than permitted under applicable regulations. More specifically, in connection with any suspension action, there must be *a finding made that prices are materially below ceiling*, and that there is *no prospect that reimposition of controls will be necessary in the foreseeable future.* Moreover, before any suspension action is taken, an *adequate price watching system* must be established, and a *determination made*

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NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

S. T. Mason Frey, Vice-President of **Bankers Trust Company, New York**, has been named head of the Out-of-Town Division, it was announced on Sept. 22 by S. Sloan Colt, President. In his new capacity, Mr. Frey will assist J. P. Dreibelbis, Vice-President in charge of the Banking Department. At the same time, it was announced that William H. Moore, Vice-President, would succeed Mr. Frey as head of the Bank's Far West District. Mr. Frey joined Bankers Trust in 1932. He was elected Assistant Treasurer in 1943, Assistant Vice-President in 1945, and Vice-President in 1948. Mr. Moore joined the bank staff in 1938. He was elected Assistant Treasurer in 1948, Assistant Vice-President in 1949, and Vice-President in 1951.

S. T. Mason Frey

William H. Moore

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Appointment of Harold Philips and Frederick G. Rudolph as Trust Officers at **Manufacturers Trust Company of New York** was announced on Sept. 22 by Horace C. Fanigan, President. Both men are assigned to the Corporate Trust Department of the company. Mr. Philips joined the Chatham Phenix National Bank in 1920 and became associated with the Manufacturers Trust when the two institutions merged in 1932. He was appointed an Assistant Trust Officer in 1941. Mr. Rudolph started his banking career in 1923 with the Metropolitan Trust Company which later merged with the Chatham Phenix National Bank. He was appointed an Assistant Trust Officer of Manufacturers Trust in 1944.

The appointment is also announced by President Flanigan of Cornelius J. Sager as Assistant Vice-President in charge of the Queens Plaza Office of Manufacturers Trust. Mr. Sager has been an Assistant Secretary since 1945 and was in charge of the North Side Office (Brooklyn) of the company. He is a member of the Queensboro Chamber of Commerce, the Bankers Club of Brooklyn and a director of the John J. Gavin Co., Inc.

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The election of Frederick V. Matthews, Treasurer of Stern & Stern Textiles, Inc., to the Advisory Board of the Yorktown Office of **The Marine Midland Trust Company of New York** is announced by James G. Blaine, President.

* * *

The election of John A. Gifford to the board of trustees of **The New York Savings Bank** at 8th Avenue and 14th Street, New York, was announced on Sept. 22 by the President, Richard L. Maloney, Jr. Mr. Gifford is a member of the law firm of White & Case.

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Clifton W. Phalen, newly elected President of the Michigan Bell Telephone Co., has resigned as a trustee of the **East River Savings Bank of New York.** Mr. Phalen, who was formerly Vice-President of the American Telephone & Telegraph Co., had been a member of the East River Board of Trustees since Sept. 13, 1951. The Board of Trustees adopted a resolution expressing appreciation for Mr. Phalen's helpful cooperation and accepting with regret his resignation, which was necessitated by his new position.

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The Bank of Tokyo, Ltd., announces the opening of an agency office to conduct an international banking business at 100 Broadway, New York. Yeisuke Ono is director and agent in New York. A license to maintain an agency in New York was issued to the bank by the New York State Banking Department on Sept. 11.

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George C. Johnson, President of **The Dime Savings Bank of Brooklyn, N. Y.**, announced on Sept. 23 that the board of trustees of "The Dime" had made the following new official appointments: Robert W. P. Morse to Assistant Treasurer and Arthur F. Johnson to Assistant Secretary. Mr. Morse entered the employ of "The Dime" in February, 1933 as a clerk and teller at the bank's Flatbush branch. Two years later he was transferred to the main office and he has served in various capacities in the Accounting and Mortgage Department. In December, 1950, he was appointed Assistant Comptroller. Mr. Morse, a veteran of World War II, served as a First Lieutenant in the U. S. Army Finance Division in the China Theatre. Mr. Johnson started his banking career with the Brooklyn Trust Co. in 1933. In 1941, he became associated with The Dime Savings Bank as a mortgage administrator in the Mortgage Servicing Department. Also a veteran of World War II, Mr. Johnson served in the Pacific Area as a Major in the U. S. Air Force.

* * *

Christopher C. Mollenhauer, President of the **Dime Savings Bank of Williamsburgh** (Brooklyn) for many years and former Grand Master of the Masonic Lodge of the State of New York, died on Sept. 18 at the age of 81. He was a former member of the State Board of Regents and at one time was on the Board of Eduation, the Brooklyn "Eagle" reports. It added:

"Mr. Mollenhauer was born in Brooklyn June 14, 1871. After completing his studies in borough public schools, he started out as an employee of a real estate firm, of which he later became a member. In 1925 he was elected President of the Dime Savings Bank of Williamburgh."

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As of Sept. 12 the **First National Bank in Greenwich, Conn.** increased its capital from $250,000 to $300,000, as a result of the declaration of a 20% stock dividend payable to stockholders of record Sept. 8.

* * *

The absorption of the **Citizens National Bank of Collingswood, N. J.** by the **Camden Trust Co. of Camden, N. J.** has been effected as of Sept. 8, the offices of the Citizens National now being operated as a branch of the Camden Trust. The plans for the merger were noted in these columns Aug. 14, page 572.

* * *

Stockholders of **South Philadelphia National Bank** and **Central-Penn National Bank of Philadelphia** approved on Sept. 18 the agreement to merge the two banks under the name and charter of Central-Penn National Bank of Philadelphia, it was announced by C. A. Sienkiewicz, President of Central-Penn and C. Russell Arnold, President of South Philadelphia National. The merger plan which was announced early in August by the Directors of both banks is subject to the approval of the U. S. Comptroller of Currency. The basis of exchange under the agreement was one and one-quarter shares of Central-Penn stock for each share of South Philadelphia National. Details of the merger plans were noted in our Aug. 14 issue, page 572. The enlarged Central-Penn Bank will have capital, surplus and undivided profits of about $17,900,000; total assets of over $200,000,000 and deposits of approximately $190,000,000. The consolidation will increase the number of Central-Penn's banking offices from ten to twelve. Former offices of South Philadelphia National located at Second and Pine Streets and at Broad and South will become Central-Penn offices effective about Oct. 31. C. Russell Arnold, President of South Philadelphia National, will become a Vice-President of Central-Penn. All employees and officers of South Philadelphia National will be retained in the enlarged bank. Norman C. Ives, who served as Chairman of the Board of Directors of South Philadelphia National, will become a director of Central-Penn and Chairman of the South Philadelphia Advisory Committee.

* * *

James K. Wambold, Trust Officer of the **National Bank of Chester County & Trust Co. of West Chester, Pa.** died on Sept. 11. He was 50 years of age. The Philadelphia "Inquirer" reporting this said Mr. Wambold was a past officer of the Corporate Fiduciaries Association of the Pennsylvania Bankers Association.

* * *

Three promotions and the retirement of a veteran bank officer were announced on Sept. 18 by William A. McDonnell, President of **First National Bank in St. Louis.** Walter A. Heidell, Manager of the bank's credit department, was elected Assistant Vice-President and Manager of credit department; William E. Feld of the personal loan department was elected Assistant Cashier in that department; Leo F. Ryan was elected Assistant Cashier and manager of the savings department, effective Oct. 1, when the present manager, Walter J. Clark, Assistant Cashier, will retire under the bank's pension plan. Mr. Heidell began his banking career in 1920 as an office boy in the First National Bank. From 1942 to 1945 he served in the finance department of the U. S. Army Air Corps. He is a member of the St. Louis Association of Credit Men, and of the Robert Morris Associates. Mr. Feld started his banking career with First National Bank in 1923 and in 1934 became a member of the staff of the personal loan department which was created that year. Mr. Ryan, who has been active in banking since 1910, joined the First National Bank in 1919. He was made Assistant Manager of the savings department in 1942. He is President of the Savings Association of St. Louis Banks. Mr. Clark, who retires Oct. 1, attended American Institute of Banking classes for a number of years. He was a teller in the old Third National Bank of St. Louis from 1903 to 1919, and in the First National Bank in St. Louis from 1919 to 1921, when he became chief clerk in the savings department. He was elected manager of the department in May, 1942. He is a former President of the Sav-

Continued on page 38

Better Public Relations Sought By Chemical Industry

American Chemical Society lists objectives of its new service in better serving the public and disseminating information on chemical science and technology. Speakers stress value of sound public relations policy.

Considerable attention is being given by the rapidly growing chemical industry to the cultivation of better relations with the consuming public. A whole session on Public Relations Activities was held jointly by the Division of Industrial and Engineering Chemistry and the Division of Chemical Education of the American Chemical Society at the recent annual convention in Atlantic City, N. J. A number of papers were presented by public relations experts, by members of the press, and by executives and officials of chemical concerns dealing specifically with this subject.

Aims of News Services

Dr. Walter J. Murphy of the "Chemical & Engineering News" listed the public relations objectives of the American Chemical Society, operating through its ACS News Service. According to Dr. Murphy the principal aims of the News Service are:

Dr. Walter J. Murphy

(1) To disseminate information on chemical science and technology, thereby increasing public understanding of chemistry's contribution to human welfare and progress.

(2) To stimulate public recognition of the contributions of chemists and chemical engineers to better living.

(3) To strengthen and improve the professional and economic status of chemists and chemical engineers.

(4) To provide information about the American Chemical Society and its aims and policies, with a view to extending its influence—and therefore the influence of its individual members—in all public matters of direct concern to chemists and chemical engineers.

(5) To promote the expansion of the chemical industry, meet the nation's needs, raise the living standard, and provide more jobs.

(6) To condition the public to accept new chemical products with full confidence.

(7) To educate bankers and investors in the possibilities inherent in sound and persistent chemical research.

(8) To educate industrial management in the value of and need for continuing chemical research.

(9) To encourage public service activities on the part of chemists and chemical engineers.

(10) To acquaint American youth with the true nature and importance of the chemical profession, in an effort to attract the most competent type of young men and women to the profession.

Dr. Murphy discussed each of the ten objectives of the News Service in considerable detail. The relationship of the Society's publications as they affect public relations was also discussed. Finally, the relationship of the News Service at the national level and the local sections and divisions was explained by Dr. Murphy.

Informed Public Essential

According to a paper read by James W. Irwin, Public Relations Counsellor of Shaker Heights, Ohio, every facet of business and industry, every facet of education, every branch of the professions, whether they be in groups or as individuals, face new and serious socio-economic problems in the period in which we are now operating as well as the period ahead. People are restless and nervously stimulated by the uncertainties of their individual futures. He pointed out that rumor factories, as always, are running overtime, and advocates of alien philosophies are making unmistakable headway in their programs to obtain control of men's minds.

James W. Irwin

No matter which major political party goes into power next January, Mr. Irwin said, there is a positive though admittedly dangerous trend toward nationalization of industry. With nationalization of industry the subjugation of the individual always seems to follow. An informed public, therefore, becomes an absolute essential to business, education, the professions. A properly informed public may well prove to be our greatest asset—as businessmen, as educators, as scientists.

Just as progressive businesses and institutions have been aggressive in research, technological improvement in production, and increased efficiency in distribution, more and more they will improve their public relations and work more energetically toward the establishment of policies which woo the support of additional segments of the masses.

* * *

Value to Industry

Richard A. Aszling, of Earl Newson & Co., New York, spoke on "Why Public Relations for the Chemist?" He pointed out that basically, the chemist should concern himself with public relations for the same reason that everybody else should. Public opinion is a vital force in today's society, and individuals and institutions—including chemists and chemistry—must acknowledge that fact if they would survive and prosper.

Richard A. Aszling

Mr. Aszling remarked that in the important task of achieving a favorable climate of public attitudes in which to work, the chemist has, on the one hand, a head start over others. His daily work is an action of the type which people approve, he is busy making things better, maintaining and improving the standard of living, and promoting general security. This is a forward-looking activity which wins popular favor when it is understood. On the other hand, the chemist is also at a disadvantage public-relations-wise because of obstacles to effective communication. His work is a mystery to most people. His scientific terms are like a foreign tongue. Many of the major results of his labor are remote from daily life. Before he can communicate effectively with the public, he needs an interpreter. These obstacles are not insurmountable, however. By recognizing the job to be done and taking steps to get it done, the chemist with his head start can achieve good public relations. This, he asserted, will be beneficial to chemistry and to the industries and institutions of which it is a part.

Banking Group Offers Duquesne Light Bds.

Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co., Inc., yesterday (Sept. 24) offered $14,000,000 Duquesne Light Co. 3¼% first mortgage bonds, series due Sept. 1, 1982, at 102.422% and accrued interest. The group won award of the bonds at competitive sale on Monday on its bid of 101.962%.

Proceeds from the sale of the bonds, plus proceeds from the recent sale of preferred stock by the company, will be used to pay short term bank loans aggregating $14,725,000 incurred for construction purposes, and to finance part of the construction program. The company plans construction expenditures of approximately $113,420,000 in its 1952-1954 construction program, and of the total amount, it is expected that about $32,940,000 will be spent in 1952, $42,590,000 in 1953 and $37,890,000 in 1954.

The bonds will be redeemable at prices ranging downward from 105.43% to par. Sinking fund redemptions will recede from 102.47% to par.

Duquesne Light Co. is engaged in the output, purchase, transmission, distribution and sales of electric energy. A subsidiary of Philadelphia Co., the company serves an area of approximately 817 square miles embracing the city of Pittsburgh and surrounding municipalities in Alleghany and Beaver Counties, Pa., with a population of 1,550,435, according to the 1950 census.

A. A. Tibbe Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Myrtle R. Steiner has joined the staff of A. A. Tibbe & Co., 506 Olive Street.

Joins Bache Staff

(Special to The Financial Chronicle)

GASTONIA, N. C. —William B. Williams has become affiliated with Bache & Co.

Two With H. B. Cohle

(Special to The Financial Chronicle)

CINCINNATI, Ohio — O. R. Emigh and Henri Schnabl have become associated with H. B. Cohle & Co., Union Trust Building, members of the Cincinnati and Midwest Stock Exchanges.

Lawrence G. Gessing Now With Prescott & Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Lawrence G. Gessing has become associated with Prescott & Co., Carew Tower. He was formerly with H. B. Cohle & Co. and Frederic Latscha & Co.

Joins Newhard, Cook

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—John W. Broderick has become affiliated with Newhard, Cook & Co., Fourth & Olive Streets, members of the New York and Midwest Stock Exchanges.

Municipal Bondwomen Elect New Officers

At the annual meeting of the Municipal Bondwomen's Club of New York Mildred Johnson of F. P. Lang & Co. was elected President, succeeding Frances Weller Isengard of Harry Downs & Co. Ruth Miller of Lee W. Carroll & Co. was elected Vice-President, succeeding Sara Pardy Powers of R. D. White & Co.; Jean M. Davies of Wainwright, Ramsey & Lancaster was elected Treasurer, succeeding Grace Zvonik of Laidlaw & Co., and Dorothy Root of F. S. Smithers & Co. was elected Secretary, succeeding Jean Schwarzwaelder of W. E. Hutton & Co.

Elected members of the Board of Governors were Anna F. Schreiber of Mitchell & Pershing, and Alice Dooley of Ira Haupt & Co. Continuing Governors will be Frances Weller Isengard, retiring President; Elsie T. Schuyler of Chemical Bank & Trust Co., and Mary Varley of Harriman Ripley & Co., Inc.

Slayton Adds

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Richard E. St. Clair has been added to the staff of Slayton & Company, Inc., 408 Olive Street.

Walston, Hoffman Co. Shows Its Shovel

Walston, Hoffman & Goodwin, members of the New York Stock Exchange, furthering its policy of demonstrating the wares of listed corporations, presented four continuous 25-minute showings of Thew Shovel Company's technicolor documentary, "Sidewalk Superintendents," Sept. 24, in the firm's 1370 Broadway branch, New York City.

The investment firm is currently featuring a Thew Shovel window display, its 20th in a series that has incorporated a wide range of industrial activity and related products. Thew (Lorain) Shovel Company, the world's largest manufacturer of power cranes and shovels, was founded by Richard Thew, a Great Lakes Ship Captain, and has been largely responsible, as both the display and movie define, for the development of combustion and electric powered cranes and shovels since 1927 when Thew produced its last steam motivated product.

With White, Noble

(Special to The Financial Chronicle)

DETROIT, Mich. — Lewis Rowady has become associated with White, Noble & Company, Buhl Building. He was formerly with Charles E. Bailey & Co.

The Election Prospects

By JAMES A. FARLEY

Former Chairman, National Democratic Committee
Former Postmaster General of the United States
Chairman of the Board, Coca-Cola Export Corp.

Former Democratic party leader maintains as crucial determinant of Stevenson victory the fact that more people are better housed, better clothed, better educated, and generally better off than they have ever been before. Disapproves of Acheson's reaction to the Hiss conviction.

Following is a partial transcript of an audience question-and-answer session with Mr. Farley at a dinner meeting of the National Industrial Conference Board in the Waldorf Astoria Hotel in New York City on Sept. 18.

Very frankly, I am not going to attempt to discuss economic issues because I don't profess to known anything about them. I am a sort of hard-headed business fellow who has been active in business and politics for 30-odd years or more, rolled with the punches, had a lot of fun, and thoroughly enjoyed all the experience I had in politics, in government and in business.

James A. Farley

I don't think things are quite as bad as some businessmen would make it appear. I might start out by stating that, in my opinion, no matter what they may say about the economic issues that are present in this campaign, I think it must be admitted—at least I am going to make the statement—that more people are better fed, better housed, better clothed, better educated; and generally speaking, despite taxes, despite rationing, despite all the things that have happened to them as the result of the war and postwar difficulties, there are more of those people better off than they have ever been before. The well-being of more people will motivate those who are going to vote in the November election. There are plenty of these people, in my judgment, despite the mistakes that my party may have made down through the years. Despite the errors of omission and commission (and there are a lot of things that happened that I won't attempt to defend), a great improvement has taken place, great things have happened in this country that have improved the well-being of millions of our people.

The 1948 Pattern

That is what happened in '48 when the distinguished candidate of the opposition was going around the country and indicating that things were pretty good, that he would run them a little better if he was elected. Now, as then, the same people in my judgment will only go to the polls in November, despite all these economic issues that are raised, and vote for the candidate of the Democratic Party.

And I believe that sincerely. I am not attempting to make a campaign speech, but I believe that as sincerely as any statement I have ever made to this or any other group.

With that off my chest, Mr. Chairman, I will take the first question.

Question: You said, General Farley, that a lot of people are going to vote for Mr. Stevenson. You didn't say whether he was going to win.

Answer: I am delighted that you made it possible for me to answer that. I believe sincerely that Governor Stevenson is going to win. Let me say this in passing. I have a great deal of admiration for the distinguished General who is running on the Republican ticket, and I would be the last in the world to say anything unkindly about him.

I believe our side is going to win despite the General's excursion in the South. Those fellows are not going to vote the Republican ticket. I really believe that the border States are in trouble as far as the Republicans are concerned. We could get Montana, we could get Arizona, New Mexico, Nevada, Missouri, Massachusetts, Rhode Island, and maybe Connecticut, and I feel certain that Illinois is not going to reject their Democratic Governor, inasmuch as Colonel McCormick out there advised people not to be too much disturbed by either nominee. That isn't going to hurt Governor Stevenson.

So just add those States up mathematically and you have a pretty good number of votes in the electoral college; and New York is in pretty good shape at the present time insofar as the Democratic nominee is concerned.

So I am right here and now, Mr. Chairman, going right out on a limb and predicting that the Democratic Party will be successful in the November election.

Question: Would you like a comment on Texas?

Answer: Yes, I believe that the same thing will happen in Texas. If you look back at Texas in 1948, they really hated Harry, and they had two Democratic Governers to vote for on the Dixiecrat ticket, the Democratic Governor of North Carolina and the Democratic Governor from Mississippi, running as Vice-President. They could in all conscience vote for a couple of Democrats running on a Dixiecrat ticket, but the ladies will pardon me if I say they are going to have a hell of a time voting for a Republican President in my judgment, inasmuch as Truman carried that State by a half a million in round figures in the last election.

Communist Infiltration Insufficient Reason for Change

Question: Mr. Farley, if you had not been associated with the Democratic party over the years, as a businessman today how would you vote in the coming election?

The Chairman: That isn't a fair question.

Question: Mr. Farley, do you not think that just for the good of getting the Commies out of Washington that it is time for a change?

Answer: May I say to you that there isn't anyone in this country more opposed to communism than I am. I have spoken that way down through the years. I abhor the thought of communism.

I will admit to you that there was an infiltration in the Government. I was not any more pleased with it than you or anybody else. I think, however, that is not a sufficient reason for change. May I say that this Administration, with the help of some people on the Republican side, has driven those Commies out of the Government. I do not think that in itself, frankly, is a sufficient reason to change the Administration.

Question: Do you think it is possible for the two States that did not go Democratic in 1936 to go that way in 1952?

Answer: Well, Maine and Vermont did not go Democratic in 1932; they did not go Democratic in 1936; and I doubt very much whether in the lifetime of those present here we will ever see those States go in the Democratic column in a national election. But Maine did go Democratic in 1932 and in 1934 in a gubernatorial election.

May I say in passing that if the Democratic organization had exerted what I felt was a proper amount of influence in Maine in the past election they might have been able to elect a Democratic Governor there. But they missed the boat.

Attitude Toward Hiss

Question: Mr. Farley, do you condone the Secretary of State not turning his back on Alger Hiss?

Answer: I will answer that very frankly. I thought that was a very stupid answer he gave. I think he should have said that he felt sorry for Mr. Hiss or anybody else who might have been in the predicament he was in. He made a statement after the courts had rendered a decision.

I think we can criticize all we want, but the courts of the land had made a decision. I am a strong believer in sticking with friends, but I thought that statement of the Secretary of State was ill-timed and not a very good statement. I would not attempt to defend that.

Prosperity's Permanence

Question: How long do you think this well-being that you talk about can last?

Answer: Not being an economist, I cannot answer that one. May I say this to you. I shall never forget in the early days of Mr. Roosevelt's Administration one night we were talking about the condition of the country. At that time the Federal budget was, as I recall, seven billion dollars for the entire cost of government, including interest payments on our national debt and everything else. FDR said, "Now, Jim, if we can get cotton to let's say seven cents, if we could get corn to a comparable figure, and if we could get wheat to a comparable figure, and if we could boost the national income," which I think in those days was something between 57 and 60 billion dollars, "if we could boost this national income to 75 billion dollars, why, we would get along all right and we would meet the national debt."

In speaking of the national debt, I think it is fair for me to say to you that approximately 250 billion dollars—and do not hold me to the figure—of that national debt has had to do with the second World War. Do not hold me to the figure, but a good portion of that had to do with the expense of the war. Now, how much has been expended since the war, frankly, I do not know, and I would not attempt to defend that situation.

What Will We Use for Money?

Question: Mr. Farley, you said that up until now you base your whole premise of the Democratic campaign on the fact that people are better off. What are we going to use for money in the next 20 years?

Answer: I do not know, but I hope the Lord permits me to be around in the next 20 years. I do not want to be facetious in answering that question. I cannot answer that question honestly.

At the outset of my statement I said something and I meant it sincerely. I sincerely believe that a vast majority, more than a vast majority of the American people, despite high taxes, despite their economic problems, despite all the things that we talk about are quite well satisfied with the conditions that exist. And I believe they are going to go to the polls and so indicate in November.

The War Factor

Question: Mr. Farley, what do you think the Korean war has to do with the fact that many of these people have more money in their pockets, and so on?

Answer: Well, it may have something to do with it. I do not know definitely. It may have something to do with it. But I heard General Eisenhower, General MacArthur, and many men high in military circles and in governmental life in this country say that President Truman had no other course to follow than the course he did. I would not attempt to stand up here and defend the conduct of the war. I do not know whether it has been conducted satisfactorily or not. For that reason I am not going to say that it has not been carried on properly or not. If I knew, I would say so.

A Washington "Mess"?

Question: Mr. Farley, do you think there is a mess in Washington?

Answer: I will admit to you that there has been trouble in Washington. I would not stand up before this or any other intelligent gathering in the United States and defend corruption in high or low station. That happens in cities, in towns, and in villages. I am sorry to admit that it has happened in the Federal Government. It happened when the Republicans were in power, too. I do not like to talk about what happened 20 years ago, and I am not going to talk about what happened, but they had their troubles, too. I say that without attempting to defend the wrongdoing of anyone in public life.

Most of those people who have done wrong—I say most of them—have been indicted and prosecuted, or are in the course of being prosecuted by Democratic United States District Attorneys because there are no Republican District Attorneys around.

Question: Mr. Farley, how could anyone take an active part in this campaign without understanding the economics of this country?

Answer: Ninety-nine people out of a hundred take sides either for the Democratic or Republican party without being too well versed in the economic issues.

I am a firm believer in majority rule. I was a delegate to the convention from New York. I did all I possibly could do to keep the South in line, and I did all I possibly could to bring about the nomination of Governor Stevenson. Having participated in that convention, being a delegate to that convention, I feel honor bound to give him my wholehearted support. Whether I know anything about the economic issues or not, that is exactly what I am going to do.

Gold From Sea Water— A Wild Goose Chase

Dr. Edward Wichers, Chief, Chemistry Division of the National Bureau of Standards, tells American Chemical Society of futile efforts of Dr. Fritz Haber, German Nobel Prize winning chemist, to recover gold from ocean following World War I.

Dr. Edward Wichers, Chief of the Chemistry Division of the National Bureau of Standards, told the American Chemical Society at a dinner on Sept. 17 in Atlantic City, N. J., how a Nobel Prize winning chemist, and the German Government played important parts in one of the most fabulous wild-goose chases in history. In the hope of stabilizing the German economy and paying reparations demanded by the Allies, after World War I, Dr. Fritz Haber, who won a Nobel Prize in 1920, the Washington chemist revealed, devised a scheme to "mine" part of the 8 billion tons of gold calculated to be dissolved in sea water.

Dr. Edward Wichers

"For a half-century prior to 1920 gold was repeatedly detected in ocean waters and many methods were proposed for its recovery," Dr. Wichers explained. "In spite of some 50 patents that were issued in this field there is no record of any successful accomplishment. About 1920 the history of these efforts was reviewed by Haber. He concluded that the best evidence on the subject indicated a gold content of sea water of perhaps 6 milligrams (about a half millionth of a pound) a ton. On this basis Arrhenius, a Swedish chemist, had estimated the total quantity of gold in the oceans at 8 billion tons.

"On the basis of 6 milligrams a ton, it would be necessary to process 250 tons (1,200 barrels) of water to get one dollar's worth of gold, but Haber considered that the operation could be conducted with a margin of profit and undertook the project, in preference to several other large-scale enterprises, as the one most likely to stabilize Germany's economy and to pay off the billions of reparations demanded by the Allies. He picked 14 assistants and with this team worked for seven or eight years before the investigation was finally terminated. The record of these years constitutes a most fascinating story.

"The work began with the determination of gold in a number of samples taken from the North Sea and a few elsewhere, all in great secrecy, because Haber and his Institute were under the suspicion of the Allies. The results indicated about 5 milligrams a ton in the open sea and thus agreed with the earlier estimates. The proposed recovery process was based on precipitation with alkali polysulphide. Less than a gram of this reagent, plus a trace of a copper solution, yielded a precipitate which coagulated sufficiently within minutes to be collected on sand filters, from which it could be recovered by reverse washing. Additions of gold to synthetic sea water at the rate of 5 milligrams a ton showed recoveries of 87 to 99%.

"A pilot plant was now constructed on ship board, and with this Haber and his associates cruised the Atlantic. In Haber's language, 'the outcome of these journeys was completely and overwhelmingly negative.' Fantastic as it may seem today, the record clearly indicates Haber's early belief that he could redeem a bankrupt Germany with gold from the sea.

"Next came the task of resolving the discrepancies between the early analyses, the trial recoveries from synthetic sea water, and the plant operation on shipboard. It ended, some years and 5,000 analyses later, with conclusive evidence that the average content of gold in ocean water is of the order of micrograms (about a half-billionth of a pound) rather than milligrams a ton. When the dream of mining the seas was ended by the realization that a dollar's worth of gold would require processing, not 250 tons of water, but perhaps 200,000 tons, Haber converted his project to a survey of the distribution of gold in the oceans.

"In the hands of Haber and his team the ancient art of gold assaying achieved its ultimate refinement. It is reported that the correction of the earlier erroneous results was not a sudden process but took place stepwise, an order of magnitude at a time. Beginning with the analyst's normal fear of incomplete precipitations and hence negative errors, it was found that almost everything caused positive errors—gold in the reagents, in common glassware, in air-borne dust, and transferred from fingers contaminated by the casual handling of a watch or a ring. Each of these sources of error had to be detected and eliminated before the analytical results confirmed the operation of the ocean-going pilot plant.

"Haber's investigations did not completely end the dreams of mining the sea for gold. Since 1935 three more United States patents have been granted for means of recovering gold from sea water and a number of scientists have considered the problem apparently in ignorance of Haber's work."

W. L. Day Pres. of Pennsylvania Co.

The Board of Directors of The Pennsylvania Company for Banking and Trusts has announced that

William L. Day

William F. Kelly

William Fulton Kurtz has resigned as President, but will remain as Chairman of the Board and the senior officer in active direction of the company's affairs.

William L. Day, Executive Vice-President since February, 1950, was elected President and Chief Administrative Officer of the bank.

William F. Kelly, Senior Vice-President, was elected Executive Vice-President and will continue in charge of the bank's loan and credit activities.

Mr. Kurtz, long prominent in local and national banking circles, has been President of The Pennsylvania Company since January, 1938, and Board Chairman since January, 1951. He was President of the Colonial Trust Company, a post to which he was elected in 1918, when that institution was merged with The Pennsylvania Company in 1930. At the time of the merger he was named Vice-President and Director of the company, and in 1934 was elected Executive Vice-President.

Mr. Day began his business career as a junior engineer with Day and Zimmerman, Inc., Philadelphia, a post he held from 1931 to 1935. He was a statistician and syndicate officer with Morgan Stanley & Co., New York, from 1936 to 1941, and a partner of Drexel & Co., Philadelphia, from 1941 to 1948. He joined The Pennsylvania Company as Vice-President in 1949. That same year he was elected to the Board, and he was named Executive Vice-President in February, 1950.

Mr. Kelly began his banking career with the Continental Equitable Title and Trust Company in 1925, joining The Pennsylvania Company when Continental was absorbed by the bank in 1931. He was placed in charge of the organization of the bank's Time Sales Division in 1935, in 1939 he was elected Assistant Vice-President, and in 1945 he was elected Vice-President in Charge of the Time Sales Division. He was elected Senior Vice-President in February, 1950, and acted as senior loaning officer of the bank.

Kuhn, Loeb Offers Pac. Pow. & Lt. 3¾% Bds.

Kuhn, Loeb & Co. yesterday (Sept. 24) offered $7,500,000 Pacific Power & Light Co. first mortgage bonds 3¾% series due Sept. 1, 1982, at 101.814% and accrued interest to yield 3.65%. Award of the bonds was made to Kuhn, Loeb, bidding alone, at competitive sale on Monday on a bid of 101.404%.

Proceeds from the sale of the bonds will be used for the construction, improvement or extension of the company's facilities.

Regular redemptions of the bonds may be made at prices running from 104.82% to par while special redemptions range from 101.82% to par.

Pacific Power & Light Co. is an operating public utility engaged primarily in the generating, purchasing, transmitting, distributing and selling of electric energy in Oregon and Washington. The company supplies electric service in an area of approximately 8,600 square miles with a census population of approximately 750,000. The company's main power system forms an integral part of the interconnected Northwest Power Pool, which was created to assure the most effective use of all power resources in the Pacific Northwest.

With F. S. Yantis & Co.

(Special to The Financial Chronicle)

ELGIN, Ill.—Walter W. Mooney is now connected with F. S. Yantis & Co., Incorporated, Tower Building.

Phila. Bond Club To Hold Outing

PHILADELPHIA, Pa.—Following assurance from the weather bureau that everything will be sunny, the Bond Club of Philadelphia announced details of its 27th annual field day to be held September 26 at the Huntingdon Valley Country Club, Abington, Pa.

Members and their guests will have a variety of entertainment to choose from. For the brawny there will be gold and tennis, and for those interested in less strenuous games, a putting tournament, backgammon and bridge. Highlight of the day's activities will be the Stock Exchange.

Tax-Exempt Bonds as Earning Assets for Savings Banks

By ALFRED J. CASAZZA*
Vice-President, Savings Banks Trust Company, N. Y. City

Contending tax-exempt bonds seem certain to occupy a more important place among savings banks' assets, Mr. Casazza gives as reasons: (1) recent imposition of Federal income tax on mutual savings banks; (2) accelerated rise in savings deposits; (3) a possible shortage of alternative investments, and (4) a probable larger supply of tax-exempts in future. Holds it is still a question whether banks should add materially to holdings of tax-exempts or await a more propitious occasion to acquire them.

Interest in tax-exempt bonds for investment by mutual savings banks is greater today than at any time since the 1920's. This increased interest is well-founded. There are at least four solid reasons why mutual savings bankers will want to pay more attention henceforward to tax-exempt obligations as potential investments.

Alfred J. Casazza

One reason, the most important one at the moment, is the enactment of the Revenue Act of 1951, by which mutual savings banks have been brought under the Federal income tax for the first time. Hitherto, mutual savings banks received no tax benefit from holding bonds, the interest on which was exempt from income tax. Now, a savings bank which has income subject to tax may realize a slightly higher net return from a tax-exempt bond yielding 2% than from a 4% taxable mortgage, since income from the latter could be taxed up to 52%.

A second reason for the greatly increased interest among savings bankers in tax-exempts is the accelerated growth of savings deposits. The gain in savings deposits this year promises to be one of the largest on record, comparable to the spectacular increases during World War II. In fact, the dollar gain in savings bank deposits for the whole country during the first 7 months of 1952 was larger than during each of the full calendar years 1947 to 1951, inclusive. Should this rapid deposit growth persist, the finding of suitable investment outlets in adequate volume could well become the most pressing problem confronting mutual savings bank managements.

A third factor is the prospect that the supply of certain investments in the future may fall short of institutional demands. This holds true for mortgages. With the decline in the rate of family formation from the abnormally high level of the war years and early postwar period, demand for new homes is likely to remain for some years at a lower level than in 1950, when almost 1,400,000 new dwelling units were started in the United States. At the same time, heavy amortization payments received on outstanding mortgage loans offset a large part of the new mortgage loans that are being made by each bank. It is probable that, over the next few years, the annual net increase in outstanding urban mortgage debt may not average much above half the $10.5 billion achieved in 1950, the record mortgage lending year. Suspension of Regulation X could give a renewed fillip to home building. However, the backlog of demand for new homes has been greatly reduced by the residential construction boom of the past five years, so that it may be difficult to find a market for more than a million new dwelling units a year for any extended period of time. When savings banks and other investing institutions find that the volume of new mortgage loans is insufficient to meet their investment needs, they must necessarily be more aggressive in seeking alternative outlets for their funds.

Corporate capital expenditures also, it is anticipated, will decline in the future from the current record high level. This will tend to reduce the volume of new corporate bond issues offered.

The Federal Government, it is true, has resumed deficit financing now that the defense program is entering its peak phase. But military outlays may decline substantially after 1953 if the threat of a world war abates. Even should deficits persist, the Treasury may prefer to finance them mainly with short and intermediate term obligations, rather than with new long-term bond offerings designed for investing institutions. There has been discussion of a new 3% long-term Treasury bond offering. Such an issue is likely to be undertaken only when a sizable demand exists for it among investing institutions, and if the Treasury does not expect a decline in business that would reduce interest rates. Furthermore, additions to holdings of Treasury obligations are relatively unattractive for savings banks beyond the total desirable for liquidity purposes and to maintain a proper ratio of surplus accounts to risk assets.

A fourth logical reason for the increased interest in tax-exempt obligations is the likelihood that the supply of such securities will expand to record levels over the next few years, far surpassing anything witnessed in the past. More rapid population growth and population shifts have created a vast demand for new schools and other public works. Expenditures upon highways are mounting spectacularly. Turnpike and other tax-exempt revenue projects are giving rise to bond offerings of unprecedented size. An increasing number of states and municipalities are considering issuing their bonds to finance the construction of industrial plants to be leased to private operators. Laws now on the statute books call for a large volume of tax-exempt public housing bonds.

The possibility that tax-exempt bonds will become available in much larger volume in the years ahead, at the very time when other investments will be in shorter supply, alone would justify keener interest in this class of investments by the mutual savings banks of the country.

Purchases Moderate to Date

Purchases of tax-exempt bonds by mutual savings banks have been modest in volume to date, despite greatly increased interest in such investments.

Holdings of tax-exempt bonds by all mutual savings banks are now approximately double the $140.000,000 held at the beginning of this year, but are still quite small as compared with holdings of United States Government securities, real estate mortgages and corporate bonds.

The explanation for the limited purchases of tax-exempts by savings banks to date is that such bonds, while likely to become more attractive over the long run, have less immediate appeal for these institutions.

For one thing, many savings banks find that they can solve their tax problem without reliance upon tax-exempt bonds. This is true, needless to say, of institutions whose surplus and reserves fall short of 12% of deposits, since these banks may add their net earnings, after dividends, to a bad debt reserve without deduction for tax until their surplus and reserves rise to the 12% ratio. Individual savings banks can also minimize their tax liability by realizing losses through sale of bonds held in the portfolio, and by purchasing equities where this is permitted by state law.

Moreover, a shortage of investment outlets is still a potential, rather than an immediate, problem for most savings banks. Outstanding mortgage commitments of many institutions are adequate to provide outlets for new funds for some time to come. The current volume of new corporate bond offerings is large, furnishing both savings banks and life insurance companies with a good supply of such investments.

But the chief reason why tax-exempt bonds appear more attractive as a future, rather than a current, investment for most mutual savings banks is the huge increase in the supply of such obligations that looms ahead. At the present time, there are about $25 billion of tax-exempt bonds held by private investors like individuals, banks and insurance companies. So large is the volume of possible new tax-exempt borrowing over the next decade or two that some students of the subject expect the amount outstanding to increase severalfold. Many factors, political and economic, could affect the actual rate of growth of tax-exempt debt, but the probabilities all favor quite a sharp rise in the total. Such a large increase in the supply of these bonds will tend to make yields more generous to attract sufficient buyers to absorb the heavy new offerings.

The Future Supply of Tax-Exempts

Old yardsticks are of little use today in appraising the prospective supply of tax-exempt bonds.

Until 1947, the record year for tax-exempt financing for new money purposes had been 1927. In that year, $1.5 billion of State and municipal obligations were offered publicly. During the 1930's, the volume of such issues declined to well below $1 billion a year; and in the war years, the annual total of new money issues averaged only $350 million.

Beginning with 1947, new tax-exempt financing has exceeded $2 billion annually and it rose above $3 billion in 1950 and 1951. This year, new tax-exempt offerings have been at an annual rate in excess of $4 billion. Investment bankers who have successfully distributed huge recent turnpike and housing issues freely predict that we are on the verge of $5 billion tax-exempt financing years. If these predictions prove justified, it would mean that investors will be called upon to absorb yearly more than three times the volume of tax-exempt bonds that had been offered in the year 1927, the record year until 1947.

The Municipal Forum of New York held a conference last June at which authorities in the field predicted that expenditures on public works by States, municipalities and their agencies could average $10 billion yearly over the next decade. It is true that, though expenditures should attain so high a level, not all of them would be financed with bond issues. But the huge road building, school, sewer, hospital, public housing and other programs now contemplated could well bring the total of new tax-exempt financing above the $5 billion annual mark during the coming decade.

Tax-exempt obligations privately held today exceed $25 billion, having nearly doubled since 1946. So far, the keen demand for these bonds from individual and corporate investors seeking tax-exempt income has served to keep down yields on tax-exempt bonds as a class. But it is obvious that, should the available supply of tax-exempt bonds be expanded to the extent indicated by these projections of future financing, buyers would have to be found for new issues among life insurance companies, pension funds and other classes of investors who derive little or no benefit from tax exemption. In that event, yields on such issues would have to be raised to a level at which they would prove attractive to investors in this group.

Some of the recent turnpike issues were priced on a basis high enough to attract insurance company and pension fund buyers who have little if any interest in tax exemption. This meant that yields on such tax-exempts were comparable to those provided by corporate bonds.

If the supply of tax-exempts is going to expand in time to a point where such offerings must be priced to attract investors not subject to income tax, would-be purchasers of municipals among savings banks are well advised in going slowly about making new commitments in this field. Since tax-exempts may become available to them on a more attractive relative basis later on, delay could mean that higher yields will be obtained and price depreciation on obligations purchased now would be avoided.

Any future reduction in income tax rates would also tend to depress prices and raise yields of tax-exempt bonds. Buyers of these bonds are always comparing the rate of return on them with that which can be obtained from taxable bonds. The lower the tax rates, the higher the yield that a tax-exempt bond must give to make it attractive in comparison with taxable obligations.

The moderate holdings of tax-exempt bonds of mutual savings banks today thus provide no real indication of the extent to which their interest in such bonds may expand in the years to come, given favorable conditions for such purchases.

Individual Bank Policy

Purchases of tax-exempt bonds in substantial amount have been made so far only by a limited number of savings banks. This is far from surprising. It reflects the fact that tax-exempts vary greatly in attractiveness to individual savings banks at this time.

In the future, it may well be that tax-exempt obligations will have a broader appeal for savings banks. This would be true particularly if yields on such bonds were to increase materially because of a great increase in the supply and because of tax reduction. For the time, however, tax-exempts are far more satisfactory to some savings banks than to others.

There are at least five factors that a savings bank will want to weigh to determine what its attitude should be towards the purchase of tax-exempt bonds at this time. These are:

(1) The bank's tax status. (2) Alternative investments available. (3) Portfolio distribution. (4) Willingness to buy issues with greater risk. (5) Appraisal of yield trends.

I shall discuss each of these pertinent considerations briefly.

The Bank's Tax Status

Under the existing revenue law, the tax status of savings banks not only varies greatly from one institution to another, but may change materially from one year to the next.

Let us take a bank with $10,000,000 of deposits that has surplus and reserves, as computed for tax purposes, of $1,250,000. All undistributed earnings of this bank would be subject to the Federal income tax.

If this bank's deposits are increasing at an annual rate of 10%, however, the probability is that its surplus and reserve ratio, now 12½%, will before long dip well below the 12% level. Its undistributed earnings would then no longer be subject to taxation if they are added to reserves, and tax-exempt bonds would become much less desirable on this account.

Obviously, a bank that will soon cease to have income subject to Federal taxation will not want to base its investment policy on minimizing its taxes. It is not only the immediate tax position of a savings bank, but also the probable changes in its tax liability in the foreseeable future, that will determine the desirability of tax-exempt bonds for investment of its funds.

For the bank that has a surplus and reserve ratio of well over 12%, whose management is confident that the ratio will be kept above 12% for the indeterminate future, tax-exempts have the greatest appeal.

Alternative Investments Available

Some savings banks, because of location, organization and policy, have available to them a larger supply of desirable mortgages than do other institutions.

A mortgage giving a return, after expenses, of 4% gives almost the same net yield, after a 52% tax, as does a tax-exempt bond yielding 2%. True, the mortgage is less liquid and may involve a higher risk element. On the other hand, the mortgage is not similarly vulnerable to price depreciation because of an increase in the future supply of tax-exempts or future reductions in income tax rates. Also, should the bank at some future time have no income tax liability, the mortgage would then become far more suitable from the yield standpoint.

Hence, a bank that has available to it an ample supply of relatively high-yielding mortgages may be less interested in tax-exempts at this time than others that have only limited mortgage lending outlets available.

Another important consideration is whether a savings bank can and will purchase preferred and common stocks. Dividend income received by a corporation is entitled to a tax credit of 85%, which leaves only 15% subject to the normal and surtax rate of 52%. This makes the net tax rate applicable to dividends received by a bank only 7.8%. Thus, a savings bank can largely reduce its tax liability if it can and does purchase equities, and there is then correspondingly less need for it to buy tax-exempt issues to minimibe the tax. Also, the yield on equities is attractive relative to that on tax-exempts, tax considerations aside, and notwithstanding the greater risks of market price fluctuations in equity investment.

Portfolio Distribution

A savings bank's attitude towards particular types of investment will necessarily be largely influenced by the makeup of its entire portfolio.

In the case of a savings bank that is liable to pay tax and that now has invested, say over 40% of its deposits in United States Government securities, a shift into tax-exempts could increase the net yield realized after taxes without

*An address by Mr. Casazza before the 59th Annual Meeting of the Savings Banks Association of Maine, Portsmouth, N. H., Sept. 23, 1952.

impairing liquidity and portfolio quality materially. But where a bank has reduced its United States Government portfolio to less than 25% of deposits, and particularly where most mortgages are conventional, lacking the protection of FHA insurance or VA guarantee, thus giving the bank a relatively low ratio of surplus accounts to risk assets, the argument for purchasing tax-exempts in place of Governments is far less strong.

The overall portfolio distribution will also determine the adequacy of current income of a savings bank, and hence the relative weight to be given the net yield obtainable from a new investment as compared with its safety, liquidity and market stability. Thus, a savings bank that earns enough to cover expenses, dividends and an adequate annual addition to surplus or reserves may be less inclined to shift from liquid non-risk United States Government bonds to tax-exempt bonds than a bank that finds it has little left for surplus after expenses, dividends and taxes.

Willingness to Buy Issues With Greater Risk

A wide range of yields is available on tax-exempt bonds. A savings bank that is willing to invest in construction revenue issues, such as some of the recent turnpike offerings, can secure yields comparable with those offered by corporate bonds, despite the added advantage of tax exemption. On the other hand, the best grade tax-exempts, especially those with relatively shorter maturities, sell on a yield basis so low as to largely discount their tax exemption advantage.

In this connection also each institution will want to consider its over-all portfolio distribution before deciding whether it is justified in assuming the added risks incurred by purchasing revenue and other tax-exempt bonds with relatively lower quality ratings for the sake of the higher yields thereby obtainable.

Appraisal of Yield Trends

The known facts, as we have seen, clearly point to a sharp increase in the volume of future tax-exempt bond financing. But only the future can determine how far the larger prospective supply of such investments will raise yields and depress prices. It is conceivable that a decline in the supply of other investments will so largely increase demand for tax-exempts that prices for the latter may remain relatively firm. Moreover, there can be no certainty that income tax rates will be reduced materially, so as to cut the value of tax exemption. The disappointing failure to effect lasting reductions in taxes following World War II has fostered a good deal of skepticism on this score.

It is my own judgement that if we have anything like the increased supply of tax-exempt bonds now in prospect prices will be depressed and yields increased. In the last analysis, each institution must reach its own conclusion as regards yield prospects for this class of obligation, and then act accordingly.

Conclusions

Tax-exempt bonds seem certain to occupy a more important place among savings bank investments in the future than in recent years.

Not only the imposition of the Federal income tax upon mutual savings banks for the first time in 1952, but also the accelerated rise in deposits, a possible shortage of alternative investments and a more ample supply of tax-exempts in the future justify increased interest in tax-exempts on the part of mutual savings banks.

There is considerable question whether a savings bank should add materially to its holdings of tax-exempts now, or should await a more propitious occasion to acquire them in the future. The larger supply of tax-exempt financing in prospect will cause some bankers to delay buying these bonds in volume now. For each bank, its prospective tax liability, the availability to it of good mortgages, the overall portfolio distribution and appraisal of future yield trends will determine its policy towards tax-exempts for the immediate future.

Regardless of whether a savings bank decides to acquire tax-exempt bonds in volume now, or whether it postpones such purchases until a future date, the bank's management will be well justified to weigh and formulate a basic policy with regard to investment in tax-exempts at this time.

Chas. Hayden Golf Tournament Winners

A four-man golf team representing Wertheim & Co. won the 24th annual Charles Hayden Memorial Trophy tournament at The Apawamis Club, Rye, N. Y. The winning score was a net of 300 for the four-man team. A total of 38 teams representing New York investment banking houses participated in this year's tourney.

Consisting of Allen C. DuBois, Herbert A. Goldstone, Theodore W. Hawes and Charles S. Werner, the winning team edged out the second place team from Kuhn, Loeb & Co. which netted 301. Third place went to Blyth & Co., Inc., with a net score of 305.

Charles C. Glavin of the First Boston Corporation won the low gross score honors with 74. Frank W. Bartlett of Baker, Weeks & Harden; William M. Rex of Clark, Dodge & Co.; C. Gerard Dodge and Charles W. Snow of Cohu & Co., and W. E. McGuirk of Kuhn, Loeb & Co. tied with Charles C. Glavin of the First Boston Corp. for individual low net score, each with a 72. Fahnestock & Co. led the two-man teams with a net of 147.

The Charles Hayden Trophy was donated by partners of Hayden, Stone & Co. and is kept in perpetual play as a memorial to Mr. Hayden, founder of the firm.

R. L. Day Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Cooper Eastman has become affiliated with R. L. Day & Co., 111 Devonshire Street, members of the New York and Boston Stock Exchanges.

With Hayden, Stone

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — A. James Alves is with Hayden, Stone & Co., 10 Post Office Square.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — George P. Gardner, Jr. is now with Paine, Webber, Jackson & Curtis, 24 Federal Street.

Stock Prices Lower Than Warranted!

Dr. Max Winkler presents data indicating bases exist for higher stock price levels.

In a talk on the securities market, given at a luncheon at the Bankers Club on Sept. 18, sponsored by the National Securities & Research Corporation, of which he is a Director and Consultant on international affairs, Dr. Max Winkler, of Bernard, Winkler & Co., members of the New York Stock Exchange, summarized the highlights of his remarks as follows:


Dr. Max Winkler

"Analysis of the various statistical and barometric indices in terms of real dollars, rather than what one might designate as currency dollars, suggests that prevailing stock prices are not only not excessive, but appreciably lower than warranted.

"Although corporate profits after taxes for 1952, expressed in terms of 1938 dollars are expected to exceed 1938 figures by about 313%, dividends similarly computed, are estimated to show a gain within the same period of only 56.3%.

"On the other hand, current stock prices, as measured by the Standard-Poor 365 averages standing at 225.4, are, in terms of 1938 dollars, only 24% higher than in 1938. Dividends for the current year are expected to amount to somewhat more than 52½% of profits after taxes, whereas in 1938 aggregate dividends distributed, exceeded profits by almost 40%.

"In 1938, dividends paid amounted to almost 3¼% on the average price of the Standard-Poor list of stocks, while 1952 dividends are expected to yield almost 4%. If the yield were to equal that of 1938, the price of the list would be 284.1, compared with 225.4.

	—1952 (Est.)— Amount	In '38 Dollar	1938	Gain in % of '38 Dollar
National income ----- *billions*	$288.2	$158.5	$67.4	135.2%
Wages ---------------- " ---	175.7	96.6	42.8	125.7
Profits before taxes ----- " ---	41.5	22.8	3.3	590.9
Taxes ---------------- " ---	24.2	13.3	1.0	1,330.0
Profits after taxes ------ " ---	17.3	9.5	2.3	313.0
Dividends ------------- " ---	9.1	5.0	3.2	56.3
Id., in % of profits after tax	52.6%	---	---	---
Standard-Poor 365 shares ---	$225.4	$124.0	$100.0	24.0

"If corporate management were to pay out 60% of profits after taxes, or $10.4 billion and if the yield were to remain the same, or at 4%, the price list would stand at 260. On the basis of a 3.2% yield, the list would advance to 325.

"Professional critics or those who feel obliged to criticize for political or ideological reasons, contend that high prices and prevailing prosperity are 'phony' and 'artificial.' To such charges, the investor or average American retorts: 'I should prefer prosperity, even though artificial, to poverty, however genuine'."

Develops Hard Transparent Plastic Film

Three chemists of Du Pont de Nemours Company reveal synthetic product strong as aluminum and highly resistant both to impact and to electricity.

At a meeting of 122nd Convention of the American Chemical Society at Atlantic City, N. J., on Sept. 17 a transparent, plastic film as strong as hard aluminum, more resistant to impact than any other known film, and with the highest electrical resistance of any known material, was described in a report by Dr. E. F. Izard, L. E. Amborski and D. W. Flierl of E. I. du Pont de Nemours & Co., Inc., Buffalo, N. Y.

The new film, a chemical cousin to the synthetic fiber Dacron, is highly resistant to water vapors, organic solvents, odors, oils and greases.

The basic discovery which resulted in the new film was a "stroke of genius" on the part of Dr. J. R. Whinfield, an English scientist, the report said. Dr. Whinfield, continuing research begun in America by Dr. Wallace H. Carothers, the discoverer of nylon, selected for his first experiment the best combination of chemicals to make the desired material, it was stated.

Further research has succeeded in producing the film, which is known chemically as polyethylene terephthalate.

The film was described as "transparent, flexible, tough, durable, impermeable, and stable to temperatures up to 200 degrees centigrade."

"The oriented, crystallized film has a 'yield stress' and breaking strength in the same range as hard aluminium," the report pointed out. "The breaking elongation of aluminum, however, is much lower. If computed on the basis of the reduced cross-sectional area at the breaking point, the tensile strength of the film would be about twice that of aluminum and about as great as that of mild steel. Tensile strength of the film is two to three times that of cellophane or cellulose acetate. While cellulosic films can be flexed only a few hundred times before failure, this polyethylene terephthalate film can endure over 10,000 flexes under the same conditions.

"Its tear strength is considerably lower than that of polythene, but greater than that of cellophane or cellulose acetate. Its impact strength is four to five times that of any other known film. Mechanical properties are relatively unaffected over a temperature range of minus 20 degrees centigrade to plus 80 degrees. No embrittlement has been observed as low as minus 60 degrees. While tensile properties are changed above 100 degrees, the film retains useful properties up to 200 degrees. Moisture absorption is less than 0.5%, so mechanical properties remain essentially consistent over the entire range of relative humidity.

"The film retains its properties upon prolonged exposure to high temperatures, moisture, ultraviolet light, and outdoor weathering.

"For use in capacitors, its insulation resistance is higher at any given temperature than any other known material, and its useful temperature range is much greater.

"The film transmits 90% of light in the visible range of the spectrum, and its transmission curve is similar to that of soft window glass. It offers a high degree of impermeability to water vapor, organic solvents, odors, oils and greases. Its water vapor permeability is in the range of that of polythene. To such representative organic liquids as ethanol, ethyl acetate, carbon tetrachloride, hexane, benzene and acetic acid, the permeability at room temperature is essentially zero. The film is not markedly affected at room temperature, or even near the boiling point, by such solvents as ethyl acetate, methyl ethyl ketone, xylene, naphtha, methyl 'Cellosolve,' methanol, and glacial acetic acid."

E. R. Morgan With H. A. Riecke & Co.

PHILADELPHIA, Pa.—H. A. Riecke & Co., Inc., 1528 Walnut Street, members of the Philadelphia-Baltimore Stock Exchange, announce that E. Russell Morgan has become associated with their firm.


E. Russell Morgan

Mr. Morgan is well known in Philadelphia and New York securities circles as the result of pioneering and developing the "Investment Timing Studies" process of pre-determining stock market trends by mathematical methods.

In addition to making this service available to the clientele of H. A. Riecke & Co., Inc., Mr. Morgan will direct the firm's advertising and public relations activities.

Active in the securities business since 1935, Mr. Morgan was associated with the Philadelphia office of Walston, Hoffman & Goodwin prior to joining the Riecke firm.

Van Alstyne, Noel Co. Adds Ogden Edwards

Ogden Edwards has become associated with Van Alstyne, Noel & Co., 52 Wall Street, New York City, members of the New York Stock Exchange, in the firm's Institutional Department. Mr. Edwards formerly was with Equitable Securities Corporation.

With Kenower, MacArthur

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Douglas R. Bauer has joined the staff of Kenower, MacArthur & Co., Ford Building, members of the Detroit and Midwest Stock Exchanges.

Baxter, Williams Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — William H. Saunders has become associated with Baxter, Williams & Co., Union Commerce Building, members of the Midwest Stock Exchange. In the past he was with Hayden, Miller & Co.

Joins Hayden, Miller

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Harry W. Buckley has become affiliated with Hayden, Miller & Co., 17 South High Street.

LETTER TO THE EDITOR:

Low Profit Margin Endangering Security Industry and Investors

Herbert E. Harris, securities dealer of Dayton, Ohio, says future of investment business and welfare of investors are in jeopardy due to the gradual "thinning out" of experienced personnel caused by restrictions on profitable operations.

Editor, The Commercial and Financial Chronicle:

In my opinion, your article in the August 28th edition of The Commercial & Financial Chronicle ["Securities Salesman's Corner" by John Dutton, page 31] deals with one of the most important problems in the investment business. I want to compliment and thank you for bringing this matter more out into the open. I am a very, very small factor in the investment business which has been my vocation for over 30 years and I operate a "one-man shop." But, even though I am a small business, I hope you will be interested in my viewpoints.


Herbert E. Harris

First, you might be interested to know I have a son who graduated from college two years ago. I discouraged him from entering the securities business because I feel keenly that his abilities should be worth more to him and to whoever he might become associated with in some other line of endeavor. I have given similar advice to young men and fathers of young men who have approached me on this question. I have done so because I think the sacrifice demanded of young men starting their careers is too great. This sacrifice stems in great part from what I consider to be unreasonable regulatory restrictions and unsatisfactory conditions within the business itself; one segment of which is dealt with in your article.

It is surprising and discouraging that those in the business are so indifferent that they do not see the handwriting on the wall. It takes no great intelligence to foresee how disastrous results could be if the matter of pricing unlisted securities is allowed to continue to deteriorate. It is no less surprising and discouraging to note the lack of foresight on the part of institutional buyers. Perhaps they think that regardless of what may happen to securities dealers, their operations will not be affected. Well, perhaps they are right but I do not think so. I think they definitely will be affected by disruption in the investment business and will find it most difficult, in due course, to transact their unlisted business advantageously.

I had an experience with the trust department of one of our local banks a few months ago. I refused point blank to be a party to a transaction when it became a matter of "meeting price." I considered the compensation inadequate for the services rendered. I am not interested in business without a legitimate profit or when an organization fosters and abets the reduction of dealer profits by giving the business to brokerage firms who will accept it on almost any kind of terms to get an order.

True, this order was available without solicitation on my part as most institutional orders are, but nevertheless dealers who do business with institutions give time and effort in providing useful information to those institutions. More often than not, they do not directly capitalize on this work and the only way a dealer can be compensated for the work he does for institutions is, of course, through commissions or profits on transactions.

There is a great measure of difference in all businesses and professions. If this were not so then everyone would be on the same level; as is the case with members of labor unions — regardless of ability and willingness to work. An experienced and able attorney, for instance, who produces superior results for his clients, receives higher fees—and is certainly entitled to them—than a mediocre lawyer. This goes all the way down the line and certainly there is no business where ability and experience means more than in the investment business. It is, therefore, logical to say that the investment dealer who has had the experience and knows most about the investment he handles, is entitled to commensurate compensation for his ability and experience. His profit limit, nevertheless, is 5% (6% from some investment trusts) under the code recognized by reputable dealers. It is the only business which I can call to mind at the moment where profits have not increased despite increasing costs.

In line with what I have said in the previous paragraph, intelligent people go to the ablest and most experienced sources for legal, engineering and other professional advice and service because they know that, although they may pay more than they would pay elsewhere, in the long run they will be ahead. It is only the shortsighted who think and do otherwise. Therefore, coming back to my original theme: should a situation develop which would necessitate the elimination of many of the experienced people—of which there are all too few—in the investment business, I am satisfied that institutions would find it difficult to invest with the same degree of success as they have been able to, with the assistance of experienced investment people.

Furthermore, despite the appealing advertisements of large firms wherein people are assured of individual attention and service, I can not agree that an individual — and particularly the smaller investor — can hope for much attention from a "mass production" operation. This will be more factual when we come into depressed and weak markets. This brings up another point, Mr. Dutton, which is that it may well be wondered what will happen when such markets occur. I say this because no one under 40 years of age has had much, if any, experience in the kind of economy with which we may some day again have to contend. Yet, personnel in the investment business as in most businesses, is comprised to a great extent of a generation which has **not** had such experience. In my opinion the lack of this experience is a serious matter to any investor who is being guided by such inexperienced counsel, the results of which remain to be seen.

I know of no business whose future is more in jeopardy because of the gradual "thinning out" of experience, and the utter lack of effort to make a career attractive enough to warrant consideration from the type of personnel it needs. I hope your warning will be heeded.

HERBERT E. HARRIS

Dayton, Ohio, Sept. 4, 1952.

Geo. N. Fleming Opens Own Company in Phila.

PHILADELPHIA, Pa. — George N. Fleming has formed George N. Fleming & Co. with offices at 2047 Locust Street to engage in the securities business. Mr. Fleming was formerly Manager of Herbert H. Blizzard & Co. and in the past conducted his own investment business in Philadelphia.

George N. Fleming

Granbery, Marache Admits J. Walker, Jr.

John Y. G. Walker, Jr., member of the New York Stock Exchange, on Oct. 1st will be admitted to partnership in Granbery, Marache & Co., 67 Wall Street, New York City, members of the New York Stock Exchange. Mr. Walker was formerly active as an individual floor broker and was with De Coppet & Doremus and Riter & Co.

Wm. Schoellkopf To Be Doolittle Partner

BUFFALO, N. Y. — William Schoellkopf on Oct. 1st will become a partner in Doolittle & Co., Liberty Bank Building, members of the New York Stock Exchange. Mr. Schoellkopf is a partner in Schoellkopf & Co., which will be dissolved as of Sept. 30th.

Burnham to Admit

Burnham and Company, 15 Broad Street, New York City, members of the New York Stock Exchange, on Oct. 2nd, will admit Ernst N. Petschek to partnership. Mr. Petschek will acquire the New York Stock Exchange membership of Edward A. Rosenthal.

To Be du Pont Partner

James M. King, Jr., will be admitted to partnership in Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, on Oct. 2nd.

Seeley & Lindley Admit

Paul Campbell will become a partner in Seeley & Lindley, 61 Broadway, New York City, members of the New York Stock Exchange, on October 2nd.

R. V. Maguire Co. Opens

LONG ISLAND CITY, N. Y.—Robert V. Maguire is engaging in a securities business from offices at 4755 39th Place under the firm name of Robert V. Maguire Co.

W. H. Tremper, Inc. Opens

MIDDLETOWN, N. Y.—W. H. Tremper, Inc. is engaging in a securities business from offices at 10-12 North Street.

Otto J. Fink

Otto J. Fink, partner in Manning, Shanley & Co., passed away on Sept. 18th.

Continued from page 15

Pricing Chemicals Under Current OPS Policies

as to the conditions under which controls will be reimposed and of the appropriate recontrol mechanism. It must be made clear at the time of suspension that *recontrol, when and if necessary, will not be at a higher level of ceiling prices* than that existing prior to suspension, except as required by law.

It is my opinion that chemicals generally are so important to the economy and to the defense effort that they are not eligible for decontrol to any important extent under the new standard. There may be areas in the industry where *suspension* would be appropriate under our standards. However, I am not aware of any significant area where this is the case. I am frank to say that this does not exclude the possibility that there are such areas, because prices in the chemical industry are not frequently publicized in the same way in which you have exchange quotations for cotton or hides. Moreover, due to the way in which CPR 22 and the Capehart adjustments work, ceiling prices are not uniform. We may not be aware at OPS of some instances where current selling prices actually are substantially below ceiling for the members of the industry who are making some particular product. If suspension is desired, it would be necessary for the producers to acquaint us with such a situation. We certainly do not want to continue control for control's sake. In fact, we are anxious to get out of the business of price control where it is not necessary for the prevention of inflation and we shall continue to study the way in which we can make progress along that line in the chemical industry.

I should be remiss in my duty if I failed to urge you to acquaint yourselves, as much as possible, with the personnel and the problems of our Division, our Agency, and other agencies in Washington whose actions can have such an important effect on the chemical industry. Hold up the hands of the men who go to Washington from your industry to represent its views and make available to the agencies their knowledge of the industries' practices, problems, and needs. Get to know the government career people in the agencies who can be most helpful in solving the problems which arise because of the applications of controls.

In particular, I should like to extend to each of you an invitation to visit the Rubber, Chemicals, Drugs and Fuels Division. When you have a problem involving pricing of chemicals you will find the people in the Chemicals Branch willing, able and anxious to be of help. We have a big job—an important job—to do and it can only be done successfully with the fullest cooperation between industry and your government.

Seek Wider Market for Penn. "Authority" Bonds

Leading municipal dealers of Philadelphia and Pittsburgh joined with the Pennsylvania Municipal Authorities Association in convention in Reading, Pa., this week to formulate a program to provide better marketing and improved distribution of Pennsylvania's rapidly growing local municipal authority bonds.

Both the municipal authority officials and the investment bankers — who raise the capital for the much needed community improvements—agreed on a program which both groups anticipate will be acted upon promptly.

Main points of the program call for:

(1) Formation of a joint committee of municipal dealers from Pittsburgh and Philadelphia to plan and put into effect a specially devised education program seeking to broaden the demand for local Pennsylvania authority issues.

(2) Inauguration of a regular weekly quoted service of selected local Pennsylvania Authority bonds.

(3) Establishment of a central clearing bureau which will collect and file all available financial and technical data concerning existing local authorities; maintain current information on forthcoming bond issues; make this information immediately available to investment bankers, banks, insurance companies and other qualified investors; and disseminate this information regularly and rapidly to all publications to bring about a broader knowledge and understanding of Pennsylvania municipal tax exempt investments.

(4) Development of a strong and reliable secondary market for each communities' securities.

The initial conference on development of a program was presided over by Orus J. Matthews, senior resident partner in Philadelphia of Kidder, Peabody & Co. and a former Secretary of Commerce of Pennsylvania. Others attending included Alfred Rauch, also a Kidder, Peabody partner; Francis P. Gallagher, manager of Kidder, Peabody's municipal organization and Chairman of the Investment Bankers Association committee on municipal bonds, and Willard M. Wright, Jr., manager of Kidder, Peabody's Philadelphia municipal department. Joining in the conference were the following Pennsylvania Municipal Authorities Association officials: J. E. Kuhn, Belle Vernon, Chairman of P. M. A. A.; Claude C. Fogelman, Northampton, Secretary-Treasurer, and Charles F. LeeDecker, State College, Executive Director.

Others in attendance at the first meeting were: George Lestrange, Arthurs, Lestrange & Co.; Elwood A. Robinson, Aspden, Robinson & Co.; Edward J. MacCoughey, Blair, Rollins & Co., Philadelphia; Charles F. Peeler, Blair, Rollins & Co., Pittsburgh; J. Ward Tate, Butcher & Sherrerd; Marshall Schmidt, Drexel & Co.; Willard Boothby, Jr., Eastman, Dillon & Co.; Russell C. Schuler, First Boston Corp.; Leighton MacIlvaine, Goldman, Sachs & Co.; Eugene Arnold, Harriman Ripley & Co.; John B. Bunting, Janney & Co.; Frank L. Satler, Jr., Moore, Leonard & Lynch; Joseph C. Carson, Rambo, Close & Kerner; Russell C. Schaffer, Schaffer, Necker & Co.; Donald Poole, Schmidt, Poole & Co.; Charles N. Fisher, Singer, Deane & Scribner; Russell M. Ergood, Stroud & Co., and A. William Battin, Yarnall & Co.

More than 40 members of the investment banking fraternity including representatives from Easton, Harrisburg, Sunbury and Scranton along with officials of the P. M. A. A. attended the second and final conference.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

COLUMBIA, Mo. — Virgil F. Burk is with King Merritt & Company, Inc.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Insurance Stocks

The final quarter of the year is the traditional time for fire and casualty insurance companies to review their dividend policies.

Thus it is expected that over the next several months many companies will consider their dividend payments including extras to be paid. In some cases an increase in the annual rate is looked for while in others a larger disbursement in the form of an extra or yearend payment is anticipated.

These expectations are based not so much on the underwriting results for the current year as on the increase which has taken place in investment income over the past several years. While underwriting experience has followed a cyclical pattern investment earnings have been rising steadily for ten years.

Historically the dividend policies of fire and casualty companies have been based upon investment earnings with approximately 75% of such income being distributed to stockholders.

The role of underwriting results in the determination of dividend policies has been largely psychological. In other words, when underwriting operations are progressing favorably, the managements of the different institutions are more inclined to increase dividend payments than when the reverse is true. However, as the insurance underwriting cycle progresses, the historical relationship of 75% of investment earnings being paid out is likely to occur again.

As a result of the changes which have taken place during and since World War II, insurance companies have been paying out considerably less than 75% of investment earnings and in some instances certain companies have distributed less than 50% of such income. In spite of dividend increases made during the past several years, most payments are still conservative judged by most historical measures.

Within the past few years there have not been any spectacular increases in cash disbursements although there have been a number of companies which have paid sizable stock dividends. Rather, any increase in cash payment has usually been modest with the implied intention of maintaining the increase in disbursement almost indefinitely.

This same pattern is expected to prevail for the current year. Thus, it is anticipated that a number of the major companies will enlarge their payments to stockholders in the coming months.

This expectation is supported by the current outlook for better underwriting operations. Recent rate increases on unprofitable business should help to bring about a better experience in this phase of the operations. The six months' underwriting results for major companies support this view and were generally better than a year ago.

Another factor in the current outlook for expecting increased dividends is the trend of investment income. Earnings from this source among the larger companies continued to increase in the first half of the current year. This was the result of an increase in dividend payments on stocks held and the income from a larger volume of invested funds as well as some firming in interest rates which permitted a better return on new purchases.

The combination of these factors points to a number of increases in dividend payments including possible extras or yearend disbursements.

In this same connection there have been a number of the larger insurance companies which have recently made or announced changes in dividend payments.

General Reinsurance Corp. on Sept. 9 increased the quarterly payment from 30 cents to 40 cents or on an annual basis from the $1.20 paid in the past several years to $1.60. In addition a 10% stock dividend was declared payable Oct. 24 subject to stockholders' approval at a meeting to be held Oct. 15.

Another company to increase its payment to stockholders recently was Camden Fire Insurance. Camden has been paying 50 cents semi-annually for a total of $1.00. On Sept. 18 a 10-cent extra was declared to bring expected payments for 1952 to $1.10 as against $1.00 a year ago.

There have also been a number of companies which increased their payments earlier this year such as Continental Insurance and Fidelity-Phenix. There should be a number of other increases in the coming months.

Richard D. Barash Is Chas. Weinstein Partner

Richard D. Barash has been admitted to partnership in Chas. Weinstein & Co., 135 Broadway, New York City, members of the New York Curb Exchange. Mr. Barash has been with the firm for some time as Manager of the New York Curb Exchange Department.

In Investment Business

Ruth Scott Seaton is engaging in a securities business from offices at 52 Gramercy Park North, New York City.

We Have the Right to Succeed —And the Right to Fail!

By LAURENCE F. LEE*

President, Chamber of Commerce of the United States

Ascribing 20th Century American progress to freedom of individual action, prominent business leader warns our freedoms are slipping through our fingers. Attacks industry-wide collective bargaining and price controls, and maintains restrictions on economic freedoms are extinguishing willingness to risk capital. Says gradual encroachment of government into business means "end of abundance in America." Criticizes "siren song of directed economics" and extols role of life insurance as vehicle of savings and investment.

At the root of the American miracle—the success story—is a short but trenchant word called freedom. It is often a misused word. But in its simple essence, it means no restrictions on the right to worship, no restrictions on the right to speak—on the right to choose political representatives—on the right to buy—on the right to sell—on the right to invest—or on the right to work. At this particular time, the right to work is particularly important. The economist refers to this right as "mobility of labor," which means that if you don't like the job you have, you are free to quit, and go around the corner. You are just as free to do that, as you are to start a business, or enter a profession, if you are qualified.

Laurence F. Lee

In short, we have the right to succeed, and we have the right to fail.

Many other people fail to understand the importance of those rights to our success.

Throughout the world, our economy is the subject of much discussion. In some quarters it is viewed with envy; in others with approval; in still others with criticism.

But whether the peoples of the world approve it—or criticize it—they are interested in it, because of the increased standard of living that it has brought to our people.

Many of them cannot understand that it is *freedom of action* which accounts for our success.

They have never known such freedom—or else they have gambled it away in a will-o'-the-wisp chase for security through centralized authority. And that idea has never worked in any land.

It's the great paradox of the 20th Century—but here in America there are many people who would like to borrow or adapt the unsuccessful economic systems from abroad which have only resulted in failure.

It behooves us to be vigilant; not alone for our own sakes, but for the sake of those who come after us. We have already committed our children and our grandchildren to a staggering public debt. But we will write an even blacker chapter in the chronicles of time if we make it impossible for them to pay that debt. And that could happen. It could happen by destroying the free enterprise system from which our comparative abundance and comparative wealth have sprung.

Our Freedoms Are Slipping

Let us make no mistake about it: these freedoms about which we talk so glibly are fast slipping through our fingers.

The employee's right to negotiate with his employer has been seriously impaired by the device of industry-wide bargaining.

Political forces in Washington have aided and abetted the execution and enforcement of such agreements.

In far too many instances, an employer must agree to the terms imposed upon him, even though it is financially impractical to abide by them. In far too many instances, an employee must support the local and national union leaders—or he is denied the right to work. By those tokens, the word freedom becomes a myth—a word of irony—a lost value.

In those instances, the individual no longer counts; instead—he is counted as a number on the union membership records. He has ceased to be a *man;* he has become a cipher. His efficiency means nothing—his ambitions and desires even less.

Meanwhile, the same device drives enterprises that create jobs out of existence—or sharply curtails their ability to make those products which—in turn—create more jobs—and which provide the fuel and the motivation of the American economy.

The economic facts of life are by-passed—and if we continue to ignore them, there is a dangerous aura about the future that no thinking man can fail to apprehend.

A second torpedo for our freedom of choice is the control of prices. Here again we find that economic facts are by-passed. The controllers ignore the costs of doing business: they ignore profits as an incentive to produce, but they approve wage and tax increases and with bland placidity order them to be absorbed by the manufacturer, supplier, distributor and retailer. When these harassments cut production, as they naturally do, the controllers profess to be astounded, as if there were some mystery or some evil spirit tinkering with the operation of our economic structure.

They forget—with childish indifference—that it is competition in the market place that inspires production—that attracts the consumer and keeps prices at levels that are fair to all concerned.

What is the result of these torpedoes fired against economic freedom?

The result is that our willingness to risk capital in starting a new business or in expanding an existing business is amended. It is the risk-taker who keeps capitalism alive and growing.

Bottle up capitalism, and you have corked the effervescence of our competitive economy. It is the beginning of the end.

Administration's Lack of Concern for Approaching Disaster

The labor-management industry-wide bargaining idea—Washington political pressure for price controls—the attitude that profits are somehow indecent, must be attributed to the Administration's lack of concern for the disaster we are rapidly approaching.

We might take the field of electric power as an example of how to flirt with disaster. Today many state utility commissions are refusing to recognize that costs of power production have increased. These must be reflected in an increase in rates if the utility is to have adequate income to attract new capital for plant expansion. The utilities must show income to attract new capital. Otherwise, capital remains indifferent. The government rails at the utilities industry—demanding an increase in capacity—and at the same time refuses to make it possible for the industry to attract the necessary capital to expand. So, government goes into the power business itself. Rates are increased, and the state and Federal Governments are deprived of tax income.

Will the government next invade the railroad industry and other lines of business as it has the electric power business?

If so—then that is the end of abundance in America.

That is the end of opportunity. That is the end of progress.

And that is the beginning of the dry rot and stagnation which characterized every society that has succumbed to the siren song of directed economics.

It is in the field of providing capital that life insurance plays an increasingly important role in our free competitive society. The trend has been to turn more and more to the private accumulators of funds.

The individual policy holder probably does not regard his life insurance policy as a form of saving. Nevertheless, such policies are a form of saving in that people are putting money into life insurance to insure the future in the same manner that they put money into the savings banks.

But their policies are a saving in another and even more important sense. They are and will continue to be the real backlog of security for the American system. If the individual policy holder only knew it, his annual premium represents an investment in the American economic system.

Last year—as you all know—the life insurance business had about $7 billion to invest: that was new money—available from premiums—and from payments on loans.

This year it is estimated the amount will be somewhere above $7 billion.

The story of life insurance investment in the American economy is a story super-charged with dynamic interest.

You can look anywhere you wish, and you will see the results of life insurance investments in industry — helping to assure the continuing growth of competitive capitalism.

It is a personal story as well as an industrial story. It is just as personal as worthwhile, for during 1951, the life insurance investments in real estate mortgages totaled *$5,000,000,000.* They have also invested in farm financing to the extent of holding 24.2% of all farm mortgages as of Jan. 1, 1952.

All this is in addition to one of the greatest innovations in our economic system—the creation of private pension plans that today cover some 3 million workers.

Role of Life Insurance

But let me turn at this point to the even greater need for the life insurance industry to put its shoulder to the wheel of American society.

As life insurance agents, you have sold the American people on the idea of insurance. The institution of life insurance owes its solid backlog of respect to the tireless efforts of the agent who has constantly emphasized the importance of savings to the American people.

I would like to suggest that you men are cut out for the job of selling the American people all over again on the idea of America. You have done so well on selling the institution of insurance, you are ideally adapted to reselling the institution of this country.

That's not an easy job. And it needs a brief appraisal from the insurance point of view.

As life insurance agents, you have made insurance one of the most popular words in the American language. Insurance is one of the most respected words in the American lexicon — particularly since the depression of the 1930's.

The word insurance has achieved such stature that it is even used against the interests of the American economy. All kinds of dreamers and schemers of socialistic devices label their plans by the name of "insurance." They claim they don't want to socialize America. They merely want to "insure" us all against the hazards of existence — by government direction and government controls.

For example, they want to protect us from the hazards of free enterprise. They want to "insure" the nonproducing, inefficient worker an equal income with the highly efficient, large-producing worker. Their idea of how to do that is to drag the better man down to the level of the less able.

All manner of devices enter into this idea—some old—some new—most of them calculated to curtail if not to punish incentive—and superimposed on all the old devices is the new and more sweeping device of industry-wide bargaining with security provisions.

The same dreamers and schemers want to "insure" the consumer against inflation—so they say—by crippling incentive and by destroying the goals of production.

If it were not for the danger involved in all this scheming and dreaming, the insurance world might take it as a compliment that the word "insurance" is so generously but so carelessly applied. But as it stands, it is a distortion of a great and noble idea to an ignoble purpose.

So you can see what you're up against when you tackle the job of reselling the American idea and the institution of free enterprise. It will be difficult.

But you can do it. You are thought-forming people. That's a matter of record. You are thought-provoking people. That's also a matter of record. You are thought-inspiring—and you are catalytic agents for thinking people—just as you are agents for your insurance companies.

I can say these things about you as of now with objectivity and dispassionate appraisal. As President of the National Chamber, I am talking in the interests of all business when I single you out for this heavy responsibility. It is simply a fact that the need exists—and it is simply a further fact that you are the men to meet the need.

*From an address by Mr. Lee before the National Association of Life Underwriters, Atlantic City, N. J., Sept. 10, 1952.

To Study Possibility of Creating a National Central Mortgage Bank

Aubrey M. Costa, President of the Mortgage Bankers Association of America, announces appointment of a special committee of his organization to explore the problem.

The possibility of organizing a central mortgage banking system somewhat similar to the Federal Reserve System in commercial banking or the Federal Home Loan Bank in the savings and loan association field will be explored by a special committee of members of the Mortgage Bankers Association of America, according to Aubrey M. Costa of Dallas, the Association's President. The investigation which this group will make, Mr. Costa advises, will begin with a comprehensive research study for which a technical organization will be employed. Committee members named include Aksel Nielsen, President, Title Guaranty Company of Denver, and a former Association President; Harry Held, Bowery Savings Bank, New York; Milford A. Vieser, Vice-President, Mutual Benefit Life Insurance Company, Newark; James W. Rouse, President, The Moss-Rouse Company, Baltimore; Franklin D. Richards, Franklin D. Richards and Associates, Washington, D. C. and until recently Commissioner of the Federal Housing Administration; John F. Austin, Jr., President, T. J. Bettes Company, Houston; Ferd Kramer, President, Draper and Kramer, Inc., Chicago; George H. Dovenmuehle, President, Dovenmuehle, Inc., Chicago; W. A. Clarke, President, W. A. Clarke Mortgage Co., Philadelphia; Brown L. Whatley, President, Stockton, Whatley, Davin & Co., Jacksonville, Fla.; and Mr. Costa.

Aubrey M. Costa

"That mortgage lending needs a central banking system has long been the contention of many within the industry," Mr. Costa points out. "A central mortgage bank would act to stabilize the mortgage structure under all kinds of economic conditions. The mortgage as an investment medium now enjoys a far greater liquidity than it ever had in the past. Federal Housing Administration insured mortgages and Veterans Administration guaranteed loans now have a nation-wide market — ignoring for the moment their present relative unattractiveness as compared to conventional type mortgages and other investments because of their rigidly frozen interest rates below the present market level.

"Of greater significance to the country generally," he added, "is the prospect that with establishment of a central mortgage bank the government's heavy burden in this field could be largely or entirely eliminated. The federal government in recent years has poured millions into so-called emergency and 'stand-by' agencies in the mortgage field such as the RFC Mortgage Company and the Federal National Mortgage Association. A central mortgage bank could make unnecessary this heavy federal burden.

"The Association's investigation into the possibilities of such a bank begins with no preconceived conviction as to whether it is necessary or not. All possibilities will be thoroughly analyzed. Every aspect will be subject to the closest research study. The work of the committee will continue as long as required."

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Benjamin F. Fletcher has been added to the staff of Paine, Webber, Jackson & Curtis, 626 South Spring Street.

Richard Harrison Adds

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Raymond J. Pedersen is now with Richard A. Harrison, 2200 16th Street.

With A. G. Becker & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert B. M. Smith is now with A. G. Becker & Co., 465 California Street.

We Have Government Management Of Railroads—Not Regulation!

By WILLIAM WHITE*
President, New York Central Railroad

In calling attention to generally weak financial conditions of the railroads, while business as a whole is bulging with strength head of large railroad system lays trouble mainly to government railroad management, under guise of regulation. Says trend is likely to lead to government ownership and operation. Advocates as among means of streamlining transportation laws: (1) users of each form of transportation should pay for its cost; (2) elimination of unreasonable ICC delays in making rate adjustments; and (3) ICC should consider effects of rates of railroad credit.

When an essential industry reaches the point when it can no longer spend to maintain its efficiency and improve its services, the public begins to clamor for the government to do something.

William White

It happened to our own New York City subway system and to rapid transit lines in other cities — notably Chicago and Boston. There we have socialization plus higher fares and the New York subway operation which Mayor Impellitteri inherited is still in the "red" and will probably stay that way.

The troubles of the Long Island Railroad have followed the same pattern. The State of New York, through an agency, is now trying to get title to it at a bargain price and proposes to operate it under virtual freedom from regulation and with a complete elimination of all taxes except payroll taxes.

Now why should a basic industry like the railroads be in such a weak financial condition when business as a whole is bulging with strength—when the railroads themselves are carrying tremendous loads of freight and passengers and when their operating efficiency is at an all-time peak?

Laws Manage Railroads

Seventy-odd years ago the Interstate Commerce Commission was established to regulate the railroads as a monopoly. At that time there were no buses, airplanes, trucks, automobiles or pipelines. Today the railroads not only have competitors who are much less regulated, *but the laws which were set up to regulate the railroads now manage the railroads.*

In the face of this patent danger to our economic system—the danger that comes when government takes over the management functions of private business—American business and industry have remained relatively indifferent.

Proposed Reforms in Regulations

That boxcar in Grand Central Terminal is a symbol. It symbolizes the start of an effort on our part to campaign for a modernization of railroad regulation. Specifically, these are the major recommendations we are proposing for streamlining our national transportation laws:

(1) That it shall be the policy of government at all levels—Federal, State and municipal—that the users of whatever form of transportation they elect to use shall pay the full cost of that form of transportation, including their fair share of the cost of facilities that are provided by the use of public monies. When we say "their fair share" we mean just that, and no more.

We seek no advantage for ourselves; we do seek the removal of artificial disadvantages under which we labor. We seek not to drive our competitors out of business. We recognize that the public interest requires the use of all forms of transportation which it now enjoys, but all forms of transportation must be accorded the opportunity to compete on equal terms, with favor to none, and then let the chips fall where they will.

(2) That unreasonable delays in ICC action on requests for rate adjustments — up or down — be eliminated without prejudice to ICC's right to review and modify.

Let me explain this briefly. Since the war the railroads of the country have petitioned the ICC for four general freight rate adjustments. The average time consumed between the petition and the ICC's final decision on each of these requests — which were subsequently granted — was 350 days. The cost to the railroads of these delays has been in excess of $1 billion. Had these delays not occurred, freight rates actually would be even lower than they are today, because the delays themselves made it necessary to obtain higher rate levels.

(3) That the "rule of rate making" in the Interstate Commerce Act be modernized to direct the ICC to consider the effects of proposed rates on the maintenance of railroad credit—rather than, as now, the possible effects of these rates on railroad traffic volume.

This may seem a little complicated, but actually its aim is simple. First, we want the American people, particularly American businessmen, to recognize that the fundamental laws of economics apply as well to the railroads as to any other business. Therefore, we want a directive to the Interstate Commerce Commission from the Congress to the effect that the railroads should be permitted earnings sufficient to attract equity capital. Secondly, we want removed from the rule of rate making a present requirement that the Interstate Commerce Commission shall give consideration to the effect of rates on railroad traffic volume. We think that is a function of management; likewise, a responsibility of management—a serious responsibility. It is just as simple as that.

(4) That the long-and-short haul clause, which applies to railroads but not to highway or air transport, be repealed as a primary step toward the establishment of fair competition in the transportation business.

(5) That the railroads shall have the right of appeal to the Interstate Commerce Commission from adverse decisions of State Commissions with respect to the abandonment of passenger train service whenever the railroads can show a continuing financial loss from the operation of those services.

This is designed to take passenger train abandonment proceedings out of the realm of State and local politics.

These are fundamental points. There are others. But the adoption of these and a few companion proposals will be a big start in the right direction.

We ask only for action that is in the public interest. That interest clearly requires an efficient and sound transportation system, fair to all competing elements in it, and free of excessive government regulation.

The railroads today are a captive industry in a free economy.

We ask only for the freedom to be enterprising.

*An address by Mr. White at the 100,000th Freight Car Luncheon, New York City, Sept. 16, 1952.

Edw. A. Michaels Joins Distributors Group

Edward A. Michaels, formerly an investment executive with the First National Bank of Miami, has joined Distributors Group, Incorporated, mutual fund sponsors, as a portfolio manager. Previously Mr. Michaels was associated with the Continental Illinois National Bank and Trust Company as a security analyst, and before that, with Merrill Lynch, Pierce, Fenner & Beane in Chicago.

Edward A. Michaels

Robert L. Creek With A. C. Allyn & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Robert L. Creek has become associated with A. C. Allyn and Company, Incorporated, 100 West Monroe Street. Mr. Creek was formerly with B. J. Van Ingen & Co. and prior thereto was Chicago manager for the Ranson-Davidson Company. In the past he was a partner of C. W. McNear & Co.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine — Howard E. Spencer is with Waddell & Reed, Inc. He was formerly with du Pont, Homsey & Company of Boston, and R. H. Johnson & Co.

Now With Perkins Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Mae P. Andrews is now associated with Perkins & Co., Inc., 31 Milk Street. Miss Andrews was formerly with Raymond & Co.

Joins Lyman W. Phillips

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — William B. Saunders has joined the staff of Lyman W. Phillips & Co., 201 Devonshire Street. He was formerly with D. H. Whittemore & Co., and Goldman, Sachs & Co.

Now With Neary, Purcell

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — William R. Hickey is now connected with Neary, Purcell & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. Hickey was previously with Lester, Ryons & Co.

With William R. Staats Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — William O. Keyes has become affiliated with William R. Staats & Co., 640 South Spring Street, members of the New York and Los Angeles Stock Exchange.

More on the Stock Market Index

By ROGER C. HEIMER
Rear Admiral, U. S. Navy, Retired
Carstairs & Co., Philadelphia, Pa., Members
New York Stock Exchange

Mr. Heimer contends Dow Jones Averages, once recognized as business forecaster, now constitute merely an "avidity" index for stock exchange "leaders" by officers of trust funds and insurance companies.

Various indicators have been useful in the past to forecast business conditions. Due to changed conditions, or offsetting interrelated conditions, this usefulness lapses. You know what happened to leather belting production as an indicator of future business. Pig iron production too has passed beyond—as have others.

Roger C. Heimer

The venerable "Dow Jones" has been considered as a forecasting device; based most generally upon the assumption that when businessmen saw, or thought they saw, a prospective boom in business, they bought equities expected to share in the rise. They bought their own corporation stock, or they bought competitors' stock, or they bought in suppliers' stock, or they bought stock of firms closer to the individual consumer. They in short saw a growing specific demand or an increase in profit due to increased productivity or some other bullish condition. They bought for a rise. They may have initiated the incipient rise. (In the reverse direction they would sell.)

In a situation of inflation more and more individuals (1) have more investible funds and/or (2) have less faith in fixed income securities; thus increased reliance in common stocks to offset inflation in part. These individuals have been sold the idea that investment trusts are a "situs" for security.

Too, investments by pension funds have been growing as a result of (1) pension fund formations; (2) high employment, and (3) a young worker group. The latter causing small calls upon such funds.

Insurance fund assets are growing due to the need for greater gross amounts of insurance on the part of the insured, generally, due to the inflation of dollar values. These dollar values must be covered. This includes the dollar values of needed support for dependents.

Due to charter, or other, requirements, many officers of the above types of institutions are compelled to override their liquidity preference and to maintain a fully invested position—or an almost fully invested position. Some institutional officers reading the most compelling political propaganda, re the continuing inflation, are proud to state that their funds are fully invested.

Many are infected with the group auto-hypnosis of "a rising price situation." They eat lunch with other pundits. They converse with each other and with those who partake of their own beliefs. These beliefs grow to convictions. A leading polling medium opines that of investment services, lads who sit at the feet of the mighty, 78% are bullish. These individual opinions can scarcely be said to be original.

Buying the "Leaders"

It so happens that most of the officers of the trusts, funds, and insurance companies have read the other side of the coin—that we are near the bull market peak, overproduction etc. This introduces fear or perhaps hesitancy or a modicum of doubt. Therefore they feel no pain as they buy the "Leaders." The "Leaders" are common stocks of companies widely considered as the bellwethers of the business or production group. Most are referred to as "blue chips." It needs no wide knowledge to recognize the "Leaders" in the DJ averages. The positive and obvious argument is that price advances of "Leaders" have recently exceeded price advances of stocks on the NYSE as a whole. The negative (and future defensive argument) is that these capital stocks have been bought by trusts, funds and/or insurance companies. That fact indicates the "prudency" of the selections—does it not?

Let us present a hypothetical example of past happenings by inventing XYZ to represent a stock exchange "Leader." The fact that investment trust "A" sells 10,000 shares of XYZ, and fund "B" buys 15,000 shares of XYZ during the same period performs the fortunate result of (1) increasing the price of XYZ due to the dominant size of the supply-demand transaction; (2) provides "A" with capital gains with which to keep up the 10% dividends to the owners of the trust, and (3) provides fund "B" with an aura of wisdom. Has not "B" invested in dominant firms of dominant industries? Is this not a sign of superior wisdom? At present—and at present only—the answers are both affirmative.

It might, of course, be shown that the percentage of XYZ owned by trusts, funds, and insurance companies is a relatively small portion of the total outstanding. But what is the relation of the amount bought and sold by trusts, funds and insurance companies to the total bought and sold by all individuals, traders or fiduciaries other than the above? While it need not be considered a permanent phenomenon, the fact is that the bulk of XYZ in the present bull market is fastly held and most securely locked up in private hands. And it follows that of the amount bought and sold in a limited period of time, perhaps a month, the demand on the part of trusts, funds and insurance companies dominates the demand, due to the pressure of more and more investible funds placed in their hands.

And we find that businessmen or others who buy (or sell) such a stock as XYZ due to the belief in expansion (or contraction) of this or related business, no longer dominate the demand or supply of XYZ. Too, individuals tardily watch the purchases and sales of investment trusts for clues to wise investment of surplus disposable funds. This accentuates the demand for the "Leaders." As a result of these changed forces of supply and demand, the DJ, which contains no mythical XYZ, but is loaded with "Leaders," is no longer a forecaster of business conditions.

The DJ (or any similarly loaded index) is an index of the AVIDITY for "Leaders" by the officers of trusts, funds and insurance companies, who feel compelled to purchase these "Leaders" with the gradually accumulating dollars made available by the political-inflationary process.

Reasons for Recent Sterling Weakness

By PAUL EINZIG

Dr. Einzig discusses new developments in the sterling rate of exchange, and contends main cause of weakness of sterling was the ill-fated arrangement in August, permitting British firms to purchase dollar raw materials for sale to EPU countries. Says though this reduced sterling deficit to European Payments Union, it resulted in corresponding loss of gold caused by demand for dollars, and an adverse pressure due to distrust in sterling.

LONDON, Eng.—During the first week of September, sterling depreciated to the close vicinity of the point at which the British Government had undertaken to support it. At the rate of $2.78 the Bank of England, acting on behalf of the Treasury, is an unlimited seller of dollars on the market for approved purposes. So long as the rate is above that figure it is not worth while for the banker of importers and others needing dollars to make use of this arrangement, because they can cover their requirements at more favorable rates through buying from private sellers. This means that so long as the rate is above $2.78 the Treasury is not losing any dollars unless the Bank of England chooses to intervene voluntarily in order to prevent the rate from declining to "support point." As soon as the rate is down at $2.78 the Treasury is bound to lose dollars in implementing its undertaking to support sterling at that rate. During the first half of September it must have lost appreciable amounts because diverse pressure on sterling was fairly strong. The fact that it needed support tended itself to aggravte the pressure because it inspired a certain degree of distrust.

Dr. Paul Einzig

There can be no doubt that the main cause of sterling's weakness was the demand for dollars originating from the ill-fated arrangement made in August under which licenses were granted to British firms for the purchase of dollar raw materials for sale to countries of the European Payments Union. The arrangement had to be suspended within a week of its initiation because the demand for the new facilities far exceeded official anticipations and the limit which the authorities had in mind was soon reached. The favorable effect of the arrangement became evident early in September when it was announced that Britain's deficit in relation to the European Payments Union declined considerably during August compared with the previous months. The object of the experiment was precisely to reduce this deficit. It was undertaken because under prevailing conditions Britain has to settle in gold her deficit in relation to the European Payments Union.

The other side of the picture was represented by the additional demand for dollars arising from the transactions under the scheme. Those who received licenses during the week of the operation of the scheme are now gradually covering their dollar requirements arising from the transactions. When all the licenses have been fully used the net direct result of the short-lived arrangement will be a reduction of British gold payments to the European Payments Union and a practically corresponding loss of gold arising from the need to support sterling against adverse pressure caused by the demands for dollars under the licenses arising from the scheme. There will be a small difference in favor of this country, representing the profits or commissions of the British firms engaged in the transactions. Those who were in favor of the scheme laid much stress on this difference which in their opinion made it worth while to embark on the scheme. This is not, however, the whole story. The Treasury will lose on balance not somewhat less gold than it would have lost if the experiment had not been tried but considerably more gold. For, as we pointed out above, the evidence of persistent adverse pressure inspired distrust and this again accentuated the adverse pressure. The authorities had to support sterling not only to the extent of the dollar licenses they had granted under the scheme but in addition also to the extent of the speculative pressure provoked by the operation of the scheme.

The arrangement under which such speculative pressure was bound to arise could hardly be described as intelligent. The Exchange Equalization Fund which is responsible for the support of sterling ought to have known better on the basis of its own prewar experience. During the 'thirties it would not have dreamt of adopting an arrangement which tended to increase selling pressure on sterling. Indeed, it pursued exactly the opposite tactics. It made arrangements with the bankers of large buyers of dollars, such as tobacco importers, to cover their requirements under special arrangement with the Exchange Equalization Fund. In the absence of such arrangements the Fund would have had to provide the necessary dollars in any case in order to avoid an unwanted depreciation of sterling. The advantage of the arrangement from the point of view of the authorities was that it diverted from the foreign exchange market considerable demand for dollars. The evidence of such a demand would have stimulated speculative selling of sterling so that on balance the authorities would have lost more gold if they allowed the British American Tobacco Company and other big dollar users to cover their requirements in the open market.

That was, of course, 15 years ago and meanwhile the authorities appear to have unlearned much of what they had known about market technique in the 'thirties. Now instead of diverting demand for dollars from the open market they have diverted demand for dollars to the open market. Gold payments to E.P.U. are made directly and even though the monthly announcement of the loss of gold caused by such payments may inspire distrust it is reasonable to suppose that the distrust inspired by the alternative arrangement is distinctly more pronounced. For in addition to the effect of the loss of gold—which is practically the same under the two alternative arrangements—there is now also the effect of the evidence of adverse pressure on sterling.

It is to be hoped that the authorities will learn the lesson taught by this experience. Fortunately the ill-advised sceme is suspended in any case, but it is conceivable that later it may be resumed, subject to limitations. Its application even on a smaller scale is liable to cause additional losses of gold owing to speculative selling of sterling inspired by the evidence of persistent adverse pressure. This aspect of the device should be borne in mind.

Continued from first page

The Short-Term Economic Outlook

ment in international relations is in sight. In fact, our relations with Russia and China seem slowly to be getting worse and we are losing ground in Latin-America. A second is that the size of the armed forces is likely to increase slightly above present levels. A third is that the rapid advance in the technology of war will compel the armed services to continue to make large outlays for new equipment. Hence, there will not be a sharp difference between a period when armaments are being built up and when armaments are merely being replaced. Substantial increases in expenditures for improved types of aircraft, for guided missiles, and atomic energy are probable. Furthermore, it is likely that we shall soon be building an appreciable number of atomic-powered submarines.

My remarks on current business trends will be organized under four principal headings:

(1) Will the rise in defense expenditures in the next nine months produce a substantial rise in prices?

(2) After the plateau of defense spending is reached and defense outlays no longer increase will the total demand for goods fall off?

(3) Will the eventual slide-off in defense expenditures, probably beginning late in 1954, produce a recession in business?

(4) What is happening to labor costs and how does the change in labor costs affect the prospects for the long-run level of prices?

II

Will the rise in defense spending between now and next summer produce a substantial rise in prices? In the present fiscal year the cash outlays of the Federal Government will exceed its cash receipts by about $5 billion. Will not a rise in defense expenditures which requires deficit spending produce a considerable rise in prices?

Some small rise is likely, but it is not likely to be large. This conclusion is based upon several subordinate conclusions. In the first place, the gain in the productive capacity of the economy in the next year is likely to be about as large as the rise in the output of defense goods. If the labor force increases by 1% and output per manhour by 2%, the total rise in the output of industry will be about 3%, or about $10 billion a year. These are conservative estimates. If the gain in total output equals the rise in the consumption of goods for defense, the goods available for civilian consumption will remain about unchanged.

In the second place, no further increase in expenditures of industry on plant and equipment is likely. These outlays are at a record-breaking rate. They will be kept high for another six to nine months by the accelerated tax amortization plan and by the excess profits tax. These expenditures will be prevented from increasing by the limited supplies of materials and by the fact that a large part of defense production facilities has been completed. Indeed, by the middle of 1953, spending on plant and equipment by private industry will probably be dropping.

In the third place, since the number of marriages is dropping (it was 8.5% less during the first half of 1952 than in the corresponding period of 1951) and since the number of new dwelling units constructed is running roughly 55% greater than the increase in families, the number of dwelling units constructed next year is likely to be somewhat smaller than this year. Building costs do not seem to have risen more than per capita disposable income (a frame dwelling cost about 27.1% more to construct in the second quarter of 1952 than in 1947 and 10.2% more than in the second quarter of 1950 and per capita disposable income was 25.6% above 1947 and 13.2% above the second quarter of 1952), but the actual prices of houses probably have risen more than per capita disposable income. Nevertheless, it is possible for many people to become home owners with an immediate out-of-pocket monthly cost which is little or no greater than they pay in rent. Hence the drop in the number of dwelling units constructed next year should be small.

In the fourth place, no speculative accumulation of inventories on a broad scale is likely. Inventories in the defense industries have been pretty well built up and, except for some losses caused by the steel strike, have been well maintained. Building up inventories in many non-defense industries was overdone in 1951 and this mistake will not be repeated at an early date.

In the fifth place, expenditures of states and local governments, which have been steadily increasing for the last several years, will continue slowly to increase. The backlog of needs for roads, schools, hospitals, and many other public works is large, but the making of decisions about specific projects and the preparation of plans is time-consuming. Communities are gradually increasing the amount of public construction, and this increase will continue.

In the sixth place, expenditures for consumer goods, which have been steadily increasing since the second quarter of 1951, will continue to rise, partly because employment will slightly increase, partly because rates of pay will rise, and partly because the proportion of disposable income spent on consumer goods will not drop and is likely to rise.

Employment will increase slightly because the rise in defense expenditures and in the outlays of state and local governments in the next year will slightly exceed any drop in the investment by private industry. Rates of pay will rise because the high level of employment puts unions in a strong bargaining position. Unions will press their demands rather strongly in 1953 because they will fear that their bargaining position in 1954 will be less favorable. Hence, they will attempt to get while the getting is good. Between June 1951 and June 1952, average hourly earnings of factory workers rose 3.7% and the consumers' price index by 2.4%. The proportion of personal income after taxes spent on consumer goods is likely to rise because savings have been fairly high for some time (though they have been falling for six months), because controls of consumer credit have (unfortunately, I think) been abolished, and because the variety of goods from which consumers have to choose is broadening. The annual rate of outlay for consumer goods was $10.5 billion larger in the second quarter of 1952 than in the second quarter of 1951—a rise of 5%. Another rise of at least 5% between the second quarter of 1952 and the second quarter of 1953 is likely.

All of these conclusions about separate parts of the economy add up to the general conclusion that the demand for goods in the next nine or twelve months will moderately outrun the supply. Hence the consumers' price index will continue slowly to rise.

III

The condition of the economy is likely to undergo a small but important change when the increase in defense expenditures ceases. At present it is expected that the rise in defense spending will end about the middle of 1953. For a year and a half or two years thereafter defense outlays are expected to continue at the rate of around $60 billion a year. Expenditures of industry on plant and equipment will be dropping because the construction of new plants to produce defense goods will have been pretty well completed. The drop will be especially rapid after the end of 1953. The outlays on residential construction, which are likely to drop slightly during the next year, will probably continue slowly downward after the middle of 1953. They will, however, be sustained to some extent by the large volume of E-bond maturities in 1953 and 1954. The spending of state and local governments will increase but the rise is not likely to offset the drop in investment in industrial plant and equipment and in housing after the middle of 1953. Hence unless outlays for consumer goods rise relative to the incomes of individuals, the total demand for goods is likely to fall.

Outlays for consumer goods in the latter half of 1953 and throughout 1954 will be sustained to some extent by the large maturities of E bonds to which I have just referred. These maturities will be over 46% larger in 1953 than in 1952, and in 1954 they will be about 10% larger than in 1953. Buying by consumers will be limited, however, by the fact that within the next year or year and a half industry cannot be expected to improve greatly the goods offered for sale. There is a good possibility, however, that the outlays of individuals will be raised to a small extent by prospective cuts in the personal income tax. Prospective cuts in excise taxes, of course, will cause postponement of the buying of the affected goods.

Tax cuts at a time when the Federal budget is in the red, as it may still be to a small extent in the fiscal year 1953-54, will meet strong opposition, and my present guess is that cuts in the personal income tax will not apply to incomes earned in the calendar year 1953. If cuts are passed next summer to take effect on Jan. 1, 1954, however, they are likely to have some immediate influence on consumer spending. Hence tax cuts effective Jan. 1, 1954, but passed in May or June 1953, together with the steady growth in the outlays of state and local governments, could well prevent a drop in the total demand for goods so long as defense spending continues at the peak rate of around $60 billion a year. And if a drop in total demand occurs soon after the middle of 1953, it is likely to be small.

IV

But what will happen when the slide-off in defense spending begins, probably soon after the elections of 1954? If the demand for goods has been roughly kept even during the plateau period of defense spending, will not the slide-off produce a recession in business? Incidentally, if the demand for goods merely keeps even from the middle of 1953 until the fall of 1954 while the productivity of labor grows and the size of the labor force increases, unemployment may increase in the course of a year by around 1.5 million to 2.0 million.

No one can pretend in September, 1952, to say what economic trends will prevail in the fall of 1954 or early in 1955. Certainly there is a good possibility that the slide-off in defense spending will produce a recession. One is justified, however, in asserting that if a recession accompanies the slide-off in defense spending, it will be mild. The expansion of state and local outlays on public works will be continuing and will be a partial offset to the decrease in defense spending. Research in industry is going on at a high rate. Furthermore, business concerns will be able to put to use some of the technological developments brought about by the defense program.

By the end of 1954, research will have brought into existence a good many new investment opportunities. About two-fifths of the manufacturing plant of industry has been built since 1946. Much of the old plant and equipment is not competitive with the new plant except in a strong sellers' market such as has prevailed during the last several years. Hence much of the old plant and equipment will have to be replaced, and a weakening of demand and stiffening of competition will strengthen the urge to replace it. For these several reasons I believe that the drop from the present high level of spending on industrial plant and equipment will be moderate and that these outlays will level off after they have dropped about one-third or less.

By the time that the slide-off in defense spending occurs, the drop in outlays on housing may well have ceased or almost ceased. Since the immediate out-of-pocket monthly cost of new houses is so close to monthly rentals, since there are always regional shifts in population, since the annual increase in the number of families will be about 700,000, and since more and more people are preferring to live near large cities instead of in them, the annual demand for new housing ought to hold at between 900,000 and 1,000,000.

Outlays for consumer goods will be sustained to some extent by the improvements in goods which, by the beginning of 1955, can be fairly significant. An unfavorable influence is that the maturities of E bonds, which will reach their peak in 1954, will drop by well over a billion in 1955. Before the elections in 1954, Congress is likely to vote tax reductions which become effective in 1955. These reductions are likely to offset the effects of the drop in the maturities of E bonds.

Finally, and of considerable importance, is the fact that the rate at which defense spending drops is pretty much within the control of the government and can be adjusted to changes in economic conditions. The reason for this flexibility is that large amounts of appropriations are made well in advance of spending the money. Hence there is opportunity to change the timing of expenditures. For all of these reasons I believe that no serious recession is likely to accompany the slide-off in defense spending, and there may be no recession at all.

Sooner or later, of course, the great and increasing volume of technological research will produce an increase in the demand for goods, partly because of the new investment opportunities which it creates and partly because of the stimulus which it gives to the demand for consumers' goods by making available new and better goods for consumption.

V

These observations on the near-term business outlook may be summarized as follows:

(1) For the period up to the middle of 1953 when the defense spending reaches a peak, the total demand for goods will be slowly increasing.

(2) For the period of the plateau of defense spending from the middle of 1953 to about the end of 1954, the total demand for goods will probably change little. It is impossible at present to say whether the net movement in that eighteen-month period will be up or down, but there are persuasive reasons for expecting the net movement in either direction to be small.

(3) For the period of the slide-off in defense spending beginning quite late in 1954 or early in 1955, the net movement of demand is also uncertain, but the possibility of mild contraction for a year or two is very real.

I wish to close these remarks by some observations on the effect of high employment and the strong demand for goods upon labor costs and hence upon the long-run movement of prices.

It seems quite clear that labor costs have been rising and are likely to continue to rise for at least another year or two. The reason for this conclusion is that wage rates appear to be rising faster than the average increase in output per manhour for the private sector of the economy. Extremely accurate comparisons between changes in wages rates and changes in output per manhour cannot be made with the data that are available.

Nevertheless, I believe that, in spite of the imperfections in the data, the conclusion is justified that the labor costs per unit of output are rising. Changes in wage rates and other labor costs must be inferred from changes in hourly earnings. It is true that part of the recent rise in hourly earnings represents greater productivity of piece workers and bonus workers rather than a rise in wage rates. But rates have also increased and, in addition, employees have gained many concessions in the form of pensions and sick benefits which raise labor costs but which are not reflected in wage rates. In the periods both immediately before and immediately after World War II output per manhour seems to have increased about 2.5% a year. There is some evidence that in the last two years the rise has been especially rapid—perhaps nearly 5% a year.

Between June, 1950 and June, 1951, the average hourly earnings in the principal non-agricultural industries (manufacturing, metal mining, construction, transportation and public utilities, and distribution) increased by about 9.6% and, between June 1951 and June 1952, by 4.1%. In the two-year period hourly earnings have increased over 14%. This is far above the more or less "normal" increase of 2.5% per mahour per year and it is even well above the extraordinary advance of nearly 5% per year that may have occurred in output per manhour.

The twelve months between June 1951 and June 1952, were a quiet period because they followed closely the large wage increases negotiated in the latter half of 1950 in anticipation of wage stabilization. The record-breaking increase awarded by the Wage Stabilization Board in the steel case and the failure of the steel companies to hold down the actual increase much below the Board's award have increased the pressure for wage advances. The large increase of the bituminous coal miners will accentuate the pressure. Since the high level of employment and the strong demand for goods put the unions in a strong bargaining position, the advance in the price of labor will be greater in the twelve months June 1952 to June 1953, than in the preceding twelve months. A conservative guess is that the rise will be at least 5%. Such an increase would make a total increase of around 20% in the price of labor during the three-year period June 1950 to June 1953. Perhaps it will be possible to raise output per manhour in private industry by 5% during the next year, but such a gain would be far greater than the usual one.

The rise in labor costs during the last two years and the prospect that there will be an additional advance between June 1952 and June 1953, is important because it indicates that high employment and the strong demand for goods are laying the foundation for a lasting increase in the price level. Writers on inflation have given attention too exclusively to the demand side of the problem and have made the error of regarding inflation as simply a monetary phenomenon. This oversimplification is well illustrated by the often repeated description of inflation as "too much money chasing too few goods."

In an economy with strong trade unions, such as ours, the bargaining power of unions must be regarded as a cause of inflation because if unions raise wages fast enough to push up labor costs, prices must be adjusted to the higher level of costs. The alternative would be chronic unemployment. Since the adjustment of prices to higher costs requires that credit and fiscal policies shall not be too restrictive, trade unions, through their bargaining power, become a major influence in molding credit and fiscal policies. Unions make it impracticable to keep credit and fiscal policies sufficiently restrictive to produce a price level that is stable in the long run.

Up to the present the community has not squarely faced the problem of the conflict between maximum employment and stable prices. In fact, most people are probably not aware that the problem exists and a few people go so far as to deny that it exists. Even if we accept the somewhat optimistic conclusion that output per manhour in private industry has risen about 10% in the last two years, labor costs per unit of output have risen over 4%. In order to cancel out the cost inflation of the last two years, unions would need to go without wage increases for over a year and a half while output per manhour increased at the normal rate of 2.5% a year. In order to cancel out the cost inflation that the country is likely to have by June, 1953, trade unions would need to go without wage increases for still another year. If output per manhour were to rise by more than 2.5% a year, the period needed to cancel out the cost inflation would be shorter.

I do not believe that the country would tolerate for a year and a half a rate of unemployment sufficiently severe to prevent money wages from rising so that the rise in output per manhour would cancel out the cost inflation that has occurred since June, 1950. Hence it is plain that the country has incurred in the last two years a more or less lasting rise in labor costs and hence in the price level that will permit full employment.

Not only has the country experienced a moderate rise in labor costs during the last two years but a similar rise may be expected normally to accompany high employment. It would indeed be most extraordinary if the bargaining power of unions were exactly enough to enable them to push up wages just as fast as the average increase in output per manhour but no faster. Trade unions in the United States seem to be powerful enough to push up wages a little faster than output per manhour whenever employment is high. They did this in 1946, 1947, 1948, 1950, and during the first half of 1951. Apparently they did not do it in 1949 when unemployment averaged 3.4 million, or about 5% of the labor force. They did not do it in the last half of 1951 and the first half of 1952, for the rapid wage advances of the first twelve months after the Korean War were followed by a lull in wage pressure.

Unless there is a substantial rise in the willingnes of employers to resist wage demands, unions may be expected in most years to raise labor costs by pushing up wages faster than the engineers and managers are able to raise output per manhour. Every now and then the country will experience a recession, but the recessions are not likely to produce cuts in wages—they will merely bring about a halt to wage increases. The rise in output per manhour will go on during recessions no less than during boom years and will bring about some drop in labor costs. But the years of recession, in which labor costs drop, are not likely to be as numerous as the years of expansion in which labor costs rise. Hence the long-run movement of labor costs is likely to be upward. Since prices in the long-run must be adjusted to costs, the long-run movement of the price level must be expected to be upward.

This view of the long-run movement of labor costs and prices will turn out to be wrong:

(1) If I have underestimated by a sufficient amount the ability of the engineers and managers to raise output per manhour.

(2) If I have underestimated by a sufficient amount the ability and willingness of employers to resist wage demands.

(3) If I have overestimated sufficiently the bargaining power of unions.

(4) If I have underestimated sufficiently the proportion of the years in which the economy will be more or less depressed so that the unions are temporarily unable to push up labor costs.

Any one of these mistakes could be sufficient to produce an erroneous conclusion concerning the long-run movement of labor costs. If you examine carefully the possibility that one or more of these mistakes has been made, I believe that you will reach the conclusion that the long-run outlook for stable or falling labor costs in industry as a whole is not very bright and that, in consequence, the long-run outlook for an unchanging or a falling price level is not very bright. The most probable results seems to be that labor costs in most years and in most industries will creep slowly upward and that the price level will adjust itself to slowly rising labor costs.

Europe Leaning Too Much on U. S. Aid

In booklet issued by Hanover Bank, Dr. Marcus Nadler, the bank's economist, says Western Europeans must recognize and rectify their shortcomings as fast as possible, as it is neither desirable or advisable to transplant American institutions and business methods in old world.

In a 32-page booklet, "Impressions of Western Europe," released by The Hanover Bank of New York City, Dr. Marcus Nadler, the bank's economist, stated that Western European countries have relied too much on aid from the United States and must learn to rely more on themselves. He also asserted that Western Europeans must "recognize their own shortcomings and rectify them as fast as possible." But, he added, "it is neither advisable nor desirable to remake Western Europe in the image of the United States, and one cannot always transplant American institutions and methods of doing business to countries whose economic and social history and way of life differ so radically from ours."

Marcus Nadler

Quantitative restrictions on imports, rigid foreign exchange controls and discouraging competition, Dr. Nadler says, will not solve the problems confronting Western Europe.

"Many of the Western leaders," he continues, "know their economic and political future depends on greater coordination of their economies and their military strength. Absolute sovereignty is a luxury which the individual countries simply cannot afford. Much notable progress has been made but greater speed is needed."

In his two-month tour of Western Europe this Summer, Dr. Nadler reports that what strikes the visitor from the United States most "is the absence of hysteria or even talk of war, in sharp contrast to the condition prevailing in the United States."

Western Europeans are better informed than we are about internal economic and political conditions in the Soviet Union, Dr. Nadler says.

"That the fear of war is not as prevalent in Europe as in the United States is also indicated by the feverish reconstruction in Western Germany which lies in the path of any important aggressive movement by Russia," he adds. "The rebuilding program embraces not only factories, office buildings and homes, but historical and cultural monuments which, if there were any real fear of war, would probably not have been included."

The main problems confronting the four countries he visited are, according to Dr. Nadler:

Great Britain—balance of payments; France—lack of confidence in the currency; Western Germany—lack of capital for reconstruction and unification; and Italy—overpopulation and unemployment.

Joins Daniel F. Rice

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Arthur Stevens has become associated with Daniel F. Rice and Company, 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges. Mr. Stevens was previously with Remer, Mitchell & Reitzel, Inc., and the Midwest Stock Exchange.

J. C. Butler Agencies

FT. WORTH, Texas—J. Clinton Butler is engaging in a securities business from offices at 1216 Pennsylvania Avenue, under the firm name of J. Clinton Butler Agencies.

C. E. Hauss Co. Formed

BALTIMORE, Md.—C. E. Hauss is engaging in the securities business under the firm name of C. E. Hauss & Co. from offices at 3337 North Charles Street. Mr. Hauss was previously with Price & Co.

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More on "Regulation A" Offerings and Small Business

would happen if the proposed revision became effective.

A similar result might obtain if those participating in the sale group mailed the literature out to a customer in a State not listed in the "Letter of Notification," rather than the issuer or the underwriter doing so direct. It is difficult to understand why the SEC should assume such powers of annihilation contrary to Congressional intent.

Under the proposed revision, the issuance of a stop and desist order by any State would leave the Commission free, without any trial or hearing, to prohibit the sale and destroy the offering.

The proposed revision contains a list of supplemental instructions dealing with the preparation of the offering circular (a) for issuers engaged in mining or exploratory mining operations; (b) for issuers engaged in the oil and gas industries, and (c) for issuers engaged or intending to engage in general, commercial, financial, or industrial businesses.

Provision is also made for financial statements "prepared in accordance with generally accepted accounting principles and practices."

Without going into these requirements in detail, it is sufficient to say that they are so numerous, onerous and burdensome, and that the preparation of the data, in conformity with them would be so costly, as to wholly emasculate Regulation "A" offerings.

Since these offerings are made over-the-counter, we deem the manner in which the Commission intends to deal with them as yet another demonstration of the SEC's partiality in favor of the listed as against the over-the-counter market.

The presently used letter of notification contains the following legend:

> "If none of the securities are to be offered by, on behalf of, or for the benefit of the issuer, the letter of notification may be filed by the person or persons by, on behalf of, or for the benefit of whom the securities are to be offered."

This, no doubt, was intended for the benefit of the promoter or other large minority stockholder who owned securities in the company prior to its making a Regulation "A" offering and who had no control in the management of the company.

If such substantial minority stockholder could not get the management to sign the letter of notification, then he would find relief under this provision.

The question, naturally, arises, not being in control, how could such a minority stockholder, whom a management refused to cooperate with, get the necessary data to comply with the requirements of the proposed revised letter of notification and the offering circular?

If the issuer were engaged in mining or exploratory mining, how could this minority stockholder get "the nature of the title under which such properties are held or proposed to be held," or the areas in which there is proven ore as distinguished from probable ore, or the pertinent reports supporting such data?

If the issuer were engaged in the oil and gas industries, how could this minority stockholder get the geology which would support the estimate for the reserve net to the issuers' interest in such properties which are proved? How could he get from the company the information concerning "the development which has occurred to date on or near the properties held"?

If the issuer is engaged in general, commercial, financial, or industrial business, how would the minority stockholder, who is opposed by the controlling management, get the necessary data to prepare the financial statement required under the proposed revision to Regulation "A"?

Clearly, the Commission has provided no protection for the substantial minority stockholder who is out of sympathy with the management and opposed by the management, to dispose of a Regulation "A" offering which he intends to make. As to him, no safeguard exists either under the law as it now stands as administered by the SEC or its proposed revision.

The intricacies of this proposed revision are so numerous, involved, burdensome and costly, that they really constitute a nightmare. Certainly, they have no place in relation to a Congressional enactment which was intended to devise a simple and inexpensive way of floating small issues of securities in order to help small business.

It will be recalled that for a long period of time, in many of the key States of our Union, the Congressional Committee on Small Business held public hearings for the purpose of determining ways and means of coming to the aid of small business.

In our opinion, Regulation "A" offerings were an outcrop of those hearings.

It could never have been intended by Congress that this garish montrosity, which the SEC seeks to saddle on Regulation "A" offerings, should become a part of the law.

If anything, it definitely hinders rather than helps small business.

The time has come to seek a remedy that will prohibit this proposed revision and, in all, this can best be accomplished by direct appeal to the Congress and to its Committee on Small Business.

If the SEC is to continue to have any rule-making power at all, the limit of that power must be clearly defined and circumscribed.

The Commission should never have the power to evade the express intent of the Congress.

It will be said that this power is not exercised by the SEC. With this view, we disagree because, by a clever use of semantics under its rule-making power, the Commission does evade the will of the Congress and does legislate and attempt to tax the securities industry.

It also, by this attempted proposed revision, contrary to our best traditions, assumes the guilt of those charged with wrongdoing in advance of trial and judgment. This, we pointed out in a previous editorial.

Freedom is as important to the little man as it is to the rest, and as we safeguard it for him we preserve it for all.

The freedom of small business to operate and prosper is being whittled away gradually by the SEC.

Scores Unsoundness of Our Monetary Policy

Walter E. Spahr, Executive Vice-President of Economists' National Committee on Monetary Policy, summarizes developments leading to devaluation of the dollar.

The causes of the unsoundness of the currency of the United States, by action of our government and Federal Reserve authorities, are summarized by Dr. Walter E. Spahr, Executive Vice-President of the Economists' National Committee on Monetary Policy.

Walter E. Spahr

"Despite the promise of the leaders of the government elected in 1932 of 'A sound currency to be preserved at all hazards,' once in office, they took the following steps," Dr. Spahr said, "to weaken our currency:

"They suspended gold payments. They required the people to relinquish their gold to the United States Treasury and to receive in return an irredeemable currency which indicates either fiscal or moral bankruptcy on the part of our government. They prohibited the holding and exportation of gold except as authorized by the government. They provided for the issuance of fiat money, for devaluation of the dollar, and for other forms of currency depreciation. They abrogated the gold clause in all contracts. They depreciated, by force, the value of our dollar in terms of gold, sometimes fixing the price of gold by 'a combination of lucky numbers.'

"They devalued our gold dollar. They granted a series of subsidies to the silver interests and pushed a large volume of overvalued silver and silver certificates into circulation. To maintain an artificial scarcity value for silver, they permitted the Treasury, under pressure of the silver-subsidy interests, to withhold silver—a strategic war metal—from war industries for a period of 19 months after we entered World War II.

"They permitted the Treasury and Federal Reserve banks to issue fiat money in violation of law. They permitted the Treasury to issue Allied Military and Occupation Currency without the prior knowledge or approval of Congress and the Treasury redeemed some of it. They gave Russia copies of our money plates from which she printed such amounts of German occupation currency as she desired, some of which our Treasury redeemed.

"They lowered the reserve requirements of Federal Reserve banks to permit a greater expansion of currency. And that System, by this and various other devices, some in violation of the law, made possible at one time an additional expansion of notes and deposits of approximately $95,000,000,000. They authorized the Federal Reserve banks to purchase up to $5,000,000,000 of United States securities directly from the Treasury. This is a direct means of converting Federal debt into money and is an unsound practice. They permitted the Federal Reserve banks and commercial banks to load themselves heavily with Federal debt and to convert much of it into currency. They permitted the Federal Reserve authorities to weaken the capital accounts of the Federal Reserve banks by giving to the Treasury, in violation of law, during the years 1947-1951, nearly 157% of the remaining surplus, and nearly 92% of the total capital accounts, of those banks. They permitted the Reserve banks to create a huge volume of reserves for member banks against uncollected checks and drafts in violation of the purposes of the law relating to member bank reserves. They impaired the proper independence of the Federal Reserve System.

"They drove the purchasing power of our dollar to the lowest level on record since the establishment of the Federal Reserve System in 1914 after claiming that if they were freed from the restraints imposed by a redeemable currency they could give our people a dollar with greater stability in purchasing power than was attained under a gold standard."

As solutions to these weaknesses and evils, Dr. Spahr recommends prompt institution of redeemability of our currency at the present statutory rate of $35 per fine ounce of gold; the ending and correction of our practice of converting the national debt into currency; and the restoration and maintenance of the independence of the Federal Reserve System from the Executive branch of the government and of the fiscal and debt management policies of Congress and the United States Treasury.

Cy L. Cole Joins Garrett-Bromfield

Cy L. Cole

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Cy L. Cole has become associated with Garrett-Bromfield & Co., 650 Seventeenth Street, members of the Midwest Stock Exchange. Mr. Cole was formerly with John G. Perry & Co., Inc. for many years in charge of the retail sales department.

Godfrey Bligh On European Tour

Godfrey Bligh, President of R. M. Smyth & Co., Inc., 79 Wall Street, New York City, is making a tour of England, France, Switzerland and Italy.

T. J. Costello Joins Albert Frank Staff

Thomas J. Costello, a member of the financial editorial department of the New York "Herald Tribune" since 1940, has joined the staff of Albert Frank-Guenther Law, Inc., 131 Cedar Street, New York City, it was announced by Howard W. Calkins, Chairman of the agency.

Burnside Director

Chemical Ventures Syndicate, Ltd., announces the election of Col. Mortimer B. Burnside as Chairman of its Board of Directors. Col. Burnside is President of Mortimer B. Burnside & Co., Inc., New York City.

Inv. Service Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Albert G. Finnell, Mrs. Norma A. Morris and Mrs. Lila J. Murch have been added to the staff of Investment Service Corporation, 444 Sherman Street.

With Clement A. Evans Co.

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Nettie G. Bagwell has joined the staff of Clement A. Evans & Co., Inc., First National Bank Building.

Continued from page 2

The Security I Like Best

nothing; methods being only the accumulated experience of others and money the accumulated capital.

Fiduciary Management, Inc. and its subsidiary — Resort Airlines, Inc.—have the benefit of the management and advice of Clinton Davidson, Jr. and the guidance of directors, Clinton Davidson, Sr. and Raymond Hartz. This closed-end non-diversified investment company affords a vehicle for those wishing to invest in special venture situations, selected and at times financed and managed by men of proven ability.

JOHN B. SHOBER

Partner, Woolfolk & Shober, New Orleans, La.

Selections Based on Investor's Status

In my philosophy, the title "The Security I Like Best" is one that has to be classified by the objective in view. I "like best" entirely different types of stocks for different needs. I do not think the stock I "like best" can be generalized to cover a variety of purposes. The choice would depend wholly on the end in view.

John B. Shober

For example, the stock I "like best" for a certain wealthy client, might be a high priced low dividend payer, with clear prospect of handsome appreciation and capital gains. The current dividend, whether it would be 2½% or 6%, is of little consequence to this client and the difference in return would not affect his domestic economy or scale of living. His income is already considerably more than his annual expenditure, and the bulk of it comes from municipal bonds. For him, I might suggest one of the quality chemicals, or a mutual fund whose primary objective is capital appreciation.

Conversely, another client is an elderly client of moderate means. An annuity bought by her deceased husband years ago before the inflationary trends have so painfully reduced her level of living, provides the major part of her income. This is sure, as far as dollar value is sure, and if the present indices of further and continued inflation would reverse themselves, the annuity checks would provide her with all she needs. In her case, as high a yield as a fairly good stock can produce is obviously the stock I "like best" for her, preferably one whose value and dividends would respond to inflationary trends. In her case, the difference between 3% and 6% in her dividend check would make a material difference in her standard of living. She would be quite justified, in view of the annuity, in reaching for a high return, even to assume a moderate prudent business risk, if sufficient diversity can be secured.

I might ramble on and discuss the one I "like best" for the small endowment fund, of a church, library, hospital, or something of that sort. Here again the security I "like best" is, and should be, quite another choice.

Continued from page 3

Can You Really Afford Not Taking Profits?

begin to anticipate a business recession in the foreseeable future.

Would Growth Stocks Remain Stable?

When it comes to prospects for individual stocks, the analyst's standard answer is, of course, that careful analysis is required in each individual situation in order to form a reasonable view whether that particular stock is likely to follow a course independent from prevalent prospective trends. At least one specific observation may be made in passing—well-known growth records and growth prospects are by no means a protection against average, or even above average, cyclical declines in the stock market, as the following three outstanding growth stocks can illustrate:

Percentage Decline

Stock—	1941/42	1946/47
Dow Chemical	34%	25%
DuPont	38	29
Monsanto	30	39
Dow-Jones Industrial Average	29	25
Standard & Poor's	24	25

Reference is made to the numerous studies on characteristics and market behavior of specific stock groups.

However, should it appear that the excess profits tax is likely to be dropped next year, many growth stocks, which now carry a heavy burden of EPT, would this time probably perform favorably as compared to overall market averages.

Those investors who have reached the conclusion that certain of their stocks currently held may well slip 20% to 30% in the next six to twelve months are finally confronted with the question whether such a decline — which is possible or likely, but not certain—makes it worthwhile taking long-term profits and paying the 26% tax on such profits. It is not difficult to calculate, in each case, in dollars and cents what the profit would be before and after tax, and how much of a market decline in the stock would be necessary to make up for the capital gains tax.

The following table is designed to show the picture in a general way, in the form of percentage figures. The first column shows the profit before capital gains tax, as a percentage of the cost price; the second column shows the corresponding percentage figures after 26% capital gains tax; and the third column indicates by how many percent, related to the sales price, the stock would have to go down in each case to make up for the capital gains tax (disregarding sales commission, etc., and dividends). For each percentage of pre-tax profit, related to cost, there is a corresponding percentage of profit after tax, as well as a percentage of tax to sales price (column 3), regardless of the dollar and cent amounts involved. Thus, if a stock which was bought at 20 more than six months ago, is now sold at 50, the pre-tax profit of 30 is equal to 150% of cost; after the 26% capital gains tax, net profit (disregarding sales commission, etc.) would be 22.20 or about 111% of cost, and the stock would have to decline 7.80, or 15.6% from the sales price of 50, in order to make up for the capital gains tax (disregarding commissions and intermediate dividend payments).

Gross Profit % of Cost	Net Profit % of Cost	Tax as % of Gross Sales Price
10%	7.4%	2.4%
15	11.1	3.4
20	14.8	4.3
25	18.5	5.2
30	22.2	6.0
40	29.6	7.4
50	37.0	8.7
60	44.4	9.8
70	51.8	10.7
80	59.2	11.6
90	66.6	12.3
100	74.0	13.0
150	111.0	15.6
200	148.0	17.4
250	185.0	18.5
300	222.0	19.5
400	296.0	20.8

For those who consider a 20% to 25% average decline in industrial and railroad stocks likely during the next six to twelve months, the table seems to suggest that it is reasonable to take some long-term capital gains where pre-tax gains are between about 40% and 150% of cost. Where pre-tax gains are much below 40% of cost, some investors may not consider the net profit (after tax) large enough to warrant the transaction, in view of the fact that the expected market decline is not a certainty; this is especially true where the stock is paying a generous and well-covered dividend. At the other extreme, that is in cases of pre-tax profits exceeding about 150% of cost, the margin between the tax and the expected market decline becomes rather narrow, thereby reducing the appeal of the transaction.

The table also makes it quite obvious that investors anticipatnig market declines far in excess of 20% to 25% could, and should, take some long-term capital profits reaching beyond the 150% gross range.

Finally, to the extent that capital losses are realized to offset long-term capital gains, no capital gains tax is of course incurred, and to that extent, the tax obviously is no factor to be considered in taking long-term profits.

Davies Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Albert G. Martin has become affiliated with Davies & Co., 425 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Five With Hamilton

(Special to The Financial Chronicle)

DENVER, Colo. — Duane S. Dowis, Hugh L. Grauerholz, Edd T. Keen, Betty M. Sullivan, and Jay B. Worley have joined the staff of Hamilton Management Corporation, 445 Grant Street.

Join Bosworth Sullivan

(Special to The Financial Chronicle)

DENVER, Colo. — Charles A. Roth is now with Bosworth, Sullivan & Company, Inc., 660 17th Street.

With Founders Mutual

(Special to The Financial Chronicle)

DENVER, Colo.—Robert Jasper has become connected with Founders Mutual Depositor Corporation, First National Bank Building.

Renyx, Fields Adds

(Special to The Financial Chronicle)

DENVER, Colo. — Homer C. Biggs has become affiliated with Renyx, Field & Co., 810 East Colfax Street.

Simple Automatic Investing

By HOMER FAHRNER

Registered Investment Adviser, Corning, Calif.

Mr. Fahrner explains his trading-with-the-trend formula under the topics (1) What to buy and sell?; How much to buy and sell?; and (3) When to buy and sell? Says there are only two to four periods of the year when it is advisable to buy or sell.

The increasing interest in trading-with-the-trend or no-forecasting methods prompts this article. A logical question is: just how do you go about setting up a realistic investment program which is entirely mechanical? Here is one method, cited primarily for its simplicity rather than its quality, although it is giving excellent results and has for many years.

Homer Fahrner

In every investment account there are three questions to ask and answer. What to buy? when to buy? and how much to buy? Let us settle the first question by selecting any listed closed-end managed investment fund, such as Tri-Continental, U. S. & Foreign Securities, or Lehman Corporation.

When to Buy?—Compute a 20-week moving average of the Dow-Jones Industrial weekly high and another for the weekly low. Except as noted in the following paragraph, **buy** when the current low penetrates the moving high upward. Similarly **sell** when the current high penetrates the moving low downward.

How Much to Buy?—Take the preceding three-year range for the Dow-Jones Industrials. That is, take the highest high for the last 36 months, and the lowest low. Divide this range into three equal price zones, upper, middle, and lower. Do no selling in the lower zone; do no buying in the upper zone. When there is a sell signal in the upper zone, reduce stockholdings to 25% of the total investment capital. When there is a buy signal in the lower zone, increase stockholdings to 75%. When there is either a buy or a sell signal in the middle zone, adjust holdings to 50% in stock and 50% in cash.

What this amounts to is increasing one's stock holdings to a 75% invested position in the early stages of a bull market, and reducing them to a 25% invested position in the early stages of a bear market.

As stated at the outset, this is a simple program, easy to understand, easy to apply. It does not get you in at the bottom nor out at the top, but it does make a profit for you and lets you sleep well in the meantime.

Importance of a Plan in Stock Market Operations

It is far better to have a good plan of operation than to have the best inside information. Most any plan is better than no plan. The difference between a plan and no plan is that the planner knows in advance exactly what he is going to do no matter what the market does. For he knows under what circumstances he is going to buy or sell and how much. He isn't worried because he has prepared in advance for any contingencies. And if you are not so prepared, you will, in all likelihood be carried away by your emotions, your greed, your fears, or your wishful thinking.

It may be well to point out that very few ever achieve a plan; most investors or traders lose or pull out. It takes the very highest kind of judgment to realize that in some fields your own judgment is not to be trusted. When you are sick you go to an experienced doctor; when you are in legal trouble you go to a qualified lawyer; if you have a toothache you see a competent dentist. Yet, the number of investors who plunge into the stock market without plan or advice is legion.

A look at any chart shows that there are only two to four times a year to buy or sell. The rest of the time the investor should sit tight.

A plan, any plan, puts the odds in your favor. It gives you sweet peace of mind, and invariably more profits. For a plan gives you the patience to wait for the inevitable decline, and then the fortitude and the cash to jump in with both feet once the decline has run its course.

Large institutional investors, such as college endowment funds, are committing their investment funds to planned programs. These plans are available for your study. But, of course, they are designed primarily for safety of principal and steady income. You may want a plan designed primarily for capital appreciation.

William A. Miller Now With Crowell, Weedon

William A. Miller

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — William A. Miller has become associated with Crowell, Weedon & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Miller was formerly in the trading department of Fairman & Co.

Joins Hall & Hall

(Special to The Financial Chronicle)

FRESNO, Calif. — Melvin J. Cappleman is with Hall & Hall, Bank of America Building.

Joins Quincy Cass

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — O. Carol Saunders has become affiliated with Quincy Cass Associates, 523 West Sixth Street, members of the Los Angeles Stock Exchange.

Samuel Franklin Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Robert L. Starkey has been added to the staff of Samuel B. Franklin & Company, 215 West Seventh St.

Joins Witter Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Stanley H. Ritter is now with Dean Witter & Co., 632 South Spring St.

State Tax Collections in 1952

By V. J. WYCKOFF

Professor of Economics, DePauw University

Professor Wyckoff estimates tax collections of the states for 1952 fiscal year, excluding social security levies, at $9.8 billion, an all-time record. In addition, says states probably received $2½ billion in Federal aid. Says state taxes amount to almost 3.4% of national income. Notes also states are not living within their income, since their indebtedness is increasing

Tax collections by the 48 States of the Union pushed to a new all-time dollar high for the fiscal year ending June 30, 1952, with a total of $9.8 billion, excluding the Social Security payroll taxes. This preliminary figure, just released by the Governments Division of the Bureau of the Census, is 10.1% above the 1951 total. Per person the amount is $64.48, compared with $59.38 for 1951, or approximately $250 for each family. Adding the heavy Federal tax bill and the local levies would bring the total to roughly $540 for each person (not per family) at the mid-point of 1952.

V. J. Wyckoff

These 1952 State tax collections of almost ten billion dollars are not a flash in the pan. Last year the total was $8.9 billion which in turn was one billion more than in 1950, a continuation of a consistent upward trend during this century except for a few years during the depression of the 1930s.

Taxes, to be sure, are the major source of State revenue, but last year (fiscal 1951) the States received $2.4 billion in aid from the Federal Government mainly for public welfare, though highways and education came in for hundreds of millions. Also charges made by State institutions, such as tuition, room and board at State universities, and miscellaneous items brought in about one billion dollars more, and liquor store gross revenues of the 16 monopoly States added another $914 million. When figures on these non-tax State revenues are released by Census, it is probable that each of the above sums will be somewhat higher for fiscal 1952.

State Taxes 3.4% of National Income

No one likes to see his tax bill higher this year than last, yet actually the burden of such a bill is no greater if the taxpayer's income has increased proportionately. And a flat tax rate applied to a growing tax base will really be less burdensome, though yielding more revenue. (Persons with fixed incomes are the ones hard hit by rising tax rates, as they are by higher living costs, a form of taxation.) On a nationwide basis the 1952 State tax collections are about 3.4% of national income. This percentage is almost the same as the figure for 1951, and even for 1941 when State tax revenue was only $3.6 billion. Thus for State taxpayers as a group the 1952 tax bill was no more burden-some (relative to income) than a decade ago.

At least one more aspect of tax figures should be kept in mind. Larger dollar tax collections for fiscal 1952 than for prior years do not necessarily mean that heads of State departments are wasting money or expanding services. After all, governments also are housekeepers, and in a period of rising prices must pay more for help (including school teachers) and for all supplies. From June 1951 to June 1952 commodity prices did rise about 2%. Thus, part of the 10.1% increase in State tax collections during this past year can be traced to the process of inflation.

Sources of State Tax Revenue

A convenient summary of the 1952 state tax collections compared with 1951, the war year 1944, and the prewar 1941 is given in Table I. These are absolute dollar figures for the respective years unadjusted for population or price changes. It will be noted from the numbers in parentheses in this table that not every state taps each of the tax sources, even the productive general sales and net income bases. Details for each state cannot be given, but California took in about $416 million for its general sales tax, Michigan $246 million, and Illinois $192 million.

Net income taxes (individual and corporate) gave a yield of $515 million to New York and $210 to California. New Jersey which uses neither of these sources had to rely predominantly upon the taxation of motor vehicle fuels and licenses, alcoholic beverages, and tobacco products. With the pressure on states to raise more and more funds, it is probable that most of the 48 legislatures within a few years will tax about every major productive base.

Naturally each person has an interest in a comparison of his state tax revenue with the collections of other states. State-by-state data will have to be obtained directly from the Census report on which this article is based. It will be realized that interstate contrasts must be interpreted with some degree of caution because states will tax according to state expenditures, and in some states local governments (counties, townships, municipalities, and special districts) bear a greater share of highway, welfare, and educational costs than in other states. But in general, per capita state tax collection figures are significant, and the Census usually offers such calculations from which the following have been culled:

1952 Tax Collections Per Capita

States—	
Five highest—	
Washington	$102.72
Louisiana	102.70
California	96.51
New Mexico	91.90
Arizona	85.71
Five lowest—	
Missouri	45.75
Kentucky	44.15
Alabama	43.28
Nebraska	41.68
New Jersey	35.83

Last year Louisiana, Washington, and California led the list, with New Jersey lowest, Alabama next, and Nebraska third from the bottom. Whether or not the per capita figures for a state's tax collections reflect profligacy or genuine service to its citizens must be determined by the citizens themselves, and such measurements are difficult to make.

Another interstate tax comparison is that of changes in the total tax collections by the respective states year by year; in this case from 1951 to 1952. Here also precautions are necessary not only because some states assume functions left to local governments by others, as has been mentioned, but also because a change of a certain amount in dollar tax revenue bulks larger percentage-wise with a low-budget state than the same sum with, for instance, New York or California.

Total state tax collections of fiscal 1952 were 10.1% larger than 1951. Sixteen states exceeded this increase. The most marked gains (40-50%) were chalked up by Georgia and South Carolina from their new general sales taxes. On the other hand two states collected less in 1952 than in 1951, Delaware with a drop of 15.5% and South Dakota 7.3%.

Pennies Make Billions

The fact that state tax levies for fiscal 1952 were only about 16% of Federal internal revenue does not make them unimportant. After all the sum involved, $9.8 billion, was taken by state governments from your income and mine. And there is no reason to expect that next year the sum will be less.

To be sure, aid received by states from the Federal Government steadily increased during the past decade, from $786 million in 1942 to $2.4 billion in 1951, the latest available figure. In the same ten years aid paid by states to their respective local governments jumped from $1.8 billion to about $4.3 billion. Such intergovernmental revenue movements do not alter the *total* national tax bill because money paid over by a state to a county for welfare must be raised by the state through its taxes. But one would expect that with each of the lower levels of government receiving an increased amount of aid from the next higher one, that fewer taxes would be collected directly on the lower levels.

This has not been the case. As has been mentioned, state tax collections have mounted steadily in spite of greater Federal grants year-by-year. The same story can be told of local governments, which in 1951 in spite of an estimated $4.3 billion in state aid collected $8.6 billion in taxes, almost double the 1942 figure. And 1952 data when available probably will show a continuation of these trends.

Although a part, and at times a substantial part, of the upward trend lines for taxes and governmental aid can be ascribed to population growth and to price rises, there is no let-up by taxpayers as citizens in their demands for more services from each level of government. More services mean more expenditures which, unless governmental debt is increased, must be matched by more tax revenue. This taxpayer-government relation is somewhat of the hen-or-the-egg kind: do demands for more governmental activities precede increased taxes, or do citizens go more often to public officials for help in various forms because they are paying higher taxes and "want their tax money's worth"?

Whatever the sequence there is the disturbing fact that the 48 states as a group are *not* covering their general expenditures with their taxes, nor in recent years has even general revenue (taxes, aid, and charges) quite equalled such general expenses. This is shown by the mounting state debt which since 1946 increased from $2.4 billion to $6.4 billion in 1951, with almost certainly a higher figure for 1952 when made known.

The same deficit financing has taken place on the local levels of government since 1946. And the cumulative annual deficits of the Federal Government since 1931 (except for 1947, 1948, and 1951) are causing or should cause grave concern. The fiscal year of the United States Treasury just ended June 30 showed a budgetary deficit of $4 billion, bringing total Federal gross debt to the sum of $259 billion.

Can you and I as citizens and as taxpayers do anything about governmental expenditures which are the cause of tax collections in billions of dollars? A protest to our local mayor over a new typewriter for the city clerk seems pretty picayune. Also with a state budget of $250 million (about the average) remonstrating with our representative in the legislature about an item of several thousand for redecorating the Governor's mansion appears hardly worth while. Nor are we inclined to spend 20 minutes of our time and a three cent stamp in writing to our Congressmen questioning the appointment of another public relations colonel to the staff of a Pentagon general. After all a colonel's total pay is only about .0000008% of the multi-billion dollar Federal budget.

Yet pennies make up dollars, dollars thousands, thousands millions, and so on up the fiscal ladder. If we can ever become thoroughly convinced that when "the government" spends money it is *our hard-earned money* in the form of taxes, then each of us will be very much concerned over trifles of expenditure by public officials, both civilian and military. If we shrug off the pennies, we will pay the billions.

TABLE I

STATE TAX COLLECTIONS, BY MAJOR SOURCE: 1952, 1951, 1944, AND 1941

TAX SOURCE (and number of states using the tax in 1952)	Tax Collections (Amount in millions) 1952 (Prelim.)	1951	1944	1941	% Change from 1951 to 1952	% Distribution 1952
General sales & gross receipts (31)	$2,229	$2,001	$721	$575	11.4	22.7
Motor fuels (48)	1,871	1,710	685	913	9.4	19.0
Alcoholic beverage sales (48)	442	469	267	216	—5.8	4.5
Tobacco products (41)	449	430	160	106	4.4	4.6
Motor vehicle & opers. licenses (48)	924	840	394	434	10.0	9.4
Individual & corp. net inc. (31, 33)	1,736	1,492	762	422	16.3	17.6
Property (45)	370	346	247	268	6.8	3.8
Death and gift (47)	211	196	112	118	7.9	2.1
Severance (24)	272	222	71	53	22.6	2.8
Other tax sources	1,334	1,228	646	501	8.6	13.5
Total tax collections	9,838	$8,934	$4,065	$3,606	10.1	100.0

Reference: *State Tax Collections in 1952* (similar source for prior years), Bureau of the Census, Washington, August 1952. The figures in parentheses indicate the number of states using that particular tax source in 1952; 31 states taxed individual net incomes, 33 states taxed corporate net incomes. The Social Security unemployment compensation tax receipts are not included in this table.

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The State of Trade and Industry

Steel Output Scheduled to Show Further Mild Rise This Week

Steel will be more plentiful in the first quarter of the next year, says "Steel," the weekly magazine of metalworking, the current week.

Government reports of first-quarter allotments are apt to be interpreted as meaning there will be less. The National Production Authority announced first-quarter allotments for consumer durable goods would be only 60% of the third quarter of 1952. Technically that's true, but that isn't the whole story. First-quarter allotments are being held that low so orders carried over from fourth quarter can be filled. Producers of consumer durable goods should get what they are allotted for the first quarter, plus what is due them from fourth quarter, this trade journal notes.

The military's first-quarter allotments will be about the same as those of the third quarter but the military will have no carry-over tonnage coming. All of its back orders will be filled before then, it further notes.

When the first quarter is over it probably will be found that total steel shipments in that period were greater than in any previous three months. Steel capacity will have reached a record high by that time. A survey by "Steel" shows steelmaking annual capacity by next Jan. 1 will be 6.3 million net tons greater than on last July 1. Gain from Jan. 1, 1952, to Jan. 1, 1953, will be 7 million tons. This gain is somewhat less than had been expected. There was interference from the steelworkers' strike, labor troubles among construction workers, shortages of materials and bad weather early in the year.

Steelmaking capacity on next Jan. 1 will be around 115.6 million net tons but enough additional facilities are to come in after then to boost the figure in 1953 to around 120 million tons, adds this trade journal. This is somewhat below what had been expected, for economic considerations caused some expansion plans to be scaled down or dropped.

In support of the growth of steelmaking capacity, the nation's blast furnace and coke making capacities are being expanded. Demand for finished steel continues strong, although there are signs headway is being made in catching up with it. Conversion steel as a supplement to regular supplies of steel is losing some of its appeal, concludes "Steel."

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at an average of 102.3% of capacity for the week beginning Sept. 22, 1952, equivalent to 2,125,000 tons of ingots and steel for castings. In the week starting Sept. 15, the rate was 102.1% (revised) of capacity and actual output totaled 2,121,000 tons. A month ago output stood at 99.6% or 2,069,000 tons. One year ago the rate was estimated at 102.1% and production at 2,041,000 tons.

Electric Output Extends Gain of Preceding Week

The amount of electric energy distributed by the electric light and power industry for the week ended Sept. 20, 1952, was estimated at 7,724,664,000 kwh., according to the Edison Electric Institute.

The current total was 70,340,000 kwh., above that of the preceding week when output amounted to 7,654,324,000 kwh. It was 710,714,000 kwh., or 10.1%, above the total output for the week ended Sept. 22, 1951, and 1,267,634,000 kwh. in excess of the output reported for the correspoinding period two years ago.

Car Loadings Make Substantial Gains in Latest Week

Loadings of revenue freight for the week ended Sept. 13, 1952 totaled 881,218 cars, according to the Association of American Railroads, representing an increase of 135,174 cars, or 18.1%

above the preceding holiday week. Excluding LCL merchandise, loadings of carload freight in the week ended Sept. 13 exceeded all corresponding weeks since 1942. Ore loadings were the greatest ever reported.

The week's total represented an increase of 30,406 cars, or 3.6% above the corresponding week a year ago, and an increase of 14,560 cars, or 1.7% above the corresponding week in 1950.

United States Auto Output Attains Highest Level In 15-Month Period

Passenger car production in the United States last week soared to its highest point in 1952 to 105,135 cars compared with 102,763 (revised) cars in the previous week, and 100,299 cars in the like week a year ago, according to "Ward's Automotive Reports."

Total output for the past week was made up of 105,135 cars and 28,048 trucks built in the United States against 102,763 cars and 24,933 trucks (revised) last week and 100,299 cars and 28,-242 trucks in the comparable period a year ago.

Canadian plants turned out 6,356 cars and 2,955 trucks against 6,509 cars and only 3,101 trucks last week, and 4,534 cars and 1,940 trucks in the like week of 1951.

Business Failures Rise Sharply

Commercial and industrial failures rose to 145 in the week ended Sept. 18, from 91 in the preceding week, states Dun & Bradstreet, Inc. Despite this upturn, casualties remained slightly below the 160 and 155 which occurred in 1951 and 1950, and were down sharply, 39%, from the prewar total of 239 in the similar week of 1939.

Liabilities of $5,000 or more were involved in 117 of the week's failures. Casualties in this size group increased from 71 last week and exceeded the 113 occurring in the comparable week a year ago. An increase also took place among small failures, those with liabilities under $5,000, which rose to 28 from 20 but continued below their 1951 level of 44.

All industry and trade groups except commercial service had increases in mortality. The sharpest jump appeared in retail trade where over twice as many concerns succumbed, 77 as against 37. More retail businesses failed than a year ago and wholesaling equalled the 1951 level, but mortality in other lines was slightly below last year.

Geographically, an increase was reported in all regions except the Pacific and South Atlantic states. Failures were higher than last year in four areas, including a marked rise in the Middle Atlantic States and a moderate gain in the East North Central. In five regions, casualties were lighter than a year ago; less than one-half as many concerns failed in the Pacific States as in 1951.

Wholesale Food Price Index Dips to Lowest Level In 11 Weeks

Following the sharp dip of a week ago, the Dun & Bradstreet Wholesale Food Price Index dropped another 11 cents this week to stand at $6.49 on Sept. 16. This marked a decline of 3.1% for the two-week period, bringing the current index to the lowest since July 1 when it stood at $6.45. Although still above the 1952 low of $6.31 on April 22, this week's figure, at $6.49, represents a decrease of 4.1% from $6.77 recorded in the corresponding 1951 week.

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

Wholesale Commodity Price Index Recedes Moderately In Latest Week

There was a further moderate decline in the general commodity price level during the past week. At 292.24 on Sept. 16, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., compares with 293.29 a week earlier, and with 298.72 on the corresponding date last year.

Grain markets were unsettled with price trends mixed. Soybeans declined quite sharply as considerable selling pressure developed with the start of the new crop movement. Wheat held quite firm, largely supported by the prospect of export business, particularly with West Germany. The Sept. 1 estimate of the total wheat crop at 1,298,000,000 bushels, was about unchanged from a month ago. Improved prospects in the Pacific Northwest were about offset by lower yields in the Dakotas and Minnesota. The corn market was irregular.

Export activity held prices steady at times but the market weakened in late dealings as the result of heavy receipts of old crop corn together with some arrivals of new crop corn.

The latest government estimate of the corn crop placed the yield at 3,185,000,000 bushels, or only slightly larger than the forecast of a month ago.

Trading in all grain and soybean futures on the Chicago Board of Trade last week averaged 34,000,000 bushels per day, against 32,500,000 the previous week, and 40,000,000 in the like week last year.

Domestic flour prices were somewhat easier. Demand for hard wheat bakery flours was confined to occasional small-sized bookings. Shipping directions were maintained at a fair rate, reflecting some pick-up in bakery sales following the Summer lag. The export flour market was very quiet. Cocoa prices fluctuated in a narrow range with final quotations about unchanged from a week ago. Warehouse stocks of cocoa declined moderately to 114,070 bags, from 121,037 a week ago, and were well below the 204,204 bags at this time a year ago. Although roaster interest in coffee was maintained during most of the week due to the continued threat of a dock strike, prices moved mildly lower in closing sessions in sympathy with the easier tone prevailing in Brazil.

Increased activity in both refined and raw sugar also reflected the threat of a dock workers' strike.

Lard prices again moved lower in sympathy with vegetable oils and further declines in live hog values.

After a strong opening due to the unexpectedly small government crop estimate, spot cotton prices moved steadily downward throughout the balance of the week. The easiness was attributed to profit-taking, hedge selling and liquidation influenced by the proximity of the seasonal heavy hedging period. Consumption of the staple last month, as estimated by the New York Cotton Exchange, showed a moderate increase, and for the first time in several months displayed a gain over the year before. The total for the four-week August period was 760,000 bales, against 754,000 in the similar period a year ago.

Trade Volume Unchanged From Previous Week But Slightly Above a Year Ago

In the period ended on Wednesday of last week shoppers in most parts of the nation bought about as much merchandise as during the preceding week and slightly more than in the comparable 1951 week. Attractive reduced price promotions, extended shopping hours, and relaxed credit terms helped to sustain shoppers' interest.

Suburban stores continued to chalk up more favorable comparisons with a year ago than did large city department stores.

Shoppers' attention was largely focused on apparel.

The total dollar volume of retail trade in the nation in the week was estimated by Dun & Bradstreet, Inc., to be from unchanged to 4% higher than a year earlier. Regional estimates varied from the levels of a year ago by the following percentages: New England —2 to +2; Midwest 0 to +4; Northwest +1 to +5; Southwest and South +2 to +6; and Pacific Coast —1 to +3.

Housewives continued to spend slightly more for food than in the similar week a year earlier. Particularly in demand at meat counters the past week were pork, poultry, and lamb. The consumer demand for frozen foods, canned beverages, and oleomargarine was substantially higher than a year ago.

Retail apparel stores sold slightly more than in the prior week and noticeably more than in the comparable 1951 week. The most pronounced gains continued to be in the interest in women's and children's apparel in the medium-price ranges.

The demand for household goods remained palpably higher than in the early months of this year or the similar week a year ago. The heightened interest in many items, which was boosted by successful promotions last month, continued a steady rise.

Especially in demand were washers, freezers, small appliances, decorating materials, and household goods.

New stations stirred the demand for television sets in scattered parts of the nation.

Trading activity in most of the nation's wholesale markets continued to rise in the week as buyers prepared for the new selling season. As during recent weeks, the total dollar volume of wholesale trade remained slightly larger than that of a year earlier. There were many hurried reorders of Fall merchandise to meet consumers' current demands. Many merchants, particularly in apparel and other soft lines, encountered increasing delays in deliveries.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Sept. 13, 1952, fell 1% below the level of the preceding week. For the four weeks ended Sept. 13, 1952, sales reflected an increase of 1%. For the period Jan. 1 to Sept. 13, 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 adversely affected by warm and wet weather the latter part of the week, which resulted in a decline estimated by trade observers at about 4% from the 1951 week.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Sept. 13, 1952, decreased 6% below the like period of last year. In the preceding week a decline of 10% (revised) was reported from that of similar week of 1951, while for the four weeks ended Sept. 13, 1952, a decrease of 6% was registered below the level of a year ago. For the period Jan. 1 to Sept. 13, 1952, volume declined 10% under the like period of the preceding year.

Securities Salesman's Corner

By JOHN DUTTON

A Step Forward

My attention has been called to a series of aptitude tests for determining in advance whether or not prospective applicants for sales positions in the field of security salesmanship have the necessary qualifications to warrant spending the time and money involved in their development.

If you will look back upon your own experience as to how you fell into, or drifted into the securities business, I think that you will agree that if you were like the rest of us in this profession—we "just happened." Those of us who liked it stuck to it. Many tried it for a while and gave it up. In fact, turnover among sales personnel in this most unstable industry has been far too high.

Training Is Essential

I think it is well agreed by the most progressive retail organizations that it is not good business for them to send out half-trained representatives. Selling securities evolves itself into a two-way program for all men who are successful at it. First, you must know and understand the fundamentals of investment. You just can't expect to send a callow boy out to talk with experienced and mature people about their financial affairs, and sit back and wait for miracles. Money is too important a subject to most of us for that. We are not going to listen to a canned sales talk from some beginner and then turn our financial future over to him. We are not going to invest our money because of a "sales talk." The public won't do it either.

The training of competent sales representatives therefore entails the expenditure of money and time. It involves the interested and sympathetic guidance of the entire supervisory staff of an entire organization. When you are training men to go out and represent your firm you are engaged in a serious venture. You will have to provide desk space, stenographic assistance, telephones, the efforts of your sales manager (and the work he must put into the job of traning a salesman is only part of it). There is, in addition, study which must be completed by the trainee regarding the technique of investment itself. This means that your statistical department has to cooperate. And, if you can arrange it, there should be time devoted by one of the managing partners himself to the task of educating new men in an understanding of "what makes the wheels go around." In addition, you may, or may not, pay your trainee a salary of some kind while he is learning. Whether you do or not, you have acquired quite an expensive investment when you hire an embryo salesman.

Pre-Hiring Testing

In other fields of sales work connected with the distribution of intangible merchandise, it has been possible to develop a set of tests that can be very helpful in determining whether or not a prospective salesman will like the business, and will have a better than average opportunity of "coming through successfully." I think that the life insurance companies are good enough statisticians so that they would not continue using such tests unless they believed they were of value. The life insurance companies do use such tests.

Ferd Nauheim, of Fund Services of Washington, Woodruff Bldg., Washington, D. C., has worked out a set of tests that can be finished in approximately three hours. Mr. Nauheim has had these tests prepared by an eminent educator who has had experience in this field of work. In addition, I understand that they are based upon some intensive theoretical study which has been backed up by a testing period in actual case work. One of the more progressive retail firms here in the East has tried them out and reports well of them.

I am sure that this is a step forward. I understand the fee for the tests, and the considered opinion of the psychologist who will rate the applicants, is very modest. It seems to me that at least it will be very helpful in determining who should be hired, and who should be discarded, if you are going out to spend the time and effort needed to increase your sales organization.

This is the third or fourth time I have mentioned Ferd Nauheim in this column. Certainly I have no personal interest in promoting his business, and neither does the "Chronicle." It just so happens that he seems to be pioneering in the field of security salesmanship along lines that are constructive. In accord with our policy of trying to promote helpful ideas in the field of security salesmanship, we believe that this service which he is offering deserves publicity.

W. T. Grimm Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Frank C. Pendleton has been added to the staff of W. T. Grimm & Co., 231 South La Salle Street.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

COBDEN, Ill. — Theodore L. Kaufman is with Waddell & Reed, Inc.

With R. R. Underwood

(Special to THE FINANCIAL CHRONICLE)

MONROE, La.—Samuel J. Wilensky is now with R. R. Underwood, 245 South Grand Street.

Joins Renyx Field Staff

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Clifford H. Eustis is now with Renyx Field & Co., Inc.

Joins Hayden, Stone

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine — Alex J. Miller is now associated with Hayden, Stone & Co., 477 Congress Street.

Continued from first page

Chemistry's Vital Role in Developing Nuclear Power

atomic energy is the private preserve of the physicist. But the advances would never have been possible without the work of other groups of scientists and engineers, especially the chemist and the chemical engineer. It was the chemist who during the Manhattan District days, developed a suitable method for the separation of plutonium from irradiated uranium and its attendant fission products. Throughout these past 10 years more and more importance has attended the work of the chemists in all phases of the atom business—from ore refining to the finished products, uranium 235 and plutonium in bomb shapes or reactor fuel elements and radioisotopes. And, according to what my scientific and engineering colleagues tell me, future progress will depend, to a very large extent—yes, to an ever-increasing extent—on chemistry.

Now, I'm not a chemist and I'm not an engineer. You might call me a "civilian member" of the Atomic Energy Commission. Hence I rely on the technical experts at the Commission who tell me that even greater challenges face the chemists in the atomic energy program of the future than they have met in the past. These are problems which you must solve if atomic energy is to move forward at the rapid pace it has set for itself since 1942.

For example, these scientists point out that the future of peacetime nuclear power will depend upon the development of successful breeding cycles. These will enable us to utilize relatively abundant U-238 and thorium for the release of nuclear energy, in addition to the much rarer U-235. The chemist will be called upon to play a key role in this development.

Radiation Chemistry

They tell me too of other technical problems. Figuratively, learned doctors crowded my office before I came out here, outlining problems which I might lay before you, but I am just relating a few today. One of these concerns radiation chemistry. There is much in this field to be explored before university and industrial laboratories can begin to appreciate the potentialities of this phenomenon in effecting unusual and valuable reactions. Perhaps radiations can be used to simplify and lower the cost of key reactions used in today's chemical industries; perhaps they can make possible new reactions on which you can build new industries.

The hallmark for purity in atomic matter is not that well-advertised 99 and 44/100ths per cent purity — it is much, much closer to 100%. Your colleagues working in this field, as you know, must worry about parts per million, and occasionally even parts per billion. The challenge of working to such degrees of refinement is one that must be met every day.

Let me list briefly some more problems: the disposal of radioactive wastes economically and without hazard to environment, the concentration of waste fission products to reduce the volume that must be handled, the separation and packaging of fission products on an economic basis for uses being developed, the separation of isotopes by chemical means, and—not to be overlooked—the need for a better understanding of the effects of radiation on living cells. The gross biological effects are well known. However, the chemical reactions responsible for these effects are as yet largely unexplained.

These problems illustrate the vital role of the chemist and the chemical engineer. In addition to technical problems, the future—indeed, the ever-nearing future—is bringing us the necessity for making a series of important decisions.

Because of international conditions, the great bulk of the atomic energy effort has been, and is now, aimed at the goal of achieving military strength to help insure world peace. That is why the atomic energy program was originally conceived. And in the short time of less than 10 years we have — instead of just one atomic weapon—a family of weapons in an ever-increasing stockpile.

However, the Atomic Energy Act foresaw other uses for atomic energy. The Act looked toward the field of civilian applications; and, with the late Senator Brien McMahon's foresight and vision setting the pace, it looked toward the field of civilian power. Even as early as 1946 the addresses of one of your distinguished associates, Dr. Charles A. Thomas, the President of the Monsanto Chemical Co., prophetically looked toward the day of harnessing atomic energy for power.

Developments Leading to Useful Nuclear Power

As we have noted, the emphasis in the atomic energy program has been on applications for national security with the consequent subordination of civilian uses such as power. Another factor which has seemed to lessen the emphasis on the power field is our country's comparatively bountiful supply of low cost conventional fossil fuels.

But now, even in the six months I have been with the Commission, there is a noticeable quickening of interest in atomic power. Useful power from nuclear energy seems to be much closer to us than it was six months ago. One of the reasons for this is that the AEC has had four groups of companies, including the Dow and Monsanto Chemical companies, looking into the possibilities. Yes, you can feel the increasing interest in atomic power, and get the strong hope that it really may be closer. The growing interest includes the practicality of atomic power for the opening up of underdeveloped areas, both in this country and in other parts of the world.

It is heartening to note the action of the four groups of utilities and industrial concerns as they indicate their desire and willingness to invest their time, talent and money in preliminary and design studies. It is essential that the Atomic Energy Commission use every reasonable means at its command to assist these efforts. We hope, and have every reason to believe, that something other than a request from industry for a complete subsidy of engineering design and construction will result ultimately from these and other similar studies.

Indeed, we expect confidently that these representatives of American industry will join with us in finding the key to unlock the door to the future in this challenging field. We on the Commission know of no effective substitute for the pressures of competition in any area where imaginative and daring attacks are required to get a solution to a problem of such magnitude.

Scientists had thought of atomic power as being economically practical 10 or 15 years hence. We suddenly find that this may not be the situation, for power from atomic energy seems closer at hand. I am not one to name a date, but I will say that we will have one, or perhaps a few, nuclear power plants producing electricity for industry or central station networks sooner than the 10- or 15-year period we had been estimating a short while ago.

Already one example of atomic power is an actuality. Last December, AEC's Experimental Breeder Reactor in Idaho produced, as one of its first acts—although admittedly a secondary act—an experimental amount of power.

The progress that has been achieved to date in Commission activities in support of military requirements for moblie reactors to power ships and planes has been made available to the industrial groups for study. The combination of scientific and management brains exploring the problems has been excited by the possibilities and the apparent ability to overcome the technical problems.

This does not mean the immediate attainment of nuclear power. There is a second phase still to be worked through before even the design of a power reactor becomes available. Then, of course, must come the building of such a reactor, and the inevitable "shakedown." For some time, therefore, it appears that the applications of nuclear energy to power will be limited to pilot plant and prototype operations.

However, this cautious approach is not intended to imply in any way that we should not be actively exploring for solutions to the problems involved. I can assure you that the Commission is presently actively examining these problems, trying to bring to bear in objective fashion the measure of vision necessary to foresee the implications of this development.

There are some who urge that the problem is really quite simple. Their argument is, in effect, that all the United States needs to do is to change the Atomic Energy Act so that the restrictions on the private ownership of reactors and the private acquisition of patent rights are lifted. Then, the argument runs, industry will really go to town.

Because the Commission is in the process of considering this problem, I am not prepared to give detailed answers. I will state, however, that the belief that the answer lies in action by Congress changing the law to lift patent and ownership restrictions seems to me an over-simplification. Naturally, the effects of the present restrictions are a part of the present picture. But exclusive consideration of them fails to take into account issues inherent in atomic energy itself and in its primary role as a vital element of the Nation's defense policy.

The solutions call for the highest order of vision and statesmanship. If industry is to be able to carry the ball successfully, there must come into being a new and unique pattern of cooperation between business and government. The delineation of responsibilities at the outset is of the greatest importance in shaping future courses and determining our success in making the most of the benefits of atomic energy in our national life.

Policy Problems in Development of Civilian Nuclear Power

I would like to mention some of the questions that seem to demand deep and farsighted consideration.

But first, let me call your attention to two short quotations from the Senate Committee Report which recommended the Atomic Energy Commission organization. This report was approved by all members of the Committee, by both the "conservative" members of the Committee and the "liberal" members. The first quotation: "From the start of its deliberations, the Committee has been convinced that an absolute government monopoly of production of fissionable materials is indispensable to effective domestic control of atomic energy."

And the second quotation: "The production of fissionable material is technologically in its infancy; unforeseen and unforeseeable factors may play a great part in its development. To permit decontrol or decentralization of this activity, and weaken continuing Government supervision, would be contrary to the principle of prudent stewardship demanded of the Government by considerations of national defense and national welfare."

Thus we see the intent, expressed in 1946, behind the present Atomic Energy Act. That, of course, could be changed. Section 7(b) of the Act envisions this. It provides for a broad-scale review of the social, political, economic, and international effects of atomic energy used for industrial or commercial purposes. *But what can the present intent be changed to?* This question brings us squarely up against a whole range of problems, and so demonstrates that there is more to a thorough solution than a simple change in the wording of the Act.

The Commission is now studying these problems. We want—yes, we *need*—the help and advice of industry—for the problems we face are the problems industry faces. They will affect the country's whole social and economic structure. They are so vital that they should be laid out so that all of us—at the Commission, in industry, in Congress, and on public forums—will have ample opportunity to study them and attempt to fit the answers together. Let us examine some of these questions.

The first and foremost question is: *How do we tie in civilian power with national defense?* The requirement of national defense is always the first consideration at the Commission. It is the reason for the extensive development of atomic energy today. Had there been no World War II, no need for advanced weapons, the progress made during the last 10 years might have been achieved only in small measure.

We must determine the effect of any atomic power development on our military needs. *Does the development of atomic power collide with or is it consistent with the nation's needs for the common defense and security in the broadest sense?* This is a question with many facets. For example: *Will developing civilian atomic power divert more fissionable material than prudent from military uses, that is, from use as bombs and as submarine and aircraft fuel?* And: *Can an atomic plant be built to contribute to both civilian and military objectives?*

The question that logically follows is: *What about plutonium?* This question and its answer tie in closely with the problem of foreseeing military requirements.

At the present time we are thinking of atomic power as being the co-product of plutonium, both coming from atomic reactions taking place in uranium, converting part of it to plutonium, and releasing heat which could be used in generating electric power. All of us know that the chain reaction in uranium in a large reactor sets up radio-activity equivalent to that which would come from millions of pounds of radium, and that enough heat is released to supply a considerable city with electricity if it could be harnessed economically.

If atomic power is to be provided by co-product, or dual-purpose reactors, the role of the government in buying the plutonium produced will have much to do with success in turning out power at a reasonable cost. Unless the government buys plutonium at prices equivalent to its own production costs, at this stage of development the cost of generating the power might be so prohibitive that no commercial firm would undertake such a project. In other words the per kilowatt hour cost to the consumer of electricity from nuclear fuel might keep it from competing with electricity from conventional fuels.

For such co-product production, the feasibility of industry undertaking a greater role in power development might depend on the assurance the AEC can give of a guaranteed market for plutonium during the next 10, 15, or 20 years. Before private investment could be attracted to this field, assurance—based on sound contracts—would have to be furnished that the government would continue to need plutonium.

Such a long-range buying plan should also consider the interest of the taxpayer and fairness to all companies concerned. If the military and civilian uses of plutonium enables us to give only a limited guarantee for a period of years, *there would be the question of whether we would be justified in buying plutonium for stockpiling beyond our needs, foreseeable at the time.* Or, the result might be that the number of participants in the program must be sharply limited, *presenting the problem of how to select companies which would be allowed into the circle.*

The problem of purchasing plutonium carries along a companion problem—that of the pricing formula. The price formula should certainly provide a profit incentive covering the entire operation, that is, it should take into account both the plutonium and the power sold as a package on which the seller could make a profit. *But how would the price be worked out to assure adequate incentive without entailing unjustified subsidy of atomic power? Can a system of competition among interested companies be fashioned to strike the appropriate balance of these factors?*

There is another possibility. If the day should come, which all of us — no matter how doubting we might be—fervently hope will come, when world peace is a reality, when international control of atomic weapons succeeds, or at least, when international conditions are more tranquil than they are today, *would there be a need for the government to continue buying plutonium?*

If the buying of plutonium were stopped, it is easy to imagine the dislocation to civilian industries that would have sprung up around reactor sites to utilize atomic power. With a sudden stop order on plutonium buying, and the resultant sharp increase in the cost of power, *what means could be devised to avoid or minimize dislocation?*

It may be that such problems as these I have been talking about concerning plutonium will never have to be solved. We may hit upon the development of power at competitive cost from non-plutonium producing reactors, though now it apears that this day is not quite at hand. The first step may be non-plutonium producing power reactors for remote, power-starved areas. Study of the development of atomic energy from 1942 leads me to feel that the strides the engineers and scientists are making are so great that "power only" reactors may be nearer than we dare hope for, even though we are still in the early phases of research and development.

Regardless of the type of reactor that furnishes the power, we will still need answers to a number of other questions.

One of these questions, or problems, concerns the location of plants. Because of the inherently dangerous characteristics of reactors and the responsibilities for public health and safety they impose, this has been one of the major problems facing the Commission. We have spent almost unbelieveable time, money, and manpower on the location of our atomic plants. At the present time we are vigorously studying ways and means of getting "built-in safety" into reactors and of "containing" possible accidents, in order that the Commission's external safety criteria can be less stringent.

The fact is that not one reactor has yet blown up; and we do not expect any to blow up. We are sometimes thought to be too conservation in locating plants because we will not extrapolate on the basis of experiments. I can only say that extrapolation, when hundreds and even thousands of lives may be involved, seems to us a slim reed to lean upon. Our attitude must be one of progress with caution.

It is easy to see how the location of the reactors can influence the cost and availability of atomic power. The problem is to determine the responsibility of the government for establishing criteria governing the locating of privately-operated nuclear power plants, and also to determine the methods of executing these responsibilities. We are utilizing the advice of industrial people, who have dealt with problems of industrial safety in hazardous industries for many years. Their findings, along with those of the scientists who make up AEC's Reactors Safeguard Committee, will play a major part in suggesting a solution.

Another question is: *What should be the Government's responsibility for health and safety within privately-operated atomic plants?* The problem of protecting the health of the worker in our plants is a constant concern to the Commission and certainly must be to contractors operating power reactors. *What should be done by both the AEC and the plant operators to discharge the responsibilities that arise out of the lethal potentialities of radioactivity?* There will be such practical problems as the type of insurance which private companies would need, both health and compensation, for the protection of themselves and their workers. The Atomic Energy Commission goes to great effort and expense to protect those who work in the industry. *Would private industry be able to devote as much attention to these problems?*

The problem of security is always with us, and will be of particular concern when the power reactor also produces plutonium. Like other problems mentioned, this one is many-sided. You can imagine many of the considerations not applying to other industry that security brings into the picture; I shall mention a few.

Undoubtedly, reactors for producing atomic power will incorporate the latest and best technology. Therefore, unless we have a world of peace, these reactors will be prize targets for espionage and sabotage by unfriendly nations. In addition to protection of the reactor itself, there must be adequate control of the fissionable material produced because of its usefulness for weapons. The government now spends large sums of money to guard fissionable material and to protect its atomic plants against the leaking of secret information and against sabotage and destruction. *What arrangements could be established to assure adequate protection of private atomic plants in the interest of the national security?*

In the broad sense of security, the government takes special care to assure continuity of operations in its atomic plants. *What provisions can be adopted to assure such continuity in the private plants? For example, would a special labor-management undertaking be needed?* We must determine the extent to which the government should be responsible for plant security, even in private plants, in order that national security be protected.

Consider the problem of the security of workers. *What provisions can be made to assure that only loyal and reliable employees have access to secret work in private industry's atomic plants?* We would not expect the FBI, for example, to turn over its reports to private corporations. *How are we to handle the problem of the determination of individuals as good security risks?* Such problems of security, so closely related to national defense, clearly call for the careful spelling out of a partnership between industry and the government.

Our big problem, with its several corollary problems, remains. It relates to the stake of the taxpayer in atomic energy.

With almost $10 billion of their money, the American people have built up a gigantic publicly-owned industry. At the present time these taxpayers, through their Defense Department, are also the biggest customers of this industry. When we consider the coming of civilian nuclear power, *what are the rights of the people (the taxpayers) as original stockholders, and what are the rights of private enterprise, upon which our whole economy is built?*

Perhaps, next to that concerning security, the fundamental question is: *How are incentives to be provided for private industry with full recognition of the stake of the taxpayers in the atomic energy activities they have sponsored?*

Of course, amendment of the present restrictions on private ownership of reactor facilities and the establishment of equitable patent arrangements are inevitable if private enterprise is to be attracted.

Under our profit system, when private industry carries the ball it must be able to obtain capital for atomic energy on a competitive basis with other investment opportunities. This is a competition that becomes of increasing importance as industry opens up more and more attractive avenues of possible endeavor. This applies with equal force both to the actual operators of nuclear power plants and to the army of manufacturers necessary for designing and fabricating the components of the plants.

In other words, patent and property provisions must be drawn in such a way that there can be a profit, a competitively attractive profit. In the same pattern, there must be engineering competition between private companies so that industry will make maximun contribution to nuclear power development. It is this competition which will most effectively drive down costs and bring technological advance.

Yet, we must not forget that the atomic energy industry is unique in the history of our industries. Every step — research, development, and production — has been paid for with taxpayers' money; every cent of the cost of the vast capital structure underlying atomic energy has come from the same source.

There can be no doubt of the stake of the taxpayer in patents developed as the result of cost-reimbursement-type contracts at government expense. The question that arises is: *At what stage in the cooperative development of atomic power does the private company begin to acquire rights? How do we insure equitable access to the know-how, developed at government expense, which must be the background for many patent developments?*

There is another factor which requires consideration of how to meet the obligation to the taxpayer. The cost of atomic energy research is so expensive that it is inconceivable that industry could support the reseach program necessary to achieve continuing progress in the shortest possible time. Here, again, in view of the inextricable relationship between national security and atomic energy, we must ask: *What must we do to protect the national security? Has government a continuing obligation to assure that broad research activities in the nuclear field are continued at a satisfactory level?*

Finally, and of great importance is the fact that this new scource of energy is one of our great natural resources. *As the custodian, the government has a special responsibility, in the words of the Atomic Energy Act, for "the development and utilization of atomic energy toward improving public welfare, and increasing the standard of living." What mechanics are needed to insure that the government will be sufficiently knowledgeable and capable to carry out that responsibility?*

Summary and Conclusion

In summary, I have endeavored to state some of the problems that must be solved before private industry is likely to be able to enter competitively into the field of developing, building, and operating nuclear power plants. First, there was the problem of changes in law. Then comes the broad question of the compatibility of civilian power and national defense. Is there enough fissionable material for both uses? And what about dual purpose reactors producing both electric power and plutonium as co-products?

I asked you to think about the problem of reactor safety and location, and of the health of workers and of people living nearby, in private versus government operation. Then we considered security for national defense under both forms of operation. Finally, we saw that intimately associated with the stake of the taxpayer in atomic energy are questions of patent rights, profits, competition, research essential for national security and maximum development for the public welfare.

These are some of the problems as I see them as a member of the Atomic Energy Commission.

All of us at the Commission are receptive to any solutions that would give private industry the most active stake possible in this program.

At the same time we cannot close our eyes to the far-reaching significance of the problems which confront us. Every one of the questions which stand before us should receive full, careful and intelligent consideration; and the interest of the American taxpayer —the initial investor in the atomic energy industry — should always receive first consideration.

There is more to this problem than a change in the basic law controlling the development of atomic energy. Changes in the social order possible as a result of atomic energy are not made in the abstract. Industry cannot sit idly by, hoping that the way will be paved.

Certainly, no company should endanger its solvency; but I am sure that industry is not going to sit on its hands waiting for answers. As the opportunities arise, private enterprise will devote talent and money with normal American spirit to the objective of catalyzing the process of reaching the answers and attaining leadership in this great new field for enterprise.

We on the Commission are keenly aware that it is our duty to make our greatest possible contribution to solving questions such as those outlined here tonight. But we cannot, we are not expected as stewards over the public enterprise, to arrive at, much less to effectuate the answers. The whole people are the ultimate competent authority. Upon answers made depends much of the progress and breadth of usefulness of atomic energy. All of us will do well to ponder the issues.

Wealth of the Sea

By ROGER W. BABSON

Mr. Babson reviews developments in the fisheries industry and points out increasing utilization of products obtained from the ocean. Says fishing business may be declining, but it will be replaced by chemicals and other use of ocean materials.

As this is my last week in Gloucester, for this summer season, let me speak of the wealth of the sea. So many pessimistic articles are being written as to the waste of our land resources, let me call attention to the fact that three quarters of the earth's surface— namely, the oceans — are an undiscovered world of riches. The sea offers great opportunities to students, wageworkers and investors. Owing to good harbors and other advantages, I believe Gloucester, Newburyport and other seaports have a great future.

Roger W. Babson

Minerals In the Ocean

Today there are few plants taking magnesium, iodine and bromine from the sea; but these are only a few of the available minerals. In addition, there are great quantities of aluminum, boron, calcium, chlorine, copper, fluorine, lithium, potassium, selenium, sulphur and zinc, not to mention sodium chloride. There is even gold! The sea contains enough of these minerals to last a thousand years and I visualize these seaports becoming great centers of these new industries.

When I was a boy, the cod, haddock and mackerel business was at its height, while rosefish (now known as ocean perch) was thrown away. To illustrate how times change, the catching, filleting and freezing of ocean perch is now Gloucester's leading industry. Gloucester, however, is handicapped by the fish moving out further from the coast. They may later be attracted back by artificial lighting or the use of fertilizers.

New Kinds of Fish

The next great development will be the catching and processing of "waste fish," such as pogies, squid, skate, etc. These are now used for fish oil and chicken food, but they have excellent nutritional qualities. Later we will be gathering, processing and canning planktonic organisms. This industry has a great future. Seaweed products will also be processed and sold.

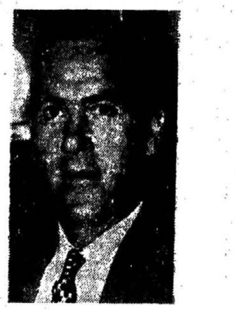
The sea is very rich, due to the drainage accumulations from the land for millions of years; but it is now rapidly increasing in food values. While the farms of the West are gradually getting poorer through erosion and cultivation, the sea is constantly becoming richer. Every rain throughout the great agricultural West washes minerals, vitamins and other food products from the soil into the rivers and finally into the sea. A large portion of fertilizer being put on the soils finally goes into the ocean, while the rich sewerage of our large cities is making the sea a great storehouse for future foods. Readers who are interested in these new possibilities should talk with Dr. Henry B. Bigelow of the Oceanographic Institution at Woods Hole, Mass., or the Scripts Institution at La Jolla, Calif.

Lessons of History

During the early days of Gloucester, the chief industry was the cutting of timber, the sawing of boards, and the building of small vessels. Most of Massachusetts was then heavily wooded. By 1800 the timber of Cape Ann had largely been cut and shipbuilding moved to Essex. The next industry was the granite industry. Most of the Federal buildings of Boston, New York, Philadelphia and other large cities were built of Cape Ann granite. The "waste" was made into paving stones, which paved the streets of these cities. But concrete and asphalt came along and killed the granite business.

Although the fishing business had always existed in a small way, yet it was not fully developed until the granite business began to peter out. Later came the "summer people." Unfortunately, due (1) to the fish changing their habits of abode, (2) to unreasonable labor demands, and (3) to increasing foreign importations, the fishing business, as now conducted, may be on the decline. But I am not worried as to the future. I believe that with the establishment of the new School for Fisheries the wealth of the sea will continue to make Gloucester and other seaports prosperous. Instead of filleting plants, Gloucester will have chemical works, pharmaceutical factories and will can the small planktonic organisms heretofore neglected.

A. T. Hammill Joins W. E. Hutton & Co.



Arthur T. Hamill

Arthur T. Hammill has become associated with W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, as a registered representative. Mr. Hammill was formerly manager of the international bond department for Lee Higginson Corporation.

Gunnar Voss Opens

WASHINGTON, D. C.—Gunnar H. C. Voss has opened offices in the National Press Building to engage in the securities business.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Charles L. C. Warren has become connected with Merrill Lynch, Pierce, Fenner & Beane, First National Bank Building. He was formerly with the Denver National Bank.

Joins Manley, Bennett

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Milton A. Manley, Jr. is now associated with Manley, Bennett & Co., Buhl Building, members of the New York and Detroit Stock Exchanges.

With First Trust Co.

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Lorraine M. Douglas has joined the staff of the First Trust Company of Lincoln, 10th & O Streets.

Mutual Funds

By ROBERT R. RICH

Kidder, Peabody Details Radio Techniques

Speaking at the fourth annual Mutual Funds Conference in New York, Milton Fox-Martin analyzed for his audience the experiences of Kidder, Peabody & Company in the field of radio advertising as a method for selling mutual fund shares.

Mr. Fox-Martin, who is the manager of the Central Mutual Funds Department of Kidder, Peabody & Co., said that radio—intelligently used—recommends itself for a number of reasons to mutual funds prospecting.

One of radio's principal advantages, he said, was the opportunity it affords the mutual funds dealer to tell his story to listeners in a very personal and forceful manner. Even during a one-minute commercial, he pointed out, it is possible to pack "quite a punch" in a well-worded message delivered by a professional announcer. The reception can be predetermined and the message can be controlled, he added.

Further, he said, provided the listener is tuned in at all, he can listen to only one radio station at a time. There is no competition at a given moment as there would be among different advertisements on the printed page.

Mr. Fox-Martin also noted that mutual funds have an extremely broad market, and, of course, he said, radio is a mass, cross-section medium. Nearly everyone that is a mutual funds prospect, he noted, has a radio set in his home or car or both.

From the standpoint of cost, radio advertising falls into a low-cost bracket, he told his audience. Furthermore, he remarked, there are a wide variety of commercial packages that may be purchased . . . ranging all the way from the sponsorship of programs to a 15-second station break. This variety of packages which can be bought by the mutual funds dealer enables him to tailor his radio coverage effectively to his advertising budget.

Adverse Factors

The audience was warned, however, that there were certain disadvantages to radio advertising which must be taken into account.

First, radio has considerable wastage in its coverage because it is a mass medium—wastage in comparison, for example to direct mail advertising.

Second, a radio commercial has no life beyond its air time, and if a person doesn't happen to be tuned in to the right station at the time of the commercial, he never gets the message at all.

Third, a peculiarity of radio, as compared to publication advertising, is that the appeal for write-in inquiries must rest solely upon the appeal of the commercial at the time . . . the persuasiveness of the announcer and the immediate reaction of the listener.

First Radio Venture

Mr. Fox-Martin said that his firm's initial radio venture was a 20-week sponsorship in 1950 of an 11 o'clock news program on a strong New York station. The entire 15 minute program was sponsored on Mondays, Wednesdays and Fridays with approximately two and one-half minutes of commercial time.

Two out of every three of the program commercials were devoted to general brokerage business, with the third devoted to mutual funds.

Mr. Fox-Martin estimated, on the brokerage side of the program, that the broadcast series was paid for in commissions.

On the one broadcast a week featuring mutual funds, he said, the commercials produced 500 or more leads in the early part of the series, with succeeding broadcasts pulling less. However, he said, they found a large number of the inquiries were largely of a curiosity nature and fairly low in quality. On the whole, the results were satisfactory.

Another of the firm's experiments in radio was the sponsorship of a series of programs featuring the work of various clubs and organizations in the New York area. A small local station was used for this public-service program and the purpose of the radio series was to build favorable relations with women's groups, civic and charitable organizations as a forerunner to subsequent meetings with them for the discussion of mutual fund investing. The broadcasts, he said, produced a low number of inquiries and an even lower volume of sales. From the standpoint of public relations, however, he said the effort was worthwhile even though the sales were unimpressive.

Mr. Fox-Martin said that they have used radio and television for spot announcements, but have found them inadequate and notably unsuccessful. On one-minute commercials, he noted, a number of investment dealers have had considerable success using either FM or local AM stations that feature good musical programing. Such stations generally enjoy a high-income audience. The key to the success of one-minute commercials is year-round usage plus high frequency—as many as 15 per week.

The Key to Success

In developing the very successful "Your Money at Work" broadcast series of 15 minute interviews with the management heads of certain leading mutual funds, Mr. Fox-Martin said that they set out to make the best possible use of radio as a vehicle for generating mutual funds business.

Working closely with Doremus & Company's Barry McMennamin and Edward Rooney, Mr. Fox-Martin said a strong local station was selected, one that had broad coverage and a mature listening audience. The calibre of the station and its program were important because they found that the environment of advertising has a great deal to do with its reception.

Next, they worked for quite a while on the selection of time, finally deciding on a 15-minute period on Sunday morning following a world news-roundup. "In following a world news broadcast," he said, "it was reasonable to expect that quite a number of the news broadcast listeners would stay tuned in to our serious discussion of investments." Sunday morning was selected because it represented a time when a greater number of working people might be expected to be in their homes. Sunday is also generally a period of relaxation and reflection and, furthermore, there is less television competition on Sunday mornings.

Inquiry Cost Cut 66%

The results from this 15 minute series of 16 weekly broadcasts were extraordinary, although Mr. Fox-Martin only termed them "quite satisfactory." As compared to Sunday newspaper advertising, the radio effort of Kidder, Peabody & Company produced three times as many leads per dollar expenditure, and twice as many dollar sales as did newspaper advertising during the corresponding period of the preceding year.

As an experiment, he said, the final three broadcasts in the series were carried on Monday evening directly following a news commentator. Because of television competition and other factors, the response from the Monday evening series fell off nearly 50% which, Mr. Fox-Martin commented, clearly illustrates the importance of extreme care in the selection of broadcast time.

Recordings of this successful series, "Your Money at Work," were made available to other Kidder, Peabody & Company offices and cooperating dealers for rebroadcast in other cities.

The experiences of others proved particularly revealing, he said.

One midwest dealer, he noted, had an extremely disappointing experience in the use of the series because he selected as his broadcast time Sunday noon instead of earlier in the morning or later in the afternoon. Another office, he said, made an error in the selection of a station, with the program sandwiched between broadcasts of baseball games and disk jockey programs. The Chicago rebroadcast of the series produced excellent results.

Radio Advertising Suggestions

To those thinking of trying radio for the first time in their efforts to uncover sales leads for mutual funds, Mr. Fox-Martin made the following suggestions:

(1) A radio commercial should be unfinancial in its language,

The Educational Use of Funds

The father of the two children pictured above, who is a Vice-President of one of America's largest publishing houses, had quite a problem on his hands when he tried to find a way to educate his son, Stanley Brown, and his daughter, Mary Elizabeth, to the financial complexities of the world they are growing up in.

Both children have savings accounts in a school bank that is sponsored by one of the leading banks in the community, and the daughter will soon have her first checking account.

But, as the father knew from his own financial experience, the "thrift approach" hardly gave a complete picture about the dynamic qualities of the American economy and the possibilities it holds out to those who are ready to take a risk for a gain.

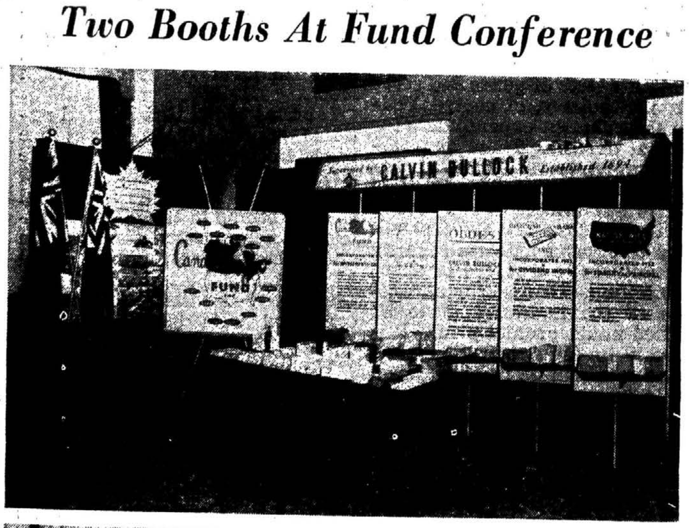
The father thought of using games, like "Monopoly," or drawing diagrams on a sheet of paper. But these approaches lacked reality—and besides, fathers sometimes become a little confused explaining economies and finance to younger minds.

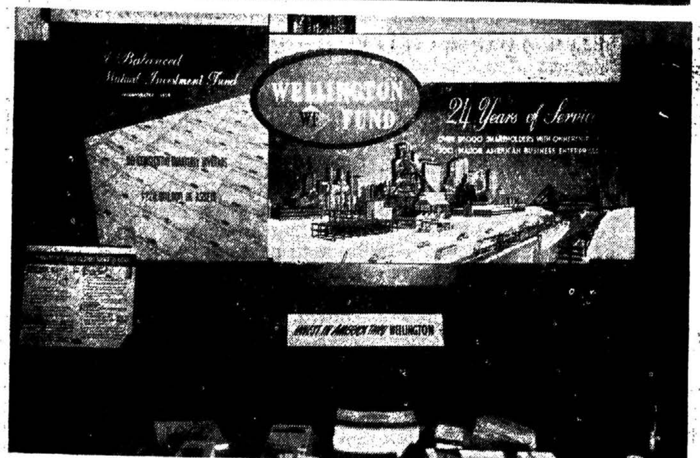
His final solution was to open an account in the children's names with the George Putman Fund. Without comment he gave them the prospectus, various kinds of booklets and their certificates of share ownership. Then he let them ask the questions. When the first dividend checks arrived, there were more questions to answer.

The children are also more keenly interested in company names, now; checking the name of a railroad, for example, against the portfolio holdings of the Putman Fund. By the time these children are in their early twenties, they will know more about the handling to best advantage of their financial problems than most adults today.

The father, of course, thought he could claim some originality for this unique idea. Quite likely, he will be surprised to learn that George Putman, one of the trustees of The Putman Fund, has had just such plans for his own children ever since the fund started.

Two Booths At Fund Conference





Over 700 mutual funds dealers and salesmen talked with sponsor representatives before booths like the above during the fourth annual Mutual Fund Conference held at New York's Hotel Statler, Sept. 15-17. Calvin Bullock reported a keen dealer interest in its new Canadian Fund. Its representatives also helped iron out dealers' problems in sales presentation and the more effective use of Bullock's wide range of sales information. The other booth belongs to Wellington Fund.

particularly if a standard program or spot commercial is used. The most complex ideas should be expressed in short words and sentences.

(2) It should be remembered that most listeners don't know much about mutual funds. But, they all have certain financial problems. "Pose the problem," Mr. Fox-Martin said, "explain that funds can help solve them, offer something which explains funds, and offer your services."

(3) At the persent time, the advertising of mutual funds is as much educational as commercial. An advertising program and budget should be conceived with this in mind. Make a good first impression; and don't be over anxious for immediate results. You are dealing with other people's money and it takes time to build confidence and reputation, he said.

Mr. Fox-Martin at the conclusion of his analysis of radio advertising noted that because dealers have such a tremendous educational job to do and so little money to work with, he hoped it would be the primary purpose of all mutual funds advertising to enlarge the public's opinion of—and respect for—this relatively new medium for collective investing.

Mutual Fund Notes

LORD, ABBETT & Company and Eaton & Howard have announced a time change in the determination of public offering and redemption prices. The change was caused by the extension of trading hours on the New York Stock Exchange from 3 p.m. to 3:30 p.m., effective Sept. 29.

Lord, Abbett & Company reported that the net asset value of Affiliated Fund and American Business Shares will be determined at 1 p.m. instead of noon.

Eaton & Howard reports similarly that the public offering price of Eaton & Howard Balanced Fund and Stock Fund will be determined at 1 p.m., effective from 2 p.m. of that day to 4:30 p.m. of the same day. The offering price will also be calculated at 3:30 p.m., effective from 4:30 p.m. to 2 p.m. of the next business day. Redemption prices will be calculated for similar purposes at 1 p.m. and 3:30 p.m.

ARNOLD BERNHARD & Co., Inc., publishers of the Value Line Investment Survey, announces their sponsorship of a new mutual fund to be known as the Value Line Income Fund, Inc., with an authorized capitalization of 5,000,000 shares of $1 par value stock with equal voting rights and no preferences as to conversion exchange, dividends, retirement or any other feature, effective as of Sept. 12, 1952.

The Value Line Income Fund will supplement the nearly three-year old Value Line Fund, a capital growth mutual fund, and will have as its primary objective, current income as high and as dependable as possible in keeping with sound investment principles and the investment outlook.

The manager and investment adviser of the Value Line Income Fund will be Arnold Bernhard & Co., Inc. Officers and Directors are Arnold Bernhard, President and Director; Gavin H. Watson, Vice President, Treasurer, Asst. Secretary and Director; Frank H. Miesse, Secretary and Director, and James E. Barrett, Jerome Preston and John D. Walker, Directors.

The underwriter and distributor of the new income fund is Value Line Fund Distributors, New York.

The selling commission will range from 8.5% to 2.25%, with the dealers' discount ranging from 6-1.5%. Dividends can be reinvested at net asset value.

CHARACTERIZING the paper industry as "a vital consumer goods industry, soundly financed and well managed with a strong growth trend," the September issue of "Perspective," published by Calvin Bullock, sees a favorable outlook for paper, the country's sixth largest industry.

"The postwar years through 1951," the publication states, "have witnessed a more or less continuous upward trend in paper production and consumption. The 1951 production of 26.1 million tons compares with 8.0 million in 1932, 12.8 million in 1937 and 19.3 million in 1946."

Noting the two minor setbacks in the postwar period, "Perspective" continued: "Based on our industry contacts we believe that the recent excess inventories in the hands of paper users have been liquidated and we look for a renewal of the basic strong demand for paper products from here on out."

The study stresses the gain in per capita paper and board consumption from 244 lbs. in 1939 to 390 lbs. in 1951. It describes paper as the third most used product in America today—second only to milk and water.

AN AVERAGE OF at least 840,000 homes a year will be constructed in the United States during the next five years, it was estimated by Donald E. Ryan, Vice-President in charge of the mortgage department of Investors Diversified Services, Inc., one of the nation's largest residential construction and mortgage lending institutions.

"The building of 4,000,000 new homes during the past three years has made a substantial dent in the record postwar demand for new housing," Ryan pointed out, "but several factors will continue to operate to keep demand at fairly high and stable levels for the next five years."

He emphasized that even if the total number of marriages declines, a substantially higher percentage of married couples will become home owners than was the case eight to 12 years ago and before, because of increased ability to buy homes. He also pointed out that shifts in the country's population through migrations to the west, south and southwest will create increasing demand for new homes in the areas affected by such movements.

Home-owning families now constitute about 58% of the country's 46,000,000 households, Ryan pointed out, while 42% of the nation's households rent dwelling units.

"It seems reasonable to assume that this ratio of 58% home owners to 42% renters will continue among present families and newly forming families during the next five years," he declared. "And if national income remains at present high levels, the percentage of home owners should increase each year."

Ryan estimated that the bulk of demand for new homes will come from an estimated 850,000 new families which will be formed during each of the next five years. Not all of these new families will want or buy new homes, he pointed out. But the fact that there are only about 1,000,000 vacant year-round homes available for sale or rent, will tend to keep the new home building and buying market active.

NATION-WIDE Securities Company reports that principal common stock purchases during the three months ending Aug. 31, 1952 included 2,500 Diamond Alkali Company, 5,000 Empire District Electric Company and 2,000 Kansas Gas & Electric Company. Eliminations included Niagara Mohawk Power Corporation, Southern Company and Studebaker Corporation.

OPEN-END REPORTS

MASSACHUSETTS Investors Growth Stock Fund reports for the three months ended Aug. 31, 1952 increases in the number of stockholders to 15,124, in shares outstanding to 2,173,764 and in total net assets to $38,872,487.

These figures represent new high points in the record of the Fund which had 11,504 stockholders, 1,697,040 shares outstanding and total net assets of $31,649,377 on Aug. 31, 1951.

Net asset value per share as of that date was $18.65 compared with $17.88 on Aug. 31, 1952. The latter figure, however, reflects payment of a capital gains distribution of 90 cents per share made Nov. 30, 1951.

PERSONAL PROGRESS

PROMOTION OF William B. Boscow, formerly divisional office manager in Eugene, Ore., to eastern regional sales manager for Investors Diversified Services was announced today by Grady Clark, Vice-President and general sales manager.

Employed as circulation supervisor for the Portland "Oregonian," Boscow joined I. D. S. in Portland, Ore., as a zone representative after serving with the United States Marine Corps during World War II in the Pacific theater. He was advanced to divisional manager in Eugene in 1946. There, under his leadership, the office has been among the I. D. S. national leaders in the distribution of face-amount investment certificates and mutual fund shares.

Foresees Wave of Insurance Mergers

Shelby Cullom Davis says trend in banking will spread to insurance companies, owing to dearth of profits of small and medium size underwriters.

In an address, entitled "Finance Looks at Insurance," before a luncheon meeting of the Insurance Accountants Association in New York City on September 18, Shelby Cullom Davis, of Shelby Cullom Davis & Co., members of the New York Stock Exchange, and specialists in insurance stocks, predicted that the wave of mergers which extinguished many independent banks in the country may spread to the insurance field. Stockholders of small and medium-sized insurance companies, Mr. Davis stated, are restive because of the dearth of underwriting profits, particularly in casualty companies. Shares of their companies, he pointed out, are selling in the open market at discounts of 40-50% below the net asset or liquidating value of their investment portfolios alone. No value whatsoever is assigned for agency plant or goodwill built up laboriously over many years.

Shelby Cullom Davis

According to Mr. Davis, these stockholders are quietly being importuned to "throw in the sponge" by interests seeking to capitalize on the current unsatisfactory situation. The companies then would either be merged or liquidated. Although old stockholders would prefer to remain loyal, he added, the temptation of higher prices and a "way out" of their dilemma may prove too great just as in the case of the banks. The result will be a smaller number of insurance companies.

Inflation and steadily rising costs are the culprits back of the merger trend, Mr. Davis explained. They are responsible for the underwriting deficits. Larger units will help to spread overhead and thus reduce expenses to a degree. There will be less overhead savings in insurance mergers, however, than in the banks where fixed overhead bulks substantially larger.

Mr. Davis, in concluding his talk, ventured the statement that two developments could slow the trend toward insurance mergers of which nearly a dozen significant ones have occurred in the past several years. First and foremost is the restoration of reasonable profits through an adequate rate level particularly in casualty lines. And second would be a decision on the part of top insurance management to pay out a higher proportion of investment income in dividends. One insurance executive has publicly predicted that insurance company dividends will again approach 75% of investment income once underwriting again becomes profitable. Should this occur, shares of insurance companies will rise in price and stockholders will be less tempted to sell to the merger-promoting groups.

Many stockholders at present have also been shareholders of merged banks, for investors in insurance stocks are frequently also investors in banks. They have found the pain of extinguishment surprisingly sweet for they have obtained as much as 50% more than the market for their shares. They have been free to enjoy "another look" and decide whether to reinvest their savings in the same industry or to seek greener pastures. Probably not a few insurance shareholders would welcome a similar opportunity, Mr. Davis concluded.

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The Business Outlook

farm) was already taking place in the first half of 1952, as shown by the negative figures in the table.

Housing Outlook

New construction is broken down, in the table, into residential non-farm and "other." Most of the "other" represents commercial, industrial and institutional, farm, and public utility construction. The outlook for residential construction is mildly favorable, although I am less sanguine about this forecast than I am for some of the others. The volume of housing starts has been holding up well and the total for 1952 will probably be about the same as for 1951.

The principal unfavorable factors are: (1) the fact that the high rate of housing construction in recent years has rapidly been catching up with the demand for housing; (2) some scarcities of construction materials; (3) a lower rate of family formation due to the low birth rate in the early '30s; (4) an extremely rapid rise in construction costs in the last two or three months; and (5) a relaxation of rent controls in some areas which is likely to reduce the wasteful use of housing and increase the supply of housing on the market.

On the favorable side, however, we may cite: (1) the increased levels of personal incomes; (2) continued low costs of housing funds under government lending and insurance programs; (3) a greater availability of materials than was anticipated because of the slower pace of defense production; (4) a demand for housing necessitated by shifts in population resulting from the defense effort; and (5) the abandonment of Regulation X. On balance, and for the short run, the outlook is for a continued high level of residential housing construction. However, this factor will bear close watching during 1953. It may be mentioned, in passing, that in view of the strong inflationary pressures still existing, it would be better if residential construction and some other industries serving the civilian economy could undergo some reduction so that more resources could be transferred to the production of defense goods. I do not believe that the present pace of the defense effort is as rapid as the international situation warrants.

Some of the factors just stated as affecting residential construction influenced the "other" construction category also. This "other" construction, as well as producers' durable equipment, represents business investment in plant and equipment. Business investment in fixed form has been at high levels throughout the postwar period. Certainly much of the need for new industrial capacity, a need generated by the very low level of such investment during the Great Depression and by the high rate of depreciation on existing plant during the war, has been made up. Whether industrial capacity has now caught up with population and the ability of the population to produce and purchase is questionable. The profit expectations of businessmen and their consequent decisions to invest remain high, as indicated by the most recent surveys of investment intentions made by the Department of Commerce and the Securities and Exchange Commission. It is true that corporate profits have been declining until recently and that this decreases the amount of cash for investment which firms can generate internally. But business has shown an increased willingness lately to go to the capital markets for funds, particularly (and fortunately) to the markets for equity capital. Again, the high levels of consumer incomes, resulting partially from defense production, seem to be making businessmen optimistic as to the prospective rate of return from new investment. Capital costs, though rising, do not yet seem to have reached the point where new investment is thought likely to be unprofitable.

The Inventory Outlook

With respect to business inventories, I think that there will be continued liquidation, and that this liquidation will have for the year a slightly unfavorable effect on gross national product.

My projections assume probable levels of new construction for 1952 at $23.6 billion as against $23.3 billion in 1951; of $26.0 billion of producers' durable equipment in 1952 against $24.9 billion in 1951; and a decrease of $0.3 billion in business inventories in 1952, compared with an increase of $10.3 billion in the previous year. This would give a total gross private domestic investment of $49.3 billion as compared with $58.5 billion in 1951.

Net Foreign Investment

The third major component of gross national product is net foreign investment. A positive figure represents an excess of goods and services which are sold to foreigners over goods and services bought from foreigners. The difference generally takes the form of promises to pay. Net foreign investment fluctuates widely, but in total is relatively unimportant. It should be noted that government loans and grants to foreign nations, such as aid extended under the Mutual Security Act, are not included in this item, but rather appear under government purchases of goods and services.

When net foreign investment is mentioned, all economists are tempted to take the opportunity of pointing out the obligation of the United States to assist other nations to balance their international payments by accepting the goods which foreign nations wish to sell to us. Unless we make it possible for foreign nations to ship us goods, we shall have to go on indefinitely extending aid abroad in the form of gifts, a situation undesirable from the standpoint of both the grantor and the grantee. It is true that an increased willingness to import would lower the contribution of net foreign investment to the gross national product, or even change it to a negative figure, but it would enable American resources to be used for the production of other things which cannot be imported.

In the future the figure of net foreign investment may and should be reduced by America's willingness to import, but it is probable that this tendency will be offset by increased loans abroad, which will serve to increase net foreign investment. Such loans may at some future date serve to fill the gap left by the reduction of gross national product in other sectors.

In my projections I have assumed that net foreign investment will approximate $1 billion in the current and the fourth quarters, which would give a foreign investment figure for the year of $1.2 billion against $0.2 billion in 1951.

National Defense Expenditure

The component of gross national product which has been undergoing the most rapid rise is government purchases of goods and services, particularly, of course, Federal Government expenditures for national defense. These expenditures have increased from an annual rate of $24.3 billion in early 1951 to $47 billion in the second quarter of 1952. The Government plans to expand national security expenditures to a figure of about $60.0 billion. This is only an estimate of the highest rate to be reached under present plans. It is difficult to say when this $60.0 billion rate will be reached, but a rise in the rate will probably occur in each of the next four quarters, which is the period with which we are primarily concerned.

Many people are concerned, quite properly, with what is going to happen to the economy when the defense build-up has been "completed." However, there is unlikely to be any sharp decrease in defense expenditures. It will probably cost the country about $40.0 billion just to maintain the defense system which is being built up even if no further expansion is undertaken. In addition, it is unlikely that there will be a complete cessation of expansion. The rate of obsolescence in defense goods is high, and research is continually making possible and necessary expenditures for more complex and more costly defense materials. This is not to say that the decrease in, or the slowing up of, the rate of increase in defense expenditures will not present a problem. However, the problem can be overmagnified, and there are in my opinion ways of attacking, and solving, the problem when it arrives.

The other subdivision of national security under Federal expenditures represents principally grants to foreign nations under the Mutual Security program. These grants will probably increase during the next year. Government sales of goods, minor in amount, will probably remain about the same at $0.5 billion. State and local expenditures may also increase as these governments pursue their capital expansion programs. Again, in view of the inflationary pressures which still exist, I think it would be desirable if many of the planned capital expenditures of States and municipalities could be postponed. Two or three years from now when national defense expenditures begin to decline and business investment in plant and equipment falls off, deferred construction projects of local governments could be activated and would go far toward maintaining gross national product at high levels.

It seems to me that Federal national security expenditures are likely in this third quarter to rise about $5 billion from the second quarter, and to rise an additional $2½-$3 billion in the fourth quarter. Approximate stability in other Federal expenditures would give us about $80.2 billion of government purchases in 1952, as compared with $62.6 billion in 1951.

We have now arrived at projections of $216.5 billion for personal consumption expenditures for 1952, $49.3 billion of gross private domestic investment, $1.2 billion of net foreign investment, and $80.2 billion of government purchases. Totalling these components we have an estimate of $347.2 of gross national product for 1952, as compared with $329.2 billion in 1951; an increase of $18 billion. These estimates are, of course, only tentative, and are subject to change as subsequent events from time to time affect the forecasts.

We have pointed out that the figures for gross national product and its components are affected by both changes in physical quantities and by the prices at which these physical quantities are valued. So far we have not said very much about the probable trend of prices over the next year. An increase of about $18 billion in gross national product for 1952 as compared with 1951 would represent an increase of 5.5%. It seems to me that we should be able to count on an increase of about 3% in gross national product in physical units because of a larger labor force and increased labor productivity. The remaining 2.5 percentage points of increase will be accounted for by higher prices.

Wholesale prices reached their post-Korea high of 115.9 (1947-1949 equals=100) in May, 1951. By June of this year they had declined uninterruptedly to 111.3. This represents a decline of just 4.0%, certainly not a very impressive decline for a 13-month reaction to the over-buying which followed Korea. It is true that this average masks somewhat greater percentage declines in certain commodities such as farm products, and leather, rubber and textile products.

Commodity Price Outlook

There are a number of factors which give rise to the belief that the decline in general commodity prices has about run its course. The decline of 1951 and of 1952 to date is likely to prove of about the same type as the "inventory recession" which occurred in 1941. The principal factors in the current situation may be divided into those affecting the demand for goods and those affecting the supply of goods. On the demand side we have: (1) recent increases in personal incomes and declines in amounts of personal incomes saved; (2) the expansion of bank credit, which increases bank deposits, the money supply, and money expenditures; (3) recent increases in consumer credit, following the abandonment of Regulation W; and (4) a probable increase in the Federal deficit and public debt, reflecting an upsurge in expenditures for national defense. On the supply side for goods the following factors seem to be of greatest importance: (1) recent declines in inventories of consumer goods, particularly at the retail level; (2) recent increases in wage rates, which exert a powerful influence on the cost of goods; and (3) a continued shift of resources from the production of civilian goods to the production of defense goods. It should be noted, too, that while

Gross National Product and Disposition of Personal Income

(Seasonally Adjusted at Annual Rates, in Billions of Dollars)

	1951					1952				
Gross National Product or Expenditure	Total	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	*3rd Qtr.	*4th Qtr.	*Total
Gross national product	$329.2	$319.6	$329.3	$330.9	$337.1	$339.4	$343.2	$350.5	$355.5	$347.2
Personal consumption expenditures	208.0	210.5	204.5	206.4	210.5	213.2	214.9	217.5	220.5	216.5
Durable goods	27.1	31.3	26.3	25.5	25.3	25.2	26.4	28.0	29.5	27.3
Nondurable goods	113.5	113.3	111.3	113.2	116.2	118.0	117.8	118.5	119.5	118.5
Services	67.3	65.9	66.9	67.6	69.0	70.0	70.8	71.0	71.5	70.7
Gross private domestic investment	58.5	59.8	65.2	56.2	52.9	50.0	49.3	49.0	49.0	49.3
New construction	23.3	24.7	23.5	22.4	22.4	23.7	23.6	23.5	23.5	23.6
Residential nonfarm	11.0	12.8	10.9	9.9	10.3	11.0	11.0	11.0	11.0	11.0
Other	12.3	11.9	12.6	12.5	12.1	12.7	12.6	12.5	12.5	12.6
Producers' durable equipment	24.9	24.8	25.4	24.9	24.7	25.7	25.7	26.0	26.5	26.0
Change in business investment total	10.3	10.3	16.3	8.9	5.8	0.6	0.1	—0.5	—1.0	—0.3
Nonfarm only	9.4	9.0	15.2	8.2	5.2	—0.1	—0.8	—1.0	—1.5	—0.9
Net foreign investment	0.2	—2.7	—0.2	1.1	2.6	1.9	0.9	1.0	1.0	1.2
Govt. purchases of goods and services	62.6	51.9	59.8	67.3	71.2	74.4	78.0	83.0	85.0	80.2
Federal	41.3	31.1	38.6	46.1	49.4	51.6	55.3	60.5	63.0	57.6
National security	37.1	27.6	34.9	41.6	44.3	46.4	50.3	55.5	58.0	52.5
National defense	33.7	24.3	31.2	38.4	40.8	44.0	47.2	52.0	54.0	49.3
Other national security	3.4	3.3	3.6	3.2	3.5	2.4	3.0	3.5	4.0	3.2
Other	4.2	3.5	3.7	4.5	5.1	5.2	5.1	5.0	5.0	5.1
Less: Government sales	0.4	0.3	0.3	0.5	0.5	0.4	0.4	0.5	0.5	0.5
State and local	21.7	21.1	21.5	21.7	22.3	23.2	23.0	23.0	23.0	23.1
Disposition of Personal Income										
Personal income	254.1	246.2	251.9	256.1	262.0	263.0	264.4	266.0	267.5	265.2
Less: Personal tax and nontax payments	29.1	28.2	28.7	29.0	30.4	32.5	32.9	33.5	34.0	33.2
Federal	26.1	25.3	25.8	26.0	27.3	29.3	29.6	30.0	30.5	30.9
State and local	3.0	2.9	3.0	3.0	3.1	3.2	3.3	3.5	3.5	3.4
Equals: Disposable personal income	225.0	218.0	223.2	227.1	231.5	230.5	231.5	232.5	233.5	232.0
Less: Personal consumption expenditures	208.0	210.5	204.5	206.4	210.5	213.2	214.9	217.5	220.5	216.5
Equals: Personal saving	17.0	7.5	18.7	20.7	21.1	17.3	16.5	15.0	13.0	15.5

*Estimated.

this investment continues to pile up productive capacity, during the time that this capacity is being increased payments of income are being made to the owners of the factors of production constructing the capital equipment without a commensurate flow of consumer goods on the market.

Monetary Factors

The monetary factors in the picture deserve a great deal of emphasis. In March, 1951, the Federal Reserve Board and the Treasury abandoned their policy of pegging the prices of government bonds at high levels. This led to a decline in prices of stable-value securities and somewhat higher interest costs on borrowed funds, and it likewise diminished the availability of funds from the commercial banks. However, the Federal Reserve system has continued to make additional funds available to business through the rediscounting process, with results approximately the same as from the pegging of bond prices. Of serious import also is the prospective deficit of the Federal Government, estimated at about $7 billion, on a cash basis, for the fiscal year ending June, 1953. If the new bonds to be issued to finance this deficit could be sold to non-bank investors, the effect would be relatively non-inflationary. However, it is probable that the commercial banks, and sooner or later the Federal Reserve Banks, will absorb a significant proportion of these new bonds. This will further expand the money supply and tend to raise prices.

A further rise in prices will tend to increase any economic series which is based upon prices, such as gross national product. It will also, presumably, lend confidence to businessmen and induce them to produce at high percentages of existing capacity and also to expand their existing capacity. Insofar as we are concerned with a forecast of business activity, it must be concluded that the prospect of rising prices strengthens our conclusion that activity will continue high. However, it should be noted that rising prices create stresses and strains within the economy which it is desirable to avoid. We should seek stable prices, not falling prices or rising prices. We do not need rising prices to induce businessmen to operate at high levels of existing capacity. To the argument that rising prices encourage investment, it may be replied that, in such times as these, if less resources were used in the expansion of capacity to produce civilian goods more resources would be available for the production of defense goods. All possible business investment, as in the case of municipal investment, should be postponed until the time when there is a gap to fill elsewhere in the economy.

We have been attempting a forecast for the next year, and yet it will be noted that in my actual projections I have gone only to the end of the current calendar year and have set up probable totals for the calendar year. The farther one goes into the future, of course, the more hazardous it is to guess what the economic variables are going to do. So far as I can now see, however, the odds favor high levels of business activity and some continued expansion, in real terms and in monetary terms, to the middle of 1953.

The probable trends of the components of gross national product in the first and second halves of 1953 may be summarized as follows:

	Personal Consumption Expenditures	Gross Private Domestic Investment	Net Foreign Investment	Government Purchases
1953, First Half	Moderate Rise	Decline	Stable	Rise
1953, Second Half	Moderate Decline	Decline	Stable	Stable or Moderate Decline

Although I have been rather categorical and definite in my predictions to the end of 1952, there is more basis for being mild in one's optimism than was true immediately after the end of World War II. The postwar boom has been going on for more than six years. There are some signs that it is becoming old and tired. When the present defense boom slows down, there is a strong possibility that concurrent reductions in government investment and purchases and in business investment will create grave problems.

However, one should not infer from this that I think that the problems created will be insurmountable. Government has far better machinery for mitigating declines in business activity than ever before and the potentialities of the American economy for expansion will enable us to cross that bridge when we get to it.

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Sales Development For New Chemicals

at first, on the need and price range of the proposed chemical for the indicated end use, if one is apparent.

Price Determination

Price determination for the new chemical is of great importance. Older chemicals performing a similar function may limit the price and the relative efficiency of the new and the old products must be known.

We are fortunate in this country to have so many sources upon which to draw for our information on potential demand. Statistics are becoming commonplace for almost every segment of our economy. The Tariff Commission reports are growing more comprehensive every year and are but one of several valuable references. Specific studies such as the one recently prepared by Kuhn and Hutcheson on Ethylene Petrochemicals appear with increasing frequency.[1]

If the market examination becomes sufficiently involved, a Market Research group, if one is available, should be called in by the development staff to aid in the approximation. Many Market Researchers maintain files of articles, facts and figures on almost every conceivable product or group of products which are now, or might be, of interest to their company. Market Research Departments have become increasingly important within every industry and, more recently, in the chemical industry. The men in these departments are, in effect, trying to level our company fluctuations in the up-and-down cycles by forecasting the future.

Analyses and interpretations of supply and demand and of the market trends are given to management periodically. Just as these men keep aware of the probable market for the "bread and butter" items, they advise on potential for the new product based upon a known or presumed end use and make intelligent guesses on factors involved in launching the product.

Bringing in Potential Consumers

If the initial internal evaluation justifies proceeding further, sales development personnel meet with a few potential consumers of the product. A minimum number of companies, normally no more than five or six customers per anticipated end use, are selected for personal contact. The high cost of developmental calls and the limited availability of product during the early stages of development require extreme care in choosing these initial contacts. Factors which determine this choice include: Progressive research department, cooperative attitude and previous sales relationship. If the product has merit, changes suggested by the customer can be incorporated to improve efficiency.

Costs of increased purity must be balanced against the value to the user and this information is relayed to the laboratory during the early stages of process development. Often, process impurities do not alter the effectiveness and cost of purification may be avoided. In return for their assistance these early cooperators are given preferential treatment by extending first call on available material during the period when the product is in limited supply.

The development group is made up of men who are both research and sales-minded in outlook. Members of the group must know their products and be able to discuss them with research personnel of other companies. These men should also be well-versed on the trends problems and technology of industry. The concentrated background, acquired by individuals through contacts with the same industry or in development of a product series, forms the backbone of the group.

No set pattern for development staff breakdown can be fixed for the chemical industry. Each individual company has peculiarities which favor a particular developmental staff structure. The end result is a development department composed of product or industrial specialists or both as found most convenient for a given company. Whatever the system employed, the men must be aware of the progress made in all phases of the development, both within and outside the company. A most important function of the development staff is to furnish information on the concurrent work to the various parties participating in the project.

The Development Department

Although the response to a new product introduction is sometimes enthusiastic because of obvious utility, it usually remains for the development department to seek out end uses and to convince the trade that the product has merit. The information acquired from customers through a sample follow-up program is oftentimes influential in directing attention to unknown end uses. In our company, we feel that any sample worth sending, merits at least later correspondence to determine the outcome of the investigation.

In the process of convincing researchers that the product will help them, data on utility are, in many cases, necessary. It is wise to present this information using the terminology and test conditions commonly accepted in the industry contacted. For example, a rubber research worker would wish to see preliminary data on the protection offered to rubber by a new antioxidant before evaluation by him. This would call for tensile strength, elongation and other aging test data. Normally, a use research laboratory, with whom the development staff maintains close contact, furnishes such information. The degree to which the use research laboratory is specialized to study various functions of the chemical and to provide detailed use data is, of course, dependent upon the company size and previous participation in the specific use field. However crude the form of information gained in this work, it will be of value in following initial contacts and carrying forward the development program to other customers.

Use Research Laboratory

The main objective of the use research laboratory is to provide the data necessary for the customer to visualize how the chemical will serve him. To accomplish this, the consumer's conditions of use are reproduced and studied on a small scale. In our company, we call one such group an Industrial Applications Research Laboratory. This laboratory is equipped with apparatus with which to conduct realistic evaluations and the personnel are familiar with consumer industry procedures. This group has been responsible for developing ingredients for hydraulic brake fluid compositions which surpass the established standards. Our Dowanol series of glycol ethers and our series of Polypropylene Glycols became commercial products when found useful in brake fluid formulations.

Research may also be undertaken in specialized research laboratories such as greenhouses for agricultural chemicals and in biochemistry laboratories for fungicides and bactericides. This screening, or product research, is carried out when uses for a product are unknown. Unless someone in the development sphere foresees a potential use, the product is given a general observation for specific activity with hundreds of other compounds. Only compounds which show promise in specific fields are evaluated in comprehensive testing covering the indicated uses. Should no logical outlet be uncovered in product research, the product is returned to the laboratory shelf to await possible future investigation.

Patent Problem

In those cases where novel and useful information is acquired in the use or product research laboratory, patents relating to end use are a means of preventing others from controlling the market exposed by your research. Compound patents are naturally a prize to be sought.

Since the possibility of patent conflict always exists, a patent study should be undertaken prior to pilot plant production. Many times a company has proceeded to bring a product along to semi-commercial or commercial manufacture only to find that another possesses either compound or use patents which would seriously impair the economy of production or restrict the market available. It is the responsibility of the development group to keep the Patent Department advised of new product status during all stages of sales development.

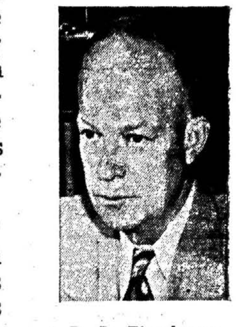
The analysis given by the Patent Department will, in many situations, promote or deter the development of our assumed new chemical. Exclusive production of an attractive chemical is a stimulant to any company and, similarly, the necessity for licensing use or process patents of others may jeopardize the profit from the manufacture to so great an extent that the venture is not attractive. Even when outside patents are not considered strong, a company may wish to discontinue development of a product because of a distaste for law suits. Thus, the importance of the development group keeping the patent department advised is obvious.

Soon after the synthesis of a compound, some information on the toxicology is necessary to avoid health hazards within the laboratory. When the chemical is more widely distributed to other laboratories and certainly when samples are sent outside the company, the toxicological information required for proper handling must be available for use on warning labels and for distribution.

1 "Ethylene Petro-Chemicals Today and Tomorrow": Optimism and Caution, W. E. Kuhn and J. W. Hutcheson, Joint Meeting, Dept. of Manufacture and Dept. of Standards and Tests, National Petroleum Association, Atlantic City, N. J., Sept. 13, 1951.

Where It Comes From

"You have been hearing, as I have, that you better watch out for the Republican party because that party and its candidates are out to take something good away from the American people. Well, I know that you know better than that. I know you know more about America than that. For the implication of that assertion by the Democrats is that everything good we've got has come to us from the generous hands and handouts of the present Administration.



D. D. Eisenhower

* * *

"Where has this strange idea come from that government is the great provider? It comes from men who have little faith in the people and small vision of what the people can do. They say we must have more and more government management of the people's affairs, because the people are less and less able to manage their own affairs." — Dwight D. Eisenhower.

Yes, and it comes from men who seem to suppose that government somehow embodies wisdom and powers far beyond those of the men and women who compose it—that people who cannot fend for themselves directly can do so via government of their own creation.

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News About Banks And Bankers

ings Association of St. Louis Banks, and was an officer and director of the Bank Clerks Association of Missouri, forerunner of the American Institute of Banking.

* * *

The **Northwestern National Bank of St. Louis, Mo.** has been converted into a state bank, under the title of the **Northwestern Bank and Trust Company of St. Louis,** effective Sept. 1.

* * *

H. A. Pharr, President of **The First National Bank, of Mobile, Ala.,** has announced that the Board of Directors at their meeting on Sept. 15, named James C. Andress as Assistant Cashier and Manager of the Bond Department. Mr. Andress, before taking over these duties, was an Assistant Trust Officer of the bank. He has been with the First National Bank since 1935. From September, 1942, to June, 1946, he served in the United States Army, attaining the rank of Captain.

* * *

Lyston G. Jaco, Jr., was recently elected Assistant Secretary of **California Trust Company, of Los Angeles.** A graduate of the University of Michigan Law School, Mr. Jaco has been with the trust company since October, 1949.

* * *

H. D. Ivey, President of the **Citizens National Trust & Savings Bank of Los Angeles,** has announced that the bank's modern new building at 10925 Kinross in Westwood Village, at the corner of Kinross and Gayley, was opened on Sept. 8; the building is one block west of the present quarters at 1088 Westwood Boulevard.

Continued from first page

As We See It

"catch up." They were already the most highly paid men of comparable skill, including those who work for far more profitable industries. It is likewise obvious that here is an industry which can not in any real sense "absorb" higher wage payments. Figures are sometimes quoted as showing the industry earning large profits, but the fact is that its assets are largely of the "wasting" sort, and when depletion is fully taken into account a startlingly different result is obtained. But, of course, it is apparently taken for granted that the higher costs will be "passed on," an assumption which raises the vital question as to whether the operators can get more for their coal in existing circumstances. It also raises the question as to what, if they can successfully raise prices, the effect upon the entire economy may be in the course of time.

Inflationary?

It has been said several times of late that all price increases are "inflationary" until the last one. What this rather cryptic statement undertakes to say is apparently that wage increases normally increase costs and in the end directly or indirectly in a competitive economy rising costs tend to increase prices—so long as it is possible to get the higher prices—but when the time finally arrives when it is no longer possible to levy these higher prices, higher costs (whether labor or otherwise) tend to curtail production, cutting it back usually to the most efficient producers. This latter process, of course, tends to reduce the rate of output of the industry concerned, and the volume of employment it provides.

When this process becomes widespread—and it has a definite tendency to spread throughout industry—we have a depression factor actively at work. At such a time, further wage increases are unlikely—and "the last increase" proves to be deflationary rather than the opposite. Whether we have or have not reached such a climax with the coal settlement, we would not undertake to say. Certainly, there are many who would deny it, many who look forward to a bigger and better boom for months to come. Not a few of these are men of seasoned judgment. Some of them at least certainly do not approve of much that is going on; they are merely trying to understand and appraise the future. We must, of course, admit at the same time that here and there signs appear of some faltering. Certain of the official prognosticators in Washington seem to be a little less exuberant in their forecasts. Whether the return of the Reserve System to the government market in a large way is in any manner to be related to all this we have no way of knowing.

Stubborn Conditions

What we do know, and what we wish at this point to state as plainly and as forcefully as we know how, is that conditions may and do arise when even monopoly must bow to conditions far beyond its control. To the casual observer it would appear clearly a fact, that conditions now existing in the coal industry are such as to render the wage increases now granted more or less illusory to the wage earners who are supposedly the beneficiaries. The stock of coal above ground is huge; the industry has been able to work only on a part-time basis for a good while past. Mr. Lewis with his hypocritical "memorials" has not made any appreciable headway in reducing these stockpiles, and it would take a long while for him to reduce inventories to a point where anything approaching full-time operations in the coal industry are feasible. The experienced observer will await with interest the attitude of coal buyers to prices higher than those they have been paying.

Whether the course of business during the months immediately ahead is such as to support recent wage and price increases and for more of the same sort to come will depend upon a number of circumstances other than the coal or steel situations, of course. It will depend, obviously, in considerable part upon the course of defense expenditures, including foreign aid. It will be governed in substantial part, too, by the attitude of consumers generally. The consumer is ordinarily a rather unpredictable animal. He at times rushes in to buy for current and future needs when calm business judgment would suggest that he act with greater caution. At other times he can be as stubborn in staying out of the markets. Obviously much depends now upon what he does during the remainder of this year and during the earlier part of the next.

Monetary Factors

These are only some of the factors. They may determine, and doubtless in some part at least be determined by, the attitude of the authorities in the monetary and banking field. As every one knows, money until very recently has been much "tighter," as they say in Wall Street, than for a long while past. It still seems to be none too easy in some parts of the market, although what appeared to be a reversal of Federal Reserve policy last week brought much greater ease to other segments of the market.

What we are certain of is this: If the impression is gained broadly that the Reserve authorities have gone back to the extreme easy money attitude of recent years, or anything very like it, the system could once more be regarded as an "engine of inflation," with consequences hard to foresee. In such an event recent wage increases might well take on major significance.

Continued from page 4

Savings Banks' Hazards in Common Stock Investments

companies whose prospects justify the expectation of a high degree of stability in dividends. It is unquestionably desirable to moderate the range of fluctuations in the income from the stock portfolio, but I argue that such "defensive" issues should be distinctly in the minority.

The real way to obtain regularity of income and at the same time to enjoy the benefit of the lighter tax levy on dividend income is to invest in good-quality preferred stocks. In the present market, the yield differential between good preferreds and common stocks with real defensive strength is comparatively modest. The rewards for accepting the junior equity position are not impressive. Since there is no compulsion to enter the common stock field, taking even moderate risks without the possibility of generous rewards has little appeal.

It has been very aptly stated that in common stocks there is no defense like a good offense. If the investor sees generally difficult times ahead for business, his best reliance is on the best managements in companies which have strong potentials for long-range growth and expansion. The purpose of diversification, therefore, is the positive one of seeking to provide adequate representation in sound companies and industries which have real potentialities for the future. This is quite the opposite of the diversification sought for a bond or mortgage portfolio, where the objective is to limit losses by avoiding heavy concentrations in any one investment. In common stock investing, we should not diversify simply to limit our losses. After all, we can do that with much more certainty by not buying any in the first place.

My second recommendation, therefore, is not to be on the defensive. If you hope to accomplish anything in the way of improving earnings through the small investment permitted under the law, it will have to be a predominantly aggressive portfolio. Otherwise you stand an excellent chance of proving nothing or even showing losses over a period of years. Truly "defensive" stocks should not, in my opinion, constitute more than 30% to 40% of a common stock commitment.

Timing Isn't Everything!

My third point has to do with the timing of common stock purchases. Obviously I would not argue that proper timing is unimportant in the success of any investment program, but I do take issue with those who act on the premise that any stock is attractive at low levels of the market and that none is suitable for long-range investment at high levels. Experience shows that selection is in reality far more important than timing except during such periods of extreme market fluctuations as have occurred once or twice in a decade. To illustrate the point, we can readily call to mind a half dozen or more leading investment-type stocks which are selling below their average prices of the last fifteen years, even though the general market for issues of good quality is far above the levels prevailing during that period.

The contrast with high-grade bond investing is also notable in this matter of timing. We would all agree that when the bond market is at a peak any high-grade bond is a poor purchase. Conversely, when bond prices are scraping bottom, almost any good bond is attractive. The high-grade bond market, we can say, is relatively homogeneous, moves in unison, and does not show many individual variations from the composite index.

In contrast, the stock market is not one market but many individual ones. We have often seen individual groups moving in opposite directions at the same time and under the same general economic conditions. The widely used market averages simply tend to obscure the diverse movements which are constantly taking place. Thus it is quite reasonable to expect that over a period of years the thoughtful, careful, and aggressive investor will make out appreciably better than the market indexes, even though his ability to foretell changes in the general level of prices may prove no better than average.

My third recommendation, therefore, is not to give too much emphasis to what is commonly called the "outlook for the market." The same time, energy, and judgment applied to the selection of individual stocks will prove much more productive. One solution for the problem of avoiding bad timing in making stock purchases is to use some variation of the dollar averaging approach. By setting a minimum dollar amount to be invested each month or each quarter, assurance is provided that the program will be completed in an orderly manner. Any such plan should, however, permit the investment of additional amounts as advantageous opportunities occur. This procedure obviously will not result in perfect timing, but it will assure at least better than average results.

A Case in Point

Thus far I have made three recommendations on the subject of operating a savings bank common stock portfolio. They may be summarized rather informally in three expressions:

(1) Put away your yield book!
(2) Don't be on the defensive!
(3) Timing isn't everything!

These are not simply personal opinions. They are the results of our many years of handling common stocks for long-term investment and they can be illustrated from actual experience.

In order to explore this record of experience over a reasonable period and also to deal with the problem of timing, I assumed that the investor was making his stock commitments at the May, 1946 highs. You will recall that the Dow-Jones Industrial Average reached 212.50 in that month, broke to a low of 163.12 the following October, and fluctuated within a relatively narrow range until it reached the June, 1949 low of 161.60 from which the present bull market started. Therefore, in assuming that the purchases were made at the highest prices reached during the month of May, 1946, we are making full allowance for bad timing. Presumably, also, that was the time to buy "defensive" stocks in order to moderate the losses which might occur in any reaction from this first postwar market peak.

To avoid any questions of hindsight, I simply picked from the 30 stocks then contained in the Dow-Jones Industrial Average the six which were most highly regarded as having defensive strength and the six which had the most dynamic long-range investment potentialities. I shall call these the Defensive Group and the Aggressive Group respectively in describing the results. I assumed that equal dollar amounts were invested in each of the 12 stocks.

The Defensive Group offered a current return of 3.63%, while the Aggressive Group provided a return of 2.94%. But this differential did not last long. Three years later, in June, 1949, the Defensive Group was producing 4.68% on book cost but the Aggressive Group yielded 5.51%. As of last week, the results were even more favorable to the Aggressive Group, which returned a 7.97% rate on the original investment compared with 4.78% from the Defensive Group. The record clearly shows that the yields indicated in May, 1946, were not a reliable guide for the future.

I appreciate, of course, that for the most part the last six years have witnessed a high level of business activity. It might be argued, therefore, that the illustration I have given is valid only under favorable conditions. However, the period from the May, 1946, high to the June, 1949, lows was full of uncertainties and the slide in business which occurred in 1949 was sufficient to test the stamina of the Defensive Group and the drive of the Aggressive Group. Yet we find that the Aggressive Group provided a distinctly better return.

What about the problem of market exposure in stocks? Perhaps a case for the Defensive Group can be made on the grounds that they provide greater resistance to market declines. From its May, 1946, high the Dow-Jones Industrial Average declined to its October low by 23.2%. This is almost exactly the extent of the depreciation suffered by the Aggressive Group at the October lows for each stock. The Defensive Group, however, showed a loss of 22.1%, a performance not enough better to impress anyone. At the June, 1949, lows, the Defensive Group was not only producing less income but it was also providing no greater immunity from market risks. The depreciation from book amounted to 23.1% compared to 21.8% for the Aggresive Group.

While I have quite properly given primary emphasis to rates of return and market exposure, we should not ignore behavior in a favorable market. We should note in passing that at the end of last week the Aggressive Group was valued at almost 63% above book cost, rather handsome protection against the possibility of a market decline. The Defensive Group, on the other hand, still showed a depreciation of 8% from cost.

Just as a footnote to this illustration, I made one other computation. This was how the investor made out by purchasing at their May, 1946, high still another group of aggressive stocks not included in the Dow-Jones Industrial Average. These were stocks for which an even mort dynamic future was predictable at that time They offered the meagre return of 2.18% and shared to a slightly greater extent in the decline to the October, 1946, lows. However, by June, 1949, the yield on book cost had improved to 4.45% and the depreciation had shrunk to a scant 7%. Last week these stocks were paying 6.44% on cost and showed a market value 130% above book.

Conclusion

There is no need to belabor my three points any further. In closing these remarks, I should like simply to plead the case for a dynamic investment policy appropriate to the dynamic economy in which we invest. Fortunately, we still live in a profit and loss economy where the consumer is king. Good management is still rewarded and poor management receives its just deserts. Looking ahead we can see competitive forces becoming stronger than they have been for more than a decade. In this atmosphere companies do not stand still; they either show progress or they gradually lose ground.

Common stocks, then, carry just as many risks as they always have. However, I am confident that the mutual savings banks, investing either directly or through their mutual fund, can have a very satisfactory investment experience. They are in the position of the true long-term holder of equities who can ride out the storms and stresses, disregard intermediate market swings, and ultimately receive his compensation in the form of a handsome addition to earning power.

Actually, the principal hazards visible to me are the temptation to seek a high immediate yield and an excessive devotion to so-called "defensive" stocks. I am afraid that if we surrender to these impulses we stand an excellent chance to learn only too well a lesson in how to lose money prudently.

Railroad Securities

Seaboard Air Line and Missouri-Kansas-Texas

The final step in simplifying and rationalizing the capital structure was announced last week by **Seaboard Air Line.** The first step was taken almost two and a half years ago when the original First Mortgage 4s were refunded with a 3% coupon. Then the company instituted an aggressive purchase and retirement program with respect to the Income 4½s. This culminated a short time ago in the refunding of the balance by fixed interest 3⅞% Debentures. This new issue was sold in the amount of $25,000,000 compared with $52,500,000 of the Income 4½s originally outstanding. These bond operations were important not only in that they reduced interest charges. They also resulted in the elimination of onerous Capital Fund requirements and dividend restrictions that had been set up in the reorganization.

The final step is the calling for redemption on Dec. 1, 1952 of the 5% preferred. This stock, outstanding in the amount of only $15,000,000, is callable at par. With dividends accrued to redemption date, however, it actually works out to $105.28 a share. The preferred is convertible into common stock on a share for share basic. Considering present market conditions, it seems likely that a large part of the issue, if not all of it, will be converted. The old-Incomes were also convertible and when they were called holders of $5,859,000 exercised the option. If all of the preferred is converted, it will add another 150,000 shares to the outstanding common, bringing the total to 1,058,590 shares compared with 850,000 shares originally issued.

While the operations of the current year have resulted in some dilution of the common stock, this dilution has not been great. Certainly the benefits derived from reduction in senior securities and charges, and the elimination of the restrictive indenture provisions have far outweighed any dilution. Even with the increase in the amount of stock outstanding the company should be able to earn at least $17.00 a share at the current level of general business and traffic. It is expected in many quarters that once the preferred stock is out of the way directors may take action to split the common stock. If so, it appears likely that it will sell at a more realistic relationship to earnings.

Missouri-Kansas-Texas

The only other notable development in a generally stable market last week was the pressure on **Missouri-Kansas-Texas** common stock. The last of the interest arrears on the Adjustment 5s will be paid off on October 1. It has generally been expected, supported by statements from the management, that once the bond interest had been taken care of a stock recapitalization plan to eliminate dividend accruals on the 7% cumulative preferred would be formulated and presented for stockholder approval. It is indicated that such a plan has now been drawn up, although it is probable that all of the details have not been fully refined.

Last week's selling pressure on the common is generally attributed to realization on the part of stockholders that any plan that would have any chance of acceptance of preferred stockholders would of necessity involve a sharp cutback in the equity of the common. Earning power of Katy is such that nothing more than an equal par value of new preferred can be offered to the present preferred and at that the new preferred, whether it be in one or two series, will have to carry an aggregate of less than the present $7.00 a share dividend. For their back dividends, then, and to compensate them for a reduction in their dividend rate, old preferred stockholders will have to be given the major portion of the new common stock. With this in view it is the opinion of most analysts who have studied the situation that even after its recent decline the present Katy common has little to recommend it.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Despite the large assist from the Central Banks, the October refunding of the Treasury has been carried out without taking any of the pressure off the money markets. Competition for money is still keen, with loans expected to expand further. Because of this, the government market has been forced to give ground, with the exception of the shortest maturities. The demand for Treasury bills and other near-term obligations has been strong, which makes liquidity preference about as prominent as it has ever been. It is believed this could make the shortest Treasury obligations vulnerable. However, there is not likely to be too much change in this attitude as long as Federal keeps money conditions tight.

The intermediate term issues as well as the longer-term obligations have been on the defensive, because there is no desire on the part of prospective buyers of these securities to do other than to wait and see where they are going to stabilize. Scale orders on the downside have given only temporary stabilization to certain of these securities. Switching has also provided some minor support.

Liquidity Prime Market Influence

The recent Treasury financing will continue to exercise considerable influence upon the government market for the immediate future. There is still a fairly sizable amount of switching and swopping being done as portfolio changes are being made in order to adjust positions to the needs of investors in government obligations. To be sure, the greater amount of this activity has been concentrated mainly in the shorter-end of the list. The desire, if not the need for liquidity, has had a very telling effect upon the trend of the nearest term rates with the result that some of the slightly longer maturities of short-term issues are being looked at now by those that seemed to have been obsessed with a liquidity (above all things) complex. The rush to get the very shortest maturities of government obligations could not do otherwise than to bring about a distortion in yields among the various issues. This is a condition that has happened on numerous occasions in the past but it does not last very long because, with the passage of time, comes the clearer less emotional type of thinking which eventually puts yields and prices back in line again.

Many Ignored Exchange Offer

It was evident, beyond any question, that there were many accounts that could not make use of the 14-month 2⅛% note, and this led to selling of the October 1⅞s with the proceeds going largely into Treasury bills and some of the shorter maturities of certificates. However, it was reported that not a small amount of the liquidation that took place in the maturing October certificates was not due entirely to the maturity problem. Some of this selling now has the owners of the very shortest Treasury obligations wondering if they might not have been a little hasty in what they did. There have been many instances in which switches have been made from Treasury bills into the 2⅛s of Dec. 1, 1953.

Despite the activity and volume which is keeping the shortest term obligations in the spotlight, there appears to be a somewhat greater interest developing in the rest of the list, especially in the shorter-term bonds and certain of the set maturity obligations. There has been no really substantial fanning out in volume in these various issues although there has been somewhat increased takings of these obligations. This is due mainly to the realization by many institutions that their maturity distribution was not as good as it should be and they have been taking advantages of this opportunity to remedy the situation.

New 2⅜s in Spotlight

The 2⅜s of 1958 appear to be the center of considerable activity, with advices indicating a broad trading market in this issue. Although yields have not yet reached the level where there is supposed to be a sizable demand around for this bond, there has been increased volume in the 1958 maturity because of the switching into and out of this obligation. Some believe it is to their advantage to trade out of the 2⅜s, take a tax loss, and put the proceeds into the recently offered 2⅛s of Dec. 1, 1953. On the other hand, there are those that hold the 2⅜s are attractive at current levels, and as a result they have stepped up their scale buying of this security. This has helped to bring about an active two-way market in the 2⅜s of 1958.

Long Bonds Listless

The longer end of the list has not been very active, although it has had somewhat enlarged activity. State pension funds have been modest buyers from time to time in the largest tap bonds. There has also been some scattered purchases by private pension funds, although these institutions have been much more concerned with private deals and corporate bonds than they have been with the highest yielding Treasury obligations. Private trust accounts have taken on some of the longest Treasuries, but they too are much more interested in the corporate bond market.

Savings banks on balance have been modest sellers of certain of the long-term issues with the proceeds going mainly into mortgages and a few selected corporate issues. The metropolitan commercial banks are evidently not interested in buying income in the government market, other than in the short sector because of the loan demand.

The suspension of Regulation X had been long anticipated by the money market. If there should be an appreciable increase in loans for housing because of the lifting of these restrictions, it would most likely tend to keep the pressure longer on the money markets. This, however, appears to be a very debatable point.

Indications of Current Business Activity

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

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Sept. 28	102.3	*102.1	99.6	102.1
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 28	2,125,000	*2,121,000	2,069,000	2,041,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Sept. 13	6,460,500	6,441,550	*6,278,000	6,282,200
Crude runs to stills—daily average (bbls.)	Sept. 13	¶7,059,000	7,021,000	7,177,000	6,544,000
Gasoline output (bbls.)	Sept. 13	24,132,000	23,220,000	23,128,000	21,720,000
Kerosene output (bbls.)	Sept. 13	2,512,000	2,591,000	2,657,000	2,558,000
Distillate fuel oil output (bbls.)	Sept. 13	10,388,000	10,612,000	10,342,000	8,833,000
Residual fuel oil output (bbls.)	Sept. 13	8,523,000	8,822,000	8,720,000	8,598,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 13	117,296,000	116,830,000	115,979,000	124,135,000
Kerosene (bbls.) at	Sept. 13	33,724,000	*33,223,000	29,721,000	35,307,000
Distillate fuel oil (bbls.) at	Sept. 13	108,641,000	106,326,000	95,280,000	99,431,000
Residual fuel oil (bbls.) at	Sept. 13	53,274,000	53,275,000	51,959,000	49,079,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 13	881,218	746,044	805,704	850.812
Revenue freight received from connections (no. of cars)	Sept. 13	691,166	585,870	660,924	670,779
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 18	$260,495,000	$264,618,000	$237,500,000	$232,381,000
Private construction	Sept. 18	130,686,000	126,482,000	75,127,000	63,843,000
Public construction	Sept. 18	129,809,000	138,136,000	162,373,000	168,538,000
State and municipal	Sept. 18	86,344,000	84,816,000	56,739,000	101,345,000
Federal	Sept. 18	43,465,000	53,320,000	105,634,000	67,193,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 13	11,825,000	*9,125,000	9,900,000	10,918,000
Pennsylvania anthracite (tons)	Sept. 13	925,000	698,000	711,000	784,000
Beehive coke (tons)	Sept. 13	85,500	*61,900	67,900	133,100
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Sept. 13	114	100	95	114
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 20	7,724,664	7,654,324	7,718,064	7,013,950
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Sept. 18	145	91	154	160
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 16	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Sept. 16	$55.26	$55.26	$55.26	$52.69
Scrap steel (per gross ton)	Sept. 16	$42.00	$42.00	$42.00	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 17	24.200c	24.200c	24.200c	24.200c
Export refinery at	Sept. 17	34.900c	34.975c	34.300c	27.425c
Straits tin (New York) at	Sept. 17	121.500c	121.500c	121.500c	103.000c
Lead (New York) at	Sept. 17	16.000c	16.000c	16.000c	17.000c
Lead (St. Louis) at	Sept. 17	15.800c	15.800c	15.800c	16.800c
Zinc (East St. Louis) at	Sept. 17	14.500c	14.000c	14.000c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 23	96.42	97.12	97.04	98.81
Average corporate	Sept. 23	109.42	109.60	109.60	111.62
Aaa	Sept. 23	113.89	114.08	114.08	116.41
Aa	Sept. 23	111.81	111.81	112.00	115.43
A	Sept. 23	109.06	109.06	109.06	110.34
Baa	Sept. 23	103.47	103.64	103.97	105.00
Railroad Group	Sept. 23	106.39	106.56	106.92	108.34
Public Utilities Group	Sept. 23	109.24	109.42	109.42	111.25
Industrials Group	Sept. 23	112.75	112.75	112.93	115.43
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 23	2.75	2.71	2.71	2.58
Average corporate	Sept. 23	3.20	3.19	3.19	3.08
Aaa	Sept. 23	2.96	2.95	2.95	2.83
Aa	Sept. 23	3.07	3.07	3.06	2.88
A	Sept. 23	3.22	3.22	3.22	3.15
Baa	Sept. 23	3.54	3.53	3.51	3.45
Railroad Group	Sept. 23	3.37	3.36	3.34	3.26
Public Utilities Group	Sept. 23	3.21	3.20	3.20	3.10
Industrials Group	Sept. 23	3.02	3.02	3.01	2.88
MOODY'S COMMODITY INDEX	Sept. 23	426.5	424.5	432.7	457.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 13	241,601	269,531	194,899	201,011
Production (tons)	Sept. 13	233,756	175,730	219,857	222,702
Percentage of activity	Sept. 13	93	72	89	94
Unfilled orders (tons) at end of period	Sept. 13	488,931	480,274	431,711	538,949
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Sept. 19	109.48	109.11	108.86	116.61
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	Sept. 6	18,965	19,632	24,301	25,553
Number of shares	Sept. 6	532,684	548,682	697,796	754,988
Dollar value	Sept. 6	$24,707,669	$25,125,125	$32,123,853	$33,031,337
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Sept. 6	17,577	18,101	20,890	24,588
Customers' short sales	Sept. 6	106	110	85	166
Customers' other sales	Sept. 6	17,471	17,991	20,805	24,422
Number of shares—Total sales	Sept. 6	470,226	489,697	589,114	706,004
Customers' short sales	Sept. 6	3,649	3,776	2,887	5,840
Customers' other sales	Sept. 6	466,577	485,921	586,227	700,164
Dollar value	Sept. 6	$19,269,163	$19,946,318	$24,478,557	$28,476,518
Round-lot sales by dealers—					
Number of shares—Total sales	Sept. 6	142,870	149,240	166,740	222,380
Short sales	Sept. 6	------	------	------	------
Other sales	Sept. 6	142,870	149,240	166,740	222,380
Round-lot purchases by dealers—					
Number of shares	Sept. 6	201,730	220,310	273,750	266,030
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. 30	124,940	154,610	219,550	282,190
Other sales	Aug. 30	4,578,730	4,691,310	5,247,660	7,394,310
Total sales	Aug. 30	4,703,670	4,845,920	5,467,210	7,676,500
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 30	450,960	479,350	538,450	799,800
Short sales	Aug. 30	72,510	85,530	124,700	149,010
Other sales	Aug. 30	336,350	412,860	438,050	623,340
Total sales	Aug. 30	408,860	498,390	562,750	772,350
Other transactions initiated on the floor—					
Total purchases	Aug. 30	86,400	74,700	107,340	184,850
Short sales	Aug. 30	5,200	10,900	11,400	18,900
Other sales	Aug. 30	70,130	74,400	101,300	175,290
Total sales	Aug. 30	75,330	85,300	112,700	194,190
Other transactions initiated off the floor—					
Total purchases	Aug. 30	177,770	175,745	203,035	325,850
Short sales	Aug. 30	16,460	17,690	43,670	34,230
Other sales	Aug. 30	198,690	228,317	264,565	333,470
Total sales	Aug. 30	215,150	246,007	308,235	364,700
Total round-lot transactions for account of members—					
Total purchases	Aug. 30	715,130	729,795	848,825	1,310,500
Short sales	Aug. 30	94,170	114,120	179,770	199,140
Other sales	Aug. 30	605,170	715,577	803,915	1,132,100
Total sales	Aug. 30	699,340	829,697	983,685	1,331,240
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	Sept. 16	111.3	*111.4	112.0	------
Farm products	Sept. 16	106.3	107.2	110.0	------
Processed foods	Sept. 16	110.0	110.3	110.8	------
Meats	Sept. 16	112.9	113.7	116.4	------
All commodities other than farm and foods	Sept. 16	112.7	112.6	112.7	------

*Revised figure. ¶Includes 624,000 barrels of foreign crude runs (last week revised to 709,000 barrels).

	Latest Month	Previous Month	Year Ago
AMERICAN ZINC INSTITUTE, INC.—Month of August:			
Slab zinc smelter output, all grades (tons of 2,000 pounds)	78,167	76,930	74,035
Shipments (tons of 2,000 pounds)	78,435	43,353	74,191
Stocks at end of period (tons)	96,651	96,919	11,244
Unfilled orders at end of period (tons)	44,522	46,547	62,867
BUILDING CONSTRUCTION PERMIT VALUATION IN URBAN AREAS OF THE U. S. —U. S. DEPT. OF LABOR — Month of June (000's omitted):			
All building construction	$826,674	$813,858	$1,026,484
New residential	464,538	504,352	690,714
New nonresidential	254,790	204,635	235,871
Additions, alterations, etc.	107,346	104,871	99,899
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of August (000's omitted):			
Total U. S. construction	$2,210,572	$2,310,504	$1,145,715
Private construction	503,431	606,317	601,455
Public construction	1,707,141	1,704,187	544,260
State and municipal	294,149	449,703	376,837
Federal	1,412,992	1,254,484	167,373
COAL OUTPUT (BUREAU OF MINES)—Month of August:			
Bituminous coal and lignite (net tons)	25,850,000	31,405,000	34,103,000
Pennsylvania anthracite (net tons)	2,663,000	*2,484,000	3,514,000
Beehive coke (net tons)	225,900	64,800	613,000
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — Estimated short-term credit in millions as of July 31:			
Total consumer credit	$21,200	$20,958	$21,324
Instalment credit	14,732	14,405	14,784
Sale credit	8,021	7,813	8,082
Automobile	4,602	4,446	4,582
Other	3,419	3,367	3,500
Loan credit	6,711	6,592	6,702
Noninstalment credit	6,468	6,553	6,540
Charge accounts	3,891	3,980	3,952
Single payment loans	1,442	1,436	1,448
Service credit	1,135	1,137	1,140
COPPER INSTITUTE — For month of August:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	79,615	*81,601	73,324
Refined (tons of 2,000 pounds)	95,366	96,049	79,613
Deliveries to customers—			
In U. S. A. (tons of 2,000 pounds)	126,941	115,179	104,938
Refined copper stock at end of period (tons of 2,000 pounds)	83,771	73,657	70,937
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPARTMENT OF AGRICULTURE—As of Sept. 1 (in thousands):			
Corn, all (bushels)	3,185,237	3,135,689	2,941,423
Wheat, all (bushels)	1,298,295	1,298,389	987,474
Winter (bushels)	1,062,590	1,062,590	645,469
All spring (bushels)	235,705	235,799	342,005
Durum (bushels)	21,593	23,366	35,820
Other spring (bushels)	214,112	212,433	306,185
Oats (bushels)	1,263,886	1,266,025	1,316,396
Barley (bushels)	221,138	218,047	254,668
Rye (bushels)	15,759	15,759	21,410
Flaxseed (bushels)	30,685	29,665	33,802
Rice (100 pound bags)	46,218	45,368	43,805
Sorghum grain, (bushels)	72,377	73,149	159,265
Cotton (bales)	13,889	14,735	15,144
Hay, all (tons)	102,417	99,646	108.461
Hay, wild (tons)	11,083	10,767	12,563
Hay, alfalfa (tons)	41,089	40,430	42,937
Hay, clover and timothy (tons)	31,043	30,054	32,035
Hay, lespedeza (tons)	5,590	4,831	7,479
Beans, dry edible (100 pound bags)	15,529	15,812	17,446
Peas, dry field (100 pound bags)	2,697	2,712	3,763
Soybeans for beans (bushels)	275,929	264,395	280,512
Peanuts (pounds)	1,188,225	1,172,300	1,676,125
Potatoes (bushels)	337,685	335,421	325,708
Sweetpotatoes (bushels)	29,669	28,268	28,278
Tobacco (pounds)	2,210,435	2,040,172	2,328,226
Sugarcane for sugar and seed (tons)	7,717	7,571	6,120
Sugar beets (tons)	10,166	9,939	10,485
Broomcorn (tons)	28	28	34
Hops (pounds)	61,342	61,063	63,239
Apples, commercial crop (bushels)	98,058	98,122	110,660
Peaches (bushels)	61,626	61,347	63,627
Pears (bushels)	29,833	29,902	30,028
Grapes (tons)	3,027	2,943	3,386
Cherries (12 states) (tons)	202	202	230
Apricots (3 states) (tons)	174	173	183
Cranberries (5 states) (barrels)	908	------	910
Pecans (pounds)	125,566	116,566	154,895
PORTLAND CEMENT (BUREAU OF MINES)—Month of July:			
Production (barrels)	21,342,000	20,748,000	22,439,000
Shipments from mills (barrels)	25,084,000	25,067,000	24.259,000
Stocks (at end of month—barrels)	15,154,000	18,901,000	14,812,000
Capacity used	90%	90%	98%
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—August, 1909-July, 1941=100—As of June 15:			
Unadjusted—			
All farm products	292	293	301
Crops	277	270	263
Food grain	238	245	240
Feed grain and hay	226	227	217
Tobacco	437	436	438
Cotton	319	303	353
Fruit	220	190	200
Truck crops	250	285	189
Oil-bearing crops	289	280	358
Livestock and products	306	313	335
Meat animals	380	394	422
Dairy products	277	281	269
Poultry and eggs	181	175	217
U. S. GOVT. STATUTORY DEBT LIMITATION As of July 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	263,185,643	263,072,711	256,644,152
Guaranteed obligations not owned by the Treasury	39,217	34,212	32,404
Total gross public debt and guaranteed obligations	$263,224,860	$263,106,924	$256,676,556
Deduct—other outstanding public debt obligations not subject to debt limitation	632,618	634,631	675,208
Grand total outstanding	$262,592,241	$262,472,292	$256,001,347
Balance face amount of obligations, issuable under above authority	12,407,758	12,527,707	18,998,652

*Revised figure.

$65 Million Pennsylvania Turnpike Bonds Sold

Financing of Delaware River Extension to existing 327-mile Turnpike underwritten by nationwide syndicate of 219 investment banking firms.

Two issues of revenue bonds totaling $65,000,000 to finance construction of a 32-mile extension to the present 327-mile long Pennsylvania Turnpike, were publicly offered on Sept. 22 by a nationwide group of 219 investment banking firms headed jointly by Drexel & Co., B. J. Van Ingen & Co., Inc.; Blyth & Co., Inc., and The First Boston Corporation. The issues consist of $15,000,000 2¾% bonds due June 1, 1970, and $50,000,000 3% bonds due June 1, 1982.

The current offering brings to $276,500,000 the total amount of callable bonds issued by the Authority, of which $267,799,000 will be outstanding after the sale of the new bonds.

The bonds are priced at 100% and accrued interest from Sept. 1, 1952, and are secured by the pledge of tolls and revenues from the new extension, over and above the cost of operation and maintenance, and are further secured by the pledge of tolls and revenues from the existing Turnpike system, over and above the cost of operation and maintenance, and after payment of all bonds presently outstanding.

The bonds may be redeemed upon at least 30 days' prior notice, at the option of the Commission, as a whole, on any date from any funds available for that purpose and in part, by lot, from monies in the sinking fund on any interest payment date, in either case not earlier than June 1, 1957.

Construction plans call for a 32-mile, four-lane toll expressway, to be known as the Delaware River Extension running from the eastern terminus of the Pennsylvania Turnpike near King of Prussia, Pa., to a connection with U. S. Route 13 at a point north of Bristol, Pa., and less than one mile from the Delaware River. Ultimately the Delaware extension will connect with a proposed ten-mile extension of the New Jersey Turnpike, thereby providing a modern express route extending from northeastern New Jersey to the western border of Ohio, over the New Jersey Turnpike, the Pennsylvania Turnpike and the Ohio Turnpike.

Continued from page 12

Socialized Medicine and Its Failure in Britain

of statism. Quoting from the wisdom of Mr. Dooley, 'when one can fall out of a twenty story window and stop comfortably at the tenth . . .'—then I will seriously consider the possibility of a limited collectivism.

"Much remains to be done in this country," says Dr Dorst in conclusion, "to improve the quality of medical care in certain areas and to work out a more equitable distribution of doctors and of hospital facilities. I do not believe that the English experiment with nationalized medicine provides the answer to our problems. Fortunately, economic pressures have not faced us with Britain's dilemma. We have the time and we have the intelligence to solve our problems by evolutionary methods and thus avoid the inevitable centralization of power masked under the pleasant sounding name of the Welfare State."

To which I add the fervent prayer, God grant that it may be so.

Dr. Dorst's masterly summary was put on record in April 1950. The 2½ years that have passed since then have confirmed in all respects his estimate of the reactions of my colleagues at home to the Act of July 1948. They have also proved the truth of his predictions.

What now? We have arrived at the stage which I myself predicted in a speech in the House of Lords in October, 1946. I said: "We are about to embark upon a great experiment in the nation's medical services, an experiment in which the State takes a much greater part than it has ever done. I conceive it to be the doctor's duty to do his utmost to make the experiment succeed. It will fall to him, in the main, to use this instrument in the best interests of the public, but there is, for the doctor, an over-riding duty—his duty to his patient. If he can fulfill this paramount duty through this means, he will, but if he cannot it will be for the patient, i.e., the public, to decide how long the sacrifice of efficiency shall continue."

That the experiment has largely failed and that the standard of efficiency in medical care has been lowered I have no more doubt than has your own countryman. You live in a land which is the home of Pragmatism; the experiment has not "worked." Why did it fail?

First: Precipitancy threatened its success from the start. Such was the haste to begin the new scheme on the "appointed day" that terms of service were not even settled on between the doctors and the State. Precipitancy, the lure of the quack, the quack in public affairs no less than the quack in medicine. Said Herbert Spencer, 100 years ago, "Injurious it must be for society to destroy its old traditions before the new have become organized enough to take their places." Said Francis Bacon, 500 years ago, "It were good that men in their innovations would follow the example of time itself: Which indeed innovated greatly but quietly, and by degrees." Said Hippocrates, 2,000 years ago, "It is disgraceful in every art, and especially in medicine, to make much ado, create a great spectacle, indulge in much talk and then accomplish nothing."

In the National Health Service, too much was attempted in too short a time. We doctors pleaded for progress by evolution rather than by revolution; we pleaded in vain. Had two steps been taken, and then a pause to look around and consider the next, the present disaster might have been averted. These two steps might have been the regionalization (and consequent rationalization) of the hospitals, with grants-in-aid administered locally; and the addition of the dependants of the workers to the National Health Insurance Service, which had already been in operation since 1911.

Second: The new scheme was based primarily upon the hospital and not upon the family physician—the G. P., as we call him for short in my country. The planners forgot the dictum of Sir George Newman, himself a Ministry of Health official, that "the foundation of a medical service is the G. P. If he is competent it has the first surety of success; if he is ineffective or ill-equipped, it must fail." The public was led to believe that the hospital was the apotheosis of medical care, whereas there is, of course, no *apotheosis* of medical care. There is *synthesis* of medical care, which is the integration of the several functions of the family physician, the hospital and the consultant-specialist group. This integration is a natural process and can only be brought about by developments within the profession, it cannot be dictated by the State.

The baits dangled before the G. P. were most attractive. No longer was he to work in isolation. "Health centres" were to be provided and group practice was to be encouraged. Facilities for post-graduate instruction were to be increased. What has actually happened? The very opposite of all this. The G. P. finds himself to a large extent side-tracked. He is today a "filter" (the word has actually been used in official reports), a sieve with a very large mesh. He spends much of his time signing forms (they have been estimated at several scores) by which he unloads his patients upon institutions and specialists who know little of the early history of their diseases and nothing at all of their domestic conditions. No "health centers" have, as yet, after four years, been set up. There is much less post-graduate instruction than there was ten years ago. More serious still, the "close up" between doctor and patient, which we had learned to be the *sine qua non* of medical care, has been grossly interrupted. Less and less do they see of each other, whether in the home, in the doctor's office or in the hospital. The situation reminds me of an incident during World War I, when the late Sir Almroth Wright was asked by the Director-General how the Army Medical Service was going. "It doesn't go," said Sir Almroth. "Why, how's that?" said the Director-General. "Well," said Sir Almroth, "you send all the doctors to France and you bring all the wounded soldiers home; so they never meet." Many of the so-called "cottage," or G. P. hospitals, have been closed to the family doctor, so that he can no longer follow his patient into the wards, take his part in the diagnosis and treatment whilst there and resume his oversight when the patient returns home.

This segregation of the G. P. from his specialist colleagues has alarmed even the Ministry of Health itself, for in a report issued for the year ended March 31 last year, this paragraph appears:

"The Service had tended to accentuate the division of the profession into specialists and general practitioners in the process of developing the hospitals; and it would be dangerous if the division were rigidly maintained or the intellectual contacts of the two branches of the profession were diminished."

Third: The third cause of dissatisfaction with the National Health Service has been due to inadequate representation of doctors on the key boards and committees. The Minister's powers in this respect, as in many others, are almost unlimited, and they have been exercised in such a way that more and more laymen, nominated, and not elected, are in control of medical care.

Four: On the economic side the planning (save the mark!) would have put any business concern out of action at its first annual general meeting. Some of my friends tell me that, in a constitutional sense, the State can never go bankrupt. Be this as it may, the State has been quite unable to stand up to the fantastic disparity between budget and expenditure, a disparity of over 60% in the first year. Much more "Welfare" was embarked upon than the country could possibly pay for and the National Health Service is today splitting upon the rock of economics. A ceiling has now been imposed; the citizen has to pay 50% of the dentures, spectacles, wigs, etc., which were formerly supplied free. It is easy to turn the tap of spending on; it is difficult to turn it off. Indeed, in turning it off there is inevitably an element of still further uneconomy, a fact which, my time being so limited, I leave to your acumen to consider.

There is a big overlap of the economic aspect of Britain's National Health Service and the work of the G. P. Every case which the doctor refers to the State hospital when he could himself diagnose and treat it, either in his own office or at the patient's home, costs the country more money. Actually, under our National Health Service, no less than 80% of the total cost of medical care is absorbed by the hospitals. Add the fact of the long waiting lists at the hospitals, both out and in patients, and the consequent absenteeism involved, and the expense of short circuiting the G. P. and his normal function becomes obvious.

These are some of the causes of the failure of Great Britain's experiment in Nationalized Medicine. It was not difficult to predict that domination of medicine by the State would lead to other disasters than those I have mentioned. The denigration of the work of the G. P. has sapped this most important branch of practice of its spirit of initiative and adventure. The young aspirant has therefore been more and more attracted to the specialist and consultant branches, encouraged thereto still further by subsidies and a spurious promise that they were in training for permanent jobs in these fields. Nemesis caught them: the permanent jobs were a mirage and, when the economic axe began to fall, some 500 or 600 of the specialist trainees were dismissed from their posts in mid-career and recommended (believe it or not) for service with the fighting forces!

You will be thinking that I have painted a gloomy picture. I have; but it is a true one. I have but expanded what Dr. Dorst has already told you. For a while medicine has, in England, lost its Freedom and Freedom is the breath of Medicine's nostrils. I must not stay to tell you now we can—and shall—recover it. I am here in Chicago to express the fervent hope that you in your country will not lose your Freedom. Yes, and if I may, I am here to give you some hints toward that end, that you may not sell your birthright. It is said that young men see visions and old men dream dreams. An old man—no, I like the new word better, an "ageing" man, many claim another privilege, since "ripeness is all," he may give warnings. This I have done. Can you avoid the blunder we have made in England? I think you can. But not by apathy, still less by dissension and least of all by personal animus.

Put Not Your Faith in Politicians

Dare I give you a few hints? In the first place, put not your faith in politicians, of whatever party. Stability is not with them, nor even tradition. Politicians come and politicians go but medicine goes on forever. The first are ephemeral, the last is eternal. Medicine is *your* trust, not theirs It is not safe in their hands. See that you preserve it.

Secondly, strive for unity in your own ranks. The doctors' disunity is the politicians' opportunity. Having defined your cause clearly, close up your ranks and face any enemy that may come with a broad and solid front.

Thirdly, explain things clearly to the public, i.e., to the patient, and carry the public with you. The cause is the public's cause, even more than it is yours.

And lastly, consider if your own house is in order. Think if you could not *simplify* medical care in the patient's interest and in the interest of the nation. Simplification would spell less expense, and this is clearly the bogey frightening the public and encouraging the politician to interfere. Is it *really* necessary that, at every check-up, the whole of the patient should be put on the conveyor belt? Would not a big part of the answer to the problem lie in a return to clinical medicine, with supplementary pathological and radiological data in selected cases? I wonder.

But if the citizen falls for the lure of the "Welfare State" you may not be able to save him. But at least don't push him into it. You may, by urging the importance of the individual case to the doctor induce him more readily to believe in the value of the individual to society. You may be able to convince him that:

"As the power of the State grows the energy of the spirit dwindles; and if ever the activity of the State should extend through and through to every department of life, the universal ease and comfort that may thus be disseminated throughout Society will have been purchased dearly at the price of the soul. The denizens of that city will be fed, housed and clothed to perfection; only—and it is a serious drawback—they will be dead." (G. Lowes Dickinson.)

W. H. Hudson, in his account of ancient Peru says that:

"In that State every man did as he was told; worked and rested, got up and sat down, ate, drank, and slept, married, grew old and died in the precise way prescribed. And I daresay if he tried to be original or to do something out of the common he was knocked on the head."

It is said that when Lenin had prepared his final draft of his proposed Bolshevik State he took it to a wise old hermit in whose judgment he had much confidence. He asked the old man if he thought the plan could be carried out in Russia. "Leave it with me," said the wiseacre, "and come again tomorrow." Lenin came the next day. "Yes," said the old man, "you can do all this in Russia, but—no one will live there."

May I close by once more plagiarizing myself? "Your country is a country of infinite capacity and of infinite ingenuity; let it not be said that you are also a country of infinite credulity."

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.
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. **Offering**—Expected today.

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. (10/1)**
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.

★ **Argo Oil Corp., Denver, Colo.**
Sept. 17 (letter of notification) 158 shares of common stock (par $5). **Price**—At the market (approximately $17.454 per share). **Proceeds**—To E. J. Vogt, Trustee. **Underwriter**—Carl H. Pforzheimer & Co., New York.

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 up to 12:30 p.m. (EST) on or 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.

★ **Big Horn Powder River Corp., Denver, Colo.**
Sept. 15 (letter of notification) 750,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds** — For drilling expenses and equipment. **Office** — 603 Railway Exchange Bldg., Denver 2, Colo. **Underwriter**—None.

Bingham-Herbrand Corp.
Sept. 4 (letter of notification) 5,000 shares of common stock (par $1). **Price**—At market (approximately $14 per share). **Proceeds**—To E. E. Parsons, Jr., a director. **Underwriter**—Parsons & Co., Inc., Cleveland, O.

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**—To be received up to 11:30 a.m. (EST) on Oct. 7 at Bankers Trust Co., New York.

★ **California Oregon Power Co. (10/8)**
Sept. 18 filed 250,000 shares of common stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—For repayment of bank loans and for new construction. **Underwriters** — Blyth & Co., Inc., and The First Boston Corp., both of New York.

NEW ISSUE CALENDAR

September 26, 1952
Socony-Vacuum Oil Co., Inc. — Common (Morgan Stanley & Co.)
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)
Idaho Power Co. — Common (Bids 11:30 a.m. EST)
Washington Water Power Co. — Bonds (Bids noon EST)

October 1, 1952
Anheuser-Busch, Inc. — Debentures (Dillon, Read & Co., Inc.)
Chesapeake & Ohio Ry — Equip. Tr. Ctfs. (Bids noon EST)
Industrial Research Corp. — Common (Earham & Cleveland)
San Jose Water Works — Preferred (Dean Witter & Co.)

October 7, 1952
Associated Telephone Co., Ltd. — Bonds (Bids 12:30 p.m. EST)
California Electric Power Co. — Common (Bids 11:30 a.m. EST)
Gulf Sulphur Corp. — Common (Peter Morgan & Co.)
Harnischfeger Corp. — Common (First Boston Corp.)
United Gas Corp. — Debentures (Bids 11:30 a.m. EST)

October 8, 1952
California Oregon Power Co. — Common (Blyth & Co., Inc. and First Boston Corp.)
St. Louis, Brownsville & Mexico Ry. — Eq. Tr. Ctfs. (Bids to be invited)
Sierra Pacific Power Co. — Common (Stone & Webster Securities Corp. and Dean Witter & Co.)
Southern New England Telephone Co. — Common (Offered to stockholders—No underwriting)
White's Auto Stores, Inc. — Preferred (Merrill Lynch, Pierce, Fenner & Beane)

October 10, 1952
Seymour Water Co. — Preferred (Bids 11 a.m. CST)

October 14, 1952
California Oregon Power Co. — Bonds (Bids to be invited)
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 11 a.m. EST)

October 28, 1952
American President Lines, Ltd. — Class A & B (Bids 11 a.m. EST)

November 3, 1952
Dow Chemical Co. — Common (Offering to stockholders—No underwriting)

November 15, 1952
Detroit & Toledo Shore Line RR. — Bonds (Bids to be invited)

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)

★ **California Oregon Power Co. (10/14)**
Sept. 18 filed $7,000,000 first mortgage bonds due Oct. 1, 1982. **Proceeds**—To repay bank loans. **Underwriters**—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 scheduled to be received on Oct. 14.

California Water Service Co.
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. **Offering**—Expected today.

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.

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.

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) being offered for subscription by stockholders of record Sept. 16 at rate of one new share for each six shares held; rights to expire Sept. 27. **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.

★ **Crown Drug Co., Kansas City, Mo.**
Sept. 18 (letter of notification) $250,000 of 4½% convertible debenture notes due Oct. 1, 1962. **Price**—At par (in denominations of $60, $100, $500 and $1,000 each). **Proceeds**—For working capital. **Office**—2110 Central St., Kansas City, Mo. **Underwriter**—None.

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.

★ **Diversified Funds, Inc., Elizabeth, N. J.**
Sept. 18 filed 2,000,000 shares of special stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—None.

★ **Dole (James) Engineering Co.**
Sept. 19 (letter of notification) 100,000 shares of convertible 5% preferred stock to be offered for subscription by stockholders only. **Price**—At par ($2 per share). **Proceeds**—For general corporate purposes. **Office**—58 Sutter St., San Francisco 4, Calif. **Underwriter**—None.

★ Dow Chemical Co., Midland, Mich. (11/3)
Sept 23 filed 625,000 shares of common stock (par $5) to be offered as follows: About 420,000 shares for subscription by common stockholders of record Oct. 21, 1952 at rate of one new share for each 40 shares held, and about 205,000 shares for subscription by employees of the company and its subsidiaries and affiliated companies. The offering will open Nov. 3 and close on Nov. 26. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—None.

● Electro-Components Corp. of America
Aug. 19 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—12 cents per share. **Proceeds**—To repay loan from Electronic Devices, Inc., and for new equipment and working capital. **Underwriter**—Royal Securities Corp., New York. **Offering**—Now being made.

★ Electronic Micro-Ledger Accounting Corp.
Sept. 17 (letter of notification) 299,900 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For building equipment. **Office**—53 State St., Boston, Mass. **Underwriter**—Jackson & Co., Inc., Boston, Mass.

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.

★ Financial Industrial Fund, Inc., Denver, Colo.
Sept. 22 filed 600,000 Financial Industrial Fund Shares; 1,500 cumulative investment certificates; and 15,000 systematic investment certificates. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investment Service Corp., Denver, Colo.

★ Floseal Corp., Seattle, Wash.
Sept. 12 (letter of notification) 24,950 shares of capital stock (par $1). **Price** — $12 per share. **Proceeds** — For general corporate purposes. **Address**—c/o The Corporation Trust Co., 1004 Second Ave., Seattle 4, Wash. **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.

★ Foote Mineral Co., Philadelphia, Pa.
Sept. 19 filed $1,973,000 of convertible subordinate debentures due Oct. 1, 1967, to be offered for subscription by common stockholders at rate of $500 of debentures for each 66 shares of common stock. **Price**—100% of principal amount. **Proceeds**—From sale of debentures, together with funds from bank loans, for construction of new lithium chemical plant, to enlarge ore mining and concentrating plant, for retirement of $200,000 term note held by insurance company, and for additional working capital. **Underwriter**—Estabrook & Co., Boston, Mass.

Front Range Mines, Inc., Denver, Colo.
Sept. 8 (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.

★ G & W Laboratories, Inc., Jersey City, N. J.
Sept. 22 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For promotion and expansion (including experimentation and research). **Business**—To engage in manufacture and sale of drugs. **Office**—587 Summit Ave., Jersey City 6, N. J. **Underwriter**—None.

★ Gate City Steel Works, Inc., Omaha, Neb.
Sept. 15 (letter of notification) $250,000 of 5% sinking fund debentures due May 1, 1966. **Price**—At par (in denominations of $1,000 each). **Proceeds** — For working capital. **Office**—11th and Seward Sts., Omaha, Neb. **Underwriter**—The First Trust Co. of Lincoln, Neb.

● General Bronze Corp.
Aug. 28 filed 43,576 shares of common stock (par $5), of which 28,576 shares are being offered for subscription by common stockholders at rate of one share for each 10 shares held Sept. 18 (rights to expire on Oct. 6); 10,000 shares are 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.

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.

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.
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.

★ Gyrodyne Co. of America, Inc.
Sept 18 (letter of notification) 16,972 shares of Class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Underwriter**—None.

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.

★ Hilseweck Minerals Corp., Dallas and Oklahoma City
Sept. 18 filed $1,500,000 of 20-year non-negotiable debentures due Aug. 1, 1972 and 139,920 shares of common stock (par $1). **Price**—$960 per $1,000 debenture, plus common stock subscription warrants for the purchase of 50 shares of common stock. **Proceeds** — For general corporate purposes. **Business**—To engage in oil and gas business. **Underwriter**—None.

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. (9/30)
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 determined by competitive bidding. Probable bidders: Blyth & Co., Inc. and Lazard Freres & Co. (jointly); Kidder, Peabody & Co. **Bids**—To be received up to 11:30 a.m. (EST) on Sept. 30 at Bankers Trust Co., 46 Wall Street, New York 15, N. Y.

● Industrial Research, Inc., Miami, Fla. (10/1)
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 Aggregates Corp., Denver, Colo.
Sept. 18 (letter of notification) $150,000 of 6% debenture certificates due Oct. 1, 1962 (in denomination of $500 and $1,000 each). **Price**—At par. **Proceeds**—To purchase equipment and for balance due on mill. **Underwriter**—R. L. Hughes & Co., Denver, Colo.

Iowa Public Service Co.
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**—$21 per share **Proceeds**—To pay off temporary bank loans and for property additions and improvements. **Underwriter**—None.

★ Kansas Oil Co., Inc., Frankfort, Kan.
Sept. 19 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To acquire all capital stock of Jet Oil Co. and for working capital. **Address** — c/o William Shaffe, Frankfort, Kansas. **Underwriter**—B. G. Phillips & Co., New York.

★ Last Frontier Oil Co., Inc.
Sept. 12 (letter of notification) 3,000,000 shares of common stock, of which 1,500,000 shares are to be issued to George S. Reed, Mrs. Beatrice Merrill and Robert G. Knowles in consideration of lease assignments and services. **Price**—At par (10 cents per share). **Proceeds**—To drill well. **Office**—139 No. Virginia St., Reno, Nev. **Underwriter**—Charles Sherwin.

★ Lawrence Warehouse Co., San Francisco, Calif.
Sept. 17 (letter of notification) 5,000 shares of common stock (no par). **Price**—$40 per share. **Proceeds**—To pay bank loans. **Office**—37 Drumm St., San Francisco, Calif. **Underwriter**—None.

● Long Island Lighting Co.
Sept. 3 filed 599,942 additional shares of common stock (no par) being 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**—$15.50 per share. **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 Reserve Insurance Co., Phoenix, Ariz.
Sept. 16 (letter of notification) not exceeding $300,000 of certificates of evidence of dividend contributions to be issued in accordance with the terms of a trust agreement. These certificates, in turn, will evidence pre-organization subscription to not exceeding 214,285 shares of capital stock (par $1) of the Fire Insurance Co. (to be incorporated) at $1.40 per share. **Proceeds**—For organizational expenses. **Office** — 502 E. Campbell Ave., Phoenix, Ariz. **Underwriter**—None.

★ Natural Storage Co., Inc., Kansas City, Kansas
Sept. 10 (letter of notification) $291,740 of discount bonds. **Price**—At par (in denominations of $1,006 each). **Proceeds**—For working capital. **Office**—11 So. 5th St., Kansas City, Kan. **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.

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.

★ Perfect Circle Corp., Hagerstown, Ind.
Sept. 17 (letter of notification) 1,000 shares of capital stock (par $2.50). **Price**—At the market (approximately $14 per share). **Proceeds**—To Herman Teetor, the selling stockholder. **Underwriter** — A. G. Becker & Co. Inc., Chicago, Ill.

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 stock (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 inven-

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tories, 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 (Calif.) (10/1-3)
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.

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., Providence, R. I.

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.

● Sierra Pacific Power Co. (10/8)
Sept. 15 filed 26,775 shares of common stock (par $15) to be offered for subscription by holders of preferred and common stocks of record about Oct. 8 on the basis of one share for each six shares of preferred and one share for each 12 shares of common stock; rights to expire about Oct. 20. **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. (9/26)
Sept. 5 filed 3,180,188 shares of capital stock (par $15) to be offered for subscription by stockholders of record Sept. 25 at rate of one new share for each 10 shares held; rights to expire on Oct. 14. **Price**—To be supplied by amendment. **Proceeds**—For the acquisition and development of crude oil production, and the expansion and improvement of refining, transportation and marketing facilities. **Underwriter**—Morgan Stanley & Co., New York.

Southeastern Fund, Columbia, S. C. (9/26-30)
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.

★ Southern New England Telephone Co. (10/8)
Sept. 22 filed 400,000 shares of capital stock to be offered for subscription by stockholders of record Oct. 8 at rate of one share for each nine shares held. **Price**—At par ($25 per share). **Proceeds**—To repay $3,500,000 advances from American Telephone & Telegraph Co. (owner of 960,296 shares, or 26.67%, of the voting stock of Southern, and for property additions and improvements. **Office**—New Haven, Conn. **Underwriter**—None.

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.

Streeter-Amet Co., Chicago, Ill.
Aug. 27 (letter of notification) 2,367 shares of common stock (par $50) to be offered for subscription by common stockholders at rate of one new share for each four shares held. **Price**—$100 per share. **Proceeds**—To increase equity capital to take care of increased business and increased costs. **Office**—4101 Ravenswood Avenue, Chicago 13, Ill. **Underwriter**—None.

Sunshine Packing Corp. of Pennsylvania
July 3 filed $1,000,000 of 6% convertible debentures due 1972 (subordinate) and 450,000 shares of common stock (par 50 cents) of which the debentures and 400,000 shares of stock are to be offered in units of $50 of debentures and 20 shares of stock. **Price**—$100 per unit. **Proceeds**—To increase capacity of plant and for working capital. **Underwriter**—Weber-Millican Co., New York. **Offering**—Expected some time this month.

● Sweet Grass Oils, Ltd., Toronto, Canada
July 29 filed 375,000 shares of common stock (no par). **Price**—To be related to quotation on the Toronto Stock Exchange at time of offering. **Proceeds**—For working capital. **Underwriter**—F. W. MacDonald & Co., Inc., New York. **Offering**—Probably some time in October.

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 Business Underwriters, Ltd.
Sept. 16 (letter of notification) 150,000 shares of common stock (par $1) and $150,000 of 10-year registered coupon debentures. **Price**—At par (the debentures in denominations of $100, $500 and $1,000 each). **Proceeds** — To finance building and construction projects. **Office**—305-7 Newhouse Bldg., Salt Lake City, Utah. **Underwriter** — None.

United Gas Corp., Shreveport, La. (10/7)
Sept. 5 filed $60,000,000 sinking fund debentures due 1972. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly); Morgan Stanley & Co., White, Weld & Co. and Equitable Securities Corp. (jointly). **Bids**—Tentatively expected to be received at 11:30 a.m. (EST) on Oct. 7.

U. S. Airlines, Inc., Fort Lauderdale, Fla.
Aug. 4 (letter of notification) $210,000 of 7% convertible equipment trust certificates, series A, due Aug. 15, 1954. **Price**—At par (in units of $100 and $1,000 each). **Proceeds**—For purchase of two aircraft. **Underwriters**—John R. Kaufmann Co., Scherck, Richter Co. and Semple, Jacobs & Co., Inc., all of St. Louis, Mo.; and Gearhart & Otis, Inc., New York.

Utah Power & Light Co. (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.

★ Valentine Oil Co., Inc., Omaha, Neb.
Sept. 23 filed 75,000 shares of common stock. **Price**—$2 per share. **Proceeds**—For drilling and other expenses. **Underwriter**—None.

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**—To be received up to 11 a.m. (EST) on Oct. 21, at 11 Broad Street, New York, N. Y.

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.

★ Western Empire Oil Co., Denver, Colo.
Sept. 10 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—To drill and equip oil wells. **Office** — 222 Patterson Bldg., Denver, Colo. **Underwriter**—None.

★ White's Auto Stores, Inc. (10/8)
Sept. 18 filed 100,000 shares of cumulative convertible preferred stock (par $25). **Price** — To be supplied by amendment. **Proceeds**—To redeem 5% convertible preferred stock and for working capital. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

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., Beverly Hills, Calif.
Sept. 17 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**—To publish new national picture magazine. **Underwriter**—None. An earlier registration statement filed July 14, 1952, covering a like offering of preferred and common shares was withdrawn Aug. 1, 1952.

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.

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.

★ **Detroit & Toledo Shore Line RR. (11/15)**
Sept. 17 it was announced that the company is planning to issue and sell $3,000,000 first mortgage bonds due 1982. **Proceeds** — To refund approximately $3,000,000 bonds which mature on Jan. 1, 1953. **Underwriters**—To be determined by competitive bidding. Probable bidders may include Halsey, Stuart & Co. Inc. **Bids**—Expected to be received about Nov. 15.

★ **Duke Power Co.**
Sept. 16 company announced that further construction will later on require additional financing. There are, however, no plans for raising any new capital at the present time. Stockholders on Oct. 15 will vote on increasing authorized capital stock to 5,000,000 shares from 1,500,000 shares and on approving a 3-for-1 stock split.

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.

★ **Georgia & Florida RR.**
Sept. 22 company applied to ICC for authority to issue and sell $717,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc., Salomon Bros. & Hutzler.

• **Gulf Interstate Gas Co., Houston, Tex.**
Sept. 16 company applied to the FPC for authority to construct an 860-mile pipeline extending from southern Louisiana to a point in northeastern Kentucky. This project would cost about $127,887,000. Transportation of gas is expected to commence by Nov. 1, 1954.

• **Hecht Co.**
Sept. 18 stockholders approved 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.**
Sept. 15 company announced that it plans to issue and sell late in 1952 $12,000,000 principal amount of first mortgage bonds **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc. and Lazzard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—For new construction.

Long Island Lighting Co. (11/18)
Aug. 27 company announced its plan to issue and sell $20,000,000 additional mortgage bonds. **Proceeds**—For construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Smith, Barney & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly). **Offering**—Tentatively scheduled for sometime in November.

Maine Central RR.
Sept. 2 company sought ICC permission for authority to issue and sell $1,500,000 of divisional lien bonds without competitive bidding. **Proceeds** — Together with other funds, will be used to retire the outstanding $1,676,000 Portland & Ogdensburg Ry. first mortgage 4½% bonds which mature Nov. 1, 1953. **Offering** — May be made privately.

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., Portland, Ore.
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.

★ **Northern Indiana Public Service Co.**
Sept. 18 it was reported company may issue and sell shortly after the close of this year some additional preferred and common stock. **Underwriters**—May be Central Republic Co. (Inc.), Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane.

• **Northern Natural Gas Co., Omaha, Neb.**
Sept. 17 company sought FPC authority to construct pipeline facilities to cost an estimated $69,826,000. This would include about 442 miles of main pipeline additions; installation of a total of 73,600 h.p. in new and existing compressor stations; and numerous branch line additions. Probable bidders for debentures or bonds; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Kidder, Peabody & Co. (jointly). Common stock financing will probably be done via rights.

• **Oklahoma Metropolitan Oil & Gas Corp.**
Sept. 10 it was announced that company plans some additional common stock financing in about two or three weeks. **Proceeds**—For acquisition of properties, working capital and drilling expenses, etc. **Underwriter**—Scott, Khoury, Brockman & Co., Inc.. New York.

★ **Pacific Associates, Inc.**
Sept. 13 it was reported corporation plans to sell publicly an issue of prior preference stock to finance expansion of Kaar Engineering Corp. of Palo Alto, Calif.

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.
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.

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.

★ **St. Louis, Brownsville & Mexico Ry. (10/8)**
Bids will be received by the company on Oct. 8 for the purchase from it of $2,450,000 equipment trust certificates due in 1-to-10 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ **Seymour Water Co., Seymour, Ind. (10/10)**
Bids will be received by the company up to 11 a.m. (CST) on Oct. 10 at its office, 114 South Chestnut St., Seymour, Ind., for the purchase from it of 5,000 shares of cumulative preferred stock (par $25). No proposal for less than par and no dividend rate in excess of 6% will be considered.

★ **Southern Natural Gas Co.**
Sept. 15 it was announced that the company expects to sell additional bonds during the first six months of 1953 in the amount then permissible under its mortgage indenture, and to provide for other permanent financing by the sale of additional first mortgage bonds or other securities in such amounts as may be appropriate at the time. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp., Blyth & Co. Inc. and Kidder, Peabody & Co. (jointly). Any stock financing may be via stockholders.

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.

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Dealer-Broker Investment Recommendations & Literature

Seabrook Farms—Circular—Frederic H. Hatch & Co., Inc., 63 Wall Street, New York 5, N. Y.

Security Title Insurance Company—Analysis—Lester, Ryons & Co., 623 South Hope Street, Los Angeles 17, Calif.

Frank G. Shattuck Co.—Analysis—Gilchrist, Bliss & Co., 488 Madison Avenue, New York 22, N. Y.

Tappan Stove Company—Analysis — McDonald & Company, Union Commerce Building, Cleveland 14, Ohio.

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

Public Utility Securities

By OWEN ELY

Northern Indiana Public Service Company

Northern Indian Public Service Company ("Nipsco") is the largest electric utility company whose common stock is traded over-counter and it is also the largest utility in the state of Indiana. Annual revenues (59% electric and 41% gas) approximate $53 million compared with $52 million for Public Service of Indiana and $32 million for Indianapolis Power & Light. Nipsco's growth has been remarkable, current revenues being nearly three times as much as in 1940 and over four times the 1935 figure; net income is eight times as large as in 1935.

The company operates in the highly industrialized area along the Indiana-Michigan border and the shore of Lake Michigan. The area benefits by having excellent communications with other regions—rail, water and truck. However, industrial electric-gas revenues are only 34% of the company's total and are quite well diversified, steel being less than one-quarter of the total. New plants have been built recently by Swift & Company, Gary Paper, American Cyanamid, Keyes Fibre, Owens-Illinois Glass, etc.

Population growth in the area during the 1940-50 decade was 18% compared with the U. S. average of 14.5%. But growth has not been concentrated in industry; since 1947 revenues from rural sales gained 111% compared with 58% from industrial. Moreover, in the gas department house-heating and residential sales have increased faster than the industrial sales despite restrictions on house-heating.

With this tremendous growth the company has had a heavy construction program so that over half the plant has been built in the past decade. Since 1948 expenditures for construction have averaged about $20 million a year and are expected to continue at this level through 1954. The capital structure as of recent date compared with that of 1946 is as follows:

	Dec. 31, 1946	July 31, 1952
Mortgage debt	$49,200,000	$47,800,000
Other debt	6,600,000	5,300,000
Preferred stock	23,100,000	13,100,000
Preference stock	------	5,200,000
Common stock equity	21,100,000	28,600,000
Total	$100,000,000	$100,000,000

No further financing is contemplated until early 1953 when preferred or common stock might be issued.

In 1942 the company was able to generate only 41% of its requirements, the remainder being purchased under contract from other utilities. However, two generating units of 70,000 kw. each were installed in 1950-51, bringing total capacity to 227,000 kw. and permitting the company to produce 57% of its greatly increased requirements. Much of the company's purchased power is bought under contract from Chicago District Electric Generating Corporation, the huge "wholesale" subsidiary of Commonwealth Edison (both Commonwealth and Northern Indiana were at one time part of the Insull system). While it is estimated that Nipsco's peak load will increase to over 500,000 kw. in 1956 compared with about 380,000 kw. this year, the company has no immediate plans to add generators since more capacity remains available at the Chicago District plants.

The company did not suffer during the recent steel strike, since it was able to offset the lost industrial load by larger increases in residential and commercial sales—the steel men evidently use radio and TV more when they are unemployed.

The company has benefited considerbaly by receipt of natural gas. Restrictions issued by the Public Service Commission of Indiana regarding sales of gas for space heating were modified last year when new supplies became available, so that some 17,000 new heating installations have now been made and another 5,000 will be completed this fall; there are over 10,000 additional applicants. The company has initiated a unique policy in selling *firm* industrial gas (dump gas) during the summer time, and this type of business is growing rapidly. President Dean Mitchell in his recent talk before the New York Society of Security Analysts estimated the following benefits from natural gas in the coming 12 months (exclusive of normal growth):

Revenues from 23,000 new house-heating customers	$2,307,000
Economy from closing the South Bend gas plant	440,000
Summer firm industrial sales	375,000
Increase in interruptible sales	950,000
Total	$4,072,000

It is estimated that gas sales by 1956 may be double those of 1951, increased storage at Joliet being helpful.

President Mitchell is not particularly worried about the effects of future depressions on his electric earnings. In the company's power purchase contract with the Chicago District Generating Corp. there is a unique clause which allows a credit of $750,000 in very bad years. Also, contracts with industrial customers of Nipsco provide for minimum payments in bad years covering at least one-half the present peak load requirements. Thus, Mr. Mitchell estimates that even if one-half the industrial load were lost in a depression, net income would only be reduced about 8%.

In 1951 we estimate that the company earned about 6.9% on the indicated rate base, using original cost. But Indiana is a "fair value" state. No rate base has yet been fixed for the company by the Indiana commission, but President Mitchell estimates that, with reproduction cost taken into account as an element of fair value, the rate base would be well above book cost. There are no rate issues at this time. In general, the company favors raising industrial rates to absorb any increased costs in future.

The company's dividend policy is conservative, the present payout being about 68%—based on the dividend rate of $1.52 compared with recent earnings of $2.22. The stock has been quoted recently around 25½ to yield nearly 6%. President Mitchell does not consider the stock fully seasoned as yet, but at some future date it might be listed.

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Bank Supervision and the Bank Capital Problem

able for distribution. Of this, less than one-half, or 3.6%, was paid in dividends; and 4.2% was retained as capital additions.

I do not believe any one can say that bank dividends nationwide should be reduced. In fact, if more common stock is to be sold, bank dividends should be increased. Certainly the investor agrees that the rate of return is too low, as is indicated by the price he is willing to pay for bank stocks. There can be no equitable solution to the bank capital problem by reducing dividends.

Bank Taxes

This leads to consideration of the next point.

(4) **Bank Taxes.** Every one thinks all taxes are too high and wishes that his taxes might be reduced. Bankers and even bank supervisors are no exception. Bankers have a great responsibility for the welfare of our economy and should not ask for anything which is not in the public interest. I believe, however, there are some avenues of tax reduction which are in the public interest. For example, the excess profits tax against any business is, in my opinion, against the best interest of the public under existing conditions. Our present excess profits tax seems unnecessary since our economy has been able to retain much more of its characteristics as a civilian economy than was thought possible at the outbreak of the war in Korea. Also, an excess profits tax is a deterrent to the capital investment that is essential to the efficiency of a productive economy. The present law is due to expire next June 30, and it should not be extended.

The level of all income taxes can be reduced, but it must be done through reduced spending and the elimination of waste and duplication. Many students of government, whom I respect, are convinced this can be done without curtailing the expenditures which are necessary for our defense effort.

There is one area in bank taxation where I believe we can find a partial solution to our capital problem. It could be through a more realistic reserve for losses in risk assets. To do this, a more liberal interpretation of the present law would be required. This would definitely be in the public interest. The present reserve regulation was a step in the right direction as it encouraged bankers to start to build deposit protection through reserves. The present regulation, though, just doesn't go far enough.

I do not mean a reserve for just loan assets, but for all newly defined risk assets which would include government and municipal bonds. The amount of addition to this reserve should be limited for any one year and also limited in the total cumulative amount. The total amount, however, should be greatly increased from its present unrealistic limitations and should be adequate to give our economy real protection. It should be based upon the total nationwide bank asset loss experience of the past. If the adequacy of our reserves to meet a disaster is to be based on the past, then the adequacy should be measured against a past period of disaster—not an average period—certainly not an "average period" of constantly rising prices and negligible losses.

The justification for such a reserve is clear, as it would allow banks to take losses in depressed periods and continue to do business as usual. One of the wisest bankers I ever knew back in the '20s had reserves tucked away all around his bank. This wise old banker was very little worried when the depression struck as he had provided over a period of years a means for meeting his losses.

Furthermore, such a backlog of strength would do much to maintain public confidence in banks. In such a period, the banker with adequate capital would be in a position to extend "emergency" credit and thus sustain employment and purchasing power.

You men here today help to safeguard the depositor interests of this country. You are the watchdogs for our banks. You can sit back, in perspective, and evaluate the effectiveness of bankers at work. The depositors count on you, as well as on bankers; and the lawmakers look to both of us for guidance.

Nearly every bank supervisor I have talked to has paramount in his mind the need for additional bank capital. You are in a key position to speak out in favor of a constructive solution. It is not enough merely to say that we need more capital. Generally you cannot expect a solution through the sale of additional common stock at present yields when so much of it is selling below book value. You are rightly opposed to the sale of preferred stock under existing conditions. It is not enough for supervisors to criticize unless they have a constructive solution to offer. As public servants, you have an entree with the depositors and the lawmakers in considering proper methods of procedure.

Banking—A Key Business

The banking business is a key business, and what affects it affects the whole nation. A healthy banking structure is fundamental to the survival of our capitalistic economy. The banking system must itself adequately prepare in advance for its periods of adversity. It should not be necessary to depend on government for support. Our banks should be financially strong enough to give necessary support in depressed periods. The existence of a reserve would be a cushion of stability. It would be a good insurance policy. I believe that the establishment of such a reserve is definitely in the public interest.

Any solution of the bank capitalization problem will be only temporary unless we hold the line on inflation. It has always been the banker's responsibility to protect the depositor's dollar. Now the banker is becoming increasingly aware of the importance of protecting the value of that dollar.

Representative bankers over the country have sensed the gravity of the situation, and they are beginning to study the implications in our economic course which affect our dollars. This is no short time project. Young men with aptitude must be selected and trained in the field of banker-economics in order to attain a useful understanding of our fiscal and monetary policies.

I am glad to say that the American Bankers Association is alert to this important matter. It has announced the establishment of a Department of Monetary Policy to give direction to banking thought and action in this important area of finance.

Bankers have made great progress in the operation of their individual banks, but they must have a better understanding of how the economic machinery works. This country's debts, the spending, the foreign aid, and other magnitudinous responsibilities have been increasing at a terrific pace. It requires much time and real diligence for the average banker to acquire sufficient knowledge to keep himself informed. Bankers must develop much greater economic understanding in order to help protect the value of their depositor's dollar and at the same time to be interpreters of this information in their communities.

Entire staffs of officers and employees must be better trained. We need financial leadership now more than ever before. The banker of today must acquire an economic understanding of our monetary and fiscal policies if he is to be good enough for a banker of tomorrow.

Leonard Refineries Pfd. Placed Privately

Leonard Refineries, Inc. has placed privately through R. C. O'Donnell & Co., Detroit, Mich., an issue of $500,000 preferred stock.

The proceeds from the sale of this stock, together with other funds, will be used toward the company's $2,000,000 expansion program.

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Russell S. Kribs and Veryl L. Seaman have become associated with Waddell & Reed, Inc.

With S. R. Livingstone

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Harold A. Miller is connected with S. R. Livingstone, Crouse & Co., Penobscot Building, members of the Detroit Stock Exchange.

Continued from page 10

NSTA Notes

ended in a four-way tie. Over the course four players, Neil King, First National Bank, Jack Haggerty, Bosworth, Sullivan & Co., Bob Delaney, Boettcher and Company and Malcolm Roberts, Sidlo, Simons, Roberts & Co., all came in with lows of 22. Since there was not time for a play-off they drew for the winner out of a hat and Malcolm Roberts came up with the prize. Orville Neely, Merrill Lynch, Pierce, Fenner & Beane, walked off with the booby prize.

Calcutta: The following are the winning teams and the fortunate owners:

Fred Meyer and Arthur Bosworth, Bosworth, Sullivan & Co., 134.

Elmer Longwell, Boettcher and Company, Jack Ormsbee, Peters, Writer & Christensen, Inc., 135.

Dave Lawrence, Boettcher and Company, Tom Dines, U. S. National Bank, 136.

Hal Writer, Peters, Writer & Christensen, Inc., Fred Carpenter, John Nuveen & Co., Chicago, 137.

Julian Meyer, Salomon Bros. & Hutzler, Chicago, Jim Powell, 138.

John Owen, Peters, Writer & Christensen, Inc., Jack Ralston, Peters, Writer & Christensen, Inc., 139.

Jerry Peters, Jr., Bob Baker, Hamilton Management Corp., Ft. Collins, 139.

Bob Mitton, Robt. Mitton Investments, Malcolm Roberts, Sidlo, Simons, Roberts & Co., 140.

Out-of-town guests of the event were:

Linus F. Grocne, Dempsey and Co., Chicago; John Rauscher, Rauscher, Pierce & Co., Dallas; James Jamieson, Glore, Forgan & Co., Chicago; Joseph Refsnes, Refsnes, Ely, Beck & Co., Phoenix; R. E. Siefert, Stern Bros. & Co., Kansas City; H. L. Taylor, Taylor & Company, Beverly Hills; Edward D. McGrew, The Northern Trust Co., Chicago; George Wendt, The First National Bank, Chicago; Edwin A. Stephenson, The Chase National Bank, Chicago; Robert Brinker, John Nuveen & Co., Chicago; Victor H. Zahner, Zahner and Co., Kansas City; John C. Hecht, Dempsey, Tegeler and Co., Los Angeles; Clifton L. Nourse, The Illinois Co., Chicago; Edde K. Hays, Central Republic Co., Chicago; Julian L. Meyer, Salomon Bros. & Hutzler, Chicago; Leonard Friedman, Boettcher & Co., Chicago; E. Ray Allen, E. Ray Allen and Co., Chicago; Fred Carpenter, John Nuveen & Co., Chicago; Soule, Lord, Abbett & Co., Chicago; Fred Carpenter, John Nuveen & Co., Chicago; Henry E. Dahlberg, Dahlberg and Co., Tucson; Reginald O. Dunhill, Lee Higginson Corp., Chicago; Duane T. Smith, The Small, Milburn Co., Wichita; Carl Ollman, Lee Higginson Corp., Chicago; Edw. A. Krensky, Republic Investment Co., Chicago; A. S. Wiltberger, Blyth & Co., Inc., Chicago; Paul Fairchild, First Boston Corp., Chicago; James F. Jacques, First Southwest Corp., Dallas; Jack Germain, Stanley Pelz and Co., New York City; Richard Walbert, Lehman Brothers, Chicago; Robt. W. Soden, Soden Investment Co., Kansas City; A. B. Harrisberger, Harris-Upham & Co., Colorado Springs; William Wardman, Harris Upham & Co., Colorado Springs.

SECURITY TRADERS CLUB OF ST. LOUIS

Richard H. Walsh — Haworth F. Hoch — Ralph M. Moberly — William J. Blake

The following slate has been presented to the Security Traders Club of St. Louis to be voted upon at their annual election to be held Oct. 30:

President—Richard H. Walsh, Newhard, Cook & Co.

Vice-Presidents—Haworth F. Hoch, McCourtney-Breckenridge & Co., Ralph Moberly, I. M. Simon & Co., and William J. Blake, Fusz, Schmelzle & Co.

Secretary—Walter A. Beckers, Paul Brown & Co.

Treasurer—Ernest D. Willer, Boatmen's National Bank of St. Louis.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Now that the market has gone up a couple of points the pressure of bearishness seems to have let up and sighs of relief are again becoming audible. All of that is so much to the good. The fact that the column suggested re-entry at what has since become the low point of the current recession, is also to the good.

* * *

The question, now as always, is what to expect from here on.

* * *

You notice how glibly I throw the question around. I wish I could be equally glib in furnishing the answer. The answer, however, is all wound up with other matters that, on the surface at least, have no immediate connection with the intra-day swings of the stock market. These have to do with politics, economics, foreign policy and foreign trade, just to mention a few. Surmounting all these are the hopes and fears of millions of market participants who make their decisions felt in the market place. Each of these factors has a little niche in this business of looking ahead in trying to outguess the other guy.

* * *

Yet, most of the above can be pigeon-holed under the classification of market action. The market doesn't furnish itemized reasons or causes for any phenomenon, though there are times when it does reflect, through foresight or hindsight, certain corporate changes. A stock split, for example, is considered good news. At least most stocks that are about to be split usually have a minor advance. Frankly such news usually leaves me cold. Having two shares of a stock where one grew before, and that one not any great shucks, is seldom a sign of great managerial acumen, although it may be desirable for a number of reasons.

* * *

But to get back to the what-now-department. The Dow industrials are now about 270. I believe a slow rise will carry them to about 273-275 to be followed by a new reaction. So long as the reaction doesn't break 268 the market, in my opinion, will be okay. If it does get under that figure, then look out for storms. In the rail averages the picture would be a rally to about 103 (now about 99) with a reaction potential to about 96. Within that framework there should be some activity in isolated issues that will probably be an exception to the rule. Two-three weeks ago I mentioned such stocks. They're all up a little by now.

* * *

W. J. Mc., Wilmington, Del.: I'm flattered you like the column. Trading for fractions is a practice that has passed away with the horse and buggy era. Even floor traders (members of the N. Y. Stock Exchange) find it too expensive. For a straight customer it is almost sure financial suicide. Such items as taxes, not to mention commissions, may cost as much as a full point.

[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.]

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Now who should don the blue dungarees and the big hats of the Volunteer Fire Department and rush to the scene of a conflagration which accidentally broke out in the Administration's propaganda mill? None other than the staff of the Congressional Joint Committee on the Economic Report whose chief is Dr. Grover W. Ensley.

Seems about a month ago the Bureau of Labor Statistics released a report which was interpreted by the press to state that during 1950 American families on the average spent $400 more than they earned. Horrors, what with Truman and Stevenson telling the world that everybody was better off under Democratic rule, that would not do!

So Chief Ensley slid down the pole, wrote a letter to the Budget Bureau to please say it isn't so. The assistant director for statistical standards of the Bureau of the Budget wrote to "Dear Grover" and said it wasn't so.

Friends of Dr. Ensley said that he was concerned only with the inconsistency the BLS figures showed with the established savings figures of other agencies, particularly the Commerce Department.

BLS has prepared a public apology for its "statistical error" and this apology will be issued in due course.

Sawyer Seeks Planning Power

Charles S. Sawyer is working on a project which, if it approaches fruition, will threaten to provide one last inter-bureaucratic fight among the agencies of the Truman Administration before that Administration passes into history.

The Commerce Secretary is planning to reduce the National Production Authority, which is under his departmental jurisdiction, in scope and merge it with a semi-official business planning bureau he aims to set up in his Department before he retires Jan. 20 as Secretary.

Mr. Sawyer's idea of planning, however, is almost entirely at variance with official "economic planning" as it is now conducted under the Truman Administration.

What the Commerce Secretary proposes to do is to tie a reduced NPA into a new Bureau of Production and Distribution within the Commerce Department. The NPA or ex-NPA men within this new bureau would keep in constant touch with the nation's industrial capacity, including the possible capacity to meet a war emergency.

The distribution end of that new Bureau would take up the job of trying to see how best to distribute fully the great output which the defense-expanded U. S. industry can produce.

One chief difference between Sawyer's program and the present official planned economy is that Sawyer would be interested in approaching the problem from the viewpoint of industry and trade, seeking ideas from both production and distribution executives, and inducing them to put the ideas into operation themselves. He is not shooting at more controls, more powers, and direction of the economy by government decree.

A second main difference is that Mr. Sawyer's tools would be the private industry. He would not concern himself with a multitude of multi-billion-dollar make work projects to forestall a depression.

This project is said to be dear to Secretary Sawyer's heart, and one that he means to achieve in the form of a reorganization of the Commerce Department before he retires. It obviously would threaten to take much of the initiative from the Council of Economic Advisers and other groups of planners, and so would be resisted.

Even if Mr. Sawyer were able to re-shuffle his department to make it in fact the leading liaison between government and business, however, this approach would only stand up if the newly-elected President and Secretary of Commerce of next year were to adopt the set-up as their own.

ROTC and the Draft

Send sonny to college and have him join up with an ROTC unit so he can legally escape the draft, and chances are good old Uncle Sammy will build a nice clean pretty up-to-date dormitory in which the boy can sleep.

At present somewhere in the neighborhood of 343,000 draft-age youngsters are escaping the wonderful opportunity to show those Russians aggression doesn't pay, as Harry Truman would put it, for the reason that they are taking higher education. The large total of this figure is giving the Defense Department one of its biggest headaches. Even the Services agree that a considerable number of able youngsters must go on to colleges and universities. It is the ease of this draft dodging route that gripes them.

Of the 343,000, a total of 190,000 are being deferred because they appear to be the brighter boys. These 190,000 are those who have consistently had good marks, and are in the upper quarter of their class as seniors, or can pass tests to demonstrate above-average ability. These 190,000 can be deferred for college training whether they are studying to be landscape painters, doctors, or agricultural engineers.

Another up to 153,000 are currently eligible for deferment because they belong to ROTC units. These boys may be at the bottom of the scholastic ladder, so long as they can pass their courses and hang on without being fired out of school. They do have to agree, if they can keep it up for four years, to take military commissions and spend two years of active duty following their graduation—if the military calls them to active duty.

This means that any lad who is deferred from the draft by reason of belonging to an ROTC unit cannot concentrate too heavily upon convertibles and such like, at least to the extent he can't pass his courses. Otherwise it is out of college and into the Army, Navy, or the Air Forces.

Easy-Come Dormitories

For those colleges whose housing problems are thereby aggravated, the money comes easy, although in far too little volume from their standpoint. Once the university can demonstrate that its housing problem is defense-aggravated, or draft-deferred aggravated, it can get a nice easy loan from the Housing and Home Finance Agency. Most announcements of college housing programs state that there is an ROTC unit attached to the institution.

Under the law the Federal government will lend for a maximum term of 40 years, the cost of the project to be amortized over that period.

The interest rate is the going Federal rate at the time the deal is closed. Those institutions of more or less higher learning which have at the clip of one every couple of days lately been getting these approvals, are paying 3%.

So far only $100 million has been released for this particular endeavor, although under Title IV of the Housing Act of 1950 there is $300 million available. This requires no direct appropriation by Congress. It is Harry Truman's to give away at the stroke of a pen. All new spending programs like this get started slowly. The present one has involved loan approvals so far only of $33,075,000 to provide dormitories for 10,154 students and housing for 134 members of faculties.

As the $100 million authorization is played out, then the President can release the remaining $200 million or as much as he wants thereof at will or his successor can.

FHA Is Class Law

Another of the signs that government housing aids are becoming strictly class legislation was offered the other day in connection with the suspension of Regulation X's terms on home mortgages.

Walter L. Greene, the new FHA Commissioner, by administrative regulation established a limit of $14,000 on the amount of any mortgage which FHA will insure for any one single-family house. Previously the limit had been $16,000, established by statute.

This statutory limit of $16,000 per insurable FHA loan was established in 1935 when building was still in a slump. Hence it was also at a time when a considerable-sized house could be purchased for an FHA loan of $16,000 and a cash down payment of $2,500. It was ample to take care of most middle-class families.

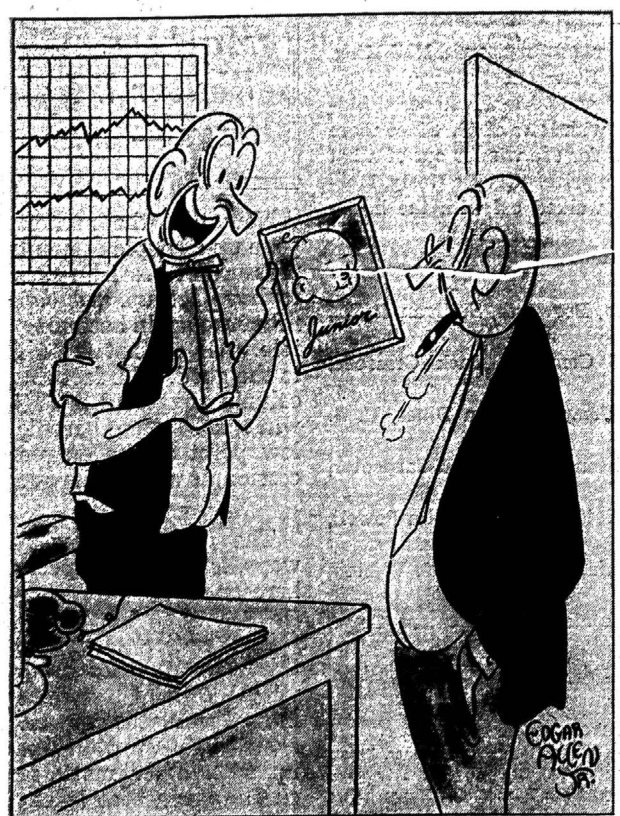
With cost of housing increased so much since 1935, it is practically impossible for a middle-class family house to be purchased for much less than $18,000. A principle of FHA operation is that there must be no junior trusts if a mortgage is insured under FHA. So if FHA were not intentionally halting service to middle-class families it would have to raise rather than lower the maximum insurable loan per individual house.

Of course other things which already have been enacted or decreed are far more important than this little step in branding government housing aids as class legislation. In particular there are the down payment limits which, contrary to historical credit practice, in effect allow the greatest ratio of loan to collateral for the lowest income producer.

FHA says its purpose in lowering the maximum loan limit per house by $2,000 was to "discourage" construction of higher cost houses and thereby to "encourage" the construction industry to build more of the lower cost houses for lower income families, spreading the money around so as to boost to the maximum the number of housing units built.

(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



"Just think—he may grow up to hold the most powerful office in the land — President of the United Mine Workers!"

Business Man's Bookshelf

Business and Government: An Introduction (Government Relations to Business, Agriculture, Labor, and the Consumer)—Jack Taylor — Barnes & Noble, Inc. — 105 Fifth Avenue, New York 3, N. Y.—Paper—$1.75.

Consumer Credit Facts for You —Bureau of Business Research, Western Reserve University, 314 Superior Avenue, Cleveland 14, Ohio—Paper—30c (20c per copy for 10 or more).

Fringe Benefits: 1951 (The non-wage labor costs of doing business)—Chamber of Commerce of the United States, Washington 6, D. C.—Paper—$1 (lower prices in quantity).

Impressions of Western Europe — Dr. Marcus Nadler — The Hanover Bank, New York, N. Y.—Paper.

Labor Problems and Trade Unionism (Labor Economics — Union Organizations — Collective Bargaining — Social Security) — Robert D. Leiter—Barnes & Noble, Inc., 105 Fifth Avenue, New York 3, N. Y.—Paper—$1.50.

Register of Defunct and Other Companies (Removed from the Stock Exchange Official Year Book) 1952—Thomas Skinner & Co. (Publishers) Ltd., Gresham House, London, England and 111 Broadway, New York 6, N. Y.—Cloth—£1.

Role of the Sales Finance Companies in the American Economy — Clyde Williams Phelps — Commercial Credit Company, Baltimore, Md.—Paper.

A Shipper's Appraisal of Ex Parte 175—Ford K. Edwards—National Coal Association, Southern Building, Washington 5, D. C.