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EDITORIAL

As We See It

President Truman, in his "whistle-stop" tour, has so succeeded in muddying the waters that there is real danger that vital issues will be largely lost to sight. This latter may or may not be precisely what some of the politicians would like best, but it would be unfortunate for the people should it come to pass. At very few points in our history, or the history of the world for that matter, has it been more important that the rank and file of the voters keep clearly in mind what the shooting is all about, or should be all about.

Of course, the President is not the only one now excessively vocal or guilty of forgetting or glossing over real issues. Nor can it be said with full truth that his party is solely guilty in this respect. He is taking the lead in all this demagoguery and, in any event, the fact that others in both parties are quite frequently engaged in somewhat the same sort of campaigning merely makes it the more important that the voter take extraordinary pains to reach vital decisions on the basis of facts and sound sense.

Without in any way undertaking to rate issues according to their importance, and certainly disavowing any intention of listing all vital issues which should be settled on Election Day, we venture to call specific attention to certain basic questions which seem to us to be in danger of "getting lost in the scuffle." One of them could well be labeled: security, without severe, if not irreparable, damage to our economic system and way of life.

Here is an issue which, we suppose, might resolve itself into one of simple security, since we cannot possibly have security at least for any

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Why People of U. S. Need a Gold Standard

By WALTER E. SPAHR*

Professor of Economics, New York University
Executive Vice-President,
Economists' National Committee on Monetary Policy

Asserting irredeemable currency provides most potent device known, other than use of military force, by which a government can get control of a people and subject them to its tyranny, Dr. Spahr attacks our present currency system, ascribing to it loss of control of public purse by people, loss of value of the dollar, and restriction of private enterprise domestically and in foreign trade. Contends under our monetary system foreign central banks and government are favored as against all other holders of dollars.

If the people of the United States would regain and retain ultimate control of their public purse, and hence of their proper freedom, and if they would have the basic elements necessary to a healthy blood-stream in their national economy, then they must have a gold monetary standard with all substitute currency redeemable in gold.

Dr. Walter E. Spahr

(1) The monetary system imposed upon our people in 1933-1934, and under which we live, is hybrid in nature. Our standard monetary unit is declared to be a gold dollar of 15 5/21 grains, 9/10 fine. All our circulating domestic currency is irredeemable in respect to it. Federal Reserve banks which hold non-circulating gold certificates may redeem those in gold. In our international relations, we operate on a restricted international gold bullion system under which our United States Treasury and Federal Reserve banks conduct monetary exchanges with foreign central banks and governments at

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*An address by Dr. Spahr before the American Life Convention, Chicago, Ill., Oct. 9, 1952.

Democracy and the Future Of Free Enterprise

By WALTER SULZBACH

Formerly a Banker in Germany; and Professor of Economics at the University of Frankfurt

International economist maintains free enterprise in sense of radical *laissez-faire*, and democracy are mutually incompatible. Asserts although economics of Adam Smith are as valid today as ever, democracy means majority rule; and most people favor Welfare State, because they live in fear of destitution and primarily crave social security and full employment. Concludes, private property nevertheless has good chance for survival, since labor is no longer interested in full-fledged socialism.

Since the first World War dozens of international meetings have been held concerning the problems of international trade and investments and the stability and convertibility of currencies. At the end of each of these meetings unanimous resolutions were adopted in which protective tariffs and import quotas were condemned, free trade and the free migration of capital were praised, and stable and convertible currencies were commended as the *sine quo non* of international prosperity. The results of these meetings have also shown a striking similarity: Monetary policies continued to be guided by nationalistic rather than by international principles, free trade was hardly anywhere advanced and protective tariffs and import quotas were increased.

Walter Sulzbach

This experience invites the conclusion that the opinions and proposals of economic experts have apparently little influence on governmental policies. Time and again emotions and, if shrewdly advocated, vested interests have prevailed over the findings of unbiased analysis.

What holds true in the field of international economics may be applied to economic policies in general. Modern

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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

GEORGE J. DE MARTINI
Partner, Cohen, Simonson & Co., New York City
Members: N. Y. Stock Exchange and N. Y. Curb Exchange

Standard Packaging Corporation

A close friend of mine knew a doctor who had retired from active practice at rather an early age to devote himself to a life of research and teaching. He was a brilliant man and had earned large sums as a diagnostician in his active days. As a professor, however, even in one of our finest schools of medicine, his salary probably was less than 10% of what he had been accustomed to making, yet he continued to live on a rather handsome scale, taking long trips to out-of-the-way places to investigate unusual diseases, or just long holidays, all at his own expense.


George J. DeMartini

This phenomenon interested my friend as he knew that the doctor's family had little money and that he had to work his way through the long and difficult period of obtaining a medical education. One evening they were having a quiet dinner together and my friend asked the doctor what had been the secret of his establishing himself in such a strong independent financial position after only a little over a decade and a half of active practice. He told my friend that he had decided when only a boy that oil was going to be one of the most sought-after commodities in the world and that John D. Rockefeller's Standard Oil Company was probably going to be the leader in the search for and marketing of this product.

The good doctor was a Scot, being canny as well as thrifty, and from the time he entered one of the great Canadian Universities, he had not only been able to earn his own keep, but had been able to buy some shares of his favorite stock. Thus beginning back in the early 1890's, his fortune had grown with that of the Standard Oil Empire and by 1927, when he retired from active practice, he was a rich man.

Not all of us are endowed with the luck to be born at the time of the growth of the great industrial giants of our present economy or have the fortitude to be able to save so steadfastly. However, good opportunities still exist today for the able analyst of our ever-changing economy.

It seems to me that one must embrace a set of rules as a guide for the intelligent selection of a favorite stock, and at the same time bear in mind the old adage of not putting all one's eggs in one basket. However if an unusual investment opportunity, properly substantiated, is presented, conforming in the main to the type suggested here, then an investment of a larger proportion of one's investment funds would be warranted.

Briefly stated, my rules for the selection of a favorite stock are as follows:

(1) A reasonably small capitalization, but preferably one with some leverage for the equity.

(2) A diversified line of products which, while they should dovetail into one another in basic concept, nevertheless give a broad spread in end use, imparting stability to the whole.

(3) At least one and possibly several new products in fields having obviously broad application and capable of large percentage growth.

(4) A sound financial position with sufficient funds to expand productive facilities and sales as new markets are opened.

(5) Finally, and most important, a management which has shown itself capable of making profits while still carrying on extensive research to develop new products.

In other words, able management with an eye to the future as well as an eye for present profits and the maintenance of a healthy financial condition.

My favorite stock — Standard Packaging Corporation — (SPK listed on the New York Curb 12⅜-⅝) seems to meet all of these above conditions.

(1) The capital structure is relatively small — $1,268,369 of long-term debt, 136,127 shares of $1.60 convertible preference (share for share) preferred, 413,878 shares of common. The common stock has leverage and the debt and equity are both capable of expansion.

(2) The company makes a wide line of products such as milk bottle closures, cap liners for every conceivable kind of bottle and product, liquid-tight circular paperboard containers, food pails and trays, paperboard for conversion into such items as pari-mutual, theatre, football and baseball tickets; and paperboard for sale to other converters. These products are all long established and are the bread and butter of the business. All of these products have a basic similarity of manufacture; all are of paper or foil and nearly all are sold to the mature and stable business of packaging and supplying food.

(3) The corporation's new products are three in number, of which two also deal with food and the third is in the packaging field. Thus, the basic pattern is maintained.

Perhaps the most important of the new products and the furthest advanced is in the Corporation's Flex-Vac Division. This division has developed film (and machines to handle them) of synthetic materials—cellophane, pliofilm, polyethylene and metal foil for the packaging in vacuum, liquid, or of nitrogen gas, of all kinds of food, such as bacon, luncheon meats, cheeses (vacuum), olives, cherries, chocolate (liquid), nuts, potato chips, frozen orange juice and lemon juice (nitrogen), and many other products. The field is almost limitless and the surface has only been scratched. The trend to self-service stores, brand identification of product, increased product life and freshness all point to a vast market in these and allied fields.

The second new product is a plasticized paper plate, printed in attractive designs. These plates do not absorb liquids and are sold in sets with paper napkins and cups. They are a far cry from the old type of pie plate and are made from the Corporation's own paper board. Marketing studies indicate a tremendous potential for this new item.

The third product was not developed by SPK's research staff, but was brought to the Corporation by one of its executives. It is an entirely new conception for the packaging and preservation of all types of delicate machines and instruments. The package is of molded foam rubber and is specifically designed and fitted to the article to be packaged. Everything from tiny vacuum tubes to curved windshields, jet engine after-burners, gun sights, helicopter blades, cylinder barrels, radar tubes, and fuel pumps can be packaged. A walkie-talkie set can be dropped from an aircraft after being packaged in this special foam rubber, with its steel outside container, without damage. A desiccant such as silica gel can be placed in the container and the article can be preserved indefinitely through storage and long shipments without need of attention or fear of damage. The future for this new product, only launched in June of this year, appears bright indeed.

(4) SPK's financial condition is sound. Current Assets on June 15 were 2.4 times Current Liabilities and Cash alone covered 50% of all Current Liabilities, and net working capital of $2,662,392 was over 2.1 times long-term debt.

It therefore appears that resources are more than adequate to finance the Corporation's steadily expanding business.

(5) Finally, the management has shown itself more than adequate to the tasks to which it has set itself. Profits have been earned in every year since the formation of the company. Even in the years 1945-1948, when the Flex-Vac division's research was at its peak and almost no income was being derived from it, the company's finances were so budgeted that the preferred dividend was covered, a modest profit was shown on the common stock, and a healthy ratio of current assets to current liabilities was maintained.

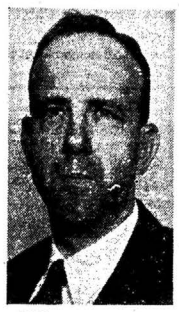
Management has also shown itself aggressive and expansion-minded in its acquisition of the paperboard division and in the foam rubber packaging.

I do not know yet whether my investment in my favorite stock is going to enable me to emulate my friend the doctor, but I feel that my selection has many of the same characteristics that proved so successful for him. A basic commodity—paper; a basic field—food packaging, and a vast new area in the use of synthetics in packaging.

ELDON A. GRIMM
General Partner, Walston, Hoffman & Goodwin, New York City
Members, New York Stock Exchange

Garrett Corporation

Would you be interested in a "flying saucer stock"? I am certain you must be. My "flying saucer issue" is Garrett Corp., which is quoted around $27 a share and is listed on both the New York and Los Angeles Stock Exchanges.


Eldon A. Grimm

Garrett Corp. is only 16 years old, but it is a veteran as measured by the brilliance of its engineering research, and it seems to have a vast future in store. Its type of business should grow by leaps and bounds over the next five years, over the next 50 years.

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The Business Outlook Thru 1953

By LEO M. CHERNE*
Executive Secretary, Research Institute of America, Inc.

Mr. Cherne predicts good business during next 12 to 18 months, with major test of economy due toward end of 1953. Urges businessmen to prepare for trouble ahead, with recession possibly more severe and of longer duration than any since the 1930's. Concerning results of coming Election, foresees labor leaders having a smaller voice in Administration policies, and businessmen a larger one; but without great change in the course of international or domestic affairs.

Good business is assured for the next 12-18 months—but a test of the economy is due toward the end of 1953. The threat of recession may be delayed into 1954 if high military spending lasts longer than was originally expected, and there are recent signs that this may be so. But it's certain that a time of business vulnerability lies no more than 18-24 months away, assuming that no new foreign crisis develops.

Leo M. Cherne

The safest course for your own planning is to figure that you have no more than another year as a last chance to ready your business for a possible storm—a last chance to firm up every aspect of your operation to ride out a period of lower sales, lower prices, lower earnings.

We don't mean to sound alarmist. Indeed, there are good reasons for believing that a serious slump can be avoided. But prudent management must at the same time take account of the warning signs which indicate the chance of a recession wider, deeper and longer-lasting than any interval of difficulty since the Thirties. Certainly, no company could lose anything by preparing a set of advance plans against this contingency even if it were much more remote than it seems.

The Foreign Scene

The Soviet Union has been the main force in our economic climate since 1946, and will continue to be. Unfortunately, the direction of that force cannot be charted with any great certainty from this side of the Iron Curtain. Still, there are some clues, and methods of piecing them together which have proved accurate before. We have checked our correspondents in the world capitals, and have exchanged views with every source—both here and abroad—we have had reason to respect over the years. Here are the judgments which emerge, to be taken less as predictions than as hypotheses of the kind which our State Department and foreign embassies are using for their guidance through the coming months.

(1) **No war with Russia.** We see little change in the status quo — with continuing tensions over the future of Germany, and continued difficulty in Asia. If there is any change it is more likely to be in the direction of an easing than a tightening of the tautness. In the face of the Chinese-Russian inscrutability, no forecast on Korea is reliable. A truce may be worked out not long after you read this—or things may continue for an indefinite period about as they were during the summer of 1952.

(2) **The master Soviet strategy** seems to be jelling. For several years a combination of factors operated dynamically in our favor. The Marshall Plan, Truman Doctrine in Greece and Turkey, the North Atlantic Pact, Eisenhower's military forces in Western Europe, the Berlin air-lift, American-U. N. intervention in Korea—these were not anticipated by the Kremlin and they held the line against further Soviet advances.

Now the tide seems to have started to run the other way. Acute economic difficulty in Western Europe is diminishing the desire to rearm — which was modest to begin with. Even Churchill's government in England is now taking a position not too far removed from Aneurin Bevan's anti-American stand. Bitterness against America's unwillingness to import European goods is increasing. Part of this is irrational, emotional, but part flows from hard economic reality: Western Europe cannot survive except by adequate trade, with either East or West. We have closed 90% of the door to Eastern trade and the combination of our trade policies and industrial superiority keeps the door of Western trade from opening further.

The Soviet is now relying on the resulting bitterness and suspicion between Western European nations and the U. S. It knows that the idea of a U. S. of Europe is now out the window, that any real enlargement of U. S. purchases from Europe is a remote possibility. Militarily, the goals of the Atlantic Pact army won't be met either in terms of European contributions or American contributions. Inflation has already eaten away a substantial slice of what the same dollar grants would have bought when they were first calculated.

It is against this background that we speak of the tide favoring the Soviet. The Communist line now may well be simply to sit back and wait while Britain and France struggle to avoid bankruptcy . . . and while the U. S.

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*Excerpts of a Policy Memorandum prepared by the Research Institute Staff for Executive Members.

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Selected Financial Storm Cellars

By IRA U. COBLEIGH

Author of "Expanding Your Income"

For well nourished bulls in a mood to chalk up capital gains at 26%, or others who prefer to view the current market uncertainties from the sidelines, some diverse ideas are offered for stabilizing units of capital.

If, as a number of commentators have been suggesting, the stock market may descend by December, and roll downward on its own momentum like a humped railway car, in the Spring, then at least we all will have had plenty of notice. This depression, recession or dip if it emerges, will be about the first in history, so to speak, to hire a battery of advance press agents. It certainly is well advertised. So much so that in the lush financial gardens of Wall Street, "defensive investments" are, like June, bustin' out all over. The defense, whether either correct or necessary, is the current vogue and today I propose a brief fashion revue of different styles of defense.

Ira U. Cobleigh

What do you do if you want to salt away gains, or merely to be sure that what you have, escapes the erosion that soggy markets can bring? You can emulate the peasants, and stash away laminations of ten or twenty dollar bills in your mattress. For the more sophisticated, similar wads of engraved negotiable verdure are usually stowed in safe deposit boxes. Then, of course, the dough can find a safe haven in a checking account, time or savings account. These are all too standard to require any special comment.

Short-Term Municipals

For those seeking shelter in securities, bonds have usually been the favorite, preferably short-term ones. Long ones offer sufficient assurance of continued interest payments, but some of the best ones can fall 20% or 30% due to a drastic change in money rates or general market conditions. So where do we begin with short-term, early maturity, securities? First, certain United States Savings Bonds have redemption values written in for each year. Then, among general market items, there are U. S. Treasury 2¼% bonds due June 15, 1955 (optionally in 1953). These now sell at par to yield 2.25%. Then there are Federal Land Bank 2¼% Bonds due February 1, 1955 (optionally in 1953). At 99⅛ these yield a little more, and they are an instrumentality of the government.

The field of municipal bonds is replete with high quality, short-term, values such as the ones in Table I.

While it may be argued that some of these carriage trade bonds offer a slim return, bear in mind that municipals have a terrific record for meeting maturities punctually; and some of these have a tax exemption of great value to high bracket buyers. The issues in this table are by no means a complete list of early-due municipals; they were just selections from recent underwritings. For New Yorkers who are quite familiar with the project, I might also suggest Triborough Bridge and Tunnel Authority 1⅝% bonds due Jan. 1, 1958. They yield around 2% if you buy 'em at 99.

Railroad Equipments

There is also a perfectly marvelous short-term type—railroad equipment notes. These are not only the obligations of the issuing railways, but specifically secured by new rolling stock. So vital to roads are the newest diesels and cars, that the money borrowed to buy them with is a sacred debt. Default is as rare here as seals in the Sahara. Good equipments maturing from 2 to 5 years will yield from 2.30% to 3%.

Selected Corporate Bonds

From the general run of corporation bonds, I have selected a few, none reaching the redemption window later than 1961; and most selling at or below par. All yield quite a bit more than the municipals. See Table II.

In Table II, you will note some maturity dates have been pushed a little farther into the future, and the general quality is a little below that of prime municipal and equipment "shorties". In this group, however, there is offered opportunity to engage in operation storm cellar with a little less personal sacrifice in the interest department. If you were only to pick two, you might, considering all elements, wind up with Great Northern 2¼s and Tricontinental 2⅞s.

"Sinking Fund" Issues

If you're willing to digress just a bit, there's another theory, and it's a minor one, about selection of securities that will still keep round and fully-packed with market value. That's sinking fund buying. Some fine corporations have bonds due a long way over the horizon. Yet these long-term bonds just never seem to sell off; and they act almost like short-term investments, simply because the issuing company is itself a large and steady buyer. This sustained buying prevents the bonds from slipping, price-wise. I have two hand-picked examples for you of this sort, both due, as it happens in 1975.

First is Northern Pacific Collateral 4½s. A fine bond, and secured by $1,500 principal of Refunding and Improvement 4% Series E bonds for each $1,000, 4½s of 1975. A powerful sinking fund to retire 3⅓% of the issue a year is constantly at work reducing the amount extant, strengthening the security, and supporting the price of the remaining bonds all the while. Since issuance, in 1945, $9½ million have been retired and this security, I believe, has not varied in price more than 6 points. At its present quote, 104½, it yields 4.28%. It can be called in full at 104, or in part for sinking fund at 101⅝.

TABLE I

Issue and Interest Rate	Maturities and Yields 1954	1955	1956	1957
Stratford, Conn., 2s	1.20%	1.30%	1.40%	1.45%
Nassau County, 2.30s	1.30	1.40	1.50	1.65
Miami Beach, Fla., 2.90s	1.60	1.80	2.00	2.15
Honolulu Water Rev., 5s	1.50	1.75	2.00	2.10
Erie, Pa., 2⅛s	1.20	1.30	1.40	1.50

TABLE II

ISSUE—	Coupon	Maturity	Price	Yield
Maine Central Collateral	4%	1954	100	4.00%
Morris & Essex RR. Const.	5	1955	102	4.10
Illinois Central 1st Refunding	4	1955	103½	2.60
Chicago, Indiana & Southern	4	1956	100	4.00
Pittsburgh & West Virginia	4½	1958	94	5.40
Southern Pacific 1st	2¼	1961	94	3.08
Great Northern General	2¼	1961	94	3.07
Dow Chemical Corp. Deb.	2.35	1961	96	2.85
Tricontinental Corp.	2.78	1961	97	3.40
Cleveland Short Line	4½	1961	100	4.50

TABLE III

COMPANY—	Rate	Outstanding	Price	Yield	Sinking Fund (Yearly)	S. F. Call Price
Crane Co.	3.75%	$13,891,000	94	3.99%	$320,000	104½
Container Corp.	4	9,115,000	101	3.96	3%	101½
Sherwin-Williams	4	11,505,000	106	3.77	3%	105

An even stronger intrinsic security is Kansas City Southern 1st 4% issue due 1975, a legal investment in N. Y. State. This is a first lien bond, on a wonderfully managed, highly profitable and extremely modernized railway enterprise, and could grace with honor any quality portfolio. The bond has, in addition, a voracious sinking fund of $400,000 a year (plus interest on bonds retired last year) which generally, I believe, operates in the market, but can exert a call at 101¾. The full redemption price is now 103½ and the bond sells at 104 yielding around 3.70%. Either this, or Northern Pacific 4½s have sturdy financial mechanisms at work to prevent important price slippage.

Preferred Stocks

An extension of the argument about the market defense provided by sinking funds might be carried over to preferred stocks. Many issues of this sort, of top-flight companies, have a provision to retire the issue in 50 years by buying in 2% each year. This is a little too slight a buying fund to assure market stability so I looked for some that do a little better than that. I found three pretty good ones. They're in Table III.

If the defensive values of these preferreds interest you, you might want to take note of another hidden factor in their favor. They're on the acceptable list for New York Savings Banks. So far, with about $600 million legally available for stock purchase, New York Savings banks have bought gingerly, investing only about $12 million in preferreds since April (when legal permission was granted). Well if they start buying in greater volume, they'll probably like these three, partly because of these very sinking funds. Adding savings bank demand to company in-buying, you can dream up a whale of a solid market for these preferreds. If you look into them you'll find dividend coverage is quite elegant, in each instance.

Gold Stocks

I almost missed up on the classic defense value of all history, gold. It's been gleaned and hoarded for centuries and it appears no mean medium for economic shelter today. Americans are not supposed to own it but they can buy dust legally; and they can acquire gold bars abroad in London or Tangier. Or they can possess gold in the ground—in a mine, that is (not Fort Knox). In any case, they will find their serenity in the perennial solidity of gold value, and in the deep certainty that gold won't sell for less than its present $35 an ounce—and it may sell a lot higher.

Thus, gold stocks such as the premier American entry, Homestake Mining, selling on the New York Stock Exchange at 37¼ and paying $1.60 is a logical favorite. Another old standby is Dome Mines with only 2 million shares of common, three wonderful gold mines, 25% interest in a Canadian oil enterprise and about 25% of its balance sheet in current assets. Dome sells at around 21 on the New York Stock Exchange.

You can't well pass over the Canadian gold scene without considering one of its most spectacular extractors—Kerr Addison. An extremely low cost producer, with a very large proven ore body. If gold is a good thing to have underground, they've got it in volume, and know how to bring it to daylight. Kerr-Addison common sells at 18 Canadian dollars.

Consumer Industries

Then, finally, for a more porous defense, there are all the standard consumer-selling companies whose commons are regarded as somewhat impervious to decline. Like tobaccos—American Tobacco and Reynolds perhaps; items like General Foods, Procter & Gamble or stores like Grand Union. Residential type utilities such as Long Island Lighting and Virginia Electric and Power, plus premier telephone equities usually appear on defensive list. But for the purposes of this article, these are lean-tos, not storm shelters.

So, if you feel there is now some occasion to consider securities that will try very hard to fight off a decline in value, your research may lead you to look up some of the bastions I've merely touched upon here—assorted financial storm cellars. Nobody knows for sure whether or not you're really going to need them!

The Revolution in Retailing

By E. B. WEISS*

Director of Merchandizing
Grey Advertising Agency, Inc., New York

Mr. Weiss lists factors in retail revolution as: (1) decentralization of trading areas; (2) growth of night selling; (3) concentration of retailing control; (4) growth of store-controlled brands; (5) trend toward local department stores, or "one-stop" outlets; (6) decline in calibre of floor selling; (7) increase in customer self-service and self-selection; and (8) elimination of Saturday and early morning shopping. Says manufacturers must adapt themselves to changes in retailing.

It is the newcomers, both in retailing and in manufacturing, who have shown the greatest willingness to conform promptly with a revolution in public buying.

E. B. Weiss

The super markets are comparative newcomers in retailing. They have come closest to keeping up with the new shopping demands of the public. The department stores are old-timers, as retailing goes; they are just beginning to make feeble gestures in the direction of self-service and self-selection. And they are just beginning to consider two night openings a week, while super markets average four night openings a week. As for the drug chains, it is worth noting that these outlets could not marshal 50 self-service units at the beginning of 1950—and among the variety chains Woolworth and Kresge are just beginning to comprehend that their floor people are attendants, not salespeople, and belong in the aisles—not behind a counter.

As for established manufacturers, remember how the established manufacturers of drugs and cosmetics shuddered, only a few years ago, at the mere thought of selling their lines to super markets? Much the same happened with manufacturers of housewares. At the moment, much the same is happening with established manufacturers of soft-goods.

Right now, the self-service and self-selection of non-foods in non-food outlets is becoming a dominant phase of the shopper-retailer revolution. Yet most established non-food manufacturers who do not pre-package their line—an integral part of self-selection merchandising—insist that they just can't afford to do it. Simultaneously, newcomers in these very lines are prepacking their non-food lines—and somehow wangling out a profit!

The American shopper has gone through an amazing revolution in buying habits—a revolution based, incidentally, in part on the pre-sold brand and in part on new living habits.

But established manufacturers are just beginning to change their spots to conform with that shopping revolution. For example, there is still a vast opportunity for improvement in packages that will do a better selling job under conditions of self-service and self-selection retailing. There is a similar opportunity for manufacturers in connection with fixtures that will aid in the self-service and self-selection retailing of non-foods not only in food stores, but even more importantly in non-food stores. Some manufacturers have yet to revise the timing of their advertising schedules in order to conform with nocturnal shopping—and other manufacturers have yet to revise the scheduling of their advertising to conform with the geographical diversification of retailing and the remarkable development of the planned shopping centre.

In other words, it is wrong to call this a retail revolution—because what affects the retailer must affect the manufacturer and therefore this revolution is as much of

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*A talk by Mr. Weiss at the regular Tuesday luncheon meeting of the Sales Executives Club, sponsored by the National Conference of Business Paper Editors, New York City, Oct. 7, 1952.

The State of Trade and Industry

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

Total industrial production for the country as a whole showed little or no change in the period ended on Wednesday of last week. It continued to be moderately above the level of a year earlier, holding close to the postwar high reached a few weeks ago, but was still about 10% below the all-time record established during World War II. Unemployment in the latest week remained below two million and close to the lowest level since the end of World War II. Manufacturers encountered increasing difficulty in securing skilled labor.

Production of steel last week was larger than ever before stated the American Iron and Steel Institute on Monday of this week. The record total was 2,215,000 tons of ingots and steel for castings. The steelmaking furnaces were operated at an average of 106.6% of capacity.

The steelmakers are beating all previous production records, and they seem to be gearing up for even greater output, according to "The Iron Age," national metalworking weekly.

Mills are turning out finished steel so fast that there are not enough freight cars available to carry it away. Early this week "The Iron Age" learned that one mill in the Pittsburgh area had at least 10,000 tons of finished steel items awaiting shipment. Other mills are in pretty much the same boat, with the result that railroads serving mills in that area are under terrific pressure, it adds.

Encouraged by reports of high production, steel consumers are applying renewed pressure for early delivery. Everybody wants his steel right now—sooner if possible. Mills are trying to explain that no reasonable rate of production could satisfy pent up demands all at once.

But nearly all consumer effort is aimed at relieving short-term supply deficiencies. Both consumers and producers still expect the steel market to start easing during the first quarter and to attain reasonable balance by the second quarter of next year, states this trade magazine.

Instead of acting to ease consumer pressure, this belief is intensifying it. There is a special market advantage for manufacturers in attaining high production before steel again becomes abundant for all. A few consumers are using thinly veiled threats —that if mills hope to get their business when steel turns plentiful they had better deliver now. This is food for serious thought, but it is doubtful the mills can do much about it. For one thing they are still getting government directives which can delay other deliveries already promised and scheduled, observes this trade weekly.

Despite current consumer pressure for delivery there are some indications that mills are adopting a cautious attitude toward the probable market in 1953. Some producers are avoiding long-range commitments on steel scrap. One mill that previously had agreed to a six-month contract will renew only on a 30-day basis, "The Iron Age" notes.

The conversion market may wither toward the end of the year, but it is not likely to die in December, as had been predicted. Steel items are not uniformly hard to get. Merchant wire products and nails are relatively easy. Light (strip mill) plates are in fair supply. Some specialty items, such as silicon sheets, are fairly easy. And light structurals and small shapes are coming back. Although these items are watched as tattle-tales of easier supply, they do not make up a large portion of total steel production.

Consumers' inventories are extremely spotty, ranging widely among plants and steel items.

If sheet users expect model changeovers in Detroit to give them a chance to catch their breath, they are in for a rude surprise. Shutdowns for model changes will now occur periodically for the rest of the year. But while each will ease the situation momentarily for the specific plant, production is geared so high that no overall easing can be expected, concludes this trade authority.

In the automotive industry last week car manufacturers for the fifth straight week rolled out more than 100,000 cars.

"Ward's Automotive Reports," statistical agency, said the industry assembled 102,699 cars this week, off a slight 2% from a revised figure of 104,745 last week, but up 13% from the 91,130 in the like week a year ago.

Like the week preceding only Chrysler Corp.'s 1953 model changeovers among its divisions kept production from soaring higher.

General Motors Corp. for the fourth straight week, made 48,000 cars and Ford Motor Co. pushed to a new 1952 weekly high of 29,000 car completions. "Nash and Studebaker are setting new weekly marks," said "Ward's."

Many of the auto companies continue the use of overtime and second-shift operations. Dodge is scheduled to produce 1953 cars today. General Motors, Ford and Studebaker are working "extra hours" to achieve "record" assemblies.

Auto output in United States plants is expected to mount higher next week, with Chrysler's plant reconversion problems for new models due to be largely overcome. Such interruptions in other plants are not anticipated until late November.

So far this year the companies have put together 3,206,900 cars, or 28% less than the 4,466,000 completed by this time a year ago, states "Ward's."

Steel Output Scheduled to Maintain High Rate This Week

That extra glow over steel producing towns at night now is not all from the harvest moon, says "Steel," the weekly magazine of metalworking, the current week. It's the reflection from a bril-

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From Korea to New York

By A. WILFRED MAY

UNITED NATIONS, New York —Oct. 14—At the General Assembly's festive convening of its seventh session in its new home by the East River today, it was eminently fitting that Secretary General Lie and U. S. Ambassador Austin extended profuse tributes to those individuals, from the artists to the architects to the engineers to the riveters, who participated in the creation of the new structure. For these $66-million new headquarters, with their breath-taking, architecture, their glass and marble, their gorgeous tapestries, their super-modern mechanical devices, including the multi-colored lights and fantastic devices aiding and circumscribing presiding officers and speakers, assuredly compose "the very last word."

A. Wilfred May

Contrast

What a contrast between the luxurious setting of this magnificent domed theater and the quarters the General Assembly used during its earlier "underprivileged" years when it was camping out in a converted factory building in Lake Success and a reconverted skating rink in Flushing Meadows; and when the Security Council debated its world-shaking questions in Hunter College classrooms in the outskirts of the Bronx, and even in hastily-improvised hotel barrooms!

And what a contrast, on the other and unfortunate side of the medal, between the Organization's **physically** resplendent and harmonious "Capitol of Peace," and its **political** accomplishments! As the outgoing President, Dr. Luis Padillo Nervo of Mexico, today so realistically described the results during his regime of the past year, "In the field of political accomplishment, the credit side of this year is not very heartening. All activities are directed by the fear of a future war and, in this atmosphere, there are few who dare to talk about agreement and conciliation because they are doubtful whether the sincerity of their sentiments will be taken seriously. . . . All the great questions pending before us have either become alarmingly more acute or they have fallen, hopeless of immediate solution, into inextricable labyrinths. . . . After seven years of life of the United Nations we must recognize objectively that instead of having reached our basic aims we are faced with a situation in which the possibilites of peace are darker for the world."

Cold Peace

As Britain's Sir Gladwyn Jebb has recently so frankly put it, collective **resistance**, and not collective **security**, is all that has been achieved so far, resulting at best in "cold peace."

One vital difficulty in the way of making the Organization a really effective instrument is that putting-on-the-screws would immediately entail the withdrawal of the Communist nations and their friends, and hence would permanently emasculate the Organization.

A Re-Run of Worldwide Crises

Affirmatively, these gorgeous new trappings of the UN will be providing a microcosmic local highlighting of today's world political situation and problems. First of all, the Korea crisis, in a setting of news bulletins as "UN STEPS UP THE FIGHTING," is now transferred half-way across the world, from Yalta to Manhattan's East River.

The opening of Secretary Acheson's major address on Korea, entailing the cancellation of both Assembly sessions tomorrow (Wednesday), has resulted from sharp disagreement with some of our troop-supplying Western Allies as to how tough he should get in approaching an ultimatum-giving role. This puts into sharp focus the U. S.'s basic rift with her feet-dragging UN associates stemming from their publics' apparently growing abhorrence of war in any of its stages.

Similarly manifesting the political situation "at large" is the UN's prospective handling of France's disputes with her North African protectorates, Morocco and Tunis. In line with the obligation-to-discuss outweighing our fear of upsetting the apple cart of the French Government's resorting to sovereign rights, we will now support the move to put discussion-airing of this as still another controversial item, on the agenda. According to the latest indication from State Department sources and here, the French-African controversies will reach these halls sometime during November. Here as elsewhere international political negotiations are awaiting our Election results.

Infiltration Here Too

And the country's seething Communists infiltration controversy similarly also has its counterpart here, growing from the complaints of a Senate internal security subcommittee and interested private parties, as the "Freeman" magazine, concerning the refusal of American employees of the United Nations to disclose whether they have been Communists.

That there will be plenty of bitter controversy from Messrs. Vishinsky, Gromyko et al. is assured by the almost-hour-long arguments on "points of order" the Russians and satellites labored today on a routine committee-chairmanship decision. Unfortunately, it seems to the spectator here, that — somewhat like the public's stomaching of Truman demagoguery because it "likes a fighter,"— the Russians win a measure of popular appeal even among the public of some nations whose political ideology is in tune with that of the United States. And our friends' "blackmail price" for going along with us rises ever higher.

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The Revolution In Retailing

a manufacturer revolution. Yet established manufacturers have tended to be backward in shaping the shopper-retailer revolution in ways that would aid these manufacturers to sell more, more profitably, under the new market conditions.

Factors in Retail Revolution

What is this retail revolution? I would chart its principal trends very, very quickly in this way:

(1) The **decentralization** of retail trading areas — and the accompanying development of neighborhood, suburban and regional shopping centres.

(2) **Nocturnal** retailing. Already, perhaps 25% of our total food volume is bought at night. The Robert Hall Chain probably does over 30% of its volume at night. Sears is actively committed to the promotion of a 24-hour, seven-day-a-week shopping service.

(3) The **concentration** of retailing into a few hands. Three giant retailers do over 25% of our entire bedsheet volume. Some 200 retailers do over half of our hosiery volume; half of our cosmetic volume; half of our toy volume. About 20 giant retailers account for $1 out of $4 retail dollars in general merchandise.

(4) The **store-controlled** brand has emerged as a strong, advertised, pre-sold brand. The next great brand battle will be the battle between the manufacturers' advertised brands and the retailers' advertised brands.

(5) The trend toward **one-stop** and **one-half stop** outlets by most of our major retailers. All large retailers are becoming department stores—of a new type, of course.

(6) The **decline** in **floor selling.** Salespeople, today, are attendants —they do little courteous selling and even less creative selling.

(7) The trend toward **self-service** and **self-selection**—not only of non-foods in food stores but of non-foods in non-food outlets. This is a great broad trend that affects practically all manufacturers.

(8) The decline of **Saturday** as a retail day, the coming of a **5-day** week in retailing, the ultimate elimination of morning hours.

These eight points by no means comprise the **entire** shopper-retailer revolution. I haven't touched, for example, on the coming development of the **vending** machine. But I hope I have charted enough of the shopper-retailer revolution to make it clear that this is a living reality.

The **shopper** has **revoluted.** But too many **manufacturers** have merely **evoluted.** It's high time the Full Speed Ahead signal was given.

The Brewers

By EVERETT J. MANN
Associate Professor of Economics, Duke University

Prof. Mann reveals developments in the brewing industry, and notes that, despite increased beer consumption, there has been a decline in number of brewing companies due to absorption of small concerns by larger competitors. Reviews earnings and stock prices of leading companies, and says "better times may be ahead for brewers."

More and more Americans are coming to believe the slogan of the enthusiastic advertisers that "beer belongs." During 1940, Americans drank 11.8 gallons of beer per capita; in 1951 they drank 16.6 gallons, and it is anticipated in 1952 nearly 18 gallons will trickle each and every American throat.


Everett J. Mann

The average American of 1952 still has a way to go before he approaches the consumptive capacity of his 1911 ancestor who managed to guzzle a lusty 21 gallons in that year.

Across these years a profound change has taken place in beer consumption. No longer does Junior "rush the growler" to bring back a "bucket of suds" for a wild debauch by Father. Instead, it is mother who brings a neatly packaged carton of beer back from the supermarket and helps father consume it as they sit in darkened solitude in front of the family TV set.

Whereas father preferred his beer "dark and heavy," the present generation leans to a "light and dry" beverage. Although Americans might resent the slur on their individuality, beer has become as standardized as the motor car or the cigarette. As every TV addict knows, brewers must put just as much of an advertising push behind their products as do the auto and cigarette manufacturers.

Decline in Number of Brewing Companies

In spite of the growing demand for beer, there has been a **decline** in the number of brewing companies in recent years. At the peak of the post-prohibition boom, over 800 breweries were in operation. This number has declined to an estimated 365 today. Many smaller breweries have been absorbed by their larger competitors. Others have gone out of business because of their inability to adapt their heavy brews to a publicly acceptable light one.

Another phenomenon of the brewing business is that much of the control has remained in the hands of the heirs of the founding families. **Schlitz** and **Ballantine**, which ranked first and fourth respectively in 1951 gallonage brewed, are not traded publicly. **Blatz**, which rated ninth, is controlled by Schenley.

The investment world seems to evaluate brewery stocks pretty much with a common yardstick as shown by a price-earnings ratio of 10.

The heart of the brewing industry remains in the Middle West, but the brewers with national distribution are finding it expedient to establish branches on the East and West Coasts to be nearer their markets.

Anheuser-Busch, purveyors of the famous Budweiser, completed a branch plant in Newark during June, 1951. By the end of the year they had shipped 580,000 barrels from this plant. The company now is issuing $35 million of debenture bonds, $20 million of which will be used to build a new plant on the Pacific coast.

Despite the happy circumstance of increased demand and decreased competition, brewery profits have not responded to these dual stimuli. Without exception, the companies charted in the attached table show 1950 profits lower than those of 1949, and 1951 profits were down still further from 1950.

Typical is the experience of **Falstaff** which earned $2.74 in 1949, $1.74 in 1950, and $1.31 in 1951. Among the adverse factors with which the industry has had to contend was the raising to $9 from $8 of the tax on each barrel of malt beverages brewed.

Labor difficulties have plagued some of the companies. Rising costs of sugar and hops similarly have bothered the industry, as have increased income taxes. On top of this, OPS froze prices on Jan. 26, 1951.

Better Times Ahead for Brewers

Despite these adversities, better times may be ahead for the brewers. Under the Capehart amendment, they were permitted on Jan. 28, 1952 to raise prices to compensate for cost increases between June, 1950 and July 31, 1951. This development should help 1952 profits, although the results of the first six months are not too encouraging when compared to the first six months of 1951.

Consumption of Packaged Beer Increasing

In addition, the consumption of packaged beer, on which profit margins are higher than on draft, has been increasing. Some estimates show that packaged beer accounted for as high as 75% of 1951's sales as compared with about 50% of the packaged variety sold in 1941.

The hot summer of 1952 throughout the United States similarly should have increased beer consumption. If the weather prophets are to be believed, the country can count on a number of hot summers in years to come and increasingly thirsty Americans.

Another factor that may have influenced brewery profits is the willingness of management to spend extra large amounts on sales promotion. The **Pfeiffer Brewing Company**, franker than most businesses, admits freely that it increased advertising expenditures to avoid paying excess profits taxes. Their 1951 income statement shows an increase of $680,000 in selling and advertising expense over that spent in 1950. It is certainly sound business to invest 18 cent dollars to create future goodwill.

Pfeiffer is a "local" brewer which sells 26% of all the beer sold in Michigan. That it is gaining in public acceptance outside of Michigan is evidenced by the fact that its out-of-state sales in 1949 amounted only to 7% of its total sales. In 1951, 16% of its sales were made out-of-state. The company recently has expanded its brewing capacity to 2.1 million barrels. While **Pfeiffer** has always followed a liberal dividend policy, its 1952 dividends are expected to amount only to $1.60 as against $2 paid in 1951.

Jacob Ruppert has been among the stock market's best performers this year, with a price range of 11 to 18. This company is on the comeback trail. In 1948 it was hit by a three months' strike, and its volume has still not returned to 1947 levels although steady progress is being made. During 1951 the company spent large sums in a drastic revision of its advertising appeals, and some of these expenditures will be non-recurring. The company should show excellent 1952 earnings since it will have no Federal income tax liability, due to loss carryovers from prior years. A 1953 dividend on the common stock is a possibility.

Pabst is the third largest of U. S. breweries. It has extended its plants to Newark and Los Angeles in addition to its mid-Western interests. Its industrial products division is engaged in developing pharmaceutical, vitamin, and animal feed products. Although it is likely to continue in a dominant position in the industry, a heavy capitalization in common shares conceivably could dampen future earnings.

Among the lower-priced shares, **Goebel** is an interesting speculation offering a good dividend yield. It operates plants in Detroit, Grand Rapids, and Oakland, California.

For an investor, it would seem that the smaller brewers, with better possibilities of expanding markets, could make future gains at the expense of the larger ones.

Leading Brewing Companies

1951 Statistics

	Anheuser-Busch	Falstaff	Goebel	Griesedieck Western	Pabst	Pfeiffer	Jacob Ruppert
Barrels shipped	5,479,000	2,295,000	1,426,000	1,418,000	4,450,000	1,554,000	1,517,000
Net sales (000 omitted)	$179,405	$39,382	$22,671	$30,233	$161,978	$23,260	$25,109
Shares common stock outstanding	4,475,000	1,800,756	1,400,000	641,000	4,071,000	1,198,634	500,000
Book value per share	$20.40	$8.10	$5.59	$19.41	$17.10	$9.92	$16.01
Earnings per share, 1951	$2.41	$1.31	$0.78	$1.95	$2.14	$2.37	$0.68
Earnings per share—6 months, 1952	$1.24	$0.81	$0.48	$1.11	$1.09	$0.93	$1.36
Recent price	23	15	7	18	21	17	14
Quoted	O. C.	N.Y.S.E.	N.Y.S.E.	N.Y.Curb	O. C.	N.Y.S.E.	N.Y.S.E.

Henry Gellermann Back At Desk With Bache

Henry Gellermann, Director of Public Relations and Advertising of Bache & Co., 36 Wall Street, New York City, members New York Stock Exchange, has returned to the firm after serving for 17 months with the Headquarters of the United States Army in Europe, Psychological Warfare Division.

Withdraws as Partner

SPARTANBURG, S. C.—A. M. Law has withdrawn as a partner in A. M. Law & Company, Old Kennedy Place, effective Sept. 30. The business will be continued under the same firm name by Henry J. Blackford, Simpson F. Cannon, and Henry J. Blackford, Jr., general partners.

From Washington Ahead of the News

By CARLISLE BARGERON

In one of the most amazing Presidential campaigns in history, we are now getting a lot of confessions. It seems that the opposition to Taft at Chicago was not that he could not win but wholly fear that he could.

From Mr. Truman, we learn that notwithstanding the propaganda of which he was so much a part, that Taft could not win, he considered Taft the strongest candidate the Republicans could have put up. We learn now, too, that this was the attitude of certain Eastern newspapers who conducted polls and by other methods sought to show that it would be suicidal for the Republicans to nominate Taft. Their solicitude for the Republican party, it has become apparent, was phony.


Carlisle Bargeron

But the fact remains that Taft, due to their work against him, did not get the nomination, and the question remaining is where do we go from here.

It is on this question that the Stevenson people seem to be making the most stupid campaign of which I have ever heard. Assuming now that Taft could have won the Presidency, which one learns in private conversations with people who should know, it strikes me that Stevenson and Truman have been making a pigheaded campaign. They have been making their campaign against Taft. It is as if the man had won the nomination and were now the Republican candidate for the Presidency of the United States. The fact is he isn't running for anything.

But Truman and Stevenson seek to assure me he is the candidate.

Eisenhower, they tell me, is his captive. Eisenhower, according to Truman and Stevenson, has sold out to the "isolationists" of this country.

Well, having been a Taft man and one who was quite let-down after the Chicago convention and one whose first impulse was not to vote, this is heartening. I am glad that Eisenhower has sold out to us "isolationists." He has picked up one vote which he did not have before.

I can understand that Truman and Stevenson would make this sort of a campaign against Eisenhower in the heterogeneous East, and I am terribly afraid that when Ike begins to campaign in this territory, he is going to try to undo it, but I shall always be baffled as to why Messrs. Truman and Stevenson, in the order named, conducted this sort of a campaign in the Middle West. Out there, Messrs. Truman and Stevenson have made the Republicans' campaign for them.

This is admittedly Bob Taft territory. Whereupon Truman and Stevenson have been going through that territory saying Eisenhower has sold out to Taft. The reaction of those people who were bitterly disappointed about Taft's not getting the nomination, would naturally be, that's fine; I shall vote for Eisenhower, after all.

This serious mistake on the part of Truman-Stevenson tends to persuade me that they are not the winners this time. When you are winning there is nothing wrong you can do; when you are losing, everything you do is wrong. Certainly, National Democratic Chairman Mitchell has every reason in the world to believe that the Nixon "fund" was telling political stuff. Instead, it boomeranged and resulted in getting Stevenson involved in some questionable fund business.

I consider this experience of the Democratic Chairman's, and the seeming stupidity of the Democrats campaigning in the Midwest against Taft on his obviously popular issue—these are signs of a loser. Everything he does is wrong; it would be brilliant if he won.

This ineptness on the part of the Administration forces, to my mind, is more important than the polls or the gleanings which you might get from a newspaper. After all, the great majority of the newspapers are for Ike and, for that reason, it is difficult for one to get an objective view as to just how the election is coming out.

For myself, I think one of the most comforting things in behalf of Ike is the ignorance and confusion on the other side. Stevenson has been so busy with his own diction, apparently, that he has invited in few National committeemen, or state chairmen or political leaders to talk with, pep them up, get them to working, make them feel they are essential to his, Stevenson's success.

Stevenson has apparently been so interested in proving he is not Harry Truman's henchman, that he has neglected the Truman Democratic party machine. The funny thing about this, too, is that it has been left to Truman to make the campaign.

With Jos. Batchelder

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Donald T. Steele has become connected with Joseph M. Batchelder Co., Inc., 111 Devonshire Street, members of the Boston Stock Exchange. Mr. Steele was previously with Coburn & Middlebrook, Inc.

Two with Westheimer

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — John A. Davenport and Mrs. Margaret E. Young have joined the staff of Westheimer and Company, 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Wanted—A Medium of Exchange Between Workers and Management

By DAVID F. AUSTIN*
Executive Vice-President—Commercial
U. S. Steel Corporation

Pointing to the rapid industrialization of last century as resulting in loss of a medium by which workers and management can fully understand each other's problems, Mr. Austin urges creation of facilties to promote a "family feeling" within a business. Holds it is supremely important that a spirit of cooperation between workers and management should be reestablished, and that the "boss again should lunch with the workers." Says "big business," like "big government," causes loss of personal interest between worker and employers.

I want to repay your gracious invitation to be with you today, by inviting you to accompany me on a trip. It's going to be a long journey — not in distance — but in time; a journey back, if you will, to the year 1850 — the days of our great-grandfathers.

David F. Austin

As we arrive in this earlier century, we find a certain unrest among the people. They are alarmed by the extravagance of government. Federal spending costs them something like $40 million. An exorbitant $17 million is to be spent by the military alone. (Oh, if we could but give them a glimpse of what is in store for their great-grandsons 100 years later!) Our national income in this year 1850 is two and a third billion dollars. Millard Fillmore has succeeded Zachary Taylor as President of the United States, and the great P. T. Barnum has just introduced Jenny Lind to audiences in New York City.

But let us look a little closer. Let us see what the majority of our great-grandfathers were doing.

Those of us who are making this journey this morning are the decendants of approximately 4,000 great-grandfathers. As we look around, we find that 2,500 of our 4,000 great-grandfathers were tillers of the soil, or raisers of livestock. They were farmers. In the nation's total labor force, of which there were just under eight million in the year 1850, nearly five million were farmers. Percentage-wise, that means that 64% of the then existing labor force devoted itself to feeding and clothing the 23 million people who then comprised the total population of all the states of the Union. That left only 36% (or less than three million people) to perform the balance of the country's tasks.

As we explore life in this earlier time, we get one general impression. We were a small, peaceful, hard-working agricultural country. We manufactured but a few products, had few service industries—and life was comparatively simple — the tempo of life was moderate.

Farm Revolution Is About To Take Place

If we look closer, however—if we look carefully around the farms and in the cities—and if we analyze the activities of some of the farmers and a few of the workers in the tiny mills, we find that something is about to happen—something that will make itself felt for hundreds — and, who knows, perhaps thousands of years—something that, indirectly, will drastically affect business conditions and the general economy of our country, one hundred years later!

Is it the Civil War?

No. Although that will contribute to its effect.

The Industrial Revolution?

Partly.

What I am thinking of, is the great revolution that is about to take place on the farm.

We, as travelers in time, have the great advantage of being able to see a segment of the future, the portions which are both past and present. And as this revolution on the farm begins, we see the tremendous changes that it will bring about—improved farming methods, such as contour plowing, new varieties and strains of farm crops, including hybrid seeds; better farm animals, bred for higher production; greater ability to resist disease; more and better fertilizers; and new types of insecticides, to mention but a few. Nothing, however, will play as important a part in this revolution as farm machinery—the contribution of your great industry.

Yes, life on the farm was about to experience its first important change in a thousand years. As a result, there will be an amazing increase in the quality and quantity of farm machinery. Machinery will perform many additional tasks, thus relieving the farm family of drudgery. The farmer henceforth will be able to supply more people with more and better things. His own standard of living, along with the living standards of each of us, will improve. One farmer will be able to produce as much as ten previously. Thus, there will be an explosion on the farm that will rock the city. The majority of the vast pool of farm labor—64% of the total labor force—will be released. It will move to the city and work in the mills and factories. Our economy will thus be able to expand with ever accelerating velocity, and our mills and factories will grow larger and larger.

Now let us reverse our time machine and return to the present, 102 years later.

In 1952, it is my belief that the effects of the farm revolution for the first time are being felt in full. We now have a tremendous capacity to produce farm products. Instead of 64% of our workers toiling in the fields to supply a population of only 23 million—we now require the toil of but 12½% of our population to feed and clothe 157 million. The bulk of our working population has shifted from agrarian pursuits to business and industrial activities. Now, instead of 36% of our people at work in business and industry, we have 87%.

Certainly many good things resulted from this migration. Spurred, as I believe it was, by the spectacular improvements in farm machinery which released man-power for other pursuits, it enabled us to become the strongest and the richest and the most leisured nation on earth. It enabled us to develop in the arts and sciences—to improve our health and our standard of living. As we examine the ledger of these years, surely we agree that the credit side is infinitely greater than the debit. I would be among the last to deny this fact.

"We Lost Something"

And yet while this shift from farm to industry was taking place—while we were in the process of transition from the country to the city—and from the little one-room stores and tiny factories to the gigantic mills and skyscraper offices of today—we lost something.

We lost something that is very important and extremely good—and we in business must accept most of the responsibility for this loss.

This morning I should like to urge that we recapture that which we have lost. I am very serious about this—for I believe that this loss has brought on many of the vicissitudes which we experience today.

What we have lost is a medium of exchange, a medium by which there can flow downward to all the workers in a company an understanding of the functions, the contributions, and the problems of management, and in exchange there can flow upward to management a knowledge of the thoughts, the needs, the desires, and the aspirations of the company's workers. I should like to tell you a story that shows how this loss came about, and tell you what I believe we must do to recover this lost medium.

Most companies — most of big business as we think of it today—started small. In most instances, they were started by a single courageous man with an idea. Let us agree that he began his venture in a one-room shop with but two helpers.

Working in his one-room shop, this man took an active part in all of the activities related to the business. He bought his supplies he did his own selling, and during the evenings he kept his books and sent out his bills, or bartered his product in order to fill his own needs.

He spent a lot of time at the bench, too, working alongside his helpers. Inevitably he got to know each of his men; he knew their problems and shared knowledge of their ambitions. They'd talk about their youngsters . . . about the stray dog that one of the kids brought home . . . about the house that one of the men planned to build. The boss in turn related tales about his struggle to get the business started. He told them how he had put every cent he could scrape together into the business, how tough the competition was, and how he was having trouble with a certain customer who lived down the street.

Occasionally the boss would invite one of the men and his wife to his home for dinner. Other times, he'd have dinner with one of them. He became well acquainted with their wives. He knew the names of each of the children—he even came to know the name of the dog.

Once, when one of the men had to go to the hospital, the boss tucked a few extra dollars into the man's pay envelope. It wasn't much, but it certainly expressed, far better than mere words, how much he was appreciated and how sorry the boss was that illness had come. Another time, when the boss had an important order that had to be filled in a hurry, each of the men volunteered to stay night after night to help get it out.

Growth and success came slowly but surely. The boss, who had been keeping his books at home at night, bought a desk. And because the shop at times was noisy, he partitioned a corner and put his new desk in there. Now he had a little office where he could talk to suppliers and customers and work on the books when he wasn't needed at the bench. This was fine, he thought. But right here something started to happen.

Bit by bit, the business prospered, additional men were hired and more benches were added. One of the men, an excellent craftsman, began to lay out the day's work for each of the other men. He trained them and corrected their mistakes.

By this time, the boss had to spend most of his time talking with customers, interviewing suppliers and keeping the books. Of course, he often walked through the shop and talked with the men, and he still sat down on the doorstep on nice days and ate his lunch with them. He still knew each of them pretty well. He knew their wives and their children and he still visited occasionally in their homes, and they in turn in his.

One day, though, the boss began to think about the future of this business of his. He had some pretty important customers now, and it didn't look good when they had to walk through the cluttered shop to get to his office over in the corner. Since he had a little money in the bank, he figured it would be a good investment to buy the vacant lot across the road and build a little office on it. So he did. He put up a one-story building with several rooms in it.

When the boss moved across the road, he called in his first employee and told him that since he knew the operation so well, he had been chosen to run things in the shop—he was to be the foreman. The boss told him that he could hire whom he wanted—and fire anyone he did not want.

In his new office away from the shop, the boss could watch his personal appearance. He dressed better, and instead of continuing his practice of going over to the shop and sitting down for lunch with the men, he walked down the street to the restaurant every day.

The foreman, of course, took care of things over at the shop; he knew the men who worked for him; he knew the members of each family, he was one of them, and he understood their problems. Whenever a man asked for a raise or needed a little time off, the foreman would go across the road to the boss and they would work it out together. To the men, the foreman constituted a direct link to the boss.

As time went on and the volume of business expanded, the boss had to spend practically all of his time calling on customers. He had to make quite a few trips up to the city, and he was doing pretty well if he got over to the shop even once a week. He wasn't able to do his own bookkeeping anymore, so he hired a bookkeeper. This fellow got to know the office side of the business, and since the boss was out of town a lot, the foreman checked with the bookkeeper anytime he had any problems to discuss—like a raise for one of the men, or hiring a new man.

By this time, of course, the company could no longer be called small. The boss built a larger plant, and he enlarged the office

Continued on page 24

*An address by Mr. Austin at the Annual Meeting of the Farm Equipment Institute, Atlantic City, N. J., Oct. 8, 1952.

Dealer-Broker Investment Recommendations & Literature

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

Backlog Companies—List of 40 whose bank of unfilled orders suggest high level of operations—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Bank Stocks—Comparison and analysis as of Sept. 30 of seventeen New York City bank stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Canada—Detailed study—Bache & Co., 36 Wall Street, New York 5, N. Y.

Commercial Banks — Analysis — A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Excess Profits Tax—Analysis of effect on earnings of 100 leading companies—Model, Roland & Stone, 120 Broadway, New York 5, N. Y.

Excess Profits Taxes—Review of companies which may benefit from possible alleviation of the taxes—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Finance Companies—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Foundation Stocks—Booklet discussing 25 leading investment issues — Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Magic of Ticker Tape—Booklet describing the operation of the Exchange—Toronto Stock Exchange, Toronto, Ont., Canada.

New York Banks and Trust Companies—82nd quarterly comparison — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Over-The-Counter Securities Review — Monthly pocket-size magazine including earnings, dividends, and prices of unlisted companies, industry analyses, etc.—One year's subscription, plus free copy of "Dividend Champions"—$3.50—Over-the-Counter Securities Review, Dept. 15A, Jenkintown, Pa.

Purchases and Sales Tabulating Division of Wall Street—Membership Directory—Association of Stock Exchange Firms, 24 Broad Street, New York 4, N. Y.

Tokyo Stock Quotations — Bulletin — Nomura Securities Co., Ltd., 1-1 Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan.

* * *

Air Reduction Company, Inc.—Analysis—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Bell Telephone Company of Canada—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Man., Canada and Royal Bank Building, Toronto, Ont., Canada.

Brad Foote Gear Works, Inc.—Bulletin—O. B. Motter & Associates, 500 Fifth Avenue, New York 36, N. Y.

Brockton Taunton Gas Company—Analysis—J. G. White & Company, Incorporated, 37 Wall Street, New York 5, N. Y.

Central Public Utility—Bulletin—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y. Also available are bulletins on **Central Indiana Gas Company** and **Southwestern Public Service.**

Continental Illinois National Bank and Trust Co.—Analysis—Remer, Mitchell & Reitzel, Inc., 208 South La Salle Street, Chicago 4, Ill.

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

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

Duquesne Light—Memorandum—Josephthal & Co., 120 Broadway, New York 5, N. Y. Also available are memoranda on **Oklahoma Gas & Electric** and **Wisconsin Public Service.**

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

Gulf Mobile & Ohio Railroad Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Southern Indiana Gas & Electric Co.**

Harris Seybold Company—Analysis—McDonald & Company, Union Commerce Building, Cleveland 14, Ohio. Also available is an analysis of the **McNeil Machine & Engineering Company.**

Kimberly Corporation — Report — Morgan & Co., 634 South Spring Street, Los Angeles 14, Calif.

Metal & Thermit Corp.—Memorandum—Fewel & Co., 453 South Spring Street, Los Angeles 13, Calif.

Mystic River Bridge Revenue Bonds (Boston)—Special report —Tripp & Co., Inc., 40 Wall Street, New York 5, N. Y.

Nash Kelvinator Corp.—Memorandum—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

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

Resort Airlines. Inc.—Analysis—Eisele & King, Labaire, Stout & Co., 50 Broadway, New York 4, N. Y.

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

Standard Cable Corp.—Memorandum—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

Taylor Oil & Gas Co.—Analysis—Raymond & Co., 148 State Street, Boston 9, Mass.

Temco Aircraft Corp.—Memorandum—F. L. Putnam & Co., 77 Franklin Street, Boston 10, Mass.

Textiles, Inc.—Report—Raymond & Co., 148 State Street, Boston 9, Mass.

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

J. B. Williams—Special letter—George A. Rogers & Co., Inc., 120 Broadway, New York 5, N. Y.

Winn & Lovett Grocery Co.—Annual report—Winn & Lovett Grocery Company, Jacksonville, Fla.

Wisconsin Central Railway Company — Bulletin — (No. 107) Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a bulletin (No. 108) on **Railroad Earnings.**

NSTA Notes

AD LIBBING

Monday, Oct. 20, our National Convention convenes at the Roney Plaza Hotel, Miami Beach, and as of today we are over $22,700 in gross advertising.

Many members will be leaving this Friday and I would earnestly request that you make one more effort for that ad you were working on. Forms will close Oct. 28, so there is time to go over last year's gross. Incidentally, some of our regular advertisers have not been heard from as yet.

NSTA has meant much to many of us and I hope you may come out of the huddle with the proper plays to command real teamwork. Have you tried to help us?

HAROLD B. SMITH, Chairman
National Advertising Committee
c/o Pershing & Co.
120 Broadway, New York 5, N Y.

Harold B. Smith

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Oct. 9, 1952 are as follows:

Team—	Points
Murphy (Capt.), Manson, D. Montanye, O'Mara, Pollack, Gavin	23
Donadio (Capt.), Demaye, Whiting, O'Connor, Rappa, Seijas	22
Hunter (Capt.), Klein, Weissman, Sullivan, Murphy, Searight	17
Goodman (Capt.), Smith, Valentine, Meyer, Farrell, Brown	15
Serlen (Capt.), Gersten, Krumholz, Rogers, Gold, Young	15
Burian (Capt.), G. Montanye, Voccoli, Siegel, Reid, McGovern	15
Leone (Capt.), Greenberg, Tisch, Werkmeister, Leinhard, Lopato	14
Meyer (Capt.), Kaiser, Swenson, Frankel, Wechsler, Barker	13
Lytle (Capt.), Growney, Craig, Fredericks, Bies, Lyons	13
Krisam (Capt.), Ghegan, Jacobs, Gannon, Cohen, Strauss	12
Mewing (Capt.), Bradley, Weseman, Hunt, Gronick, Huff	11
Bean (Capt.), Frankel, Casper, Nieman, Bass, Krassowich	10

200 Point Club

Roy Klein ---------- 210
Mike Growney ------ 209

5 Point Club

Hoy Meyer
Joe Donadio
Cy Murphy

Insuranstock Distributors

JERSEY CITY, N. J.—Insuranstock Distributors, Inc. has been formed with offices at 15 Exchange Place to engage in a securities business. Officers are S. H. Buck, President; Samuel Gilbert, Vice-President; F. R. Hurlbutt, Treasurer; and Mable Warner, Secretary. Mr. Buck was formerly with John J. O'Kane & Co., Blyth & Co., Inc. and Huff, Geyer & Hecht.

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — James W. Kern is now with Merrill Lynch, Pierce, Fenner & Beane, Congress and Shelby Streets.

Jackson Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Alice I. Taylor has joined the staff of Jackson & Company, Inc., 31 Milk Street.

COMING EVENTS

In Investment Field

Oct. 20-23, 1952 (Miami, Fla.)
National Security Traders Association Convention at the Roney Plaza Hotel.

Oct. 23, 1952 (Boston, Mass.)
Boston Investment Club dinner at the Boston Yacht Club.

Oct. 23-24, 1952 (Pinehurst, N. C.)
Securities Dealers of the Carolinas — North Carolina Municipal Council — South Carolina Municipal Committee joint meeting at Mid-Pines Inn.

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. 19, 1952 (New York City)
Association of Stock Exchange Firms annual meeting and election.

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

Scherck, Richter Wire To J. Barth & Co.

ST. LOUIS, Mo. — Scherck, Richter Company, 320 North Fourth Street, members of the Midwest Stock Exchange, announce the installation of a direct wire to J. Barth & Co., 404 Montgomery Street, San Francisco, members of the New York and San Francisco Stock Exchanges.

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Guy Garland is with Harris, Upham & Co., 136 Federal Street.

Waddell & Reed Add

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Me. — Wendell P. Noyes is now affiliated with Waddell & Reed, Inc.

Shares for America's Savers —An Economic Realism

By WALTER MAYNARD*
President, Association of Stock Exchange Firms
Partner, Shearson, Hammill & Co., New York City

In discussing securities industry's task of creating more equity investors, Mr. Maynard points out, in order to be more truly realistic, security dealers must foster purchase of stocks for investment rather than for profit. Sees need of change in brokers' commission rates, and advocates system of rates based on costs. Finds high progressive income taxes, along with capital gains tax, hindering investment, and proposes a maximum income tax levy of 50% and a moderate transfer tax in lieu of present Capital Gains Tax.

I am going to discuss tonight our industry's task of creating more equity investors and some of the policies, both within our industry and in the community at large, which we should pursue in order to accomplish it.


Walter Maynard

It has long been known that California was an excellent place in which to do business of all kinds, but just how good a place it was for the securities business was made apparent with the recent publication of the study "Share Ownership in the United States" prepared for the New York Stock Exchange by the Brookings Institution. This study shows that in the Pacific Coast area 12 families out of each 100 own stocks, compared with 9.5 stockholding families out of each 100 in the rest of the country. Thus, our industry's job of persuading savers to own stocks has been better performed here than elsewhere in the country. However, notable as this performance is, it seems to me that it should be no ground for complacency, and to give us perspective I will try to evaluate the present situation in terms of what might be accomplished, then outline some of the principal obstacles to further progress and suggest some of the lines along which our industry should be working during the next few years.

To begin with, in considering stock ownership potentialities, when we examine the question of who owns securities, we find that among employed women workers in public utility companies, 20% are shareholders. This compares with a shareholding proportion of only 3.2% among all persons employed by companies in which share ownership is possible. This tremendous disparity between what the utilities have accomplished in the way of employee stock ownership and the relatively minor accomplishment of industry as a whole evidently offers a great field for increasing share ownership and emphasizes what stock ownership potentials really are. Secondly, when we turn to the question of ownership of alternative forms of investment, we find that although 9½% of all families own stocks, some 42% of all families own United States Series "E" bonds, and the possibility of salesmanship which this circumstance implies is clearly illustrated by the fact that only 1.3% of all families own corporate bonds and only 5.5% of families own any other kind of Government or municipal bonds. It is evident that the tremendous sales drives to sell series "E" bonds have been effective to the point that they have multiplied the ownership of these securities almost eight times over similar securities not sold in the same way. In other words, sales efforts can be effective in increasing the number of owners of stocks—provided of course we offer merchandise that is suited to the desires of the buyers.

Fortunately, we now have better information than we've ever had before on this question of why people own stocks; there are at least two sound sources of knowledge on this subject. The first is the "Share Ownership" survey, already referred to, which shows that 28% of stockholders bought stocks because of the desire for appreciation, whereas 22% bought for income. The other survey, the Federal Reserve Board's "Survey of Consumers' Finances," which was conducted by the University of Michigan on a narrower sampling basis than the Exchange's, confirms that desire for profit is an important incentive to share ownership, but this survey suggests that in 1952, as compared with earlier years, the purchase of stocks for income has increased materially, and is now the dominant factor in shaping investment preference for stocks in all income brackets.

Pushing Concept of "Securities For Investment"

It seems to me, therefore, that the implication is clear that if we are to be truly realistic we must continue to foster the concept of "stocks for investment" in every way that we can, and that in doing this we should address ourselves not only to such subjects as the rate structure and public relations of our own industry, but also to the financial policies of the companies in whose securities we deal and to the general social and economic climate in which we all live.

With regard to the first of these subjects, the rate structure in our industry has been developed over a long period of time and does not distinguish between the differing kinds of business represented by transactions for speculation and transactions for long-term investment, and in addition it contains many anomalies which need correction. To illustrate what is meant by differing kinds of business, it is only necessary to recall that a customer who buys and promptly sells shares in a so-called "margin" account, imposes a minimum cost on the broker—there are no expenses for transfer and delivery of certificates, or collection of dividends, or custody services such as are required by today's typical long-pull investment holder.

In considering how we should price our services, our industry naturally runs into the same kind of problems that affect other industries. We must take into account the matter of costs in various types of transactions and we must also consider the matter of economic incentives. A business in which the rewards for sales efforts are too low will simply languish, whereas a business in which sales rewards are adequate will thrive. Of course, we must always remember that a business in which selling costs are too high will also languish—a rate structure to be satisfactory must be properly balanced.

With regard to this question of sales incentives, a few examples make the present anomalous situation amply clear: If a saver with $3,000 to invest buys shares of this value in any one of a number of large and well-managed mutual funds, the total gross cost which he pays in the process of being sold this investment will vary between $180 and $240. At the opposite end of the scale, a sale to the same investor of 20 shares of listed stock selling at 150 would cost him $10, and 200 shares of listed stock selling at 15 would cost him $35. Certainly this tremendous disparity in economic incentives to selling effort deserves the most careful kind of consideration.

One aspect of this problem is that presented by transactions in small lots of securities. It obviously costs more, in relation to the money involved, to carry out a small transaction than a large one, and yet in our business we have never given recognition to this fact. We even fly in the face of experience in every other kind of business and give discounts to small buyers. Thus, at present we are in the trying position of, on one hand, losing money in carrying out small transactions, and on the other hand, in the case of large transactions, we are losing business to competing non-member dealers through our failure to recognize that in our business, as in other businesses, large transactions are entitled to a wholesale rate. It is evident that we must apply ourselves to finding equitable solutions to these complex and many-sided problems.

Only the most intensive application of true economic realism in the broadest sense will insure that our industry will have a rate structure which will, on the one hand, produce satisfied clients, and on the other, afford a satisfactory economic basis for survival.

Happily, the Stock Exchange now has at work a representative committee of industry leaders which is studying these questions, and it seems logical to conclude that the result of the work of this committee will be a rate structure which both approaches much more closely than does the present one the equitable concept of a commission based upon the money value of stocks bought and sold, and accords recognition to actual costs of doing business.

The Question of Public Relations

Turning now to the question of our industry's public relations, we again must reckon with the changing character of our business and of our clientele. Other industries which sell investment media to the public in small units, such as mutual funds or life insurance companies, operate on spreads which permit tremendous public relations efforts, and as a matter of fact, it has been computed that American business as a whole spends about ½% of its gross revenues on advertising. In our business, on the other hand, our total commission amounts to only slightly more than ½ of 1%, so that the amount which we have available for the kind of public relations which will reach those whom we must make customers is extremely small.

This in turn accentuates the need for the most effective possible use of our slender resources. For example, a motion picture such as the Exchange's "What Makes Us Tick" which is suitable for showing to audiences of all ages and has a high entertainment value, is certainly a more effective use, on an industry basis, of our advertising appropriations that is, for example, a large "tombstone" advertisement of a new issue in a financial journal. The former reaches out and interests all members of the community in our industry and its aims and problems, while the latter is addressed purely to ourselves, so to speak. The way out of this particular difficulty seems to be to extend the effort already being made by a number of forward-looking companies which see the wisdom of developing the broadest possible market for their securities, in addressing at least a part of their advertising to present or potential security owners. The exchange and the Association have already done a certain amount of fruitful work along these lines, and each of us should use all of our contacts with industry to further intensified stock ownership programs.

Questions Relating to the Social And Economic Climate

We now turn to questions over which we have less control than with those previously mentioned yet which are profoundly important to us; these are questions relating to the general social and economic climate in which we live. With regard to the social climate, it is clear that one of the solid bases on which our success as a nation is built is social fluidity, which means that personal success is possible for every member of the community regardless of birth. Now, in a socially healthy community the word success in most cases means relative financial success with all that it implies in the way of accumulation of a decent provision for retirement. Yet under today's steeply progressive income tax rate structure such accumulation is nearly impossible. The maximum income tax rate at the earning level of the average successful corporate executive or small business now should promptly be reduced to 50%. Such a cut would cost little—in 1949 Mr. Colin Stam, Chief of the Staff of the Joint Congressional Committee on Taxation, estimated that setting the maximum surtax rate for everyone at 50% would cost only $420 million—and it would tremendously increase incentives to work among able persons throughout the community. In fact, if such a cut were made it is not at all inconceivable that the resulting increase in incentives would bring about an increase in total tax revenues. This happened in 1922 when a reduction in the top rate of 65% to 50% was accompanied by an increase in revenues from $719 million to $861 million; it happened again in 1924 when the top rate was reduced from 50% to 40% and revenues went from $661 to $704 million, and in 1925, when the top rate was cut in half from 40% to 20%, and revenues rose to $735 million.

Moreover, a reduction in the rate to a level below 50% would reduce the incentive to tax avoidance and corruption that is inherent in the higher brackets and that is now operating as just as serious a moral cancer in our community as was Prohibition.

In addition to social fluidity, to which I've referred, we must also consider the real meaning of the

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*An address by Mr. Maynard at a Dinner sponsored by San Francisco members of the Association of Stock Exchange Firms, San Francisco, Cal., Oct. 6, 1952.

All This—And Dishwashing Too!

By ALVIN A. BURGER
Research Director
Council of State Chambers of Commerce and
New Jersey State Chamber of Commerce

As illustrating the vast paternalistic trend of Federal Bureaucracy, Mr. Burger describes a booklet issued by government on "Tools for Food Preparation and Dishwashing." Lists vast array of government publications, ranging from treatises on buying men's suits to the cultivation of gardenias, etc., etc.

General Eisenhower recently exclaimed in a campaign speech that the Federal Government has undertaken to do just about everything for the families of America except help with washing the dishes.


Alvin A. Burger

The General does not quite realize how far the Government has gone. The Federal bureaucracy does indeed offer to help with the dishwashing chore.

It has published a 32-page booklet entitled, "Tools for Food Preparation and Dishwashing." This is put out by the Bureau of Human Nutrition and Home Economics of the U. S. Department of Agriculture and may be obtained by sending 10 cents to the Superintendent of Documents, Washington, D. C.

Among other comforting thoughts the booklet assures the nation's housewives that dishwashing need not be a disagreeable task if they have the right equipment. To begin with, says the booklet, they should have a dishpan. On this point it further advises:

"You will want a pan large enough to accommodate your dishes, but it must also fit into your sink, if that is where you use it."

It also discloses that there are round dishpans, oval dishpans and oblong dishpans. Doubtless American women will be grateful for this vital piece of intelligence.

The booklet is a fairly elaborate one with credit lines given to individual bureaucrats for preparation, layout, artwork and photography. Obviously the cost of writing, editing, printing and distributing the booklet far exceeds its 10-cent selling price. Any such excess, of course, is made up by the taxpayers.

While the information given in the pamphlet might prove useful to one who is confronted with kitchen chores for the first time, this question might be asked: Has all the household education which has been handed down from mother to daughter in America for generation after generation reached such a low estate that the Washington bureaucracy must now step in and take over such instruction?

"Of Shoes — and Ships — and Sealing-wax—of Cabbages—and Kings"

It should interest General Eisenhower and Governor Stevenson and other candidates for national office to know that Government publications designed to help American families live useful and happy lives run the gamut from buying men's suits to taking care of household rubber, and from posture in housework to cultivating gardenias. Here are a few of the titles of currently available pamphlets:

"Men's Preferences Among Selected Clothing Items" (191 pages). This one contains the astonishing information that most college men wear the same weight underwear the year round, while those with a grammar school education tend to wear heavy underwear in the winter and light in summer.

"Rice Preferences Among Household Consumers." This one takes most of its 101 pages to answer the question, "What would you say are the main reasons why you use rice?"

"House Cleaning Management and Methods" (22 pages, 10 cents) makes the profound observation that "water, especially warm water, is a good cleansing agent."

"How to Read the News" (27 pages, 15 cents). This contains the suggestion that the reader keep a daily score-sheet on the number of minutes he spends reading the comics, editorials, ads, sports, foreign news, etc.

"Methods and Equipment for Home Laundering" (40 pages, 15 cents). This informs the little lady, among other things, that "ironing consists of smoothing out the wrinkles in a fabric and drying out the dampness, which aids in the smoothing process."

"Hold On to Your Teeth" (8 pages). The inference of this one could be that the Internal Revenue Bureau might try to take them from you, too.

"How to Choose and Use Dried Prunes," a folder.

"Clara Gives Benzol the Run Around" (8 pages).

"Electric Lamps That You Can Make" (8 pages, 5 cents).

"Slip Covers for Furniture" (26 pages, 10 cents).

"Food for Two," a folder.

"Use Wrenches the Safe Way" (13 pages, 10 cents).

"Eat A Good Breakfast," a folder.

"How to Tailor A Woman's Suit" (24 pages, 15 cents).

And so on down an endless list.

Sometimes the Government Printing Office meets itself coming back. For instance, it has published a booklet on how to destroy cockroaches and another on how to breed them.

Federal bureaus have also published several pamphlets instructing Americans how to operate on a family budget. These stress the need for living within one's income. Some may question the propriety of Uncle Sam offering instruction in this particular subject, since the Federal Government itself has lived within its income in only three years of the last 22. One of the chief reasons why American families are having household budget trouble these days is that so much of their income has to paid out in taxes to finance Uncle Sam's profligacy.

Are These Things Necessary?

Now it is doubtless true that many of these and other Government publications contain information which proves helpful to someone. But just how necessary is it at this time of staggering tax burdens for Federal bureaus to perform as mother's little helpers in such an extensive fashion?

For one thing, are there not other agencies, including private ones, which are better equipped to prepare, publish and distribute much of the information the Government is trying to offer to American families? There are, for example, a great many universities, agricultural colleges, women's magazines, science publications, food processors, textbook publishers, trade associations, manufacturers, retailers, and so on, which disseminate such information every day in prodigious quantities.

There is evidence of much needless duplication. The Department of Agriculture, for example, has published at the taxpayers' expense a 24-page illustrated booklet on "Turkey on the Table the Year Round." Yet at the same time, the National Turkey Foundation, a private institution, distributes to consumers a superior 32-page booklet of its own, entitled "Turkey — Everyday and Holidays," which anyone may obtain without charge. It is better written, better illustrated, gives more useful information to the cook, and costs the American taxpayer not a cent.

It is questionable whether the Government is justified in publishing booklets on how to use electrical appliances such as refrigerators, washing machines and vacuum cleaners when manufacturers of these appliances print and distribute the same kind of information to all who buy these things or are thinking of doing so. The electrical appliance industry is well equipped—and appears most willing—to carry on its own educational campaign along these lines.

The Serious Side

To the extent that all these Federal efforts constitute a sincere desire of government bureaus to serve the people in ways which will justify their existence, they deserve criticism only with respect to excesses.

But there is a more serious side, one to which the printing and issuing of mother's little helper booklets is only incidental. It is this: One of the objectives of the left-wing planning group which has long been entrenched in the Federal bureaucracy is to contrive ways of making people feel more and more dependent on government for their daily living. This objective was stated by the late Harold Laski, British Socialist, in his blueprint for achieving State Socialism in this country. Laski said:

"The first step of all is to awaken the American people to a sense of the positive character of the State. They *must be made to realize* the intimate way in which its activities alter the inner fabric of their lives. . . ." (underlining mine).

The left-wing planners have worked assiduously in following through on Mr. Laski's proposal. If the American people desire to avoid having State Socialism thrust upon them, they may well begin to consider ways and means of working out their family and community problems with a minimum of reliance on the Central Government in Washington.

Curb Would Be Known as American Stock Exch.

New designation of market, subject to approval of the Exchange's membership, would be effective next January.

Edward T. McCormick and John J. Mann, President and Chairman respectively of the New York Curb Exchange, announced Oct. 15


E. T. McCormick


John J. Mann

following a meeting of the Curb's governing board, that an amendment to the market's constitution had been adopted whereby, subject to the approval of the exchange's regular membership, the institution's name will be changed to "American Stock Exchange," effective Jan. 5, 1953.

McCormick stated, "Our governors have taken this action because of a deep-rooted and sincere belief that the name, 'Curb Exchange,' although revered because of its traditional, grass-roots tie to our market's outdoor origins, is no longer indicative of our true status in national and international economic affairs. I personally feel that a more apt descriptive name is essential at this time when we, together with the entire securities industry, face the important task of expanding the circles of investors to include many people who have not heretofore owned corporate securities."

In accordance with constitutional practice the amendment will be posted and will be mailed, together with a ballot, to each of the 499 regular members of the exchange. If, following a two week period, a majority of the members have exercised their franchise and a majority of the votes cast approve the amendment, it will become effective as of the date prescribed in the amendment, Jan. 5, 1953. The Curb's constitution provides that if less than a majority votes in the initial two week period, the voting may be extended for two more weeks. If the amendment is not approved or rejected within the four week period, it may not be submitted to the membership again for 90 days.

The exchange's present name was adopted in 1929, eight years after the New York Curb Market Association, which was formed in 1911, retired from its outdoor home on Broad Street and moved into a building at the present site as the New York Curb Market on June 27, 1921. The old "Outdoor Market," which moved about the downtown streets for many years, did not adopt a formal title until 1908 when the New York Curb Agency was formed. The market's name is derived from the fact that the outdoor traders functioned in the streets of the financial district.

Mr. McCormick described the Curb as a leading primary market for the shares of many outstanding and long established industrial enterprises as well as an important trading center for the shares of new and growing companies. "In addition," he pointed out, "while a majority of our stock issues represent domestic corporations, the Curb, with 170 issues representing 149 foreign government and corporate issuing agencies, is at present the largest market for foreign securities in the United States. While the emphasis in the proposed name is correctly placed upon our domestic activities, we shall continue to search vigorously for securities of foreign issuers whose caliber warrants listing on a national securities market."

He stated that the Curb's 871 stock and bond issues are currently valued at approximately 18 billion dollars.

Joins E. D. Andrews

(Special to THE FINANCIAL CHRONICLE)

IPSWICH, Mass. — Jack B. Pierce has become connected with Edgar D. Andrews & Co., 2 Central Street.

Dangerous Course of Our Fiscal And Administrative Policies

By ROBERT M. HANES*

President, Wachovia Bank and Trust Co., Winston-Salem, N. C.

Prominent Southern banker, in urging businessmen to be more energetic in selling American ideals to public, scores Federal fiscal and administrative policies. Advocates closer scrutiny of military spending and substantial reduction of civilian spending. Favors high level of taxation in this emergency period, but says current level has definitely reached upward limit, and a revision of tax structure is needed. Calls pet slogan "A little inflation is good for the economy," fallacious and dangerous.

As businessmen, we have long realized that our nation has been following a dangerous course. We have known that our Federal fiscal and administrative policies have been such as to lead us progressively closer to financial and moral bankruptcy. We have been aware that the cancerous-like growth of "big government" and bureaucracy is opposed to American traditions and, if not checked, will destroy our freedom and way of life. In regard to these and many other obvious conditions, we have not been fooled or misled by double talk and glib promises. Nor have businessmen been inactive in opposing the trend of recent years, but many times our actions and counter-actions have been ineffective because they have been too little and too late.

Robert M. Hanes

Perhaps our greatest shortcoming has been a lack of ability to sell our ideals, our judgment and our opinions to those who look to us for guidance. In the realm of manufacturing products and in marketing them—in selling things and services—we are unexcelled. In the art of selling ideas, our record has not been good. The politicians and the social planners have shown far greater skill than have we in this direction. Selling ideas is their business. They work hard at it and they have mastered the techniques which bring results. Their strategy is to always talk positively, to promise great benefits from whatever proposal they are currently advocating, regardless of how foolishly and devilishly it is designed. Businessmen who oppose these unsound panaceas and dangerous policies are made to appear to be negative-minded, ultra-conservative and old-fashioned. Consequently, the public has been led to believe that businessmen are always against anything and everything. We have, too long, taken the negative approach. We should "accentuate the positive."

The Things Businessmen Are For

We know that we, as businessmen, are for the great basic principles which are fundamental to the safety of our nation. Our advocacy of these principles is not popular with those who seek an easy way out of financial difficulties, nor with those who propose utopian economic doctrines, often devised to cover up financial malpractice in high places. The things we are for are the primary principles of democracy and economic progress, but, again I say, we have not done a good job of selling our convictions and our viewpoint. I would like you to think with me about some of those principles which we are *for* and how they apply to decisions which our government must make today or in the near future. More important, let us decide tonight that we shall start immediately selling these basic ideas and principles to our employees and associates. They will be as interested as we in maintaining the private enterprise system if they are told plainly and convincingly of its benefits and accomplishments. Likewise, if the fallacies and destructive effects of false panaceas and doctrines are properly explained to them, they will oppose them as do you and I. We are wasting our time in this and like discussions unless we pass on the ideas developed to the working men and women, who are a large part of the electorate. We are already convinced, while they need to be.

We are for the defense program. We are keenly aware of the threat to our nation and the other free peoples of the world which exists today; we realize the necessity of maintaining strong military defense.

Because we believe this we do not want to see anything happen that will undermine our national strength in any manner. We know that if too heavy a financial burden is put upon our economy we shall lessen our ability to maintain military strength. That is why we favor a balance between military defense and economic defense. The work of watchdog committees in Congress and other groups that check and scrutinize military expenditures is of great value. With such a heavy load thrust upon our economy, we cannot afford waste of money or critical materials, or extravagances of any kind. Therefore, there should be an end put to the issuing of blank checks to the military services.

Military spending must be stringently supervised by Congress and by our citizens. We cannot have it run as an open valve on our national reservoir of public funds and wealth. With proper economy, efficient methods, the elimination of waste, and some tightening of the belt of the military all around the world, more can be accomplished in producing the end-product of adequate military defense than will be provided with the continued spending of huge sums on a wasteful, inefficient basis. Our fighting men must have the best equipment and training possible, but extravagant spending alone will not produce the best. It will simply strain our economy to the point where we cannot maintain our own defenses or be of assistance to our allies.

Civilian Spending Must Be Reduced

A substantial reduction of the huge amount of civilian spending here at home must occur. One way of accomplishing this is through the elimination of a lot of subsidies, Federal grants, nonessential items, and inefficiencies in the operation of various bureaus and governmental agencies. The American Farm Bureau Federation recently requested that Federal payments to farmers be reduced to $100 million from the $256 million requested in the President's budget. It took courage and a high sense of public responsibility to make that request. That is the kind of unselfish attitude we must have in this country if we are to get back on a sane and sensible spending basis. It is unbelievable that the politicians in Congress refused to follow the recommendations of this farm group.

Many government projects, perhaps worthy in themselves, should be delayed until we have built up our military strength. Then these can be used to take up any slack which the tapering off of defense production might bring.

We are for military aid to our allies. Most of these nations, because of lack of machinery and productive capacity, and also because of the high cost of modern tanks, jet planes and radar controlled artillery, cannot quickly provide these heavy armaments entirely on their own. At the same time, no nation can stay on a dole continuously without suffering an undermining of its initiative, its self-respect, and its productive capacity. I believe that the goal of strengthening our allies can best be attained by insisting that they sacrifice, pay taxes, work hard and produce, just as much as our citizens here at home are required to do. Mutual defense can be strong only through mutual sacrifice and mutual effort.

We are for a high level of taxation in this period of national emergency. We believe, however, that taxes have definitely reached the limit, and, if extended, will surely invoke the law of diminishing returns and seriously undermine our economic strength. In five days of this year, March 17-21, the Federal Government took away from the people $5.3 billion—more than all the taxes collected in the year 1940. Federal tax collections soared to a new high of $65 billion in fiscal 1952.

Some Hard Thinking About Taxes

It is time now that every citizen of this country does some hard thinking—not just howling—about taxes. More than is generally realized, taxes—hidden and otherwise—are changing the traditional American way of life. The average taxpayer does not know how much he is being taxed, or that he is bearing the heaviest part of the nation's tax bill. Mr. Average Citizen is apt to feel that it is the big corporations and the millionaires that are paying the bulk of the taxes. Consequently, when he hears businessmen talk about the destructiveness of the present tax structure, he feels, that again, they are simply being selfish and hollering because they are being hurt.

In this conclusion, Mr. Citizen is plainly wrong. Through direct and hidden taxes, the American consumer is shouldering the bulk of the tax load. Today there are nearly 500 taxes on the construction and material costs that go into a new house. A new spring hat for a lady carries 150 hidden

Continued on page 43

*From an address by Mr. Hanes at the 1952 Sales Conference of the American Viscose Corporation, Hershey, Pa., Oct. 9, 1952.

Connecticut Brevities

The Connecticut Light & Power Company has completed the purchase of Manresa Island, at Norwalk, for $840,000. The land will be used as the site for a new steam generating station. The company has previously ordered a 75,000 kilowatt unit for this location. The new plant is scheduled for installation in 1954.

* * *

Hartford Gas Company has announced tentative arrangements for a $1,200,000 loan from **Aetna Life Insurance Company.** The loan, which is subject to approval by the Connecticut Public Utilities Commission, will be in the form of a 10-year serial note with interest at 3¼%. The proceeds will be used to cover the cost of conversion of customers' appliances in preparation for the use of a mixture of manufactured and natural gas.

* * *

Segal Lock & Hardware Co., Inc. has an option to purchase the Arrow Lock Corp. of Brooklyn, New York. Arrow produces cylindrical, tubular, and other locks of light construction. It also produces metal items related to the hardware and lock field for the defense effort. The Arrow plant will be operated by Segal to manufacture the same lines of products that it has in the past.

* * *

Stockholders of **Hendy Machine Company** approved on Oct. 6 sale of the company's assets and good will to a new corporation, **Hendy Machine Co., Inc.** Terms of the acquisition provide for payment of $25 a share plus accrued dividends of 50 cents to the Class A holders and $10 a share to the common holders. Of the purchase price of the common, $2 a share will be payable in 5% notes, $1 due in one year and the remainder in 2 years. The remaining sums will be paid at the time of closing. The company will continue to be operated substantially as before. The backlog of unfilled orders was reported at in excess of $1,000,000.

* * *

The Bridgeport Brass Company has opened a warehouse in Philadelphia to serve the Middle Atlantic area.

* * *

It is reported that Canadian, Ltd., subsidiary of **General Dynamics Corp.** has received a substantial order for trainer planes from The United States Air Force. The Canadian subsidiary would build a 200,000 square foot plant at a cost of almost $1,000,000. The new plant would be used to house assembly lines for trainer planes.

* * *

United Aircraft's new Hamilton Standard Division plant at Bradley Field, Windsor Locks is in full production according to an announcement by the company. The division formerly was located at East Hartford, Hamilton Standard is currently producing propellers and aircraft equipment for 26 types of Air Force and Navy fighters.

* * *

Stockholders of **Southern New England Telephone Company** of record October 8 are being offered rights to purchase 1 new share at $25 a share for each 9 shares owned. The rights will expire on Oct. 31, 1952. Proceeds of about $9,947,000 will be used in connection with the company's construction program which is estimated to amount to about $27,400,000 in 1952 alone.

Charles Whiting Now With Field, Richards

Charles Whiting

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Charles Whiting has become associated with Field, Richards & Co., Union Central Building. Mr. Whiting for many years was with Otis & Co.

Common Sense for the Individual Investor

CHICAGO, Ill.—The University of Chicago is offering a series of lectures, "Common Sense for the Individual Investor," by William C. Norby, Assistant Vice-President of the Harris Trust and Savings Bank. The series is planned as a practical and realistic approach to ordinary family investment situations. The subjects of the six lectures, which will be given on Tuesdays, beginning Oct. 28, are "Investment Opportunities and Risks," "Thrift Investments," "Fixed-Income Securities," "Equity Securities," "Determination of Investment Objectives," and "An Investment Program in Operation."

Cost of the series ticket is $12. No single admission tickets will be sold.

Acquires Cons. Inv. Co.

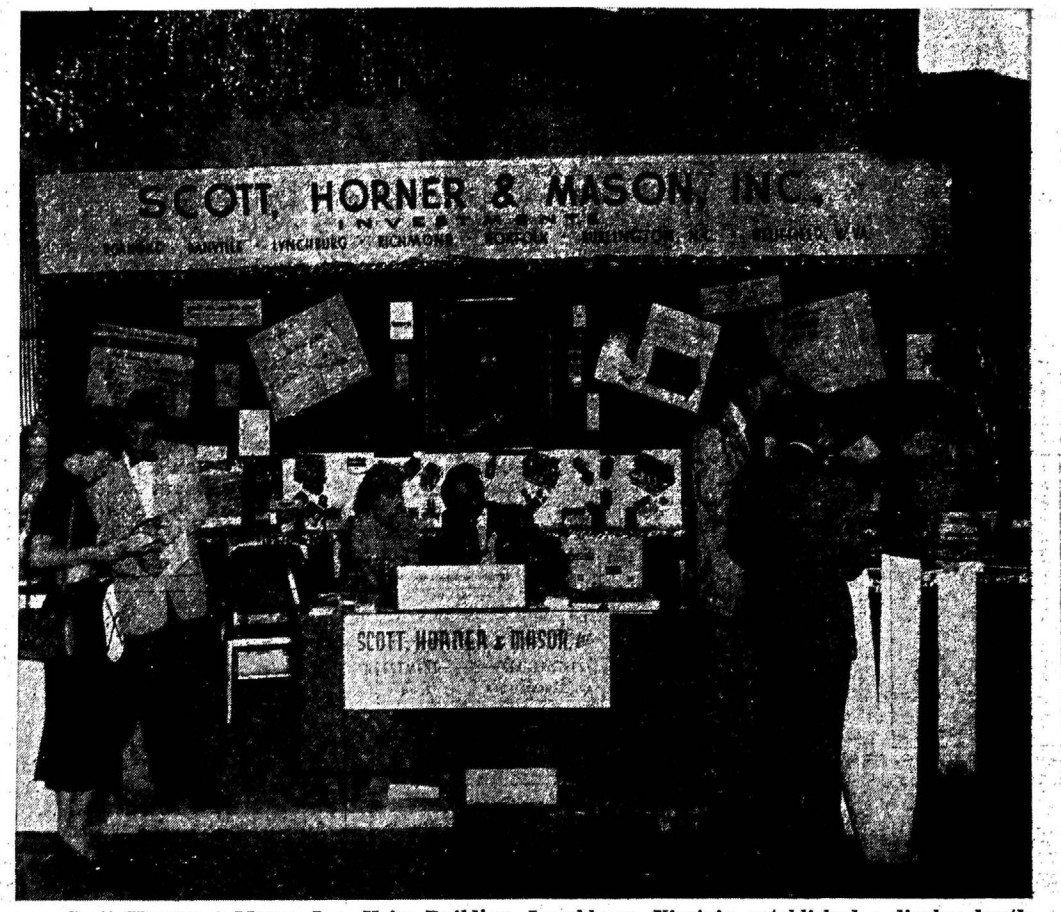
SAN FRANCISCO, Calif.—Neil T. Ferguson, President of Mutual Fund Associates, 127 Montgomery Street, has purchased the entire capital stock of Consolidated Investments, Inc. Robert J. Rankin, Stuart D. Wattles, and John Talt have resigned as officers and directors of Consolidated Investments, Inc., and the new officers and directors are Neil T. Ferguson, President; Holland C. Pile, Vice-President, and Ray E. Hummell, Secretary-Treasurer.

With Hess Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill.—Louis K. Gantz has joined the staff of Hess Investment Co. He was previously with Slayton & Co.

Scott, Horner & Mason Have Exhibit at Virginia State Fair



Scott, Horner & Mason, Inc., Krise Building, Lynchburg, Virginia, established a display booth at the Atlantic Rural Exposition, the annual Virginia State Fair, Sept. 19, through Sept. 27.

Although a low-geared promotional plan was followed, the firm reports a great deal of interest with a very large attendance at the display, and the achievement of their primary objective, which was educational.

In the photograph are (left to right): unidentified prospect; Garnett O. Lee, Scott, Horner & Mason, Inc., Richmond; Mrs. O. B. Drinkard; Brooks Monroe, Director of Public Relations, Scott Horner & Mason, Inc., Lynchburg; Oscar B. Drinkard, Secretary-Treasurer of the firm; and another unidentified prospect.

Missouri Brevities

International Shoe Corp., St. Louis, has completed arrangements for a private placement loan of $30,000,000 at 3½% for 30 years, Edgar E. Rand, President of the company, announced on Oct. 10. Mr. Rand said the loan, made by three insurance companies, will serve these four purposes: Provide additional working capital, funds for plant expansion and further development of International's subsidiary—Shoenterprise Corp.—and minimizing of short-term borrowing. Mr. Rand added: "Shoenterprise Corp. during the past two years has diverted a portion of our working capital into long-term financing of independently-owned retail shore stores. This successful venture will be expanded. The private financing was arranged through Glore, Forgan & Co., New York.

* * *

The stockholders of **Hussmann Refrigerator Co.,** St. Louis, will on Nov. 5 consider amending the certificate of incorporation to extend denial of preemptive rights of common stockholders to include an additional issue of all the remaining authorized 11,000 shares of preferred stock, $100 par value.

The **Hussmann** company has arranged to sell the said 11,000 shares of stock, to bear dividends at the rate of 4¼% annually, to Penn Mutual Life Insurance Co. if the abovementioned proposal is approved. The proceeds are to be used, according to W. B. McMillan, President, to pay for the cost of a new building and equipment to help meet demands from aircraft companies.

* * *

Anheuser-Busch, Inc., St. Louis, on Oct. 10 filed a registration statement with the SEC covering the proposed public sale by two stockholders of 356,717 shares of its common stock (par $4) through an underwriting group headed by **Stifel, Nicolaus & Co., Inc.; Reinholdt & Gardner;** and **Newhard, Cook & Co,;** all of St. Louis. Public offering price and underwriting terms will be supplied by amendment. The sale would have a gross value of approximately $7,500,000. L. Busch Faust, Vice-President and a Director, and his sister, Mrs. Mahlon B. Wallace, Jr., will offer the stock, which represents about 8% of the 4,474,000 outstanding shares of **Anheuser-Busch, Inc.**

* * *

Crown Drug Co., Kansas City, plants to offer its stockholders on Nov. 1 the prior right to subscribe for an additional issue of $250,000 4½% convertible debenture notes due Oct. 1, 1962, at par, with subscription warrants to expire on Nov. 28. The issue is underwritten by Business Statistics Organizations, Inc., Babson Park, Mass. This is the third offering of its kind, two offerings for $300,000 each having previously been made. The proceeds are to be used for working capital. **Crown Drug Co.** operates 71 stores in Missouri, Kansas and Oklahoma.

* * *

Sales of **Western Auto Supply Co. (Missouri)** during September totaled $15,532,000 compared with $13,121,000 in the corresponding month of last year, an increase of 18.4%. Sales for the first nine months of 1952 were $123,101,000 compared with $115,561,000 in the first nine months of 1951, a gain of 5.6%.

In September of this year the company operated 274 retail units and serviced 2,693 wholesale accounts compared with 266 and 2,591, respectively, a year earlier.

For the 12 months ended Aug. 31, 1952, **Laclede Gas Co.,** St. Louis, reported total operating revenues of $29,652,727, with a net income after taxes, interest, etc. of $2,212,051, equal to 73 cents per share on the outstanding 3,039,860 shares of common stock. This compares with operating revenues of $28,206,209 and a net of $2,687,422, or 88 cents per share, for the preceding 12 months' period.

* * *

Flour Mills of America, Inc., Kansas City, for the three months ended Aug. 31, 1952 (the first quarter of its fiscal year) reported net sales of $18,935,000, as against $21,895,000 for the corresponding period last year.

* * *

The assets of the **American Asphalt Roof Corp.,** Kansas City, were transferred to the Ruberoid Co., New York, N. Y., as of Sept. 30, 1952, and will be operated as the Old American Mills Division of the latter. Each share of American Asphalt common stock is exchangeable for one share of Ruberoid common stock.

* * *

To provide funds for its expanding construction program and also to retire bank loans, the **Kansas City Power & Light Co.** plans to sell an additional $12,000,000 of first mortgage bonds late this year, it was announced on Sept. 22 by H. B. Munsell, President.

Earlier this year the utility obtained about $18,000,000 from the sale of preferred and common stock. No funded debt has been issued since 1950.

* * *

Net income of **Missouri Public Service Co.,** for the first eight months of 1952 was $732,922, equal after preferred dividends, to $1.29 per share on the common stock. This compared with earnings of $569,841, or 98 cents per share, a year earlier. Total revenues were $4,894,764, against $4,379,347.

Fifty Years of a Slumping Dollar

By HAROLD STONIER*

Executive Vice-President, American Bankers Association

Mr. Stonier, commenting on decline in value of dollar in last half century, says people in general do not realize impact of inflation until it becomes a run-away matter. Questions whether bankers have right to ask customers to save their dollars when record indicates its purchasing power may decline as in past. Blames commitment to "full employment policy" along with wasteful government for inflation trend. Hold "best dollar" is one that fluctuates in value between 80% and 110%.

The word inflation has lost its punch so far as convincing most people that there is something wrong with our present-day economy. Inflation is a hard concept to personalize. People don't feel that they have inflation. It is not a disease of the human body, nor is it a crime described in statute books. When economists and others talk about inflation these days, the average man is apt to say, "So what? We never had it so good before." Older people on retirement and people living on fixed income feel the personal loss that comes with inflation, but most all other groups think that at any given time they are "enjoying inflation."

Dr. Harold Stonier

Fifty Years and the Dollar

When the Savings Banks Association of Connecticut was established 50 years ago, the purchasing power of the dollar was 150 cents in the wholesale markets of the country. In the 50 years that have come and gone since the establishment of this organization, the dollar has been worth more than 100 cents in trading power for 26 years, and for 24 years of that time it has been less than 100 cents. For the last 10 years, it has gone down from the trading power of 90 cents to somewhere around 52 cents.

When Will People Realize?

It would seem to me that people in general will not be bothered much about inflation until it takes $5 to buy a pound of butter or a quart of milk or $50 for a pair of new shoes for their kids when they start to school in the fall. That has been the experience of the ordinary people of the European countries. They continued to adjust themselves to inflationary processes until the time suddenly arrived when the purchasing power of their monetary unit was gone.

The Nickel

We have not dramatized it much, but the trading power of some of our monetary units is practically gone now. Look at your nickel. It used to be able to buy coffee and doughnuts; you could buy a couple of newspapers a day for a nickel and have a penny left over. You could always get a good shoeshine for a nickel. A good five-cent cigar became one of the slogans of a Presidential campaign a few years ago. So far as New York City is concerned, about the only real use for the nickel is to pay what used to be a one-cent sales tax. In recent times there has been a movement afoot to abolish the nickel as its sole value seems to be making change for tax purposes.

Dollars

Now all adult Americans have dollars. The average American thinks of himself as a pretty good trader with dollars. How often have you heard the statement, "I always get my dollar's worth." People see dollars; they feel them; they hoard them or put them in banks. The average American points with pride to them. In other words, he is sensitive about his dollars. But, on the other hand, our economic concepts about inflation are apt to confuse him. More talk and writing should be in terms of what is happening to the dollar and not about inflation. The average person can be made to see, I think, what has happened to his dollar; how its trading power is deteriorating; and that that power is not to be restored until he, the average citizen, is willing to do something about it.

Banks and the Dollar

In a period such as this, have bankers the right to ask customers to save their dollars when the record seems to indicate that the purchasing power of the dollar may decline in the future as it has in the past? Why not urge the individual to use the dollar now and trade it in for goods or services, for in a little while it will be less valuable than now?

Saving the Dollar

When we are in a condition as we are now where we have too many dollars as compared to goods, prices are bound to go up; and one element in a remedy of the inflationary process is to get the average man not to compete for goods with his dollar. The most dramatic thing that has happened to the dollar in the last 50 years occurred in the year 1920-21. In 1920 the dollar was worth only 57 cents, but the last part of 1921 it had jumped 34 cents in purchasing power in a year. Why did it happen so dramatically and abruptly? In writing of this period, Mark Sullivan gives the answer: In the early part of 1920, a bank teller down in Georgia showed up one morning for work dressed in overalls. His reason was that the dollars he had would not buy a decent suit of clothes. So, 30 years ago he started what became a great movement — the overall movement. Publicity spread all over the country. Office workers everywhere put away their business clothes and in cities, towns, and villages appeared in overalls. People refused to buy ordinary clothes. They precipitated a large decline in that market which in turn affected all markets, with the dramatic result that the purchasing power of the dollar rose 34 cents in a year's time. This was accompanied by a great forward movement in the production of goods following World War I, which began in 1921. For the next 10 years, we had the longest period of stability in the purchasing power of the American dollar in all the 50-year history since this association was established. The dollar stood between 91 cents and 102 cents during all that period.

Blame the Government

It would be easy in October 1952 to lay the blame for this depreciation in the purchasing power of the dollar to the Federal Government. It is, of course, true that nearly all kinds of government in America are wasteful and expensive. We are elaborate at the point of governmental services compared to what is done in other countries. But I think that in all fairness, instead of picking on any party or group of people who might be in power at any given time due to the majority votes of American people, we must also realize that we have committed ourselves to very expensive activities. First of these is our resolve for full employment. Following the bread lines of the depression of the early '30s, by action of the Congress the American people were committed to a program of full employment. During all the '30s, we created dollars in order to stimulate employment. In spite of the fact that we created all this money and in so doing depreciated the value of our dollar, we were not successful in restoring full employment, for that did not come until World War II engulfed us. Nevertheless, we set up a tremendous machinery for full emplayment and for social security after employment. That is still the policy of the nation. It is an expensive idea and an expensive piece of machinery to carry out the idea. But I seriously doubt if any political party could be elected if it denied the fundamental implications of the policy of full employment to which we as a nation are now committed.

Peace by Dollars

I believe the American people as a whole are thoroughly committed to a policy of peace as against another world war. So when we approved the United Nations, we began to put our navy in mothballs and to allow our airplanes to rust on the theory that we were dedicated to peace. So the money we were going to save on military equipment we determined to use to build up our former allies. Our dollars were to be used as an instrument of maintaining world peace. We have been committeed as a nation to this policy now for several years. From the standpoint of inflation, we not only created dollars, but we sent away goods to other nations. We brought about scarcity of goods in our own country with an increase in dollars as a result of making these goods for foreign nations. So the old law operates that when we have too many dollars and too few goods, the trading power of the dollar goes down. And yet, in spite of these economic laws, I don't know of any leader who could accumulate a following on the principle that we should do away with our attempt to buy peace with dollars. This effort became our Bipartisan Policy.

Korean Incident

The Korean incident caught us with our arms down. We had to build them up. We had to send men to far reaches across the sea. We had to maintain the validity of our commitments to the United Nations. It has been an expensive event in the realm of international understanding. But when the economic history of this period is written, I think you will clearly see another dramatic event which has transpired in this 50-year history of our dollar. In the early months after Korea, goods became less as a result of hoarding, money became more plentiful, and as a result prices shot skyward. Then suddenly, in spite of the decreasing purchasing power of the dollar, people began to save. As a result, what looked like a disastrous inflationary spiral had been avoided, at least temporarily, by the common sense of the American people who have at last seemed to heed the call of the savings institutions to put their dollars into savings accounts or other forms of savings as many and as often as possible.

How Strong Do We Want the Dollar to Be?

I think it has been clearly demonstrated that when the dollar has a very high purchasing power, we generally are in the condition where bread lines are formed and relief rolls are increased. On the other hand, when the purchasing power of the dollar is gradually deteriorating, it is generally accompanied by a period of high taxes which cause business enterprises to lose incentive to produce goods and to expand the machinery of business. The "best dollar," historically speaking, has been the dollar which has the purchasing power of between 80 cents and 110 cents. Such a dollar indicates flexibility in the economy, progress, and a minimum of waste. Such periods are generally accompanied by fair wages and a substantial rate of savings which can be invested in new plants and equipment, for to keep the purchasing power of the dollar at nearly the right level, you have got to have continually a flow of goods into the market, which can come only through constructive investment in new plants and machines as the end result of savings.

War and the Dollar

Many years ago Sherman said "War is Hell." In the field of economics, war is a great destroyer of all the fundamental principles of economic development. The Roman historian Tacitus once wrote, in describing a Roman conquest, "They created a wilderness and called it peace." That kind of peace, of course, is repulsive. And yet the modern methods and instruments of war are so much more powerful than in the days of the Romans that it could be conceived that another world war might destroy practically all the centers of production on the earth and reduce civilization itself to a vast wilderness. Then we might have peace. But who wants such "peace"?

Solution

There can be no ready solution to these problems. The most we can hope for is that we can throw our weight at the present time into working with our customers to get them to realize what they must do in order to maintain the purchasing power of the dollar, which still remains the most powerful monetary unit in the world in spite of the Canadian dollar or the Swiss franc.

*From an address by Mr. Stonier before the 50th Anniversary Convention of the Savings Banks Association of Connecticut, Whitefield, N. H., Oct. 14, 1952.

Stewart, Eubanks, Meyerson & York

SAN FRANCISCO, Calif. — Organization of the investment banking and brokerage firm of Stewart, Eubanks, Meyerson & York as successor to Stewart, Scanlon & Co., has been announced. The new San Francisco firm continues to occupy the latter's offices, 216 Montgomery Street.

Effective Oct. 15 was the admission of Paul F. Stewart to membership in the Los Angeles Stock Exchange, with continuing membership in the San Francisco Stock Exchange.

General partners in the firm, in addition to Mr. Stewart are Brantley M. Eubanks, Harry Meyerson and Palmer York, Jr. Robert H. Scanlon becomes a limited partner under the new designation.

Predecessor firms date back to 1933. In 1928, Mr. Stewart started his career in the business with Wm. Cavalier & Co., Stewart, Scanlon & Co. being organized in 1941.

James Rowley Joins Chemical Bank

James Rowley, formerly with Bankers Trust Company, is now associated with Chemical Bank & Trust Company, 165 Broadway, New York City, as assistant manager in charge of sales in the Municipal Bond Department, it was announced by N. Baxter Jackson, chairman.

Lawrence S. Pulliam On Extended Trip

Lawrence S. Pulliam of Weeden & Co., Los Angeles, and Mrs. Pulliam are on an extended trip to New York City, then on the National Security Traders Association Convention in Miami Beach, and through Mexico. Mr. Pulliam is planning to be back at his desk November 11.

New York Bond Club To Hear C. E. Wilson

Mr. Charles E. Wilson, former President of General Electric Company, will address the Bond Club of New York at a luncheon today (Oct. 16) at the Bankers Club.

Now Is the Time to Tighten-up On Mortgage Loan Servicing

By L. DOUGLAS MEREDITH*
Executive Vice-President National Life Insurance Co., Montpelier, Vt.

After describing functions of mortgage loan servicing, executive of large life insurance company points out good servicing is an important aid to an investment officer, and the present "is the time to tighten up our servicing when it is easy to convince borrowers laxity in payments will not be tolerated." Says value of statistics by servicing department gives indication of loan experience, and urges adoption of new modern mortgage practices, with aim of reducing servicing costs. Foresees probability of reduced business activity.

So many factors enter into the determination of a satisfactory and profitable mortgage loan that it becomes difficult to accord each of these attributes the emphasis it deserves. Much time has been spent over the years discussing appraisal methods, credit analysis, community analysis, loan patterns and the mechanics of servicing, but despite all of the thought we have devoted to the discussion of mortgage loans, we have been somewhat remiss in not adequately according servicing the qualitative appreciation it deserves. In the final analysis, servicing readily can mean the difference between a good or a bad mortgage loan—a virtually troubleless investment with a good return, or a bothersome investment resulting in probable loss to both borrower and lender.


L. Douglas Meredith

Just what do we mean by servicing? To my mind there are several steps in making a mortgage loan investment, and I would classify them as follows:

(1) Negotiation, or the definition of the terms of the proposal, its investigation and agreement upon the bases upon which a loan will be made;

(2) The closing of the loan, at which time we obtain satisfactory legal papers and our money is put to work;

(3) The servicing of the loan which embodies following it from the time of pay-out until the time of pay-off. The latter, in turn, entails several significant steps as follows:

(a) The receipt or collection of payments;
(b) The recording of payments;
(c) The reporting of payments to the ultimate investor;
(d) The payment of taxes, mortgage insurance premiums and hazard insurance premiums;
(e) The collection of delinquent payments;
(f) Recasting of the mortgage loan in the event of increases or readjustments, changes in rate of interest;
(g) Assistance in foreclosure proceedings if this becomes necessary;
(h) As a by-product, the development of statistical information which will be of value in the formulation of policy, and in acquainting management with the position of its assets.

Servicing is a process which involves both the mortgage banker and the investor as integral parts of a complicated, swiftly moving and continuous operation. This interdependence creates a community of interest which immeasurably enhances the value of cooperation on the part of both. The extent to which successful servicing results depends directly upon the degree of this cooperation. The investor cannot relegate to the mortgage banker the entire responsibility for servicing, but must assist the latter constantly.

Earlier I stated, and I repeat, that servicing can mean the difference between a good loan and a bad loan. If I were obliged to choose, I should much prefer to have a mediocre loan with strong servicing than a strong loan with weak servicing. Pause to consider the extent to which we rely upon the servicing process to assist us in producing a satisfactory investment record. We expect the servicing to recover for us the capital that has been placed at risk. We look to servicing for the collection of interest, or the provision of the income which makes it possible for us to produce earnings for those who have committed their funds to our care and trust. We rely upon our servicing to provide adequate records and this, in turn, makes it possible for us to discuss the respective positions of the borrower and ourselves, to substantiate our contentions in court, and to maintain the records of our business for examination and other purposes. Finally, servicing provides statistical information of great value in the formulation of investment policy.

Importance of Mortgage Banking

Mortgage banking in the past 15 years not only has increased in importance to the economy, but its nature has changed somewhat. Approximately 70% of all mortgage loans today are residential loans, and thus become an important form of consumer financing. Federal Reserve Board figures put the aggregate debt on one- to four-family houses on June 30 at $57 billion, nearly three times the $20 billion outstanding at the close of the boom of the 'Twenties. Introduction of the monthly payment loan a generation ago has served to place home buying on practically the same basis as the purchase of refrigerators, automobiles, television sets, and other articles which have been made possible for consumers largely because of the extension of instalment buying in this country. The loss record of the finance companies in the financing of consumers' goods has been prenomenal because these companies have adopted methods dictated by the nature of their business. The financing of a home on a monthly payment basis, falling within the scope of instalment financing, necessitates that we must adopt in our business, methods very similar to those of the finance companies. This means a detailed following of every item and every instalment sometimes almost with mechanical exactitude, but never failing to have at hand a generous supply of the milk of human kindness and the depth of human understanding.

Today we enjoy a state of business activity which is called prosperity by many people. Employment is full, production is great, incomes are high, wages are high, and yet some of us sense beneath the surface of this holiday atmosphere a hollowness which warns us that sooner or later this joy ride must end. The easy days will not last forever. It is when the easy days end that we shall fully appreciate the reliance which an investment officer must place upon his servicing and accounting department.

The mortgage loan business has expanded rapidly in the past decade. Many mortgage bankers now operating large businesses were too young in 1929 and 1930 to have the slightest comprehension of the problems involved in the conduct of a mortgage business during depression days. Many of them, in fact, have hardly a recollection of 1929, 1930 and 1933 when every bank in this country was closed for a few days, thus temporarily paralyzing the debt-paying ability of practically every mortgagor in the nation. I do not mean to imply that the same degree of depressed business activity will recur in the future, but you and I as realists know that sooner or later the rate of business activity will decline. Lending institutions will be obliged to rely upon many mortgage bankers new to the field and inexperienced in adversity, and at that time many mortgage bankers will comprehend more clearly my early statement that servicing is a cooperative process involving the mortgage banker and the investor.

Probability of Reduced Business Activity

The alert mortgage banker is planning upon the probability of reduced business actvity. He recognizes a state of circumstances which in the absence of careful management will cost him his business. Under depressed business conditions the volume of new mortgage loans probably will fall off sharply. Commissions from borrowers will decline and premiums from lenders will disappear. Reduced real estate activity will reduce real estate commissions in his real estate department. Lower individual incomes will increase his costs of collection at a time when the volume of business will be declining due to reduced balances, foreclosures, less real estate activity, and smaller commissions on real estate sales, to say nothing about reduced income from insurance commissions. Of course the servicing of foreclosed real estate will at that time provide some opportunity for use of facilities, but it is against days of the kind I am describing which we must now prepare.

This is the time to tighten up on our servicing when it is easy to convince borrowers that we will not tolerate laxity and that they must make their payments more promptly. Yes, there will be some resentment, but I venture that the resentment today will be far less than it will be in a period of depressed business conditions. Furthermore, by tightening our servicing today we give ourselves a degree of latitude or leeway so that we may be a bit liberal or lenient with needy and worthy cases when stringency develops.

Statistics of Servicing Department

The servicing and accounting department not only performs the functions which I have described thus far, but to my mind is one of the most valuable aids we have in the determination of policy. The gathering of statistics by the servicing department gives us a reflection of experience to date, and we best can exercise judgment for the future when we thoroughly comprehend what has taken place in the past. This statistical information can be used for a variety of purposes. It is invaluable in assisting us in selecting types of loans; it helps us to analyze the life of loans or the period of time they are on the books. If you have not studied this subject it may surprise you to learn that the life of a loan varies greatly, depending upon circumstances and conditions at a particular time. The shorter the life of the loan, the greater the expense of handling in all likelihood and, consequently, the lower the yield. The statistical experience reflected by our servicing associates helps us to select areas of lending, and is of special value in selecting loan correspondents. One of the most valuable uses which we have made of such statistics is to assist us in planning our remittances.

Over the past 10 years we have given particular study to our commitment account in order to project the rate at which our commitments will pay out. This is of special value because it enables us to determine the rate at which we can make new commitments and thus keep our cash closely invested, but not become over-invested. This practice accounted largely for our ability to continue committing on now loans last year when a tight mortgage market developed. I shall not burden you with the details, but we have a well-established procedure for making a study of this kind at the close of each month, and by the fourth or fifth of the month, at the latest, I have on my desk a projection of our cash position for at least 12 months showing what the probable cash on hand at the end of each of those months will be based upon our present commitment account and present rate of commitment. Thus, it becomes a relatively easy matter to adjust our rate of commitment to changes in our cash position. To determine this we take into account probable sources of cash, including the rate at which loans are being prepaid. We also analyze the prepayments for each month by the following classifications as reported to us by our loan correspondents:

(1) Assigned to Veterans Administration.
(2) Available funds.
(3) Foreclosure paid by Veterans Administration.
(4) Foreclosure sale.
(5) Matured loans.
(6) New loans.
(7) Property sold.
(8) Refinanced elsewhere.
(9) Transferred to real estate.
(10) Assigned to bank.
(11) Assigned to FHA.
(12) Unknown.

The latter information serves as an especially useful guide to determine whether or not our prices are in line with the market, whether or not we are keeping our loans on our books, and the degree of activity in the real estate market.

Expense of Servicing And Accounting

The servicing and accounting department is of particular significance to an investment officer because of the expense involved. For example, last year we paid $859,606 in servicing fees, to say nothing of Home Office expenses. Just think what the Board of Directors could have done with even half of this amount as an increase in dividends to the policyholders, and as encouragement to the agency field force. If, for practical purposes, we talk about a one-half of one percent servicing fee to the correspondent and a one-fourth of one per cent Home Office cost, then three-fourths of one per cent of our investment income from mortgages is consumed by servicing expenses. This represents a substantial sum of money and a significant proportion of the gross interest we receive.

Every investor must bear in mind that servicing must be profitable to the loan correspondent if the investor expects to receive quality servicing. At the same time mortgage bankers should bear in mind that an investor can obtain greater return only from one of three sources, or a combination of these three, as follows:

(1) Higher interest rates which obviously are out of our control and depend entirely upon Federal fiscal policy;

(2) The assumption of greater risk in making investments, and this is likely to be a bit hazardous, particulary during a period of prolonged high business activity.

(3) Lower operating costs, and herein lies the opportunity for both the investor and the mortgage banker.

What can we expect in servicing costs in the future? This is one of the great frontiers in the mortgage business. Machine records have accomplished a lot, but they promise to accomplish much more. This is neither the time nor the place for me to go into any detailed discussion of the mechanics of servicing, but I cite a few possibilities. One is the custody of insurance policies by loan correspondents with an error and omissions policy for the investor, which can provide substantial savings; secondly, the trend in the insurance field to cover all hazards under one policy will greatly simplify the handling of insurance policies; third, may I make so bold as to predict that one of our mathematically inclined friends some day will come up with a method of handling monthly payments which will completely eliminate the "cents" from the transaction. I recognize some of the complications which would arise under such procedure, but think of the thousands, if not millions of punches given to adding machines, typewriters and other business machines each year to record the cents, when over a period of years embraced in the life of the loan, it is difficult for me to believe that they would not average out. Fourthly, the elimination of receipts, unless requested, seemed like an exceedingly radical venture when first undertaken, but think of the saving it has effected. Fifthly, every step which reduces duplication of records and work, within the bounds of safety, in the offices of the correspondent and investor serves to reduce costs.

Modern Mortgage Practices Needed

Mortgage banking in the atomic age cannot be conducted according to the mortgage practices of the ancient cities of Ur and Rome. We conduct our business in a constantly changing world and must modify our practices and adapt them to modern conditions. The alert investor and mortgage banker not only keep pace with the times, but strive to keep ahead of them. This is the challenge of mortgage banking.

It is my fervent hope that my comments here this morning have expressed to you my own very great appreciation of the value of the work of the company's loan correspondents in servicing our portfolio of more than $300,000,000 of mortgage loans and 40,000 individual loans in 47 States of the Union, and also my appreciation of the work of my associates at the home office who day after day handle the almost countless transactions which go through our books with efficiency and accuracy. The work which they perform not only makes my job easier, but makes easier, I am confident, the work of our Committee on Finance and the Board of Directors, and makes it possible for us to do a better job for the company's policyholders to whom we in the last analysis have the greatest reponsibility. The servicing and accounting organization of every lender, though often taken for granted, is just as valuable an instrument for successful lending as an appraisal department or an analysis department, and when investment officers enjoy a good night's sleep they should not fail to give thanks to their servicing and accounting department.

*An address by Mr. Meredith before the 39th Annual Convention of the Mortgage Bankers Association of America, Chicago, Ill., Sept. 30, 1952.

Hard Money vs. Inflation

By HON. FRANCIS CASE*
U. S. Senator from South Dakota

Senator Case reviews the processes of currency inflation since our abandonment of the Gold Standard, and, though pointing out retention of Gold Standard may not have prevented inflation, it would have acted as a powerful brake against it. Says irredeemable currency leads to Government "handouts" and extravagances. Asserts New Deal Administration still holds gold in high esteem, as evidenced by Fort Knox stockpile, and lists as reasons for not restoring Gold Standard: (1) pride of authorship; (2) problem of pricing gold; and (3) inertia of Congress.

I approach the task before me this morning with humility. I am not an economist. I am not a banker. I am not a miner. I am not an engineer. For 16 years before I was elected to Congress, I edited and published newspapers. For 16 years, I have been in Congress, 14 in the House of Representatives and now nearing 2 in the Senate.


Francis Case

But I grew up in a land that is still the land of the prospector and miner—the Black Hills of South Dakota, home of the Homestake gold mine, center of an important feldspar industry, producer of lime, bentonite and cement in large mills, currently the locale of a booming search for such radioactive ores as carnotite and automitex and my home town of Custer is the site of one of the buying stations for mica, as well as the prospect for a substantial output of strategic beryl and lithium.

I admire what it took to give us the country we have. I think there was something priceless in the self-reliance of the pioneer. An early-day prospector was brought before a miner's court in my home town. He was there to prove that his stakes were properly placed on the correct corners of ground. His rival claimant sat nearby. "Now tell the court," the judge said, "just where your claim is. Describe the land of your location."

The prospector took a look about him, fixed his gaze on his rival claimant, pointed a rugged finger in that direction, and said: "My land is where the gold is and his is where it ain't."

I have always liked that story. So, I plead guilty to prejudice for the cause of the West. Without the self-reliance, the resourcefulness that the opening of the frontier and the development of the west have given to the American character, our country would not have become what it is. I only wish that some of our peripatetic peddlers of American substance abroad today had some of the salty ideas of possession and property held by the prospector in my story.

But pleading guilty of a love for and pride in the West and what it produces must not lessen our sense of responsibility to set before the nation the worth and the value of our products. I refer now directly and specifically to the contribution which hard money can make to combatting the inflation that exists.

I shall not assert that restoration of gold standard with free convertibility will totally control inflation. I do assert, however, that gold can police inflation. I assert, further, that the proper use of gold can give protection to the toil and the sweat of the working men and women of the world.

The Evidence of Inflation

Some people may deny the presence of inflation, today. Last night, Merrill Shoup of the Golden Cycle, told me that when he was in China in 1948, the exchange rate was 8 million to 1. For a $10 bill, U. S., he got $80 million, Chinese. He tipped his taxidriver $2½ million. We do not have that kind of inflation in the United States.

But within the past year, I heard a Senator presenting the military appropriation bill say that the rise in the cost of a certain airplane had cost the country more planes in dollars since the start of the Korean War than had the action of the enemy on the battlefield.

And last spring, when Thos. H. MacDonald, Commissioner of Public Roads, was presenting testimony to the Public Works committee of which I am a member, he said that in 1951, the dollar got 43c worth of construction in terms of 1939.

And if you go go shopping in Denver today, you can find shoes at $22 that you could have bought for $12 a few years ago and overalls for $4.50 that were $1.50 within memory.

And is there anyone in the room who has not winced a bit when he discovered that the $100 he got or could get for a maturing war bond would not buy today what the $75 bond cost would have bought him 10 years ago? Frany Pick, publisher of Pick's World Currency Report, has called such bonds "confiscation certificates" pointing out that those bonds 11 years ago have lost 47% in purchasing power.

So, from shoes to ships and from bonds to highways, the presence of inflation speaks up. An economist might put it in terms of graphs and curves, but, whatever the nomenclature, inflation means a dollar won't buy what it used to buy in almost every field. The exceptions are in those items where improved methods of production have off-set the increased volume of money which has been put into circulation for the production of non-consumer goods and the financing of a growing public debt.

The absence of the full gold standard, however, in my opinion, did not produce the inflation; it only removed what might have been a helpful brake, had convertibility been maintained at the time the price of gold was changed, back in 1934.

Inflation, I suppose, can be described as lots of dollars and little goods. The goods should be limited to consumer goods. Right now we are turning out of plants and factories a large tonnage of goods. But much of it is war goods produced with high dollar wages. The wage-earner making tanks does not buy tanks or airplanes—he wants better clothes or more beefsteak or a new television set. The volume of purchasing power turned loose by building war materials competes for the consumer goods produced by the portion of the population not engaged in war industries.

Inflation and Government "Hand Outs"

But this is not the only cause of inflation, although I think it is the greatest cause. Once you let government financiers find how easy it is to pay bills by printing dollars instead of producing them, financiers become politicians. They play Santa Claus. They foster, wittingly or not, the idea that government is something to live off of, instead of under. The party in power boasts what it has given to the people and soft peddles what it has taken from them or will take from their children. It becomes easy to forget that government cannot give anything to anybody it does not take from somebody.

It would be precisely at that point where hard money would protect the people. The point was neatly made in a panel discussion by Congressman Howard Buffet of Nebraska, sometime ago. He said:

"A currency redeemable in gold on demand seems to be the right on which all our freedoms ultimately rest. It enables the people silently, but effectively, to protect the fruits of their labor."

Dr. E. C. Harwood, director of the American Institute for Economic Research, has estimated that life insurance reserves, social security trust funds, individual holdings of government bonds and savings accounts total $230 billion. That is his estimate of so-called liquid savings or resources of the people. If the purchasing power of that can be stolen or reduced in the order of the 43 cent road dollar, you can quickly see why thrifty Frenchmen hoard gold. For gold is gold in France or Siam, in Bombay or London; in the days of Julius Caesar or Adolph Hitler, in

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*An address by Sen. Case before the American Mining Congress, Denver, Colo., Sept. 24, 1952.

Problems of N. Y. Stock Exchange

By RICHARD M. CROOKS*
Chairman, Board of Governors, New York Stock Exchange

Stressing service of New York Stock Exchange to the nation, Mr. Crooks reveals study of Special Committee of the Exchange to curb decline in stock exchange trading, and institute changes to encourage greater activity. Scores attacks on profit-motive as curtailment of freedom and constitutional rights, and lays major blame for decline in stock exchange operations on government regulations and taxation, particularly the Capital Gains Tax. Lists major and collateral problems now under study.

All of us here tonight have a common interest—each of us has devoted his business life to the securities industry. It's about that common interest and some of our mutual problems, that I'd like to talk with you. I hope that what I have to say will help create a closer awareness of some of the dangers threatening our industry—in particular some of the measures emanating from Washington which appear to be designed, consciously or unconsciously, to hamper our freedom of action to the detriment of the entire economy.


Richard M. Crooks

Ours is an ancient and an honorable profession. We don't have to apologize to anybody for our aims, our way of doing business, our contribution to the welfare of the nation. It's true, of course, that political opportunists have been sniping at the securities industry for a long time. And I believe we are sufficiently thick-skinned to take this sniping in stride—and for what it is—but I wonder if those gentlemen realize what their irresponsible statements are doing to the economy of our nation. I am confident you will agree that it's high time we talk back with some of our own artillery, using facts rather than theories for ammunition.

It's a matter of great pride to me—and I think I can speak for all of us when I make that statement—that the New York Stock Exchange has been in business for more than 160 years, that its roots go right down to the foundation of our country. Stock exchanges have served our nation well in the past and, God willing, will continue to do so in the future.

Certainly one of the prime factors responsible for the creation of the Exchange was the fact that a young nation had authorized—in 1789 if my history is correct—an issue of some $80,000,000 in stock to help pay for the costs of the Revolutionary War.

People then—just as people today—were reluctant to invest in securities—even those issued by the Government—without a market place where they could sell them whenever they wanted to do so. The nation's first organized securities market sprang from the concept that we still cherish today: Freedom of capital.

That's a story we're telling this month to some 40 million readers of the nation's newspapers. I'd like to tell you in advance what our October ad will say because I think it's a hell of a good description of what we stand for. Here it is:

The title is, "We Run a Free Market for Free Men." The ad goes on to say:

"Ask any schoolboy what made the Pilgrims sail to an unknown land. He'll tell you, 'They wanted to be free.'

"The same desire for freedom is in our blood today.

"The young fellow who hangs out a sign, 'TV repairs here,' is telling the world, 'I'm my own boss.' It's another declaration of independence every day the corner druggist, the neighborhood grocer unlock their doors.

"And there's another way to go in business for yourself. Since Washington was President, we at the New York Stock Exchange have been running a free market place for free Americans. Here capital—the savings of a free people—is free to go to work at whatever job it chooses.

"Six and a half million people own a piece of a business by owning shares in America's leading corporations. They are freely risking their savings in the hope of making a profit. And they are free to sell their shares at any time—and for their own good reasons.

"Call these people share owners, stockholders, venture capitalists, or whatever you want. They're Americans the Pilgrims would recognize."

Much of the criticism directed at the securities business, it seems to me, is based on some sort of moral objection to trying to make a profit. Just who would risk his capital—his savings—without the incentive of profit is a question I can't answer. That kind of thinking, though, has produced systems which degenerated into slave-labor controlled by the State.

For we know that capital, the money saved and ventured by a free people draws on men and materials to cultivate markets, create new methods, exploit the discoveries of scientists, perfect new machines and inventions. Productive capital creates jobs, new industries, profits. And we know that if the incentive of profit is taken away, capital ceases to be productive.

Condemnation of Profits Is Attack on Right to Property Ownership

Those who profess to condemn profits attack the right to own property—one of the very foundation stones of this Republic.

The Fifth Amendment to the Constitution—part of the famous Bill of Rights—decreed that: "No person shall . . . be deprived of life, liberty or property, without due process of law; nor shall private property be taken for public use without just compensation."

Last summer, an eminent clergyman—Bishop Fulton J. Sheen—developed that thought in a statement which could well be chiseled into the facades of all our stock exchanges: "Private property," he said, "is the economic guarantee of my freedom." And, he added, "so long as a man has property, something that he can call his own . . . he is free."

Unfortunately, even though law, morality and common sense agree that freedom of capital is vital to an expanding economy, this freedom is jeopardized by those who would remove the risk and keep the gain. That is a good idea which has just one drawback—it won't work.

It is just muddy thinking to hope that our national economy can ever reach maximum productivity—and that all the people can share the benefits of that productivity—if we permit only half-freedom of capital. Shackled capital cannot function properly—any more than a nation of half-free people can flourish. And it's more than coincidence that in every country where personal freedom was forfeited, it was first attacked through confiscation of property.

Restrictions on Securities Market

All of us are pretty familiar with the restrictions which inhibit the proper functioning of the nation's organized securities markets, notably the present margin regulations and the capital gains tax law.

About the best I can say for the capital gains tax is that it is quixotic, perverse and irrational. Don't get me wrong—I am not trying to damn the tax with faint praise.

The capital gains tax law stimulates the worst form of financing, which is borrowing; it penalizes horribly the small risk taker by refusing too often to allow him to take an adequate loss should his risking prove unsuccessful; and it slugs the little fellow too hard on mere illusory gains when he shifts securities for diversification.

We are trying to get the whole of America to become risk-taking partners in industry We must do that to provide for individual security—we must do it for national security. Yet here is a law which is apparently designed to discourage that process.

To top everything else, the capital gains tax doesn't even do what it was designed to do—to raise the maximum possible revenue.

The credit restrictions with which we are plagued belong to the same shadowland of unrealism. If I tell you that I consider them outrageous, you will understand that I am trying to be temperate.

The 75% margin requirement is so unrealistic and discriminating, when considered in relation to the limited use of credit in the securities markets and in relation to the credit available to the purchaser of other forms of property, that it actually seems aimed at impeding share ownership and impairing the vitality of our securities markets.

I am as firmly opposed as you gentlemen are to unbridled use of credit in the securities markets. Nonetheless, let's not lose sight of the real value represented by the shares of our greatest and strongest corporations. Now, when we're told—and I mean told—that the collateral value of, say, a share of Telephone is $39 — well, as our September advertisement said . . . "Curiouser and Curiouser . . ."

It is restrictions like that which do the most damage to the most precious asset of any market—its liquidity. For it is liquidity of a market which makes it possible for people and industry to use that market to their own best advantage and the the best advantage of our economy. The best market, of course, is one in which the wishes of the largest number of potential buyers and sellers can be most quickly learned, and where the average difference between what the buyer wants to pay and the seller wants to get is the least.

Have We a Liquid Stock Market?

How liquid is today's market? Let's look at it this way.

Presently there are 2,700,000,000 shares of 1,080 corporations listed on the New York Stock Exchange, the largest in our history. Total transactions on the Exchange thus far this year amount to around 248,000,000 shares; in other words, less than 10% of all shares listed.

Now let's take a simple arithmetical average of the ratio of share transactions to total shares listed on the Exchange from 1900

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*Remarks by Mr. Crooks at dinner given by Los Angeles Stock Exchange in honor of the Board of Governors of the Association of Stock Exchange Firms, Oct. 9, 1952.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Horace C. Flanigan, President of **Manufacturers Trust Company of New York** announced on Oct. 14 the election of George G. Walker to the Board of Directors of the Trust Company. Mr. Walker is President and a Director of Electric Bond & Share Company, and Vice Chairman and a Director of Ebasco Services Inc. He is also a Director of American & Foreign Power Company, Inc., the Schering Corp. and United Gas Corp.; and a member of the United States Committee of The Northern Assurance Company Ltd. of London, England.


George G. Walker

Appointment of William Lonsdale, Jr. as an Assistant Vice-President in the Out-of-Town Business Department, Southern-Western Division, was announced by Horace C. Flanigan, President of Manufacturers Trust Company of New York. Mr. Lonsdale joined the Trust Company in 1936 after graduating from the Wharton School at the University of Pennsylvania. He was appointed an Assistant Secretary in 1950. Mr. Lonsdale recently completed a second tour of army duty from November 1950 until March 1952. He held the rank of First Lieutenant in the Army Finance Corps.

* * *

At a regular meeting of the Board of Directors of **The National City Bank of New York**, Harold Swenson, formerly Assistant Secretary of **City Bank Farmers Trust Company**, was appointed an Assistant Vice-President of the bank. Mr. Swenson will be associated with the Overseas Division.

It is further announced that at a meeting of the directors of the National City Bank on Oct. 14 Rutger Miller was appointed an Assistant Cashier. Mr. Miller is assigned to the South American District.

* * *

The Chase National Bank of New York has announced the following promotions and appointments on its official staff, effective immediately:

New Second Vice-Presidents at the head office are James G. Baker, Edwin Cornell, Robert Faig, Herman W. Hess, G. James Hughes, James J. O'Brien, Alexander T. Quinn, Frank A. Richards, James E. Robertson, Clinton W. Schwer, John H. Stockdale and C. Jerome Weber; new Assistant Cashiers are Gordon E. Carew, Neal T. Fitzpatrick, Everett B. Kennedy, Lewis J. Smith and Noah T. Tubbs. Ralph K. Holtje was appointed an Investment Officer, Kermit W. Schweithelm an Assistant Advertising Officer, and John E. Donaldson as Assistant Manager in the Credit Department.

In New York City branches, Christian F. W. Clausen and John J. Halk are new Second Vice-Presidents, James A. Hickey and Robert Whytock are new Managers, and Howard A. Hassard, Archibald Von K. Rose and Kenneth H. Rudolph were appointed Assistant Managers.

* * *

A stock dividend of $15,750 has served to increase the capital of the **First National Bank of Huntington, N. Y.** as of October 1 from $236,250 to $252,000.

* * *

The Directors of **The County Trust Company of White Plains, N. Y.** have voted to recommend that the stockholders at the annual meeting to be held January 21, declare a stock dividend in the ratio of one new share for each twenty shares now outstanding. If the recommendation for the 5% distribution is approved by the stockholders and the supervisory authorities, the number of shares of capital stock now outstanding would be increased from 185,375 to 193,750 and the par value from $2,966,000 to $3,100,000. It was stated by officials of the institution that if the proposal is approved, the plans of the Directors include transfers from reserves and undivided profits, as a result of which total capital funds, including reserves, would be in excess of $14,400,000 as of the end of January, next. It was further pointed out that a stock dividend would provide a larger return to those stockholders who prefer to sell their new shares, while those who wished to could retain them for increased investment. In either event, the move, it is stated, would operate to strengthen the capital structure of the institution to keep pace with the increase in deposits which exceeded $200,000,000 on September 30. Quarterly dividends aggregating $2.00 have been declared during the calendar year and the proposed 5% stock dividend would be an additional distribution.

* * *

A merger of the **Bank of Hamburg, at Hamburg, New York** with the **Marine Trust Company of Western New York at Buffalo, New York**, under the title of the latter occurred on September 16. The quarters of the Bank of Hamburgh have become a branch of the Marine Trust.

* * *

Bank Item —10 — 10 — 10— 10

An increase in the capital of the **First National Bank & Trust Co. of Bridgeport, Conn.** from $2,000,000 to $3,000,000 through the sale of $1,000,000 of new stock, effective September 22, is reported in a recent Bulletin of the Comptroller of the Currency.

* * *

Girard Trust Corn Exchange Bank of Philadelphia has announced plans for enlarging its main office by taking over additional space in the bank-owned Morris Building at 1421 Chestnut Street. The entire first floor of the building, which has been occupied by the investment firm of Smith, Barney & Co., and by the center city ticket office of the Pennsylvania Railroad, will be converted into banking quarters. The adjoining wall between the Morris Building and the bank's white marble Dome Building at Broad and Chestnut Streets will be opened up. This will give Girard Trust Corn Exchange a continuous banking floor extending from 1421 Chestnut Street, around the Broad and Chestnut corner to City Hall, and then along South Penn Square. It will cover nearly an acre at the heart of Philadelphia. When work is completed late in 1953 or in 1954, the enlarged bank will have two entrances on Chestnut Street, one at 1411 and another through the building lobby at 1421 Chestnut. This will be only half a block

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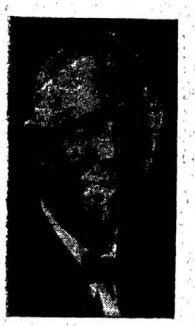
Business Profits And Taxes

By ROGER W. BABSON

It strikes me that a lot of people have some queer notions about business and profits. They don't say so right out, but they imply that there is something wrong about making money. It ought to be evident to everyone that business must prosper before anyone can profit from it.



Roger W. Babson

Surveys reveal that the average person has an entirely erroneous impression of company profits. For example, a recent sample study indicated that over 50% of the people think that company profits range anywhere from 10 cents to 40 cents on the sales dollar; and 25% think that profits are over 40 cents on the dollar; whereas the actual take, according to a sampling of companies in varied industries, is under 10 cents on the dollar.

On the theory that large profits are not a good thing, our brain-trusters in the government enacted an "excess profits" tax. The average worker's attitude toward such taxes has been one of "let them tax business. That won't hurt me any. Most companies have plenty of money these days, so soak them!" But is it true that excess taxes don't hurt the worker? Why of course they do! If a company makes a dollar and the government takes 80 cents of it, that 80 cents is gone. It has no chance to find its way into your pay envelope. But you're unionized, and you demand a pay raise anyway. You strike and you get your raise. Who pays for that raise? You do, and I do—in the form of increased costs on everything we buy. Such a tax, therefore, directly affects us.

Mortgaging the Future

I've been asked by some workers why such taxation isn't a good thing if we're all willing to pay higher prices. The answer to this question is not an easy one. As a matter of fact, the New Dealer says that inflation, heavy taxation, and deficit financing have been good for us because we're all better off than we were 20 years ago. That's where the New Dealers are smart, because it's practically impossible to prove, up to this time, that they are wrong.

A grave danger of this kind of taxation is that it penalizes a good management, initiative, hard work, proper advertising and plant improvements. Therefore, it jeopardizes your future. This country became great because of its remarkable capacity to produce. Men were willing to take risks and work hard because their rewards came in direct proportion to their success.

Do You Have a Garden?

Just ask yourself what your reaction would be if you and your neighbor had garden plots of the same size. The only difference between them was that you had your soil analyzed, spent money to build up its productivity, and toiled later nights cultivating and watering it. The result was that you had three times as much quality produce as your neighbor had. The only trouble was that you couldn't keep much of the fruits of your labor. You were too successful. You had to hand over 80% of your "surplus" to the government. In a situation of that sort, would you have a garden the next year?

I believe in the laws of Action and Reaction and Supply and Demand. Human beings, because we are what we are, cannot be forced to buy most things. There is a price above which we will not pay—at least not in a free economy. For the life of me, I cannot understand how any red-blooded American of character who wants to make something of himself would tolerate a ceiling on his opportunities. America's culture is the heritage of a free economy. Monuments built from the profits of yesteryear stand on many street corners — great research centers, scores of educational institutions, libraries, churches, hospitals. In the words of Chief Justice Marshall, "The power to tax is the power to destroy." This power is fast reaching a point where it will destroy. When prices are too high, people stop buying. This results in unemployment and further curtailed buying. Then we are headed for a "bust."

The Businessman in Politics

By LAURENCE F. LEE*

President, Chamber of Commerce of the United States
President, Occidental Life Insurance Co., Raleigh, N. C.

Industry leader asserts issue of big government and socialism has outgrown political party divisions, and therefore coming change of Administration will not reverse trend away from freedom. Hence, states while next November 4 decision is all-important for short-term, we must pitch our sights to overwhelm socialism's partisans for good and all.

This is going to be a talk about the businessman's participation in politics.

That does not imply that more of us should run for public office—although it might not be a bad idea in many cases. There is certainly no reason to shun the idea of public office just because we are in business.

Laurence F. Lee

But our immediate concern is not with the businessman as a candidate, but with the businessman's participation in politics as a citizen.

Politics means two things. It has the everyday meaning of running for office or promoting some one party ticket—but it also means—in its purest sense—the science of government.

The science of government commands our attention as it never has before. That is because we have a bigger government than the founders of our nation ever even dreamed about.

There are more civilians on the Federal payroll today than the total population of the original 13 colonies in 1776!

Now, of course, there is nothing inherently wrong in a big government for a big country. But our government has grown so big it intrudes upon our daily lives, every day, in a variety of ways.

It contravenes the spirit, if not the letter of the Constitution. It invades the province of private enterprise on a hundred different fronts; and the private power of decision becomes increasingly subservient to the bureaucratic whim and agency directive.

We have centralized authority in Washington in contradiction to the elementary principles of a republic. The sovereignty of States has been diminished, and in very large degree we find ourselves headed down the trail of socialism that other nations have followed to disaster.

We have permitted a fourth dimension to superimpose itself on our tripod form of government. The Constitution provides for a legislative, executive and judicial branch of the government. It clearly defines their separate powers.

We have added a fourth branch — an administrative branch — whose powers are quite often what it chooses to make them. Federal agencies, commissions and alphabetical contrivances have arrogated to themselves the authority of the Congress, the courts and the executive.

They have bypassed the intent of the Congress or so interpreted its laws as to enhance their own power on the one hand—and play special favorites with the other.

Usually, this has been done in the name of emergency, but nothing is easier for an appointed Federal office holder to uncover than a new emergency.

*A talk by Mr. Lee before the New York State Chamber of Commerce, New York City, Oct. 2, 1952.

Young People Indoctrinated

Meanwhile, an entire generation of young people has grown to voting age with no first-hand knowledge of anything except paternalistic government. This reflects itself in a concentration of interest on the race for President and a minimum of interest in the contests for the Congress. Some of our people seem to believe the President is the whole government.

Propagandists, in and out of government, have consistently defamed the institution of the Congress and exalted the executive agencies — whose appointed personnel never had to run the gauntlet of a free election.

Now let me make it very clear that all these things *could* have happened under a Republican administration as easily as they *have* happened under a Democratic administration. Neither party has an absolute monopoly on advocates of centralized authority and a paternalistic government. By the same token, neither party has an absolute monopoly on men who are faithful to our successful traditions and our successful economic system.

The proof of that lies in the division in the Congress where party lines have frequently meant but little in the last few years. Every question that has boiled down to an issue of free enterprise against socialism has sundered party ranks. A coalition of those who believe in private enterprise has challenged another coalition that believes in the extension of paternalism.

A mere change of faces in Washington will not in itself reverse the trend toward more paternalism and incipient socialism.

A few more years of this kind of government—regardless of the party that triumphs in November—and government will no longer recognize that it has no powers except those endowed upon it by the people.

The American system recognizes the people as master, and government as their servant. We are in imminent danger of having that relationship reversed.

That would mean the end of freedom in America. Freedom is not divisible. It involves the right of free speech, free worship and the free press. But it also involves our economic liberties. They are also human rights.

The right of property is a human right. The right to invest is a freedom, and so is the right to invest without unfair competition from government. The right to quit a job or take a job is an economic right, but it is also a human right.

The right of free decision entails more than a free choice of church or reading matter. It entails the right of free decision in the market place. Freedom in America is a blend of personal and economic liberties. In homogenized form, this blend has nourished America's success. But if we skim off our economic liberties, the remaining product lacks both flavor and substance. And more than that—it is in danger of evaporating.

The basic issue—now and in the years ahead—is freedom.

This is the challenge of the 20th century.

We in business must candidly confess that we have not done all we could do to meet this challenge.

We do vote. That is true. We do not vote 100% of our strength, but our record is superior to the record of the population as a whole. Fifty two per cent of the total population voted at least once in the last four years, but the executive and professional group turned out 75% strong.

Our group also assumes a large degree of leadership in getting out the vote. That is important, but there is something else we must do that is crucially important.

We should be in politics at the precinct level — in every community in the country. We should exercise our talents for leadership to insure that nominees on both tickets are men of sound judgment, with abiding faith in private enterprise and with no toleration for any brand of socialism—no matter how disguised.

Our aim should be to encourage the indorsement and nomination of good men on both slates. In that way, you cannot go far wrong in the final election. There is always room for differences of opinion between the two parties—but there should be no room on either ticket for the enemies of free enterprise and individual freedom.

Such men are public enemies in every sense of the word. They would destroy our competitive capitalism that is the envy of the world in favor of the welfare state idea that has never worked anywhere.

We must meet the challenge before the primary elections—and before the county and state conventions. Our basic work is in our own neighborhoods. We must attend precinct political meetings. All too often, they are attended only by the same small group of practicing politicians who choose the delegates to the county conventions. The county conventions in their turn choose delegates to state conventions, and out of state conventions come delegates to national conventions.

If we are sluggish in our political activity before the primaries, we can and often do wind up at the general election with a choice between two evils for local, state and national offices—and we are forced to choose the lesser.

Campaign contributions will not insure us a choice between men of stature and loyalty to our free economy. The greatest gift we have to give is the gift of ourselves.

Change in Attitude Needed

This calls for a change in our attitude towards politics. The businessman's reluctance to participate in politics dates back to the early days of our republic. Long before this century, he was steeped in the idea that political activity might alienate friends, customers or clients.

He was inclined to believe with Thomas Jefferson "that politics is such a torment that I would advise every one I love not to mix with it."

Jefferson never took his own advice—which was fortunate for us — and neither did Benjamin Franklin. Franklin wrote that "the first mistake in public business is the going into it," but he proceeded to stay in public business to the end of his days.

Right down through our history, the businessman has been conditioned to stand aloof from politics — and leave politics to professional politicians.

The result is that many businessmen today believe that politics are inevitably corrupt. Perhaps they feel, like Jonathan Swift, that politics are nothing but corruption.

Others take the view that political activity is far beneath their dignity. They seem to subscribe to the philosophy of Artemus Ward who said he was not a politician, and his other habits were also good.

The early nineteen thirties emphasized the businessman's aversion to political activity. The business institution was a national whipping boy. The businessman was defamed as a prince of privilege, a malefactor of great wealth, a robber-baron and a conspirator against the public welfare. The smallest merchant felt the sting of these unwarranted epithets as much as did the corporation president

Business Came Through

All this should be written off as ancient history. There is no profit in recriminations. The last World War enhanced the stature of business in the public view. When the chips were down, business delivered the goods. It rose above the smear and epithet in its response to the call of duty. It went on to production of war material with a vigor that staggered the enemies of our country and silenced the critics of business at home.

On the heels of Korea, the prophets of despair predicted that American industry could not possibly produce for both defense and civilian needs. And once again, American industry has confounded both outside enemies and home-front critics. This has been accomplished in spite of bureaucratic harassment and restrictions on production.

It is time for us to quit being bluffed out of political activity by epithets—and to halt the drift to socialism through default.

We have a simple, honest story to tell. It is a positive progressive story.

For example, we are for more take-home pay for everybody—but that cannot be achieved unless taxes are reduced.

We are for lower taxes for everybody, but that is a hopeless wish so long as government spends money like an old time logger on a Saturday night in town.

Business believes in a sound dollar. It is against inflation so business is against price controls that operate against the incentive to produce.

Business believes in a substantial, high-plateau purchasing power. So it is for decent wages, decent farm prices, and decent returns for savers and investors. These things cannot be achieved through a bureaucracy that favors one economic segment of the population to the disadvantage of the others. The competitive American economy cannot forever tolerate monopoly of any kind—whether it is business monopoly, government monopoly—or labor monopoly.

The American people are instinctively against monopoly and centralized authority, but there is a large misunderstanding of their natures. It is not always clear that the curbs on both must be developed at the grass roots — and cannot be imposed from the top on down.

National affairs, in final analysis, are nothing but the enlarged reflection of local affairs. They are best understood in terms of local interests and local problems. That is the opposite side of the same coin.

A multi-billion dollar appropriation bill has little impact on the mind when the gross figure stands alone. But if you break it down in terms of what it costs a community, the bill takes on a personal significance.

The same thing holds true for many national issues while they run the gantlet of Congressional debate. Unless they are understood in terms of local application, they are apt to be ignored by a broad mass of the public. Later on, the same people wonder what happened to them. There is a new law on the books — a law they might not have approved if they had understood its implications.

The very nature of our work forces us to follow national issues with more attention than most people give them. It should be our obligation to share our information with our neighbors. Each one of us should be a center of personal initiative to diffuse understanding of national affairs in our communities by every means at our command.

It is in our self-interest to do so—and we have the moral obligation to do so.

That is why the Chamber of Commerce of the United States regards the work of the National Affairs Committees of its member organizations as transcendent in importance.

The National Chamber in Washington siphons basic information on national issues to the grass roots — and the National Affairs Committees siphon back the local community reactions.

Then, the committee members follow through. They keep in touch with their Senators and Representatives by mail—and they contact them when the Congressmen come home. The exchange of information is important. The follow-through is vitally important.

All this helps to give the National Chamber spokesmen a special welcome in the councils of the Congress. They appear before committees in the role of consultants, not as special pleaders.

In the course of 40 years, the National Chamber has accumulated a vast warehouse of information that is constantly available to the men who make our laws—and constantly kept up to date. Members of the Congress tap that warehouse almost daily while the Congress is in session—and very often in between sessions.

The sincere, hard-working Congressman wants to know one thing above all else: "How will this bill affect the economy as a whole?"

The National Chamber makes a specialty of answering that question.

We businessmen — as individuals—must also think in terms of the American economy as a whole if we are determined to protect the opportunity for our economy to grow.

Our economic system is a robust organism. It has taken a terrific amount of punishment this last generation. Some of us may incline to the view that because we — personally — have not suffered too much from too much government that our economy could probably withstand more intrusion by controls and more invasion of the taxpayers' pocketbooks. We may take the attitude that while we disapprove of controls in principle — or excess profits taxes, for example, there is no special reason for alarm.

In one case or another, that may very well be true. But have we no one to think about except ourselves? We are only stewards here for a few short years — or custodians, if you like, of a superior system of society. Our economic system is ours only in the sense that we hold it in trust for those who follow us.

We have already established a miserable legacy for our children and our grandchildren in the form of a staggering public debt. Perhaps we can blind our conscience to the fact that our children and grandchildren must pay the debt. But can they ever forgive us if we destroy the means by which they can pay the debt?

We are a solvent nation today because of our productive power —nothing else. Our credit with ourselves is good because of that. But the road we are traveling is toward the State-control of all production—which means production on the rationed level of the socialistic nations—and inevitable bankruptcy.

Let us regard November 4 as the

all-important day in this year's calendar. Let us turn out at the ballot boxes in full strength. But let us pitch our sights over and beyond election day and prepare immediately to overwhelm the partisans of socialism for good and all.

We may be very sure that no one election will undermine the zeal of the centralizers, the controllists and the would-be nationalizers. They have infiltrated both parties. They have measured their chances and are prepared for a licking now and then. We are not dealing with fly-by-night fanatics. They are playing for long-range stakes. Power is their ambition, and propaganda is their ammunition. They are expert in its use. They are so expert that they have entrapped many sincere and decent men whose only fault is bad judgment.

We have better ammunition if we choose to use it—and to use it where it counts. Our ammunition is facts—unadorned, simple, down-to-earth facts. And the place to use that ammunition is in our home communities, our own precincts and our own neighborhoods.

The original American revolution was won by an outraged people. It was fought in the name of individual dignity and the right of free choice.

At its beginning, its leadership was entirely local leadership. The next American revolution must also be born in the communities of America. The issue is the same. Individual dignity and the right of free choice. Once informed, an outraged people will see it through —and win it as they did before.

Growing Productive Capacity Seen as Brake on Price Rises

October "Monthly Review" of Federal Reserve Bank of New York, in pointing out the recent "push" on prices resulting from strikes and wage increases, finds effective restraints in consumer resistance and increased and ever-growing capacity for production.

In an article, entitled "The Pressure on Prices," the October "Monthly Review" of the Federal Reserve Bank of New York points out, despite upward trend of prices, expected from the recent wage rises in leading industries, there are in effect effective restraints not only from the consumer end, but also from the producer end, because of the ever-growing capacity of our industries to produce.

"Current demand by business and consumers cannot compare in intensity with the surges of scare buying which followed the outbreak of war in Korea," the article states, adding: "Today, both businessmen and consumers tend to retain much of the cautious attitude in buying which they learned from their experiences in those scare-buying sprees. It is worth noting that recent shortages of some makes of passenger cars, together with the possibility of an increase in prices, have failed to touch off a buying rush. Consumers are in a much better position to defer their purchases than they were during most of the postwar period, and most of them are still extremely price conscious. Distributors have tended to be cautious in their ordering, despite their anticipation of a good fall season. Some retailers are reported to be losing sales because they are understocked."

The article contends further that there appears to be genuine reluctance on the part of some manufacturers to raise prices, even where the OPS has suspended controls or allowed a pass-through of higher costs.

"Competition is still keen," it is stated, "and the memory of last year's price resistance is still fresh. In some cases, however, the squeeze of higher costs on profits will make price increases virtually unavoidable."

Continuing its commentary on restraint on price rises, the Review of the New York Federal Reserve Bank adds:

"The major force which should keep these price increases within reasonable limits is the nation's ever-growing capacity for production. In the last few years, industry has demonstrated its ability to meet defense and civilian needs simultaneously—not only to provide both 'guns and butter,' but at the same time to expand capacity and build up inventories. In fact, we have come through a prolonged defense build-up with virtually no accumulated backlog of demand for consumer durable goods. Basic industrial capacity is still being expanded and strengthened; whether or not next year's plant and equipment expenditures match the 1952 record, they will still constitute a significant addition to facilities. At the same time it should be remembered that, although defense expenditures will continue to rise well into 1953, the physical demands which the present defense program will make on materials, manpower, and facilities are already nearing their peaks. Thus, the potentially inflationary pressure of the defense program, in terms of existing defense plans, will not continue to increase much longer, although it is expected that defense spending will remain at this high level for at least two years more."

Robert R. Read Forms Own Investment Co.

NASHVILLE, Tenn.—Robert R. Read has formed Robert R. Read Investment Co. with offices on Hampton Avenue to engage in the securities business. Mr. Read was formerly vice-president of Temple Securities Corp. and has been with Merrill Lynch, Pierce, Fenner & Beane.

Joins W. F. Rutter

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Joseph H. Greechie is with W. F. Rutter, Incorporated, 19 Congress Street.

Joins Clement A. Evans

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Richard K. Jones has become affiliated with Clement A. Evans & Company, Inc., First National Bank Building.

Joins Fahnestock Staff

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn.—Roger B. Mullins has become associated with Fahnestock & Co., 205 Church Street. He was previously with Charles W. Scranton & Co.

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As We See It

great length of time without a vigorous and sound basic economic system. Furthermore, it is our considered judgment that a sound economic system is unthinkable in this country without careful preservation of the basic principles upon which the system we now have has been built. Viewed in this way, of course, any discussion of our national security in this troubled world would have to begin with an insistent demand that we remain the United States of America that the world has so long known and so long envied.

Defense Properly Pursued

This, of course, means first of all that the defense program as such be planned and carried forward in such a way that it will neither build up a false prosperity which soon or late must collapse of its own weight, nor so burden ordinary economic activity as to stifle it. The first requirement, naturally, is that defense preparations be conducted in the most efficient manner possible—essentially the same requirement as that which imposes itself upon any business operation. We must have a full dollar's worth for each and every dollar spent to prepare ourselves against the possibility of attack. We must buy defense in the cheapest market, and must refrain from buying where it is excessively expensive. Most of all, we must be certain that it is defense that we are buying.

These generalities apply about equally to what we buy or think we buy abroad and what we fashion for ourselves here at home. For our part, we have long been convinced that waste was colossal in both aspects of our defense preparations. All too often our outlays abroad have seemed extraordinarily large and at times rather tenuously related to effective defense. We have been sentimental at times, and peoples in other countries whose fate was much more in danger than our own have taken advantage of it. Social unrest in some countries and an indisposition to strenuous endeavor—a state of mind either imported from abroad with the encouragement of the Kremlin, or else indigenous to the land in which it developed — has resulted in our subsidizing so-called social reforms and just plain indolence. In addition, unwise political policies have laid us open to hazards which have been very costly not only in treasure but in the blood of our youths.

Also Wasteful

Nor can there be the slightest doubt that defense operations here at home have been about as wasteful as they could well be. They have been managed by men who have long been inclined to boast of indifference to costs; men who have no sense of getting things done with a minimum of burden to the real life and purpose of a nation. The present Administration and those which went before never did show any understanding of or interest in this aspect of war and defense. On the contrary, they were rather inclined to glory in spending—and the Truman regime is still at it. This reckless spending of our assets is all too often viewed as a queer sort of insurance against depression. Even the exceptional men in both parties—Senator Byrd and Senator Taft, for example—have hesitated to attempt to give chapter and verse on saving in the defense program. It has been evident that they were convinced that savings could be effected, but these defense operations are highly technical and are often shrouded in secrecy, and even such authorities found it difficult to be specific without full cooperation of the military authorities.

The Republican Presidential candidate has taken a very positive position in this matter, and there is no one in this or any other land who should know more about what he is talking. The President has repeatedly of late shown scorn for those who would reduce the waste in defense. His party's candidate to succeed him has done no better. Here is a fact which the voter should not lose to sight amid all the noise and the clatter of the current campaign.

In Its Own Right

But preservation of our free, competitive system in this country is of first rate importance in its own right. Indeed it is a *sine qua non* of economic progress in the future as in the past. We wish we could assert that one or the other of the great political parties now gives clear evidence of a positive realization of this simple fact. Of course, the Democratic party for two decades has been about as indifferent to such considerations as could well be imagined. There are a few prominent members of the party who constitute brilliant exceptions to the rule, but they are of little avail nationally. We cherish the hope that the Republican party if given responsibility would do better. There is nothing to be gained, of course, by claiming that it, in strong contrast to the other major party, has in fact as well as in name been regularly concerned with a perpetuation of the system which has nourished us to greatness in the past, but we may hope. . . .

These are some of the issues the electorate must be careful to keep in mind as this campaign proceeds.

Continued from page 15

Hard Money vs. Inflation

1776 or 1849; in South Africa or the Klondike.

Gold Still Esteemed Highly in Government Circles

Now you will note I did not say in the days of Franklin D. Roosevelt or Harry S. Truman. I might have but you would not have understood me. Even in their days, however, they paid tribute to the power of gold as hardly any other President ever did. FDR thought so much of gold that troops entering German cities looked for Hitler's hidden gold as soon as they got inside the gates. And both FDR and HST have thought so much of gold that they have refused to let an ordinary citizen have any. They locked it all up in a vault at Fort Knox to create —if I may borrow a term from a discussion of the Paley report—to create a huge "international buffer stock" to honor the accounts of other nations and the citizens of other nations, denying it only to our own citizens.

Some people seemed to think the other day that the idea of an "international buffer stock of minerals" was without precedent; they were mistaken. Paley and associates could have gotten their idea from the gold at Fort Knox, but let me say to their credit that, at least as I understand their proposal, they do not propose to deny individual citizens the right to own, to buy and to employ the minerals they would stockpile, nor to restrict such rights to citizens of other countries.

To a layman like myself, it would appear that our government has been stubbornly refusing to look at the facts of life in respect to gold.

The New Deal Gold Policy

You will recall that the London Economic Conference broke down in 1933 when the President sent instructions to our representative to withdraw and not to engage in any commitments for adjusting exchange rates on the basis of gold. Our gold stocks steadily drained away, until finally slowed down by purchases above the legal rate and finally halted by an absolute embargo.

There was a lot of nonsense fed the mining industry and the public along in 1935 and 1936 about the gift of the New Deal to gold miners by increasing the legal price from $20.67 to $35 per ounce —but the cold facts are that gold was selling on the markets of the world for far above $20.67 for many months before the change in the U. S.—and for months producers in the United States were forced to take less than the world price. They were not permitted to ship it abroad.

The hard-rock producers are in the same position today—forced to sell their new gold only to the government and that at a price substantially below what it has been bringing on the open markets of the world for many months. The world market is reserved, by our unilateral action for the producers of the exchange-short countries whose budgets we balance with gifts and for the gold turned out by the Kremlin's slave-miners in the U.S.S.R.

We have tried a lot of devices in place of gold. You recall Dumbarton Oaks and Bretton Woods, the International Monetary Fund the International Bank, the Marshall Plan, the Mutual Assistance Pact, the European Payments Union, etc. We are not out of the woods yet, but we have been getting some interesting suggestions, and perhaps learning some lessons.

Last September the International Monetary Fund gave up a four-year struggle against the premium price being paid for gold in the open markets outside the United States. In 1947, the Fund had urged member countries to take "effective action" to suppress transactions at premium prices. But, "that the Fund was fighting a losing battle soon became apparent" says the National City Bank of New York in its "Monthly Letter" for August, 1952. "Despite Fund objections more and more gold flowed into the premium markets, attracted by high prices which in turn reflected the searching of people for a reliable store of value."

The Bank's "Letter" notes that by 1949, South Africa was disposing of 40% of its gold output in "fabricated art objects"—such as ash trays and paper weights—and that by 1951, over 80% of the total world gold output outside the United States was disappearing into "unreported holdings."

The Bank for International Settlements in its 22nd annual report estimated that of 4,870 millions of dollars in gold produced in 1946-1951 inclusive, 2,180 millions went into official gold reserves, while 2,690 millions disappeared, and that of this, 1,490 millions went into private hoardings. In the six months ending Mar. 31, 1952, only 2½% of world production was added to world monetary stocks.

Last September, Mr. Ivar Rooth, managing director of the International Monetary Fund, threw in the sponge and announced that member countries could decide for themselves how to implement the gold policy. And in a burst of advice, he said—

"The only dependable way of getting rid of premium markets and private holding is to create economic conditions under which the private demand for gold will become negligible. In every country, the best way to reduce the demand for gold for private hoards is to follow budget and credit policies that will give people confidence in their currency."

That, the National City Bank places alongside of a statement in the 1952 report of the Bank for International Settlements that:

"It is an object lesson for all and sundry that, if supplies of gold are allowed to move freely and if confidence in the national currencies is restored, these two factors are capable of putting an end to gold hoarding, after all attempts at suppression by means of prohibitions and controls had failed."

Public Confidence and the Gold Standard

Mr. Rooth's advice is not to be questioned. "The best way to reduce the demand for gold hoards is to follow budget and credit policies that will give people confidence in their currency"—but as is implicit in the comment of the Bank for International Settlements, the best way for a government to give people confidence in its currency is to make it freely exchangeable for gold.

And that is precisely the whole point — gold combats inflation if allowed to work. Governments must follow sounder fiscal policies when their currency is exchangeable for gold. Governments give to their people the pledge of sound financing when they will exchange gold for notes of their own issue. It is the pledge of not spending money beyond the point which current revenues and low-interest bonds will meet.

Fortunately, the world today has the example of one government that is taking this advice to heart —that is France. Premier Pinay last spring announced a gold loan, in which the purchaser was guaranteed against depreciation of the franc by promising payment in a gold coin. That at least guaranteed against loss of principal. Reports indicate that the trial was at least moderately successful, that gold has come out of hoarding to a considerable extent, and that the government is now considering a new issue in which not merely principal but interest earnings will be guaranteed in gold. Coupled with this step, the Pinay government proposes retrenchment in spending and a balanced budget. Thus, the two go hand in hand.

Reasons Against Return to Gold Standard

There are three reasons, it seems to me, why our own government does not face up to this situation. There may be more, I mention 3:

(1) Pride of Authorship.
(2) Problem of Pricing.
(3) Inertia of Position.

(1) *The Pride of Authorship:* Having spawned the idea that gold was nothing for the private citizen to have, that public debt meant nothing if the money was owed to ourselves, present government policy-makers cannot quite bring themselves to admit that they were mistaken.

Moreover, if convertibility of gold needs to be accompanied by budget balancing and the end of deficit financing, except for clearly defined defense needs, it would be awfully hard to deliver on sundry promises for social programs. Indeed, the argument has been seriously advanced that a large public debt is a good thing as a place to invest collections for social security trust funds.

Personally I have not been impressed by that argument. It has seemed to me that money is more likely to produce new wealth if invested in private enterprises; and government trusts might appreciate more if they accumulated interest from the earnings of private investors borrowing from banks than if taxes had to be raised to produce interest on public debt.

The Pride of Authorship, however serious an obstacle it may presently be, does not strike me as an insuperable one. If the policy-makers are reluctant to restore full recognition to gold, the policy-makers can be changed. The remedy there is that simple.

(2) *The Problem of Pricing:* This is related to the Pride of Authorship. It is hard to explain why the price of gold should be higher in the open markets of the world if you cling to the notion that some kind god in government at home gave gold miners a good deal in 1934. And if that myth did get a jolt when Order L-208 closed the gold mines in World War II, it still takes a little sword-swallowing to admit that inflation turned loose by deficit financing has hurt the gold miners, too.

Last night I was visiting for a few minutes with Mr. Guy Bjorge

general manager of the Homestake Mining Company. I asked him about the advance in mining costs. He gave me this example:

In 1926, Homestake with gold at $20.67 an ounce, made $1,100,000. Had they produced in 1950 exactly the same amount of gold and by the same methods as used in 1926, instead of a profit in 1950 with gold at $35, they would have had a loss of $1,500,000.

I daresay that many another mine operator in this audience could give similar figures on the effect of higher costs, higher taxes and the whole round of inflationary effects upon his own operations. But it is peculiarly ironical when the fruits of the non-convertible policy on gold clips the gold miner himself and, at the same time, denies him access to the world market for his product.

Personally I have every sympathy in the world with the wheat farmer, but this is something of a commentary on the whimsey with which policies are pursued today. The wheat grower gets the full market of over $2 for his wheat which the government delivers to an international buffer pool for $1.60 while demanding that the gold miner deliver his product to the government for $35 which it, in turn, will deliver to a foreign account at that figure plus handling and permit the owner of the foreign account to make a profit on selling in a premium market, reserved for that foreign broker and the foreign producer.

This problem of pricing is not easy—but not unsolvable. Senator McCarran of Nevada has suggested at various times that a trial period would let gold find its level. Other possibilities would include either a direct mandate by Congress, based upon staff studies in Congressional committees, or the creation of a commission to make a finding upon the basis of precise standards prescribed by the Congress.

I recognize, of course, that the Constitution states that Congress shall regulate the coinage and fix the value thereof. The use of Commissions, however, or Boards or other instrumentalities has been held to be constitutional when they were clearly designated as simply the agents of the Congress to act upon certain definite standards and to make findings within fixed limitations.

Perhaps the entire matter of price can be threshed out in the Congress but the possibility of speculation as a bill works through both houses and committees might argue for the use of the agent to make a finding upon prescribed standards.

In any event, Congressional action will be needed but it will require executive leadership to overcome the third problem I have cited—the Inertia of Position.

(3) *The Inertia of Position:* It is often said that Congress acts only when there is a crisis. That overstates the situation. But it does seem even to a Congressman, at times, that we are in the position of the old fellow who never fixed his roof. When it was raining he couldn't; and when it wasn't raining, he didn't need it.

There is another explanation, however, when it comes to this subject of the gold standard. Few people feel competent to argue about it, one way or the other. Fewer still feel a responsibility for taking the initiative; and those of us who come from mining states hesitate to advance the cause of gold lest we seem to be talking for local interests on a national problem.

The time has come, however, it seems to me, when the economist, the engineer, the financier and the miner must join hands in saying to the next Administration, whatever it may be and whoever it may include, that the welfare of the country demands recognition by the United States of the full part that gold can play in combatting inflation and in restoring economic health to the nation.

The pretense that gold is outmoded is refuted by the very searching for dependable values noted in the report of the Bank for International Settlements. The idea that it is simply another commodity is denied by the fact that people of every land will exchange labor and goods for it whether it be minted or not. Not since trade began has man found its equal as a yardstick or as a medium for facilitating exchange. All these would be points in favor of resumption of a gold standard with full convertibility.

Today, however, to all such arguments is added the need for an effective curb for the fires of inflation. Every producer in whatever field, every buyer of goods in whatever field, every worker in whatever field, will benefit if government and citizen can have the self-insurance which goes with the substantial guarantee of lasting values given in terms of gold.

With French & Crawford

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Roy W. Fincher has become associated with French & Crawford, Inc., 22 Marietta Street. He was formerly with Courts & Co.

P. & S. Tab. Comm. To Hold Forum

The Tabulating Committee of the Purchases and Sales-Tabulating Division of Wall Street, Association of Stock Exchange Firms, will hold an open forum with the supervisors of purchases and sales and tabulating departments of member firms that have a tabulating system. The purpose of the forum is to discuss mutual problems, looking toward increasing the efficiency of operations among departments of member firms.

Richard H. Stewart, of Lehman Bros., President of the Division, announced that the forum will be heal at 6 p.m. on Thursday, Oct. 16, 1952, on the eleventh floor of 1-3 South William Street.

Joins Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Anthony P. Dallinger has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 169 East Flagler Street.

With Dean Witter Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Louis W. Aidem is with Dean Witter & Co., 632 South Spring Street.

With Harris, Upham Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Richard K. Floyd has become affiliated with Harris, Upham & Co., 232 Montgomery Street.

The British Inflation-Deflation Deadlock

By PAUL EINZIG

Contending it is of the utmost importance that a distinct downward trend of prices in Britain should come about within next few months, Dr. Einzig points out it cannot safely be done by further tightening of credit, but may be accomplished by reduced government expenditures and large scale economies. Says policy of deflation might cause budgetary deficit.

LONDON, Eng.—It is of the utmost importance that there should be a distinct downward trend of prices in Britain within the next few months. Otherwise it would be impossible to induce the trades unions to abandon or even moderate their excessive wages demands. Since the employees are not prepared to concede those demands a number of major strikes might easily develop, with highly damaging effect on the British balance of payments. To avoid this it is essential that the British Government should take action calculated to bring about a fall in prices, or at any rate, to foreshadow quite distinctly an imminent fall.

Dr. Paul Einzig

The government's favorite means to that end is the accentuation of the efforts aiming at credit restrictions. To that end money has been kept tighter than before, and bill rates have a distinct rising trend. It is becoming increasingly evident, however, that the government is not in a position to go much further in that direction. For one thing, a further rise in interest rates would cause a further fall in the prices of government loans. This would be highly embarrassing to banks, savings banks and insurance companies. Their reserves have already suffered heavily as a result of earlier depreciations of their holdings of government securities, and they could ill afford additional heavy losses. For this reason alone the authorities may now hesitate before tightening credit conditions to a sufficient extent to make an appreciable difference to the trend of prices.

There is, moreover, another reason why the weapon of tight money policy is not likely to be applied wholeheartedly. It is that in existing conditions its deflationary effect is liable to defeat its object. The monetary deflation it tends to produce is liable to be offset by a budgetary inflation. A contraction of credit produces its effect on prices mainly through a curtailment of production and consumption. Such a curtailment is bound to react on the yield of taxation. Moreover, the decline of prices itself tends to cause a fall of revenue. Unless it is accompanied by a corresponding fall in expenditure a budgetary deficit is bound to arise. As a result, the money that is mopped up with the aid of monetary deflation is put back into circulation through budgetary inflation which tends, therefore, to neutralize the effect of credit restrictions on prices.

This is in fact what has been actually happening in recent months in Britain. On the one hand, the government's tight money policy is at last beginning to bear its fruits in the form of an appreciable fall of bank advances. On the other hand, in spite of this, bank deposits have been rising considerably, owing to the effect of short-term Treasury borrowing which has more than offset the effect of the fall in advances. To some degree the deficit has been due to higher expenditure on rearmament. But to a large degree it has been the natural effect of the monetary deflation drive. The authorities cannot have it both ways. They cannot expect to have deflationary reduction in production and consumption without having to face a fall in taxation receipts. Between 1945 and 1951 there was a persistent revenue surplus in excess of budgetary anticipations, because of the inflationary rise in prices, production and consumption. Now that credit restrictions have brought expansion to a halt it is necessary to envisage disappointing revenue results. Budgetary deficit is bound to increase if and when monetary deflation should make further progress.

This fact appears to conflict with all the deflationary experience of the past. There has never been any difficulty for governments to deflate effectively with the aid of credit restrictions, provided that they were willing and able to administer sufficiently large doses. Now it seems that, after all, this monetary device is not nearly foolproof. The difference between its effect before the war and now is largely due to the fact that after the war taxation has been maintained in the vicinity of its maximum limit, so that a fall in revenue through monetary deflation cannot be offset through the adoption of additional taxation. In any event in existing conditions higher taxation would cause an increase of prices and would, therefore, tend to cancel out the effect of monetary deflation. Before the war it was possible to maintain budgetary equilibrium amidst monetary deflation, through a combination of additional taxation with cuts in expenditure. Today cuts in expenditure are the only means by which the government would be in a position to pursue monetary deflation without canceling out its effect through budgetary inflation.

This brings us to the constructive solution of that inflation-deflation deadlock which seems to have been reached in Britain during the summer and autumn of 1952. The answer lies in a ruthless economy drive to ensure that the fall in revenue resulting from monetary deflation does not unbalance the budget. Up to now the extent to which the government has been able to enforce economies has been negligible. The result of the first year's economy drive has been merely the stabilization of civil expenditure (as distinct from military expenditure which is rising as rearmament is gathering momentum) in face of the higher price level. This is admittedly an achievement. It is not good enough, however, in view of the declining trend of revenue caused by monetary deflation. Much more stringent retrenchment is called for in anticipation of an accentuation of the fall in revenue as and when monetary deflation becomes more effective. Otherwise the hardship inflicted on business firms and private borrowers will serve no useful purpose, because the amounts of loans they are forced to repay to their banks will be simply reborrowed by the Treasury.

The difficulty is that, while the balancing of the budget through a higher taxation is economically inexpedient if not impossible, its balancing through a reduction of expenditure is politically inexpedient if not impossible. This, at any rate, is the position in present-day Britain. The Socialists have secured poularity through lavish expenditure, and if the Conservative Government should try to reverse this policy through a really effective economy drive it is bound to lose ground in the country. Already at the end of 1951, when the new government announced its intention to cut expenditure, it was confronted with a barrage of Socialist attacks developing into an anti-economy campaign. It is easy to imagine what would happen if the Conservatives really tried to cut down expenditure to an adequate extent.

In spite of this there seems to be no other solution to the inflation-deflation deadlock. The alternative is to abandon resistance to inflation and accept the constant rise in prices as the basic fact of the situation. This is what the Socialists have done for six years. They confined themselves to measures aiming at the mitigation of the rise, without attempting to check it, let alone reverse it. Such an inflationist policy, has at any rate the merit of consistency, if it has no other merits. On the other hand, a policy of monetary deflation combined with budgetary inflation just does not make sense. One should not be overcritical with Mr. Butler for its application, since conditions he has to face are totally different from prewar deflationary experience. The authorities can only learn the new rules through trial and error. Mr. Butler, in attempting to solve the problem by means of monetary deflation, had the full weight of opinion of academic economists, Treasury experts and bankers behind him. But now that the effect of his policy on revenue is becoming apparent it is high time for the government to reconsider its policy.

It is evident that monetary deflation in itself is not enough. Budgetary deflation must also be applied. In fact it is necessary to lay the main emphasis on budgetary deflation. This is all the more difficult as the financial requirements of rearmament are likely to increase during the next two years or so, after which they are likely to become stabilized not far below their maximum level. Moreover, the cost of old-age pensions and other social services is expected to increase gradually. It is all the more important to embark on a whole-hearted economy campaign irrespective of considerations of popularity. Should the government succeed in reversing the rising trend of the cost of living its policy would earn sooner or later the gratitude of the long-suffering consumer.

Admittedly, large-scale economies cannot be effected overnight. Under the British system nothing could be done until the beginning of next year, when the expenditure estimates for 1953-54 come to be scrutinized by the Treasury. It would be possible, however, for the Chancellor of the Exchequer to indicate in advance some intended major cuts and some principles which would be applied on the occasion of the coming Treasury scrutiny.

The foreshadowing of an effective economy drive would result in the anticipation of a reversal of the inflationary trend. This in turn might induce the trades unions to defer their wages demands in the hope that a fall in the cost of living might cause an all-round increase of real wages even in the absence of further increases in nominal wages.

Securities Salesman's Corner

By JOHN DUTTON

An Open Letter to the Members of The National Security Traders Association meeting in Convention at Miami, Fla.

The work carried on by the NSTA is beneficial and helpful to the securities industry. My suggestion therefore is in no sense meant as a criticism of your past accomplishments. It is offered in the hope that it may bring a vital and compelling matter before you. I believe it is within the scope of your activities. Also, you might do more to accomplish a desirable change in our present lax methods of reporting over-the-counter quotations in the daily papers throughout the country, than any other organization in the securities business.

I am sure that hardly anyone would argue against the fact that what is good for the men who are out "at retail" selling securities is also good for those behind the trader's desk. If they do business —you will too!

You are soon going to have a meeting in Miami, which we all know is a wonderful city, and a mighty fine place to hold a convention. When you are down there I would like to suggest that you pick up the Miami "Herald" and look at the financial page. You might do this from habit, even though there are other attractions which will probably occupy your time while you are at this convention.

After you have scanned your own particular pets and favorites listed on the Big Board and the Curb, let your eye wander down to a little column entitled "Unlisted Stocks." Underneath is a caption entitled, "Courtesy of a Leading Brokerage Firm" (name deleted here). These are a sample of some of the quotes you may find. (Date 10-9-52):

	Bid	Asked
Can. Dry Bottling Fla.	4⅜	4⅝
Cinerama	4 7/16	4⅝
Dan River Mills	15¼	15⅝
Delta Airlines	26½	27
Foremost Dairies	19¼	19½
Newport Steel	8	8¼
Portsmouth Steel	13⅝	13⅞
Steep Rock Mines	6¼	6½
Texas Eastern Trans.	17	17¼

There are others. All appear to be copied right out of the National Quotation Daily sheets. There is no mention that these are really "inside" or in effect wholesale bid and asked prices and do not allow for a retailer's profit margin. There is no information given to the uninformed public that these quotations may exceed, or be less than, the prices at which dealers in these securities may have bought or sold these stocks the day previous. There is only the **straight implication** that any investor should be able to buy a stock such as Foremost Dairies at 19¼, and sell it at 19½.

Now put yourselves in the position of the retail salesman who might wish to go out and sell some Foremost (or any other stock mentioned in such a list of quotes as the above). What will he do? What would you do? You answer it—I am sure that you know. Do you think this sort of thing will help you fellows who are making wholesale markets to develop a better volume of business in unlisted securities? And you make your living trading in unlisted securities, isn't that right?

This situation doesn't exist exclusively down here among the palm trees, retired pensioners and bathing beauties at Miami. In other papers where quotations on over-the-counter securities are mentioned, there is similar misunderstanding, and no clear method of explaining to the uninformed public just exactly what these quotes do represent even where they are furnished by the NASD.

Take It From a Retail Salesman

If you want to obtain the answers as to what should be done about this sort of thing ask your salesmen. Ask the men who go out to call upon the public, and who originate the trades that come into your desk, what they think about this whole matter of newspaper quotes on unlisted securities. I believe you will get some eye-opening answers, and also some good suggestions.

The first thing you will hear will probably be that the public doesn't understand these things. The public is still in the dark regarding the mechanics of how the over-the-counter markets operate. You are conducting your business in a vast area of misinformation and no-information.

Why don't you get some of your good brains together and set up a standard preamble that should be used to define clearly once and for all, just exactly what unlisted newspaper quotes do not represent, and what they do represent? Why not think about making it easier for yourselves instead of making it more difficult to do business? Why not suggest quotes that offer a spread that will allow for some accurate pricing by your retail departments, in line with conscionable markups, and prevailing wholesale markets? Why not tell the public the difference between an approximation of a "price range" on a stock, and a market? Why not educate properly and in line with good business, **by putting a standard, concise explanation at the head of every over-the-counter newspaper listing of securities carried in the various cities throughout the country where these quotations appear?**

I understand you have around 4,000 individual members and 30 affiliated groups from every section of the United States. There are a good many retail salesmen that would say "Amen" if you fellows could take the lead, and get some order into this whole matter of newspaper quotes on unlisteds. Possibly we could start from there and gradually improve a good many other rough spots in the pricing of over-the-counter securities **to the public.** Not the least of these being the fact that all too frequently unlisted orders are handled for the public at the same price as you traders will buy or sell to another dealer. I know that I am not alone in stating that this, too, can only harm and impede the progress of your own business. Many of the men who know the securities business inside and out, at wholesale and retail, will agree that the first step toward a better future for everyone in the unlisted business will come when there is more cooperation and less "throat cutting."

John C. Legg to Admit

BALTIMORE, Md. — Martha Buzby Legg will be admitted to limited partnership in John C. Legg & Company, 22 Light Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, on Oct. 23.

Courts Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Mrs. Carol A. Minor is now affiliated with Courts & Co., 11 Marietta Street, N. W., members of the New York Stock Exchange.

Banker Shows How to Educate Depositors On the Importance to Them of Sound Money

R. Perry Shorts, President of Second National Bank and Trust Company, Saginaw, Mich., tells depositors "sound money" is our greatest economic need and greatest economic problem is "Defense of the Dollar."

As a part of the campaign to restore sound money to the nation, R. Perry Shorts, President of the Second National Bank and Trust Company of Saginaw, Mich., has issued a pamphlet, in the form of a letter to depositors, urging them to vote for Congressmen and all candidates for Federal offices who are courageous enough to stand firmly for a sound money policy.

R. Perry Shorts

Commenting on the splendid reception his message is receiving, Mr. Shorts recommends that individual bankers publish their own dissertation on the subject and distribute it among their depositors, who are prone to pay attention to messages when signed by someone that they know.

The text of Mr. Shorts' letter to depositors follows:

To our Depositors:

When worried depositors in large numbers keep asking their banker why their savings are constantly depreciating in value, it is up to him to study the matter carefully so that he can give them intelligent answers. Banks and bankers deal almost entirely with money—and most of it is other people's money.

Knowing that something is happening in our country which is seriously depreciating the value of the dollar, we bankers have a duty to perform—and that is to inform our depositors and do all in our power to restore *sound money*. Paper money in itself has no value. It is only our faith in that kind of money which permits it to function at all.

We believe that our country's greatest economic problem right now is the *defense of the dollar*. Never before has the American dollar been worth so little as it is today. Monkey with the nation's currency and you jeopardize all values. Our money started to deteriorate in the middle 1930's when our Government took us off the gold standard and started spending in unheard of fashion—and it now appears that it can never stop it until it restores *sound money* and quits spending more than it takes in.

In 18 out of the last 21 years, our Government spent more than it took in—and went further in debt. When the Government borrows, billions of new money pour into circulation—and all dollars buy less because prices rise. We have inflation — i.e., too much money for the supply of goods. No machinery can produce goods as fast as the Government can produce money. During the last 10 or 12 years we have increased our money in circulation over three times and our production of goods only about twice—and so the dollar value has dropped to about 53 cents and prices have gone up over 75%. Furthermore, excessive Government borrowing means ever increasing taxes—and as taxes *rise*, freedom *falls*.

If this deterioration of our money is not stopped, how much will your Social Security money be worth by the time you get it—and how about your life insurance, your wages, your pension and your savings of a lifetime?

Nothing you and I buy today has risen so high as the cost-of-government. Many politicians try to tell us that this outrageous increase is due to defense spending (the *necessary* part of which we all approve), but the truth is that non-defense spending is now running over four times what it was ten years ago — and every year that the Government spends more than it takes in, your hard earned dollar goes lower and lower.

We believe that politicians of the spendthrift type who promote inflation are betraying the welfare of our people—and they don't like *sound money* because it restrains their spending. We also believe that restoring *sound money* is the only means of stopping the Government from further tampering with our money.

Dr. Walter E. Spahr, of New York University, defines *sound money* as follows:

"A sound money is that made of a metal having universal acceptability, such as gold, of which the standard monetary unit is composed, including the convenient substitutes, such as paper and other metallic money, redeemable at par in the standard metallic unit."

We believe that a stable currency is absolutely necessary for the welfare of our people and that to restore and maintain *sound money* should be our major objective today. We must also maintain the independence of the Federal Reserve System from political pressures — so that our monetary policies may not be influenced by politicians who would use our money for political purposes.

And so, let us make known to our Senators and Congressmen in Washington what our ideas are on these important matters—and let us also make certain that all candidates for whom we vote for Federal offices are *sound money* men and courageous enough to stand firmly for their convictions.

We have the grandest country in the world—and we must keep it strong and solvent.

R. PERRY SHORTS,
President, Second National Bank and Trust Co., Saginaw, Mich.

Joins A. M. Kidder Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Earl J. Bayard has become affiliated with A. M. Kidder & Co., 400 Beach Drive, North.

W. H. Heagerty Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Robert P. Woodburn has been added to the staff of W. H. Heagerty & Co., Florida Theatre Building.

Joins Security Associates

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla.—Roy W. Eldredge has become connected with Security Associates, 137 East New England Avenue.

Joins Courts Staff

(Special to THE FINANCIAL CHRONICLE)

ATHENS, Ga.—Sidney S. Thomas is now affiliated with Courts & Co., 298 East Washington St.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Limited activity within a somewhat narrower price range seems to be the present course of the government market. The pressure is still on the money markets because of the demand for funds and no immediate change is indicated. However, the realization that some of this pressure should be lifting with the close of the year is making prospective buyers of government issues more conscious of what could develop in a thin market such as this one.

Commercial banks, it is indicated, while still pressed for funds have in some instances been buyers of certain of the higher income issues because loans have not shown a continuation of the trend that has been in evidence for some time now. These institutions are said to have been pecking away at the 2⅜s due 1958, the 2¼s due 6-15-59/62, the 2½s due 1962/67 and the Sept. 2 2½s of 9-15-67/72.

The ineligible obligations have had some buying from state funds, as well as from private institutional sources. Individuals have likewise been showing an interest in these bonds.

A Professional Market

The government market continues to follow much the same pattern that has been in vogue for the past several weeks. Demand for the near-term maturities is still strong and these securities are the main feature of the market, despite the minor amount of buying that has been going on in the intermediate and longer-term obligations. Volume has improved slightly, but the market is still thin and restricted, which means it is principally a professional affair and subject to easy price movements in both directions. However, price changes have not been as sharp or violent in the immediate past, which might be interpreted as the settling down process that sometimes is a forerunner of a change in trend. Nonetheless, there does not seem to be that feeling of certainty yet which must be present if buyers are going to be attracted in a sizable way to other than the shortest and most liquid Treasury obligations.

Competitive Investments Abound

Demand for funds of institutional investors continues unabated in both the mortgage and corporate fields which means that the longer term higher yielding Government obligations have the same competition that has been present for quite some time now. Federal continues to keep the money markets tight. and even though aid has been given here and there to prevent stringencies, relief has been parcelled out rather grudgingly by the money managers. This is to keep the pressure on the money markets while the demand for loans is in the strong seasonal uptrend.

To be sure, this demand for funds should be in for a letdown in the not too distant future because the seasonal factor will be less important as the end of the year approaches. Proably the close of November should witness some decrease in the loan demand, although the increase in currency in circulation will still be a very prominent credit limiting factor in the money markets.

Higher Income Treasuries Inactive

Although there seems to be a bit more attention being given to the higher income Treasuries, there has not been any really important step-up in the acquisition of these securities yet. State funds continue to come into the market for limited amounts from time to time, and this buying has had an influence upon quotations because of the thinness of the market in the higher Treasury obligations. Private pension and trusts accounts have been scale buyers of the tap bonds here and there, but the amounts involved have been rather small and there has been no tendency to follow quotations up in order to acquire securities.

The tax switching which has been a factor in the market activity seems to have slowed down a bit, but it is expected to pick up as the end of the year gets closer. Commercial banks have so far headed the field in this type of operation, but other institutions will most likely be more active in this kind of transaction in the near future.

Bank Eligibles in Small Demand

According to rumors, some of the commercial banks have been doing selective buying in certain of the eligible issues, although here again the volume has not been very sizable. These acquisitions, it is indicated, have not been of the scale variety, but spot purchases. It is believed that the deposit banks which have been building positions in the eligibles have been disappointed with their loan trend, and as a result have been putting funds into the Government market in order to maintain income. Because of the thinness of the market for the bank obligations, it would not take very much buying to have a very noticeable effect upon quotations of these obligations. Accordingly, rather than take a chance and wait and see what might happen to prices of these issues, limited amounts of money are being put to work for what is being considered hedge or protective purposes.

Some nibbling is also being reported in the ineligibles by individuals that have been mainly in the equity market.

Joins Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif—Lovejoy M. Crawford has been added to the staff of Dempsey-Tegeler & Co., 310 West Seventh Street.

With Standard Inv.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Charles Villa is now connected with Standard Investment Co. of California, 210 West Seventh Street.

With Taiyo Securities

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Nobuo Matsubara has joined the staff of Taiyo Securities Company, 208 South San Pedro Street.

Opens Inv. Office

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — F. Bruce Maiden is engaging in the securities business from offices at 1404 Franklin Street.

Herman D. Meyer Joins Nielsen, Gordon Co.

Herman D. Meyer

Herman D. Meyer has become associated with Nielsen, Gordon & Co., 120 Broadway, New York City, members of the New York Stock Exchange, as manager of the institutional department. Mr. Meyer was formerly connected with Gruntal & Co., as co-manager of the bond department.

N. Murphy, Jr., Treas. Of Norris, Hirshberg

ATLANTA, Ga. — Norris & Hirshberg, Inc., announce that N. Barnard Murphy, Jr., has been elected Treasurer of their company.

Announcement has also been made of the removal of the firm's offices to new enlarged quarters in Suite 506, Citizens & Southern Bank Building.

With Slayton & Co., Inc.

ALTON, Ill.—Alta L. Campbell has joined the staff of Slayton & Company, Inc. of St. Louis.

With Schwanz & Co.

(Special to THE FINANCIAL CHRONICLE)

AURORA, Ill.—Farrand P. Hollister has become connected with Schwanz & Company, Inc., Merchants National Bank Building.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Marion W. Vorbeck is now with King Merritt & Co., Inc., 1151 South Broadway.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif. — Gene K. Rouse is now with Merrill Lynch, Pierce, Fenner & Beane, 575 East Green Street.

Public Utility Securities

By OWEN ELY

St. Joseph Light & Power Company

St. Joseph Light & Power Company became independent in March 1950, the stock being distributed to holders of United Light & Railways in a 1-for-10 ratio; the stock now is owned by over 5,000 holders in 48 states and several foreign countries. The company, operating in northern Missouri, has annual revenues of about $6.5 million. The service area is approximately 2,300 square miles with a population of 160,000. Retail electric service is supplied to 37 cities and towns together with smaller communities and rural areas. There is also a small amount of wholesale business to rural electric co-ops, etc.

St. Joseph, the principal city served and the third largest in Missouri, has a population of over 93,000 on a metropolitan basis. It is located on the Missouri River in the middle of a prosperous agricultural area. It is one of the 12 primary grain markets of the country, with large storage facilities, and also ranks seventh as a livestock market, having handled an estimated $197 million of livestock in 1951. It is also an important center of communications by rail, river, highway and air. An area within a 100-mile radius of the city had about $700 million crops and livestock in 1950. Farm industries account for two-thirds of industrial electric sales, and include meat and poultry processing, flour, feed and grain milling, and cereal, soybean, and animal serum, plants. The other one-third come from diversified light industry, including stationery, brewing, candy, clothing, structual steel, steel foundry, battery cable, chemicals, brick and tile, paper and wood boxes, electric Christmas decorations, wire rope, pipe line pumping, railroad shops, etc.

Revenues for the 12 months ended June 30, 1952 were 74% electric, 12% industrial steam and steam heating, 2% gas and 12% transit. Electric revenues are 31% residential, 27% commercial, 23% industrial and 19% miscellaneous. St. Joseph's plant is quite modern, more than half having been built in the post-war period. About 37,000 KW electric generating capacity was added, more than doubling the company's generating capacity and providing about 40,000 KW interchange capacity with the Power Pool.

This Pool is maintained by the old United Light group under a 25-year agreement which includes (in addition to St. Joseph) Iowa-Illinois Gas & Electric, Iowa Power & Light, and Kansas City Power & Light. The Pool now has a reserve capacity of nearly 23%, which is more than normally needed. Also the United Power Pool has now become a part of the larger Mid-continent Power grid with a total capacity of about 2,500,000 KW. All this means that St. Joseph will probably not have to add new capacity until some time between 1955 and 1957.

The company's electric and steam plants are partially fueled with natural gas supplied by contract on an interruptible basis; during 1947-1950 gas supplied about 59-86% of fuel requirements. Oil was used as standby fuel and the wide variation in the price of oil had an adverse effect on earnings. By a series of rate changes approved by the Missouri Public Service Commission and completed by the end of 1951, the company can now recover about 90% of the increased cost of fuel. Moreover, new boilers installed in 1950-51 were equipped to burn gas, coal or oil, giving the company greater flexibility as to fuel. Through the aid of these measures the effective price of fuel used in the last two years was stabilized at about 16¢ per million BTU.

The company has not as yet realized the full economies resulting from the construction of new generators, and these should be realized more fully in 1953. Complete details with respect to generating and other costs are available in a descriptive booklet presented to members of the New York Society of Security Analysts in connection with President Semrad's talk on Oct. 1.

While the company's regulatory relations with the City of St. Joseph and the Missouri Public Service Commission (with respect to transit and electric operations) have been somewhat complicated, the Commission granted a 10% increase in most of the electric rates in November, 1951, estimated to be equivalent to about 50¢ a share on the common stock.

The common stock has been selling recently on the New York Stock Exchange at 27, this year's range to date being 28⅝-24½. Based on the current dividend of $1.60, the yield approximates 6%. Based on the earnings of $2.11 in the 12 months ended June 30, the price-earnings ratio is 12.8 and dividend payout 76%.

Batkin & Co. Offers Southcam Pet. Shares

Batkin & Co., New York City, are offering publicly 530,000 shares of common stock (par 10 cents) of Southcam Petroleum Corp. at 50 cents per share. These securities are offered as a speculation.

The net proceeds have tentatively been allocated to completion of the company's drilling program in Caddo Parish (La.), Stonewall County (Tex.) and Okmulgee County (Okla.) and for working capital.

The corporation was organized in Delaware on Sept. 8, 1952 for the purpose of engaging in all phases of the oil business, and more particularly, to acquire and exploit leases covering certain properties in Tom Green County, Texas; in Stonewall County, Texas; in Okmulgee County, Okla.; in Medina County, Texas; and in Caddo Parish, La.

Gude, Winmill Admits

Gude, Winmill & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Helen Clark Hughes to limited partnership Oct. 23.

Now Brennan & Company

ST. LOUIS, Mo. — The firm name of Brennan, Kinsella & Company, 418 Olive Street, has been changed to Brennan & Company.

Joins Rex Merrick Staff

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif.—Blaine M. Rex has become associated with Rex Merrick, 22 Second Avenue.

Charles A. Kollstede

Charles A. Kollstede, limited partner in Goodbody & Co., passed away Oct. 5.

Continued from page 7

Wanted—A Medium of Exchange Between Workers and Management

building. Of course, the foreman couldn't take care of the hiring and firing for the larger establishments; in fact, he was no longer the foreman, for by now the was called Superintendent. So they got a personnel man. Now, when a fellow wanted a job, he no longer went to the boss. He didn't even go to the Superintendent; instead he went to the employment office where he was thoroughly investigated, and if he got the job, he was handed a slip of paper and told to report to Gate Seven at Plant Number Two. And now. whenever a fellow felt he had earned an increase, it could no longer be arranged by casual discussion with the foreman; the foreman had to fill out a form which then was sent "through channels" to the Superintendent's office where the case was decided on the basis of "company policy." The foreman no longer seemed to be a direct link with the boss. There no longer seemed to be anyone with whom the men could discuss their problems and get a direct answer.

And what was the big boss doing now? Well, because he had to spend so much time in the city, he had rented office space there. It was a handsome building, and the boss had a nicely furnished office. The men back at the plant would have been proud of the place—except that they had no opportunity to see it.

"Boss" Now Separated from Workers

And how often did the boss have lunch with the men nowadays?

Not ever—in fact, he seldom found time to visit the plant.

Once a year he made an annual "tour of inspection" when everything and everyone were all shined up for his visit.

Did the boss still know the workers' families . . . or their problems? Did he still visit in his employees' homes? Did he know when Johnny or Pete was to graduate from grade school, or when little Elsie fell and broke her arm?

How could he? He did not even know the names of the men, much less the names of their wives and children. By now he had a secretary for his secretary — and he wasn't really sure of her name.

The Superintendent and the several foremen, they too had changed. Did they know the men who worked for them? Did they ever visit the homes of the men? Occasionally—but in the main it didn't matter. A foreman or superintendent was no longer a symbol of final authority. The foreman alone couldn't hire or fire. He couldn't talk directly to the boss about a raise, or a day off for Joe whose wife was ill. He was no longer a direct link between the men and the boss. The specialists had moved in. All the foreman could do was lay out the work assignments.

Now, how did the men feel about this? Had they a feeling of personal loyalty toward the boss? How could they? To them, "the boss" had become that slip of paper that told them to report to Gate Seven at Plant Number Two. To them, too often "the boss" was an impersonal someone who lived in a world about which they knew nothing, and when "the boss" spoke, he did so only in the impersonal voice of "company policy."

Of course, the tragic thing about all this was that the boss failed to realize what was happening. He thought he was doing real well by the men. They worked steadily. He paid good wages. The plant was modern and safe. The working conditions, he was advised, were "good." He paid for the employees' picnic every year. Unfortunately, a free bottle of beer and a day off do not take the place of sympathetic understanding when we humans have problems. Does an annual soft ball game or a corn roast take the place of a pat on the back from the boss when you've done an outstanding job? The answer is obvious.

And then one day a stranger walked into the plant and said,

"Look—You've been slaving for a guy you never even see.

"He doesn't particularly care about you. He's busy getting rich, and you can't even get in to see him about a raise."

Of course, the reason the men never saw the boss was that the boss was having troubles of his own — troubles trying to borrow money to meet inventory needs—trying to keep enough working capital to meet the weekly payroll — fighting for orders — worrying about the availability of raw material — worrying about depreciation and taxes and money for new equipment, most of the cost of which had to come out of so-called "profit." But the men didn't know that. Somehow no one had ever thought it was important they should know.

The stranger told the men that he could arrange to get in to see the "big boss" if they would back him up. If they'd do what he told them, he promised to get them everything they wanted: a raise, shorter working hours, longer vacations, pensions, hospitalization, and many other things.

In many instances the men went along with the stranger.

The rest of the story is painfully familiar. In building this great industrial machine of ours —a machine that has done so much good for each of us, for all of us — we have inadvertently sacrificed a priceless ingredient—our "medium of exchange"—the opportunity for direct contact between employee and employer.

A Parallel With Big Government

A parallel with big government may be drawn to help us see this situation even more clearly.

You have all had some sad experiences with the storm of questionnaires and form letters which have descended on us since government grew big; the lack of personal interest—the contradictory directives — the fallacy of executing "policy" strictly to the letter, regardless of the particular conditions surrounding a given case. These problems arose when government lost touch with the people.

It used to be that we knew our representatives in government and they knew us. We knew our Congressman — knew his background — knew what his ideas were—knew how he felt about various issues. We had Town Meetings where people could participate in government at the ground-floor level. We listened to debates between candidates and enjoyed an excellent opportunity to judge a man on his merits and to learn where he stood on important issues; the candidates, in turn, learned to understand, appreciate and represent the concepts of the people. There was not much room for sham here. Insincerity tended to stand out like a purple necktie worn with a green suit.

And then — government itself grew too big. We developed big city "machines." It was no longer essential for a candidate to appear at meetings, shake hands and kiss babies. The newspapers and the radio carried the messages which had been manufactured for him by "the machine."

The result? People lost interest in government — much to their detriment. They no longer knew the men who governed them. Apparently it mattered little for whom one voted, or if one voted at all.

Men are not all alike nor do we think alike. We must not forget this, and we must learn to know the men who represent us in government and what they stand for, and what they will not stand for, and they must get to know us, if this nation is to survive as a free nation.

Today, thanks to science, we are getting to know our candidates better, and they, to a degree, at least, are getting to know us better—to know how we really feel and what we really expect of them. We now have more than 18 million television sets in this country, and on the screen we can see our candidates much more as they really are. We know what our candidates look like and how they act, and we can begin to judge what they are. Insincerity on television can be more readily spotted. They, in turn, have come to realize this and once again men are being selected who can stand the security of the individual voter.

Unfortunately for us in business. the magic of television does not fully meet our need, although in my company we have used radio to reach certain segments of our employee family, and we have set up closed-circuit inter-city phone conferences with our sales people to keep them abreast of important development so that they might better represent us in their contacts with our customers.

I believe, though, that we must find a direct way to re-establish the vital personal relationship which seems to have slipped away. We must realize that through the years, employees lost interest in the boss largely because he seemed to lose interest in them. We all know how this happened, but that doesn't alter the fact, and that doesn't lessen the responsibility which we who have the opportunity to correct this condition must shoulder. I know, too, that the boss creates the business that makes the employees' jobs possible, and for that reason, perhaps, they owe an obligation to him and to the company. But in this day, we must recognize that his obligation to them is equally important. And. as a matter of hard, cold dollars and cents, it is even more important for the very basic reason that a man who likes the boss and the company—a man who is encouraged — is capable of more and better things than one who is not.

When I was a youngster at one of the mill offices, there was a framed original of a front cover from the magazine "Punch." It showed a smartly-dressed young lady beside a very handsome young man driving a big, powerful roadster. They were driving very fast along a wide paved highway. You could tell to look at them that they were exhilarated by the speed of the car and intoxicated by each other's company and the beauty of the scenery—so much so that they failed to notice a little sign posted beside the highway which read—"Bridge Out — One Hundred Feet —This Road Ends In the Creek."

That's where we are. The road we're on is paved. If we don't want to end up in the creek, we must turn around and retrace our steps, back to where we left the main highway which leads away from Socialism and toward all that has made America great.

I believe there is a way back.

Perhaps there are several ways. I believe that we can find the right road and I, myself, am trying very earnestly to get back on that road, and am trying to get my staff on it also.

First of all, we must determine for ourselves how serious this problem has become within our own organization. I suggest we ask ourselevs — "How well do I know the people on my immediate staff? Have I ever met their wives? Do I know where they live . . . how they live? Do I know anything about their youngsters . . . their names and approximate ages? Do I know the name of the dog?" Gentlemen, if you have to hedge any of those questions—it is time, and there is time, for you to act.

A friend of mine, who is president of a large corporation, recently visited one of their largest plants. The superintendent was rightly proud of the operation. When the plant inspection trip had been completed, the president was shown through a new office building. As they entered the superintendent's outer office, attention was called to the furnishings, and the fact that the building was air-conditioned. There were only a few employees in the office but as they passed from employee to employee, the superintendent had to ask each person to introduce himself. Later, when they were alone, the president said — "The furniture here is beautiful, but I'm not interested in furniture. I'm interested in people—and you did not know the names of all of the people comprising your own detail staff. We're in business with people; the people we buy from, the people we sell to, and, equally important are the people who work for us. Never forget that it takes all three to make a successful business; and if you lose the respect of any one group, the chances are that you will lose the respect of all three."

I recognize the impossibility of your knowing, personally, the hundreds or the thousands of people in your plants. I recognize that it may be impossible for you to know the names of all the clerks and stenographers who work in your office. But you can through your chains of command—through sound organization—win their respect and abiding loyalty. Organization — cohesive, smoothly-functioning organization—has made our material progress possible. It has made our vast industrial output and our far-flung distribution system possible. The same organization, if we avail ourselves of it, can be used just as effectively to promote a "family" feeling within a business—to keep employees informed and attuned to our objectives.

But how do we start—where do we start? For one thing, get to know those whose daily assignments bring them in touch with you. I mean really get to know them! They, in turn, following your example, can and will carry that relationship down through ranks and get to know their associates.

If your assistant is a good assistant—and he must be or you wouldn't have him — invite him and his wife to have dinner with you. The time it takes will be an important investment for you and for your company. Ask about his youngsters, his problems, his hopes and fears. Show genuine interest in him and his family.

Finally, when those who work for you invite you to their homes —here, truly, is your golden opportunity. For here you can get to know and be known by those who exercise a great influence on those of your associates without whose loyalty no business, large or small, can hope to succeed.

I know all too well that "business is business"—that operating a business, or a department, or a sales territory is arduous. I know all about pressures—the rush jobs —the difficult customers. But this relationship between employees and employer meliorates such situations. It is fundamental, and it is necessary if we are to continue to enjoy the free competitive enterprise system which has done so much for America and for you and me.

We are in business with people —not numbers, not statistics, not graphs nor progress reports. In the final analysis, even charts represent achievements of people. And while the charts are helpful, it is far, far better to know the people themselves. In other words, give employees a chance to take an interest in you and in your business. Give them a chance to be proud of the company they work for, let them know that they really belong . . . that they are really important. But most important . . . get to know them.

As I have pointed out, your industry, more than any other, made possible the great industrial machine that exists today by freeing the farmer from his back-breaking drudgery—by releasing farm labor for employment in manufacturing enterprises.

If the thought that I have presented to you seems valid—if you agree that it is important that we recapture this lost medium of exchange—may I be so bold as to hope that your industry will be in the vanguard of those who will do something about it.

And it is important that we re-establish this relationship. It is vitally important if we don't want to lose contact with our people. It is desperately important if we want to re-establish a spirit of co-operation—a feeling of teamwork between workers and management. And may I say that it is supremely important if we are to continue to direct our enterprises in the atmosphere of freedom in which they have flourished and grown to their present size and have achieved such a huge measure of success.

This is an invitation, then to you members of the farm implement industry, to join in rediscovering that precious "medium of exchange" in employee-employer relationships, an important characteristic of American business that we have lost for just a little while, somewhere along the way.

Railroad Securities

Western Pacific

One of the features of the market in the last couple of weeks has been Western Pacific common, selling up into new high ground while the rest of the market was stagnant to soft. The renewed interest in this stock has been based largely on hopes and expectations that the Supreme Court will shortly hand down an opinion refusing to review lower court decisions in the litigation with the old holding company over certain tax benefits amounting to $10,100,000. It is possible that by the time this column appears the Supreme Court decision either to grant or deny *certiorari* may already have been handed down.

So far the lower courts have found in favor of the railroad company, ruling that it is entitled to the money. Pending final disposition of the case, however, the money itself has been held in reserve. Refusal of the Supreme Court to review the case would allow release of the funds for the railroad company's use. The general opinion among analysts has been that if, and when, the money is made available it would be used in connection with a refunding of the preferred stock. This stock is outstanding in the amount of 318,502 shares and is callable at $100 per share. It is felt that if $10,100,000 were used to reduce the issue the remainder might well be refunded with a $20 million bond issue.

Such an operation would materially enhance the position of the 528,899 shares of outstanding common. For one thing, it would reduce the annual charges coming ahead of the common. Probably more important would be the elimination of the participating feature of the preferred. This has long been considered as a serious deterrent to any increase in the common stock dividend. As it is now, the preferred participates equally in any dividend in excess of $3 paid on the common in any one year. Since the reorganization was consummated the common has been on this regular $3 annual dividend basis.

A number of railroad analysts have been inclined to view the recent sharp advance for Western Pacific common as perhaps premature even though the long-term prospects are looked upon as most favorable. The property is fundamentally a highly efficient operation, with heavy density of freight traffic, a relatively long haul on the bulk of its business, and a minimum of branch line operations. Also, it operates in a territory having outstanding growth characteristics. Nevertheless, for the present it is pointed out that even if the Supreme court decision is favorable it would take some time to work out a refunding of the preferred. Also, even if the preferred participation feature were eliminated there is considerable question as to the adoption of more liberal dividend policies over the near and intermediate terms because of the still heavy capital improvement needs of the property.

So far this year Western Pacific has not done particularly well from an earnings standpoint. Early in the year the road was hit hard by heavy storms. West Coast ports were tied up by a shipping strike which ran well beyond mid-year. The steel strike disrupted operations in the Geneva-Provo mills which are an important traffic source. Finally, in August the line was tied up for more than a week by a fire in one of Feather River Canyon single-track tunnels. Reflecting these extraordinary external influences, and even though passenger and other non-freight revenues were up, gross for the eight months through August was off a little more than 3%. The outside influences affecting revenues also involved an increase in costs. The operating ratio climbed more than 6 points above the level of a year earlier and net income declined approximately $1½ million, to $3,152,851. The outlook over the balance of the year is much more favorable, but even at that it seems likely that common share earnings, allowing for the preferred participation feature, will be down to around $6.50 compared with $7.95 on the same basis for the full year 1951.

With James E. Bennett

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill.—Paul R. Schuette has joined the staff of James E. Bennett & Co., 510 Main Street.

With Barrington Inv.

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Denis U. Gosselin is now with Barrington Investments, 390 Main Street.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Dividend news continues to dominate the interest of investors in New York City bank stocks.

Within the past ten days the National City Bank of New York announced that it would pay, subject to stockholders' approval in January at the annual meeting, a stock dividend of one additional share for each 24 held.

This action came shortly after the increase in the Chase National dividend from 40 cents quarterly to 50 cents. It coincided with the publication of operating results for the September quarter and an increase in loan volume at New York banks to a new record.

Thus, these events served to focus attention on the current earnings of the banks as well as the prospects for the current year.

The figures for the third quarter of the current year and for the nine months to September 30 are indeed interesting.

In the first place they show the steady improvement in earnings which has been taking place. In some cases the gains are rather surprising. In the second place they form a basis for estimating the results to be realized this year.

For these reasons the operating figures on a per share basis for the first nine months and for the third quarter of 1952 compared with those of 1951 are shown below. Where operating earnings are not available on a quarterly basis the indicated earnings as determined by changes in book values and dividend payments are presented. Also shown in the table are the operating earnings for the full year 1951.

	Operating Earnings				
	9 Mos. to Sept. 30		Third Quarter		Year
	1952	1951	1952	1951	1951
Bank of Manhattan	*$1.64	*$1.58	*$0.57	*$0.52	$2.37
Bank of New York	19.81	18.42	7.22	6.02	25.21
Bankers Trust	2.90	2.37	0.96	0.76	2.95
Chase National	2.48	2.00	0.87	0.69	2.88
Chemical Bank	2.98	2.53	1.03	0.84	3.29
Corn Exchange	3.68	3.37	1.24	1.16	4.68
First National	*17.58	*18.61	*5.20	*5.74	21.69
Guaranty Trust	15.30	13.45	5.20	4.59	17.66
Hanover Bank	*4.25	*4.20	*1.45	*1.40	6.53
Irving Trust	1.20	1.03	0.41	0.38	1.55
Manufacturers Trust	3.88	3.64	1.30	1.24	4.96
J. P. Morgan & Co.	15.52	11.86	5.98	4.72	15.92
†National City	2.88	2.47	0.95	0.86	3.51
New York Trust	6.49	6.18	2.21	2.15	8.09
Public National	2.67	2.90	0.96	1.00	4.02
U. S. Trust	*13.94	*12.86	*4.52	*4.38	17.80

*Indicated earnings. †Includes City Bank Farmers Trust Company.

In reviewing the above comparisons it should be remembered that last year in the third and fourth quarters the banks were required to provide for the retroactive tax increase which became effective in October. While some institutions allowed for this liability in their third quarter results, others waited until the final period to provide for the increase when the details of the revenue act become available.

This year, of course, the banks will not be confronted with this necessity. As a result the quarter by quarter gains in operating earnings, which has prevailed so far, should continue into the final period.

It is interesting to note in the above figures that several of the banks have earned almost as much in the first nine months of 1952 as they did in the full year of 1951.

For the 16 banks listed only two report lower earnings for the third quarter and for the nine months. Most others showed sizable gains. Results for the third quarter were generally the best of the year.

Based on the earnings reported so far and considering the outlook for the remainder of 1952, there is little doubt that operating results this year for the New York banks will show a substantial gain over those of 1951.

Fusz-Schmelzle Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Herbert E. Schmitt has become affiliated with Fusz-Schmelzle & Co., Boatmen's Bank Building, members of the Midwest Stock Exchange.

Financial Inv. Service

PHILADELPHIA, Pa. — Financial Investors Service Company has been formed with offices at 123 South Broad Street, to engage in the securities business. Arnold Jay Adelberg is a principal of the firm.

Now Baxley & McKinney

GAINESVILLE, Fla.—The firm name of Harris & McKinney, Professional Building, has been changed to Baxley & McKinney. William H. Baxley is a principal in the firm with Howard T. McKinney.

With Hincks Bros.

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Mrs. Sigrid B. Bisset has joined the staff of Hincks Bros. & Co., Inc., 872 Main Street, members of the Midwest Stock Exchange.

ROCKFORD SECURITIES DEALERS

Annual Outing September 26th

Front: John Arthur, *David A. Noyes & Co.*, Chicago; William Strasser, *Lee Higginson Corporation*, Chicago; William Anderson, *Lee Higginson Corporation*, Chicago; David Burke, *Blunt Ellis & Simmons*, Chicago; A. J. Cavanaugh, *William A. Fuller & Co.*, Chicago. Rear: Douglas Hooth, *Lee Higginson Corporation*, Chicago; Harold Barclay, *Barclay Investment Co.*, Chicago; Frank X. Cummings, *Bear, Stearns & Co.*, Chicago; Leo Reynolds, *Dempsey & Co.*, Chicago

Front: Forest G. Thorne, *Hugh W. Long & Co., Inc.*, Chicago; Roy Boeman, *Reynolds & Co.*, Aurora; Charles H. Eldredge, *Eldredge, Tallman & Co.*, Chicago. Rear: M. G. H. Kueckle, *National Securities & Research Corp.*, Chicago; C. H. Redfield, *Sills, Fairman & Harris*, Chicago; Richard Platt, *Vance, Sanders & Co.*, Chicago; Paul R. Soule, *Lord, Abbett & Co.*, Chicago; Carl A. Hartwig, *Link, Gorman, Peck & Co.*, Chicago

Front: Richard G. Olson, *King, Olson, Surprise & Co.*, Rockford; Clarence E. Mailander, *Blair, Rollins & Co., Inc.*, Rockford; Robert Crumb, *Robt. G. Lewis & Co.*, Rockford; John C. Ralston, Jr., *Ralston Securities Co.*, Rockford; S. A. Sandeen, *S. A. Sandeen & Co.*, Rockford. Rear: Albert E. Surprise, *King, Olson, Surprise & Co.*, Rockford; Fred M. Johnson, *A. C. Allyn & Co.*, Rockford; Boyd J. Easton, *Boyd J. Easton Co.*, Rockford; Paul E. Conrads, *Conrads & Co.*, Rockford; Geo. F. Jilbert, *Conrads & Co.*, Rockford; Joseph D. King, *King, Olson, Surprise & Co.*, Rockford; Robert G. Lewis, *Robert G. Lewis & Co.*, Rockford; Carroll H. Starr, *Paul H. Davis & Co.*, Rockford; Harley E. Swanson, *Boyd J. Easton*, Rockford

Front: D. J. Ritter, *William Blair & Co.*, Chicago; William A. Fuller, *William A. Fuller & Co.*, Chicago; Paul E. Conrads, *Conrads & Co.*, Rockford. Rear: Edwin J. Ludwig, *F. S. Moseley & Co.*, Chicago; H. C. McFarlane, *First Securities Co. of Chicago*; Joseph D. King, *King, Olson, Surprise & Co.*, Rockford; F. W. Johnston, *Distributors Group, Inc.*, Chicago; Milton J. Isaacs, *Straus, Blosser & McDowell*, Chicago

In Attendance at Rockford Dealers Outing

ROCKFORD, Ill.—The Rockford Securities Dealers had their annual "Fling-Ding" or Play Day on Sept. 26. A most enjoyable day of sports was followed by dinner at which prizes were awarded for the various events. Officers of the Rockford Securities Dealers Association are Paul E. Conrads, Conrads & Co., President; Richard Olson, King, Olson, Surprise & Co., Vice-President; and Boyd J. Easton, Secretary.

Guests at the outing were:

Edward Abegg, Illinois National Bank & Trust Co., Rockford; Arthur H. Anderson, King, Olson, Surprise, Rockford; Bill Anderson, Lee Higginson Corp., Chicago; Walter C. Alm, David A. Noyes & Co., Chicago; John Arthur, David A. Noyes & Co., Chicago.

Harold Barclay, Barclay Investment Co., Chicago; G. M. Benson, Hulburd, Warren & Chandler, Chicago; Roy Boeman, Reynolds & Co., Aurora; Dave Burke, Blunt Ellis & Simmons, Chicago.

Kent Campbell, Moody's Investors Service, Chicago; A. J. Cavanaugh, William A. Fuller & Co., Chicago; Paul Conrads, Conrads & Co., Rockford; Fred Cook, H. M. Byllesby & Co., Chicago; Walter Cooney, Kidder, Peabody & Co., Chicago; Robert Crumb, Robt. G. Lewis & Co., Rockford; Frank X. Cummings, Bear, Stearns & Co., Chicago; Jack Culbertson, TV Electronics Fund, Chicago; Jim Cunningham, Reynolds & Co., Chicago.

John Duchesneau, A. C. Allyn & Co., Chicago.

Boyd J. Easton, Boyd J. Easton, Rockford; A. Dryden Eberhart, Eaton & Howard, Chicago; Chas. H. Eldredge, Eldredge, Tallman & Co., Chicago.

Arthur Farrell, H. M. Byllesby & Co., Chicago; William A. Fuller, William A. Fuller & Co., Chicago.

A. A. Harmet, A. A. Harmet & Co., Chicago; Carl A. Hartwig, Link, Gorman, Peck & Co., Chicago; David L. Heath, Reynolds & Co., Aurora; Ray M. Holihan, Hulburd, Warren & Chandler, Chicago; Douglas Hooth, Lee Higginson Corp., Chicago.

Milton J. Isaacs, Straus, Blosser & McDowell, Chicago.

Geo. F. Jilbert, Conrads & Co., Rockford; Fred M. Johnson, A. C. Allyn & Co., Rockford; Frederick W. Johnston, Distributors Group, Chicago.

W. J. Kearney, City National Bank, Rockford; Joseph D. King, King, Olson, Surprise, Rockford; A. M. Krensky, Jr., Republic Investment Co., Chicago; Manny Kuechle, National Securities & Research Corp., Chicago.

Robert G. Lewis, Robert G. Lewis & Co., Rockford; John D. L'Hommedieu, A. G. Becker & Co., Rockford; Edwin J. Ludwig, F. S. Moseley & Co., Chicago.

Clarence E. Mailander, Blair, Rollins & Co., Rockford; Lawrence N. Marr, Ames, Emerich & Co., Chicago; Harold A. Madary, Geyer & Co., Inc., Chicago; William Martin, Hulburd, Warren & Chandler, Chicago; Donald R. Muller, Harris, Upham & Co., Chicago; Laurence W. Morgan, Incorporated Investors, Chicago; H. C. MacFarlane, First Securities Co., Chicago.

Chris Newport, Merrill Lynch, Pierce, Fenner & Beane, Chicago.

Richard Olson, King, Olson, Surprise, Rockford.

Philip N. Peterson, Third National Bank, Rockford; Richard Platt, Vance, Sanders & Co., Chicago; Milton A. Prescott, First National Bank, Chicago; Homer Park, Paul H. Davis & Co., Chicago.

Leo Reynolds, Dempsey & Co., Chicago; John C. Ralston, Ralston Securities Co., Rockford; C. H. Redfield, Sills, Fairman & Harris, Chicago; Daniel Ritter, William Blair & Co., Chicago.

S. A. Sandeen, S. A. Sandeen & Co., Rockford; George E. Seidler (guest), Rockford; Samuel E. Sachnoff, First National Bank, Chicago; Chas. G. Scheuer, Dempsey-Tegeler & Co., Chicago; Albert E. Simpson, Hulburd, Warren & Chandler, Chicago; Hatfield Smith, Paul H. Davis & Co., Chicago; Jim Snyder, A. C. Allyn & Co., Chicago; Carroll Starr, Paul H. Davis & Co., Rockford; Bill Strasser, Lee Higginson Corp., Chicago; Bob Strauss, Daniel F. Rice & Co., Chicago; Paul R. Soule, Lord, Abbett & Co., Chicago; Albert E. Surprise, King, Olson, Surprise, Rockford; Harley E. Swanson, Boyd J. Easton, Rockford.

Forest G. Thorne, Hugh W. Long & Co., Chicago.

James C. Vacha, Webber, Simpson & Co., Chicago.

Edward M. Warner, Central National Bank, Rockford; Richard Wernecke, Paul H. Davis & Co., Chicago; William Walthouse, David A. Noyes & Co., Chicago.

William W. Argall Joins Boettcher & Co. Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — William W. Argall has become affiliated with Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange. Mr. Argall was formerly with Harris, Upham & Co.

Hewitt Named Partner; Firm Name to Be Jones, Kreeger & Hewitt

WASHINGTON, D. C.—On Nov. 1, Max A. Hewitt will be admitted to partnership in Robert C. Jones & Co., 1625 Eye Street, N. W., members of the New York and Washington Stock Exchanges. On the same date the firm's name will be changed to Jones, Kreeger & Hewitt.

Mr. Hewitt has been with the firm for some time as manager of the municipal department.

Vanderhoef & Robinson Admit New Partner

Vanderhoef & Robinson, 31 Nassau Street, New York City, members of the New York Stock Exchange, have admitted Carlo Ceru to partnership in the firm. Mr. Ceru is manager of the order department.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

PENSACOLA, Fla.—Lindley M. Camp is now affiliated with Merrill Lynch, Pierce, Fenner & Beane, Blount Building.

Continued from page 2

The Security I Like Best

and even over the next 100 years, and beyond. For Garrett's future is tied up with our airborne conquest of the stratosphere, a zone which lies above the earth at elevations ranging from about 50,000 feet up to over 100,000 feet. And above the stratosphere lie boundless further potentials. Missiles and rockets which will explore the mysteries of outer space in future years will depend upon Garrett-type equipment. Garrett products will also be required to build the space ships or "flying saucers" which may take us to the moon and to some of the planets. Garrett is almost synonymous with the promised era of "Buck Rogers" and "Captain Video" and interplanetary adventure.

What does Garrett do? It is the outstanding supplier of high-altitude and high-speed aircraft equipment. It is considered "tops" in the development and manufacture of complete air conditioning for both civilian and military airplanes. Garrett's principal plants are those of its AiResearch divisions at Los Angeles and Pnoenix, where many devices are developed and manufactured which make it possible for aircraft to fly at high altitudes and at enormous speeds. AiResearch is the dominant supplier of equipment which pressurizes aircraft cabins, controls aircraft temperatures, and heats, cools and refrigerates airplanes of all types. AiResearch has done outstanding work in research having to do with low pressure pneumatic power. It has designed small gas turbines which are used as auxiliary power sources in aircraft, and Navy orders for these turbines have exceeded the $36 million mark. AiResearch is also identified with custom-tailored cabin surperchargers, cabin pressure valves, gas turbine motors, air turbine starters for jet engines, electronic temperature controls, electronic computers and other electronic equipment, heat transfer equipment, electric actuators, oil coolers for jet engines and dozens of other items.

Over 98% of all commercial transport and military craft flying today utilize one or more of 750 individual items which AiResearch produces. Name almost any maker of aircraft or aircraft engines or guided missiles or rockets. They are AiResearch and Garrett customers. For AiResearch products are used on more than 150 models of aircraft, turbojet and turboprop engines and missiles now in production. You will be glad to know that, in the military field, all U. S. turbojets operating in Korea are AiResearch equipped. The outstanding jet fighter in Korea today, North American's F-86 Sabrejet, has won its share of applause for the Garrett people. In the civilian category, AiResearch supplies complete pressurization systems for such new transports as Lockheed's super-Constellation series, Martin's 4-0-4 and Consolidated Vultee's Convair. Among the dozens of customers are General Motors, which uses AiResearch products in 11 different jet and turboprop aircraft engines; General Electric in 9 different jet engines; Douglas Aircraft and Lockheed, both of which equip 13 different types of planes; also Boeing, Northrop, Republic, McDonnell, Sikorsky, Canadair Ltd., Fairchild Engine, Grumman, Piasecki, Pratt & Whitney, Westinghouse Electric, Wright Aeronautical and Chance-Vought.

Now, let us see why the future demand for Garrett equipment should grow and grow. This is obvious when we realize that aircraft, missiles and rockets are going to travel at faster and faster speeds and at higher and higher altitudes. Planes which fly in the stratosphere at elevations of 10 to 20 miles above the earth's surface encounter temperatures ranging from 50 to 100 degrees below zero Fahrenheit. This intense cold tends to freeze the mechanism, oil, fuel, etc., and the planes must be adequately heated to offset this danger factor. But, strangely enough, in this frigid upper air, heat is a great peril too. Planes which fly at about the speed of sound, or even faster, create so much friction that intense heat is produced inside the cabin of the plane. Without the proper cooling devices, it would get so hot in the pilot's cabin that water would boil. Hence, these speedy planes must be refrigerated too, as well as heated. Furthermore, the air up above the earth is so thin that cabins must be pressurized in order that pilots and passengers alike may survive. It is obvious that any aircraft approaching, or exceeding the speed of sound, must employ Garrett equipment. Garrett seems assured of success as the company's engineers continue to solve the most perplexing problems of flight, as they have done so cleverly in the past.

The same indispensability of Garrett equipment is even more apparent in the case of rockets and missiles. Rockets already go aloft to heights of well over 100 miles. The other day we fired an experimental rocket 38 miles into the unbelievably cold and rarified air above the earth. This rocket carried some white mice and a monkey on a safe trip way up there and back again, thanks to adequate temperature and pressure control systems.

And some weeks ago, when Douglas Aircraft's Navy Skyrocket set a new speed record at 1,238 miles per hour, or about twice the speed of sound, and flew at an altitude of 79,494 feet, it had to carry as much air conditioning and refrigeration equipment as would be needed to cool the whole San Francisco opera house on a hot day. Later on, when planes fly three times the speed of sound, refrigeration equipment will have to combat 565-degree temperatures caused by friction so intense that certain metals would be melted. Thus, it seems that "space ships" of the future will depend upon AiResearch-type equipment.

In this magic world of the upper air, Garrett is noted for its extremely able research and engineering ability. At the Los Angeles plant alone, 20% of the total floor area is given over to engineering and laboratory facilities. In fact, outstanding accomplishments in research explain why Garrett has had such a meteoric growth since it started out as a very small enterprise back in 1936. Airplanes today wouldn't be able to fly as fast, or as far, if Garrett hadn't contributed its know-how. And some years from now, when aircraft use atomic power as fuel, you can be sure that Garrett and its AiResearch divisions will solve the baffling temperature problems. New techniques in electronics will be discovered also.

And when we build commercial jet airliners within a few years from now, Garrett will have to supply the "lungs" for these giant ships. Garrett engineering has scored several dozen victories in recent years. It developed a self-starter for jet aircraft engines. And the small gas turbine, used as an auxiliary power factor on planes, has resulted in large Navy orders. Garrett feels that it has only scratched the surface in heating, cooling, refrigeration and pressurization equipment. Without doubt, Garrett-type equipment is a "must," should we wish to build a "flying saucer."

Within the past several months, Garrett has expanded its manufacturing facilities by 45%. The bulk of this increase is represented by the new, dust-free, air conditioned plant constructed by the AiResearch division in Phoenix. This is one of the model factories of America, and it will turn out a substantial part of the company's electronics production, together with sizable output of smaller gas power turbines and air starters for jet engines.

Garrett Corp. has several other fields of operation in addition to AiResearch, and some of them are: (1) It acts as an engineering and sales representative west of the Mississippi River for many eastern aircraft accessory manufacturers. (2) In the Pacific southwest it sells to various industries many types of tools made by "big name" tool manufacturers. (3) It offers a complete service and overhaul on private planes and creates luxurious custom interiors for executive-type aircraft. (4) It makes Northill lightweight anchors.

Garrett Corp. has just completed its most successful year in all history in the fiscal year which ended on June 30, 1952. Net profit, after taxes, rose to a new all-time peak of $4.24 a share as against $2.98 in the preceding 12 months. Net profit before Federal income taxes came to $13.90 per share. Sales of over $73 million in the 1952 fiscal year were more than double those of the preceding year. In fact, sales were a whopping 65% above the company's previous peak year which was witnessed in 1945, near the end of World War II. Another big sales gain is looked for in the current fiscal year to end June 1953.

It is my belief that Garrett net profit for the 1952-1953 fiscal year could rise to still another record figure, possibly around $5.00 or more a share, even after taxes at the maximum rate. Since there are only 629,244 shares outstanding, a stock dividend or a split-up is a future possibility. The latest stock dividend, in the amount of 20%, was paid in 1948. The current $1.60 annual cash dividend, which affords a yield of about 6%, is well covered. Another optimistic note is that earnings for the June, 1952 quarter were the best in history with an indicated $1.59 for the 3 months' period.

Right now the backlog of orders stands at $143,000,000, the highest in history. 90% of this is military work. Employment has risen above the 6,000 mark. However, don't overlook Garrett's tremendous peacetime potential too. There is a very healthy growth factor because all aircraft must use more and more Garrett equipment as time goes by. Because the company sells to virtually all aircraft manufacturers, it represents a well-diversified situation within a romantic industry. It is one of the soundest operations in the aircraft field. And because of the outstanding emphasis on research, Garrett and its AiResearch divisions should keep well ahead of competitors.

Very wisely, it seems, one investment company, which buys only aircraft and airline stocks, purchased 9,000 shares of Garrett in the first half of 1952.

In Garrett we have the real "makings" of a jet-propelled "flying saucer stock."

Three with Hamilton Management

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Harold D. Culcote, Dwight M. Saunders, and Kenneth S. Valis have become affiliated with Hamilton Management Corporation, 445 Grant Street.

Tulsa Oil Inv. Co. Formed

TULSA, Okla.—Samuel L. Sobel is engaging in the investment business here under the firm name of Tulsa Oil Investment Company.

Canadian Securities

By WILLIAM J. McKAY

An indication of the increasing foreign interest in Canadian trade and securities, supplementing that of the United States and the United Kingdom, is the application of an old and prominent Dutch bank — the "Nationale Handelsbank of Amsterdam" — for a charter from the Canadian Government to open a branch in Canada, the first in some 20 years. The application is slated to come before the next session of the Canadian Parliament for appropriation action. It is reported that the new bank is to be called the "Mercantile Bank." Though the capital is to be furnished by the "Nationale Handelsbank," under Canadian Banking Act a majority of directors must be Canadian citizens. The authorized capital of the new bank is expected to be $3,000,000, divided into shares of $10 each.

The understanding in Candian banking circles is that the new institution will operate as an affiliate merchant bank of its Amsterdam progenitor, specializing in trade and commodity banking as well as in the investment field.

H. E. Moquette, one of the four managing directors of the Nationale Handelsbank, has made several exploratory trips to Canada since early this year, looking into the potentialities for investment and financial operations by the bank and affiliated groups. A factor in the decision to seek a Canadian banking charter is said to have been the considerable development of Dutch investment and branch industrial operations in Canada in recent years.

Several Swiss banks and other European financial concerns have already established auxiliary offices and operations in Canada.

Plans for the new bank call for a head office in Montreal and a branch in Vancouver, with no other branches contemplated for the time being. The West Coast branch is important in view of the extensive banking and investment interests of the Nationale Handelsbank in India and Southeast Asia.

There are at present 10 chartered banks in Canada, including Barclay's Bank (Canada, affiliated with Barclay's Bank of London). All banks are chartered by statute, and applicants must also obtain a certificate from the Federal Treasury Board after providing evidence of their reliability and adequacy of capital backing. Charters are usually extended every 10 years at the time of the regular decennial review and revision of the Bank Act.

Existing Canadian banks are reported to view the prospective advent of the new institution with interest, and to welcome it as an acceptable addition to Canada's competitive banking system.

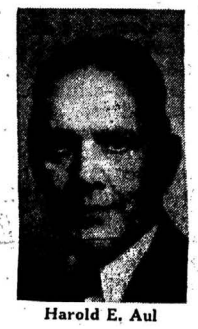
However, British financial circles are seemingly disturbed at the inroads of foreign capital into Canadian enterprises. This is indicated by the action planned to be taken by the Hudson's Bay Company—the oldest British business venture in Canadian territory—an organization which dates back almost 300 years. It is reported from London that The Hudson's Bay Company plans to revise its by-laws so as to restrict foreign participation in its ownership and operation.

The Hudson's Bay Company has called an "extraordinary general court" to be held in London, Oct. 28. From the maze of resolutions to be presented, business interests gather that the main purpose will be to prevent share transfers which would allow more than 25% of the company's capital to be held by foreigners.

The London "Evening Standard," commenting on this forthcoming meeting, points out the new rule will not apply to Commonwealth buyers of Hudson's Bay shares. There has been heavy Canadian buying of Hudson's Bay shares in the last year, causing speculation that the world's oldest chartered trading organization might ultimately transfer its headquarters to Canada. The paper holds, however, that Sir Patrick Ashley Cooper, Governor of the company, has made clear he intends control and direction to remain in London.

The recent announcement of the coming Hudson's Bay stockholders meeting said its purpose was to authorize increase of the company's capital to £6 million; a stock dividend distributing 2,492,224 paid-up £1 shares on a basis of one new share for each held by present shareholders; and establishment of a Canadian register and Canadian transfer office for the company's shares.

Boston Inv. Club To Hear H. E. Aul



Harold E. Aul

BOSTON, Mass.—The next dinner meeting of the Boston Investment Club will be held at the Boston Yacht Club on Thursday, Oct. 23, at 5:00 p.m.

Principal speaker will be Dr Harold E. Aul, Vice-President in charge of the Investment Management Department of Calvin Bullock and director of Canadian Fund, Inc. His subject will be "Attractive Canadian Investment Stocks."

D. R. Lee Now Mgr. For Kidder Branch

TORONTO, Ont., Canada—Donald R. Lee has been appointed manager of the Toronto office of A. M. Kidder & Co., 304 Bay Street. Donald F. Angus, acting manager, will remain with the firm as registered representative.

Mr. Lee formerly conducted his own investment business in Toronto.

With James Ebert

(Special to THE FINANCIAL CHRONICLE)

BAKERSFIELD, Calif.—George Havan has been added to the staff of James Ebert Company, 120 Chester Avenue.

Joins Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif.—William P. Schoof has joined the staff of Crowell, Weedon & Co., Farmers & Merchants Bank Building.

With First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John L. Lyle is now with First California Company Incorporated, 647 South Spring Street.

Continued from first page

Why People of U. S. Need a Gold Standard

the statutory rate of $35 per fine ounce of gold. They alone may redeem non-gold dollars in gold and at that rate.

(2) The consequences flowing from the use of this system, which for us is a system of irredeemable currency, are of grave significance to our people and should be given the most careful consideration possible by all thoughtful persons.

(1) *First of all, the withdrawal from our monetary bloodstream of the gold corpuscles, which keep other money and credit corpuscles in order within limits, has produced the typical results* of artificial exhilaration, fever, chills, bloating, eruptions, intoxication, depression, painful contractions, nervousness, irritability, irresponsibility, dishonesty, immorality, fear of a redeemable currency, and a multitude of other unhealthy symptoms characteristic of this disease of the economic bloodstream.

Our responses to these results have been, and are, typical: we have concerned ourselves almost exclusively with attacks on symptoms. And we even have some groups who would combat some of these symptoms by injecting more of the same poison into our economic system—for example, by another devaluation of our people's standard gold dollar. Members of a gold-mine bloc, who have been, and are, agitating for a higher price for gold, recommend that particular cure for the pain of high costs which afflicts them as a consequence, chiefly, of currency depreciation.

(2) *An irredeemable currency system provides the most potent device known, other than the use of military force, by which a government can get control of a people and subject them to its management and tyranny.* Wherever one finds dictatorial governments one also finds irredeemable currency or a military force at the disposal of the dictator. If military force is not employed, then an irredeemable currency is a necessary instrumentality if the dictator is to obtain and maintain control over a people.

A redeemable currency is the greatest friend a free people can have; it is their most potent weapon against government tyranny.

One of the most dangerous aspects of irredeemable currency lies in the fact that it is a subtle device the nature of which is not understood by the mass of people who, given a taste of it, will clamor for more and more of it and, like the drug addict, will employ every argument which the human mind can devise to retain it.

Having tasted this inviting and intoxicating drug, they become the easy and generally-willing victims of a government disposed to coerce them and to restrict sharply, or to destroy, their freedom. The friend of irredeemable currency is of necessity, even though unwittingly, a friend of a dictatorial government. Protests to the contrary are but evidence of a lack of understanding of the relationship between these twin evils.

Our people, like those of other nations, have become thoroughgoing addicts to this particular variety of intoxicating, but finally, devastating, drug. And this addiction has made it easy for our Federal government, despite the basic elements of the Constitution of the United States, to take control of our people as though our government were one of general powers, and to manage and regulate them practically without let or any effective hindrance. The extent to which this pronounced change in the attitude and behavior of our United States government has developed was recently illustrated by the promulgation of the revolutionary doctrine by the President, and others in high places, that he has inherent powers, not specified in the Constitution of the United States, to regulate our people and to take possession of their property as he sees fit.

(3) *Our irredeemable currency is a dishonest currency, and this dishonesty contaminates all our people.* Throughout this nation's existence, we have built a body of contract law which requires those who issue promises to pay to redeem them or to face the consequences in court. But under our present currency system, our United States Treasury and Federal Reserve authorities have been authorized to issue billions piled upon billions of dollars of bills of credit which they do not redeem and do not intend to redeem in our standard gold dollar—except for foreign central banks and governments. The right to issue bills of credit, which are in nature promises to pay, without requirement of redemption is a case of granting special privilege without exacting a corresponding responsibility; and that is an arrangement which is repugnant to, and in conflict with, what we like to regard as the better and more honorable part of our traditions.

The fact probably should be emphasized that this irredeemable money is in nature a promise to pay rather than "coined" paper. When the question of the nature of the then irredeemable United States notes, often called Greenbacks, came before the United States Supreme Court, in the *Legal Tender Cases* in 1871 (12 Wallace, 560), Mr. Justice Bradley said in a concurring opinion, which does not conflict with that of the majority: "It [the irredeemable United States note] is not an attempt to coin money out of a valueless material, like the coinage of leather, or ivory, or kowrie shells. It is a pledge of the national credit. It is a promise by the government to pay dollars; it is not an attempt to make dollars. . . . The government simply demands that its credit shall be accepted and received by public and private creditors during the pending exigency. . . ."

* * *

"No one supposes that these government certificates are never to be paid—that the day of specie payments is never to return. And it matters not in what form they are issued. . . . Through whatever changes they pass, their ultimate destiny is to be paid."

In short, as Mr. Justice Bradley pointed out, irredeemable paper currency is a debt due—that is, a bill of credit—and in nature a promise to pay ultimately in coin of the standard monetary metal.

The Constitution of the United States gave Congress the power to coin money and to borrow money on the credit of the United States. The power of Congress to emit bills of credit has long since been established. Thus the issuance of paper money by the United States Treasury, as made sufficiently clear by Mr. Justice Bradley, is under our Constitution a pledge of the national credit and an implied promise to pay ultimately a standard metallic dollar; and, to use his words, "it matters not in what form they are issued."

The issuance of Federal Reserve notes by our Federal Reserve banks carries the same implications and obligations since, under the Federal Reserve Act, they are declared to be "obligations of the United States" as well as of the Federal Reserve banks.

Today, we find ourselves in a state of affairs in which our United States Treasury and Federal Reserve banks are issuing bills of credit without making any provision for their redemption in our standard gold dollar—except for foreign central banks and governments.

What our government is doing is treating these bills of credit as though they are "coined" paper money with power to effect final payment domestically, and as though they do not require redemption, despite the fact that the Constitution of the United States does not authorize "coined" paper money. This is one of our outstanding cases of the current lack of respect for constitutional processes in this country.

When a government issues irredeemable currency it is either financially or morally bankrupt, or both. Since our government has a supply of gold more than adequate to permit redeemability, but has revealed no intention of ever making plans to redeem these bills of credit—indeed, it has opposed all efforts to obtain provisions for redemption—the conclusion seems inescapable that our government has shown itself to be morally bankrupt in its management of this nation's monetary system.

A people suffer in a multitude of ways, some subtle, some direct, when its government becomes contaminated by this variety of moral bankruptcy. In this instance, the nature and health of the bloodstream of our economy are involved; and this contaminated bloodstream reaches and affects all our people.

(4) *By the device of irredeemable currency our government has deprived our people of their direct and ultimately effective control over its use of their public purse.* When a people cannot compel their government and central banking system to redeem what is in nature their promises to pay, that government and banking system cannot be held in any effective way to an accounting. The consequence is that the goverment is practically free to embark upon and to maintain a spending program of any degree of profligacy that its desires may suggest. The spending orgy of our government over the last two decades stands as a colossal monument to the accuracy of that important and sad truth.

(5) *When our government confiscated our people's gold in 1933 it deprived them of a valuable property right and protective device.* This act by our central government has far-reaching implications.

When irredeemable currency was issued, beginning in 1861-1862, to finance the Civil War, that was done in response to an overriding necessity. But apparently no one of responsibility, then in the Federal government or out, assumed that it should, or could constitutionally, confiscate the people's gold. That was, supposedly, their money with which to pay their bills and in which they should be free to store their savings.

For the first time in our history, our government in 1933 confiscated the people's gold and gave them instead an irredeemable currency which was held to be just compensation. After the government confiscated this gold, it marked up its value 69 per cent and pocketed a profit of some $2,800,000,000, in devalued dollars. The fact that the government marked up this profit for itself as a part of that transaction would seem to provide ample proof that the government gained this sum at the expense of the people, to say nothing of the weaknesses in the currency which our people were compelled to take in exchange for their confiscated gold.

The consequent inability of our people to convert their wealth into gold, should they choose, as a means of safety, deprives them of a fundamentally important protective device which includes the power provided by a redeemable currency to restrain their government and Federal Reserve banks in their issuance of promises to pay.

The inability of our people, particularly the younger generation, to get gold, to work for it, and to see, feel, and save it, has subtle effects of an ominous nature. This generation deals in paper money and checks, and in a small convenient amount of subsidiary coin. The meaning of real money, of the ultimate settler of balances in foreign exchange, where only gold is universally acceptable, is lost to these young people. Money is chiefly a notation on pieces of paper. Thousands and millions and billions of dollars have lost their meaning. Federal spending of 80 to 100 billions of dollars per year and a Federal debt of $263 billion have little meaning to, and do not arouse fears in, this young generation which, in addition to being victims of a severe depression and wars, have been subjected to the insidious disease of irredeemable currency. Since they have not had any prolonged experience with a better type of currency, they are in general advocates of that with which they are familiar. Furthermore, they have been told by those who wish to perpetuate such a currency that the gold standard caused the depression of 1929-1933. The fact that it had nothing to do with that collapse is not understood nor believed.

Having lost a valuable and fundamental property right, and having no appreciation of its great importance to a people—if they prize freedom—, this generation is not disposed to fight for a restoration of what it does not understand.

(6) *Our system of irredeemable currency has impaired people's savings to an extent poorly understood.* Being a subtle and deadly device, such a currency eats into people's savings while the economy experiences an artificial stimulation and bloating in many of its other segments. Indeed, these latter manifestations become pronounced; and, since they relate to immediate sources of income while savings are farther, and sometimes far, removed from people's touch, control, and consideration, the thoughts regarding current and expected income push the question of the preservation of savings into the background. Furthermore, many people's savings are in large part in a position in which their owners cannot protect them against a depreciating or depreciated dollar.

The illusions of people regarding their wellbeing, when living with an irredeemable currency, are an intricate phenomenon. The mixture of real prosperity and of real gains for some, or for many for awhile, can easily obscure the undermining maladjustments, tensions, erosions, and degeneration steadily building up beneath the surface of what has the appearance to superficial observers of real prosperity.

We indulge in the bad practice of presenting incomplete statistical data and analyses regarding this mixture of the forces of real wellbeing and of economic disease.

For example, it is common to report on our assets and to ignore the liabilities and a changed purchasing power of the dollar. It should be easy to understand that a man with some wealth could mortgage it to the limit, increase his spending, enlarge his assets, create much greater activity, employ more people, and so on. If he reports on these things alone, the picture of his situation undoubtedly appears improved. But suppose the sensible person asks for a look at this man's costs, his debts, his commitments as to interest, and his net profits in terms of real purchasing power. Then the picture assumes a very different and more accurate appearance. If, in addition to these considerations, one should find that this man is wasting and giving away a heavy percentage of his funds, that he is destroying and giving away a large proportion of the goods he produces while limiting the output of those employed in non-destructive purposes, that he is utilizing a large proportion of his employees in a supervisory capacity and killing and maiming many others, what then would we say is the picture of that man's state of affairs? Doubtless some authority with a better sense of what is intelligent and proper would step in to take control.

Such a man's activities and situation would be typical of those in which this nation finds itself today. The common reports, of those who profess to think this picture good, generally deal only with the activity, spending, assets, product, and dollar income in this nation with the damaging and dangerous liabilities, the decline in the purchasing power of money, and the waste, destruction, maiming and killing of people ignored.

It has been said that "the people of the United States love to go to Hell on statistical curves." However that may be, we are in the business of misleading ourselves by ignoring the liability side of our balance sheet and also some of the assets which are useless, unsound, and destructive. Apropos the fact that some or much of our so-called prosperity rests upon the blood of our boys, a watchful and intelligent observer has remarked that "even cannibals don't eat their young."

Through, under, and over all this picture runs the disease of an irredeemable currency. In the midst of our various activities, excitements, and concerns, the undermining process goes on almost unnoticed and with relatively little comment and apparently little concern. Perhaps the following data will illustrate the subtle aspect of the weakening process inherent in an irredeemable currency, and also how the public fails to react strongly because of lack of understanding of this process:

The total loss, because of a depreciated dollar, on the average value of life insurance policies, time deposits in banks, and E, F, and G savings bonds for the decade, 1941-1950, as measured by the depreciation of the purchasing power of the dollar in 1950 as compared with that of 1941 (using the index of prices at wholesale), amounted to $116,565,524,000. Although this huge loss is 61 times the estimated total loss of $1,901,000,000 by depositors in suspended banks during the years 1921-1933, it is lightly regarded because so poorly understood. Regarding the latter loss, extending over 13 years, we still write and speak with emotion. But regarding the loss 61 times greater on these three items only we offer little more than platitudinous observations that reveal our small understanding of the devastating effects of a depreciating currency. Of this loss of $116,565,524,000 in purchasing power in these three items, the loss on insurance policies was $77,497,028,000; that on time deposits in all banks was

$20,140,640,000, almost equal to all time deposits in all mutual savings banks on June 27, 1951; that on E, F, and G bonds was $18,927,856,000. In 1951, the purchasing power of the dollar was still less than it was in 1950.

(7) *Our system of irredeemable currency is accompanied by a goverment bureaucracy which restricts private enterprise domestically and in foreign trade and exchange.* Such a currency is popularly called a "managed" currency although all currencies are managed. The point is that the management is different from, and more restrictive than, it would be under a gold standard. Since people of other nations would not accept our irredeemable paper dollars except at a discount in terms of our gold dollar, our Federal Reserve banks and United States Treasury stand at our international boundary lines, as it were, exchanging our paper money for gold at the legal rate of $35 per fine ounce in their dealings with foreign central banks and governments. Because of the nature of our currency, and the problems it generates, government controls and regulations dominate foreign trade and exchange rates, investments in foreign countries, and international travel. These controls reflect themselves back into out domestic economy in a multitude of ways and with far-reaching ramifications.

This domination and control of private enterprise is in sharp contrast to the freedom which prevailed under the gold standard which opened the way for the ingenuity of the millions of people, involved in private enterprise, to trade, invest, and travel freely abroad with little or no interference on the part of the governments whose people were enjoying the benefits of a gold standard and the freedom which of necessity goes with it. Human freedom attained its greatest height when and where the gold standard prevailed.

(8) *Our system of irredeemable currency involves discrimination in favor of foreign central banks and governments and against all other holders of dollars including our own people.* While foreign central banks and governments can convert their dollars into our gold at the rate of $35 per fine ounce, that right is denied our own people. Other people abroad who obtain our dollars must hawk them about as best they can; and, when they exchange them for gold in free or black markets, they ordinarily exchange them at a discount. In contrast with the days of the gold standard when our dollars of every variety passed as par, because each was redeemable in the other, our dollar now does its work with diminished honor in the various markets of the world. It is now subject to multiple quotations, a characteristic of a defective and weak currency.

The reserves of our Federal Reserve banks are listed as held against all their Federal Reserve notes and deposits. But our people cannot touch those reserves; the privilege of utilizing them is confined to foreign central banks and governments. The reserves against the Federal Reserve notes and deposits in Federal Reserve banks held domestically are merely accounting devices.

Elemental common sense, assuming patriotism, would seem to suggest that if there must be discrimination in respect to rights of redemption it should be in favor of our people, not against them. This piece of discrimination is one of the striking examples of the frequently-manifested readiness of our government to sacrifice the interests of our people to internationalism.

(9) *Under our system of irredeemable currency, the purchasing power of our dollar has fallen to the lowest level on record since the establishment of the Federal Reserve System in 1914.* One excuse offered by those in power for inflicting an irredeemable currency on our people was that if given the freedom, which the managers of our currency have claimed for themselves, they could provide this nation with a currency having greater stability in purchasing power than would be possible if they were compelled to labor under the restrictions imposed by a gold standard.

Any competent monetary economist would have known, at the time that claim was advanced, that it had no basis in human experience. Now the fallacy and danger in that contention have been demonstrated. In March, 1951, the index of wholesale prices reached its highest point since 1914—184 on the basis of prices of 1926 as 100. This gave the dollar a purchasing power of 54 cents as compared to that of 1926, and of 42 cents as compared to that of 1939 when the index was 77.1. Since then the index has sagged somewhat, but it is still above any point reached under the gold standard, 1914-1932. If measured in terms of the index of consumers' prices, against the average of prices, 1935-1939, the purchasing power of the dollar on July 15 was 52 cents.

Statesmanship, characterized by the standards of honorable men, should have brought an official pronouncement that the claim of superior monetary management originally advanced to our people has been proved erroneous and that, as a consequence, this country will be given the benefits of a monetary standard which has proved its superiority. But no pronouncement involving either admission of error or promise of a redeemable currency has ever been made.

(3) **The major correctives needed are these:**

(1) All our currency should be made redeemable in gold at the present statutory rate of $35 per fine ounce which has prevailed since January 31, 1934. As of June 30, 1952, the ratio of our gold stock to all non-gold money and deposits, including deposits of Federal Reserve banks, was 10.6 per cent. For the years 1915-1932, the average of the June 30 ratios was 8.6 per cent, on the basis of ultra-conservative data. On the basis of revised figures, it was 7.9 per cent. The range of the ratios during those years was from 6.7 to 10.9 per cent, ultra-conservative figures, and from 6.0 to 9.9 per cent on the basis of revised data.

The adequacy of our gold stock is the sole consideration as to whether and when our currency should be made redeemable. As the evidence shows, our gold stock is more than adequate for this purpose.

The frequently-advanced contention that we should delay redemption until certain conditions are deemed to be properly corrected in Europe is simply a case of a drug addict claiming that he should not give up his narcotic until other addicts are compelled to do likewise.

(2) Proper principles should be devised for reducing and prohibiting the conversion of government debt into currency.

(3) The Federal Reserve System should be made and kept independent of the Executive branch of the government and of the fiscal and debt management policies of Congress and the United States Treasury. The System should be dedicated to the maintenance of a sound currency—that is, to a fixed gold dollar with all our substitute currency redeemable in that standard dollar. It should do all within its legal powers, appropriate to an independent central banking system, to promote harmony among the various segments of our economic system.

(4) **The benefits to be had from a gold standard are the converse of the evils of an irredeemable currency.** The institution of a gold standard is analagous to the installation of the best steel rails on a railroad in place of weak, defective rails. Intelligent people would not assume that the best of rails, which, like gold and a gold standard, have certain functions to perform, would insure the soundness of the rolling stock or the intelligence or prudence of the personnel in charge. The finest rails known cannot prevent wrecks even though, unlike weak or defective rails, they are not likely to be causal factors.

So it is with a gold standard. On it is a rolling stock of paper money and credit, managed by people who sometimes make serious mistakes. Also riding on this rolling stock are all the factors which make and affect prices; and often these play havoc with the credit superstructure.

Credit management has been highly defective even when the restraints of a gold standard were in existence as a constant warning of the penalties to be exacted if men become sufficiently foolish. But the history of irredeemable currency, which removes the brakes on monetary managers, teaches that the ultimate consequences flowing from the use and the freedom in the management of such a currency are immeasurably worse. The consequence has frequently been economic wrecks, chaos, and revolution—and the man on horseback. An irredeemable currency, like defective rails on a railroad, is an important and dangerous causal factor for evil in human affairs. The wreckage, distress, and tears which it has caused apparently rank next to those arising from war.

The notion seems widespread in this nation that an irredeemable currency provides some sort of protection against a severe business depression. On that point we should remind ourselves that the longest depression in our history came under an irredeemable currency. The depression of 1873-1878 lasted 65 months in contrast to that of 1929-1933 which extended over a period of 43 months.

That is, of course, an important consideration for insurance companies confronted with the problems of marketing insurance in the face of a depreciated dollar. It is also a fact of importance to people seeking some insurance against the uncertainties of the future and one on which they are in need of additional information.

No one can possibly know which direction our irredeemable currency will ultimately throw us—whether it will be into a still greater depreciation of the dollar or into a depression.

(5) **Only statesman can or will give the United States a gold standard and a redeemable currency.** Drug addicts do not vote to cut off their supply of narcotics. These unfortunate people are rescued, if rescued at all, by properly informed authorities in a position to act. Similarly, monetary reform has always come from the top down. There apparently never has been a spontaneous popular movement in behalf of a sound currency. Such popular movements toward a sound currency as have existed have been instigated, led, and dominated by some statesman, or statesmen; and the popular movement has been one of general loyalty to the leader or to the political party involved. The mass of people do not understand the nature of monetary standards or the principles of a sound currency.

Once a people are plunged into irredeemable currency, they become accustomed to the fears which such a currency generates. It is common knowledge that if people could exchange such a currency for gold they would do so. So tney begin to prophesy that if the currency were made redeemable in gold there would be a frightful run for gold. For example, a banker, who was also recently an Under Secretary of the United States Treasury, alleged a few months ago that if redemption were instituted all the gold in Fort Knox would be withdrawn in "about three hours." This prediction is typical of how the mass of people react and think when living under an irredeemable currency and the fears it generates.

There is nothing new in these reactions. Most people, accustomed to such fears cannot make the psychological jump to what would be the typical reactions of people if they were living in the atmosphere of confidence generated by a redeemable currency.

The commonly expressed fears, arguments, and opposition to redeemability observable today were paralleled, for example, in this country in 1878 when plans were being made by Secretary of the Treasury, John Sherman, to institute redeemability on January 2, 1879. A New York banker, a Mr. Tappan, is reported to have announced publicly that he would give $50,000 to be first in line when the Subtreasury opened its windows for redemption, his pretense to insight as to what people would do being of the same brand as that of the recent positive statement of our banker and former Under Secretary of the Treasury.

On the first day of redemption, January 2, 1879, $135,000 of notes were presented for coin and $400,000 of gold were presented for notes. When people can get gold at the parity rate for their non-gold currency, their psychology changes. They generally prefer the more convenient paper money and deposit currency. The experience of January 2, 1879, was typical of the remainder of the year 1879.

Resumption then resulted in a rise in government credit; gold flowed in from abroad; the demand for government securities swamped the staff of the Treasury. Business recovery took a sharp upward swing. This has been our typical experience following resumptions of specie payments. Only once in six instances—that of 1842—did business expansion fail to follow resumption promptly; and, in that case, resumption was instituted in the midst of a sharp downswing which continued for approximately a year. Resumption of redeemability should increase the probability of our being able to shift from the present distortions and tensions to a sounder economic situation, and thus to escape a further depreciation of our dollar or a severe business depression which our present monetary system and practices invite.

Our experience has been that even in a severe depression, like that of 1929-1933, our people demand a relatively small percentage of gold if their currency is redeemable. Indeed, the lowest percentage of our gold stock drawn into circulation, 1915-1932, occurred in April and May, 1931. The percentage was 1.44. That compared with an average of 5.3 per cent for the period, January, 1915-February, 1933, or with an average of 3.9 per cent for the period, August, 1917-February, 1933.

It is of paramount importance that the President of the United States be acquainted with the elements which constitute a healthy bloodstream in our economy. It would be tragic if in our discussion of dishonesty in government and the need for reform we should fail to recognize that the most widespread dishonesty in this land is in the issuance of irredeemable bills of credit. It touches all our people. The fact that Senator and Secretary of the Treasury, John Sherman, built a monument for himself in our history as a great servant of our people because he, above all others, made our currency redeemable—after 18 years of an irredeemable currency and its evils, including a period of high prices followed by the longest depression in our history—should stand as an inspiring reminder for the man who becomes our next President.

It seems highly probable that our people will gain the blessings of a redeemable, and therefore honest, currency, only if proper Presidential leadership is provided, or, in its absence, only if enough of our informed and concerned citizens can bring sufficient pressure on the Representatives and Senators in Congress and on the man elected to the Presidency to get the proper and needed response and leadership.

All efforts in that direction would be for the immeasurable benefit of our people who should not be expected to understand or to appreciate such services in their behalf until after the institution of redeemability has been accomplished. Such a procedure would be somewhat akin to that of the experienced physician who deprives the protesting, weeping and wailing drug addict of his narcotic and sets him on the course leading to full recovery and good health.

Such efforts should also constitute the best blow that can be struck for the preservation of private enterprise, human freedom, and the restoration of a limited, constitutional, and responsible government. Let us never forget that a redeemable currency and human freedom are natural and honorable companions, and that irredeemable currency and government dictatorship operate as twin evils to injure and to enslave mankind.

O. D. Griffin & Co. To Be Formed in N. Y.

O. D. Griffin

Oscar D. Griffin is forming O. D. Griffin & Co., with offices at 149 Broadway, New York City, to continue his investment business. Mr. Griffin was formerly a partner in Griffin, Kuipers & Co. and prior thereto was with Louis H. Whitehead Co. and Lord, Abbett & Co.

Joins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—Shirley A. Valles has become associated with Paine, Webber, Jackson & Curtis, 111 Pearl Street.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John F. Wedberg is with Shearson, Hammill & Co., 9608 Santa Monica Boulevard.

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

LA JOLLA, Calif.—Melvill S. Brown is with Merrill Lynch, Pierce, Fenner & Beane, 7909 Herschel Avenue.

R. S. Sanderson Opens

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Ray S. Sanderson is conducting an investment business from offices at 383 Fifteenth Street.

Mutual Funds

By ROBERT R. RICH

THOMAS J. HERBERT, Vice-President of Hugh W. Long & Co., and guest speaker Sunday on the first program in Kidder, Peabody's new radio series, "Your Money at Work," stated that the electrical utilities industry has progressed in pace with the rest of the nation's economy.

"Electrical utilities usually become more efficient as they get larger," Mr. Herbert said. "Since 1939 the average amount of electricity used by American families has more than doubled but the cost has been cut 25% from 4 cents to 2 8/10ths cents a kilowatt hour, despite the 90% rise in the overall cost of living.

"Twenty-five years ago it took 3 pounds of coal to make one kilowatt hour of electricity. Today it only takes a little more than 1 pound of coal, and some of our best generator stations need only ¾-pound of coal to make one kilowatt hour of electricity.

"Since 1945 the utilities industry has added 2,000,000 customers each year. To do this, utilities have spent on an average of $2 billion a year to increase by 50% its capacity to produce electricity."

Moderator of the programs is Milton Fox-Martin, head of Kidder, Peabody and Co.'s Central Mutual Fund Department.

WELLINGTON FUND on Tuesday reported net assets of $226,801,761 as of Sept. 30, 1952, for an increase of $32,871,039 in the first nine months of this year.

Net assets were equal to $20.41 a share, according to the fund's quarterly report to shareholders, and compare with net assets of $193,930,722 or $20.02 a share on Dec. 31, 1951.

Walter L. Morgan, President, said that the Fund, since June 30, last, had increased its investment in good grade corporate bonds, preferred stocks and Government bonds by about 3% of resources and correspondingly reduced common stocks. He noted that the bonds and preferred stocks were purchased at attractive yields now available because of the heavy demand for capital by industry.

After these changes, investments on Sept. 30, last, were divided as follows: 60% of net assets in common stocks; 27% in investment bonds and preferreds; 12% in Governments and cash; and 1% in appreciation bonds and preferreds.

The principal reductions in common stocks during the September quarter were in selected building, chemical, container, oil, natural gas, steel and utility issues. The report made this comment on the reductions: "Profits were realized in some of the container, oil and utility stocks, which appeared to have amply reflected improvement in earnings and nearby dividend prospects. Several chemical stocks were reduced slightly because of their low yields and temporary check to the rise in their earnings. The building and steel stocks were reduced following our policy of reducing cyclical stocks. The investment in several natural gas stocks was reduced because their near term earnings were considered restricted by recent rate decisions, although their long term outlook is still promising."

The fund, it was stated, added to its food and telephone common stocks "because of their good quality and stable income." Agricultural machinery stocks also were purchased, the report continued, "for their good yields which are currently well protected."

duPONT HOMSEY, member of the New York and Boston Stock Exchanges, has been appointed principal underwriter for the shares of the Formula Fund of Boston.

The Formula Fund, established in 1949, operates on the principal that proper timing of purchases and sales of securities is the key to successful investing. The fund has an approved list consisting of both defensive and aggressive sections, the proportions to be invested in each depending on specific pre-determined individual price levels for equities in the aggressive portion of the portfolio.

PERSONAL PROGRESS

ELTON J. BURGETT, 43, well-known Rochester businessman, has become associated with Quinby & Co., Incorporated, it was announced Tuesday by H. Dean Quinby, Jr., President of the firm and originator of The Quinby Plan for Accumulation of Individual Stocks.

Burgett was graduated with honors from The University of Rochester in 1929 and received his Master's Degree in Business Administration from Harvard Business School in 1931.

After graduation, Burgett was employed by Lincoln Rochester Trust Company in various capacities until 1939, when he was appointed Purchasing Agent. In 1941 he was granted a leave of absence to enter Government service.

From October, 1941 until early 1946 he served as a civilian specialist with the Army Services of Supply and was made Chief of the Supply Planning and Scheduling Section of the office of the Quartermaster General in 1943.

In February, 1946, Mr. Burgett was appointed Comptroller of The Gleason Works of Rochester and remained there until May, 1952.

The Quinby Plan, established in 1938 for accumulation of Eastman Kodak stock and later applied to stock of the Du Pont Company, has recently been extended to include General Motors and Standard Oil (N. J.) stocks. Mr. Burgett feels that the idea of acquiring fine investment stocks "by the dollar's worth" is gaining rapidly in popular appeal and foresees significant additions to the 3,000 Plans in current operation.

NATIONAL SECURITIES Series sales for the month of September this year represented an increase of 60% over September last year.

Total sales for the first nine months this year aggregated $31,293,000, representing an increase of 45% over the same period last year, according to Vice-President E. Waln Hare of National Securities & Research Corporation.

Total assets of National Securities Series as of Sept. 30, 1952, aggregated $104,894,000 as compared with $86,260,000 on Sept. 30, 1951.

COMBINED ASSETS of Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund totaled $103,473,000 on Sept. 30, 1952, compared with $90,298,000 at the beginning of the year. The nine months' growth of these two mutual investment funds under the management of Eaton & Howard, Incorporated, Boston investment counsel firm, is shown separately in the table below:

Eaton & Howard Balanced Fund

	Dec. 31,'51	Sept. 30,'52
Size of the Fund	$77,728,899	$88,443,328
Shares outstanding	2,507,980	2,765,776
Asset value per shr.	$30.99	$31.98

Eaton & Howard Stock Fund

	Dec. 31,'51	Sept. 30,'52
Size of the Fund	$12,570,377	$15,029,486
Shares outstanding	549,972	639,237
Asset value per shr.	$22.86	$23.51

Eaton & Howard Balanced Fund had 58.7% of its net assets in common stocks on Sept. 30, 1952, a reduction from 62.01% at the 1951 year-end; preferred stock holdings were also reduced during the nine months period — to 16.6% from 17.6%. Holdings of cash, U. S. Government and corporate bonds were increased to 24.7% from 20.4%.

Eaton & Howard Stock Fund had 91.5% of its assets in common stocks; 2.0% in convertible preferred stocks; and 6.5% in U. S. Government bonds and cash. The five largest common stock holdings were in the oil (12.4%), power and light (12.0%), banking (4.8%), insurance (4.6%) and chemical (3.7%) industries.

TOTAL ASSETS of Group Securities Electrical Equipment Shares on September 30 were $493,937, compared with $342,930 on March 31 last.

CLOSED-END NEWS

LEHMAN CORP.

Net ordinary income of The Lehman Corporation for the three months ended Sept. 30, 1952, the first quarter of the Corporation's fiscal year, amounted to $1,049,395 as compared with $999,465 in the corresponding quarter of the previous year, as reported today by Robert Lehman, President, in the interim report to stockholders. During the same period the Corporation realized a net profit on securities sold of $888,206, as compared with $116,274 in the corresponding quarter of 1951.

Net asset value per share on Sept. 30, 1952 was $69.83 on the 2,076,562 shares of capital stock outstanding, comparing with $71.57 at the beginning of the quarter.

During the period the Corporation purchased stocks at a total cost of $1,256,255, as against total proceeds from stocks sold of $2,378,269. Chiefly as a result of these transactions, the Corporation's U. S. Bonds and net cash items rose during the three months from $15,912,887, or 10.6% of net assets, to $17,442,105, or 12.0% of net assets. Common stocks constituted 83.4% of net assets on Sept. 30 last, as against 84.4% as of the beginning of the quarter. The report showed total net assets amounted to $145,803,321.

Chief additions to the portfolio during the quarter were 10,000 shares, West Penn Electric; 7,000 shares Magma Copper, and 1,482 shares Rohm & Haas, these being additions to prior holdings. Sold were 5,000 shares American Cyanamid, leaving 15,000 shares in the portfolio; 6,000 of the 38,000 shares Continental Oil previously held and 5,000 Standard Oil of California, leaving 5,000 shares in the portfolio.

U. S. & FOREIGN

Combined net assets of United States & Foreign Securities Corporation and its affiliate United States & International Securities Corporation amounted to $127,798,170 as of Sept. 30, 1952 after deducting $39,607,650 representing indicated value of U. S. & Foreign's investment in the affiliate. This compares with a combined asset value of $119,605,674 after a similar deduction of $37,344,200 at the same date a year ago.

Net assets of U. S. & Foreign alone on Sept. 30 were $101,846,735, equivalent to $1,018 per share of first preferred stock outstanding and, after deducting the value in liquidation of the first and second preferred stocks in the total amount of $15,000,000, to $88.17 per share of common stock outstanding. This compares with a net asset value on Sept. 30, 1951 of $94,760,869, equal to $947.61 per share of first preferred stock and $80.98 per share of common stock outstanding.

U. S. & International

U. S. & International's Sept. 30 net assets amounted to $65,559,085, equivalent to $327.80 per share of first preferred stock outstanding and, after deducting the value in liquidation of the first and second preferred stocks in the total amount of $37,025,000, to $11.48 per share of common stock outstanding. This compares with net assets on Sept. 30, 1951 of $62,189,005, equivalent to $310.95 per share of first preferred stock and $9.17 per share of common stock.

The reports state that no allowance has been made for Federal capital gain tax on unrealized appreciation as the corporations have elected to be taxed as "regulated" investment companies and under existing law are relieved of that tax on realized investment profits distributed as capital gain dividends.

U. S. & Foreign owns 99% of the second preferred stock and 80% of the common stock of U. S. & International.

NIAGARA SHARE

Total assets of Niagara Share Corporation on Sept. 30, 1952, amounted to $28,066,927, compared with $29,491,975 on June 30, 1952, and $28,787,659 on Sept. 30, 1951.

Net assets on Sept. 30 last were equivalent to $24.51 per share of common stock before provision of a reserve of $762,000, or 67 cents per share, for tax on unrealized appreciation of investments. This compares with net asset value of $25.47 on June 30, 1952, before provision of a similar reserve in the amount of $1,062,000, or 94 cents per share. On Sept. 30, 1951 net asset value was $25.17 per share before a similar reserve.

Net income in the first nine months of 1952 amounted to $648,-573, or approximately 57 cents per share of outstanding common stock, compared with net income in the first nine months of 1951 of $514,865, or approximately 46 cents per share.

NATIONAL SHARES

Net assets of National Shares Corporation at Sept. 30, 1952, based on market quotations on that date and after deducting the payment Wednesday of a dividend of 15 cents per share amounted to $13,025,948, equivalent to $36.18 per share on the 360,000 shares of outstanding capital stock. On Dec. 31, 1951, net assets were $12,608,-503, equal to $35.02 per share.

Aggregate unrealized appreciation in value of securities owned as compared with cost amounted to $4,252,001 on Sept. 30. Net income of the corporation from interest and dividends for the nine months ended Sept. 30 amounted to $293,209, compared with $275,-340 for the corresponding period in 1951.

Assets of National Shares Corporation on Sept. 30, 1952 were distributed approximately as follows: Common stock, 78.3%; preferred stocks, 4%; bonds (other than Government obligations), 3.5%, and cash, U. S. Government obligations and receivables (less liabilities), 14.2%. Of the common stocks held on Sept. 30, industrials accounted for 65.4% of net assets; public utilities, 11.6%, and railroad stocks, 1.3%.

CARRIERS & GENERAL Corporation, a closed-end investment company under Calvin Bullock management, reports total net assets on Aug. 31, 1952 were $11,-071,193 before deduction of principal amount of outstanding debentures and excluding unamortized debenture financing costs, compared with $10,588,735 on May 31 last on the same basis.

Investments in common stocks amounted to 83.08% of total net assets. The largest industry group holdings of common stocks were as follows: petroleum 14.67% of total net assets; utilities, 10.38%; retail trade, 9.92%; railroads, 7.74%; chemicals, 7.01%; non-ferrous metals, 5.10%; paper, 5.04%.

Wm. J. Becker With Hulburd, Warren Co.

CHICAGO, Ill. — Hulburd, Warren & Chandler, 208 South La Salle Street, members of the New York Stock Exchange and other principal security and commodity exchanges, announce that William J. Becker has become associated with them as manager of the trading department.

Mr. Becker's association with the firm was previously reported in the "Financial Chronicle" of Oct. 9.

With John G. Kinnard

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Elio C. Varani is now connected with John G. Kinnard & Co., 133 South Seventh Street.

Joins State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn. — Glenn N. Kemmer is now with State Bond & Mortgage Co., 26½ North Minnesota Street.

Joins Weltner Staff

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Ruth Singular has become affiliated with A. E. Weltner & Co., Inc., 21 West Tenth Street.

Joins Field & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore. — Ralph W. Taylor has become connected with Field & Co., Inc., Cascade Building.

Continued from page 3

The Business Outlook Thru 1953

comes closer to the depression which the Marxists believe inevitable here. The recent call of a Communist Party Congress for October may foreshadow such a change of line — a "crouch-and-wait strategy" instead of "grab-all-you-can-while-the-grabbing's-good" which has been Stalin's policy since the end of the war. The ferment in the Middle East also favors the "wait-and-take-advantage" strategy.

(3) **Despite the fact that the whole Atlantic alliance will surely crack up** unless some attack is made on the dollar problem, U. S. efforts will be limited to these modest measures for at least the next six months:

—Continuing efforts to increase our purchases overseas; though, as indicated above, no really large amount will be involved.

—Some steps to take over part of the French defense costs in Indo-China and the British burden in the Middle East. And at the same time, no matter who is elected President, we won't really oppose a further slowdown and stretch-out in the French and British arms programs.

—New emphasis on stimulating U. S. private capital investment abroad. Watch for a thorough investigation of the possibilities in this area as soon as the new Administration takes office. One likely step is more favorable tax treatment for earnings on foreign investment.

—Cuts in foreign economic aid next year won't be as large as many people expect. There will be a greater effort to make the need clearer to Congress and to prove that the money is being wisely and profitably spent. The case will be strengthened by a shake-out of the State Department and new personnel to head up the Mutual Security Agency.

—U. S. military assistance to Europe will decrease, with more going to Asia and the Middle East.

(4) **In the East-West conflict the odds are against us,** not the Soviet. The uphill fight is on our side. Our strength is achieved by a voluntary sacrifice, free alliances, unequal contributions, arrangements constantly subject to scrutiny and criticism in free and torn democratic societies. In the absence of serious and immediate threat of aggression, our arrangements are stuck together with spit, whereas the Soviet holds its satellites and swells its military strength with terror, secret police power, constant threat of extermination, the discipline of slave labor camps, the pounding of propaganda that's never subject to either examination or criticism.

The Political Scene

Nov. 4 will mark the end of a 20-year political era whether Eisenhower or Stevenson is elected. The Roosevelt and Truman reigns were not the same in philosophy or dominating personality, but Eisenhower or Stevenson will in many ways differ from both. No revolution is in the making, but some of the basic attitudes will be changed, with important consequences for business. Labor leaders, for instance, will have a smaller voice in Administration matters; businessmen will have a louder voice for the first time in a score of years.

Yet despite the very real change of attitude, and despite a pretty clean sweep of the new broom in Washington whether in Ike's hands or Adlai's, the general course of both domestic and foreign affairs will not vary much regardless of who is elected.

Eisenhower would tend to the more conservative side of the middle of the road which both he and Stevenson would travel. Both men would lean toward government intervention in the economy, especially if a recession threatened. Adlai would move a little faster and go a little further than Eisenhower—but both would act in a very different fashion from Roosevelt or Truman. There would be much less emphasis on direct controls and pump-priming as such—more reliance on budgetary policy, credit policy and use of interest rates as an economic lever.

A decisive factor, of course, will be Congress—and little change is likely. Conservatives of both parties will control, though the odds at this writing are that the Democrats will be the majority group. In any case, whether it's Adlai or Ike, we are likely to see a government by persuasion rather than legislation.

In terms of the economic outlook, the effect of the new Administration can be summed up this way for all practical purposes: Government spending will continue high; taxes will not be reduced substantially; military muscle will be built stronger; foreign aid, in one from or another, will keep flowing; unions will have to stand more on their own feet, rely less on a White House crutch; there will be far less Presidential insistence on stabilization controls, and where issues arise, like the Taft-Hartley Act, the changes are likely to be minor adjustments rather than overhauls.

Another way of putting it is that either candidate will be likely to have better relations with Congress than Truman did. One result will be less of the kind of pulling and tugging which leads to extremes of White House demands on the one hand and rebellious Congressional legislation on the other. Washington won't be all sweetness and light, of course, but considerably more reasonableness is due in both the executive and legislative branches of the government.

Business After the Election

The new Administration, whether Republican or Democratic, can look forward to a breathing spell of several months at least. After November, business will continue to be generally good with few, if any, pressing economic problems. Here are the longer-range prospects of how the delicately balanced upward and downward pressures are likely to work out:

(1) **Government spending.** A review of defense needs is certain after the election. If the lag is as bad as some recent reports indicate, there is a real chance that the new President will talk not of cutting defense spending but of increasing it—and Congress would go along.

However, as things look now, odds still are that the leveling off will start within the next 12 months—and that the peak level will be around $60 billion rather than Truman's $65-$70 billion figure.

New obligations, which are always ahead of actual spending, of course, have already reached $60 billion or will do so within a matter of months. Another factor is that the carry-over of unobligated, though authorized, funds is smaller now than it was while the defense program was gaining momentum. As a total result, the number of contracts to be signed in the present fiscal year is almost certain to be smaller than in '51. Many armament manufacturers will feel the leveling-off and slowdown even more sharply and at an earlier date indicated by the national figures.

The main support counted on to sustain the rate of defense work is aircraft, where the peak isn't due until 1954. The rising curve will offset declines in such items as light tanks and similar equipment, current output of which is already being slowed, due partly to lighter-than-expected material losses in Korea. But the implication for the individual contractor outside of aircraft is obvious: **Only constant checking with procurement officers will safeguard your company against the severe impact of sudden reduction or outright termination of your contracts.**

In terms of the over-all economy, the vital fact is that in the past 24 months the rising rate of defense spending has blunted the down forces which were developing. Looking ahead, this offsetting factor will no longer be present and every downpull from other sources will have sharper effects.

(2) **A drop in business** spending is another potential threat to economic stability in 1953 and beyond. Every depression in recent U. S. history was foreshadowed and accompanied by a decline in business spending for machines and facilities. Last year's investments amounted to some $23.3 billion. This year the figure will run even higher. But the very magnitude of this investment program indicates that it cannot continue much longer. In industry after industry there are now signs that we may be adding more capacity than the economy can reasonably use in the short run—despite the long-range probability that American demand will eventually enlarge to the point where it can absorb the entire output of all the new plants.

Among the most important evidence indicating a significant decline in capital spending are these facts:

—Though no official government or private surveys have as yet probed very deeply into business plans for 1953, most industries making producers' goods report a decline in new orders and lessened buyer interest. However, typical of the volatile nature of the situation, late summer brought reports of a surge of orders for machine tools.

—Accelerated amortization, which has encouraged expansion with over $17 billion worth of facilities covered by certificates of necessity since Korea, has slowed to a fraction of what it was a few months ago. In several instances, certificates already granted aren't being used, or at least not fully.

—There is a growing feeling in some industries that their capacity is already over-extended, especially in view of the possibility that prices in 1954 and 1955 may well be lower than they are today. The fact that we have practically doubled our industrial plant since 1940, taken with gains in productivity, would tend to support this more cautious view.

—Earlier this year it looked as though the first decline in business investments would occur well before the end of 1952. However, the steel strike changed the picture, stretching many projects into early 1953. Even with this postponement, however, business spending is still likely to slide about 20% in the next 12 months, with another drop of 20% probable after mid-'53.

There are, of course, exceptions to this general trend. The most

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The Business Outlook Thru 1953

obvious is the electric power industry which plans to expand 38% by 1954. Plastics and synthetic fibers are due to continue growth also. Most of the capital goods makers serving other industries, however, will have to rely on modernization and added mechanization to maintain their sales at anywhere near satisfactory levels for some time.

(3) **Construction.** Along with the dip in commercial and industrial activity noted above, new home building will slacken within the next few months. Backlog needs will finally be close to satisfied either late this year or, more likely, early in 1953. Once this happens the industry will have to depend largely on the natural growth of the market, which is bound to shrink because the people now coming of marriageable age are the depression babies —fewer in number than recent groups. The result will be a significant decline in the formation of new spending units.

One important offsetting factor will be public construction. Most types of public projects have long been neglected. Everything from highways to schools, water, and other utility facilities requires considerable catching up. However, it seems doubtful whether, in the face of a general readjustment, there would be enough funds available to make up fully the deficit in industrial and residental construction. A decline of even 10%-15% in the total level of building activity could add heavily to the downpull generated by the drop in government and business spending.

(4) **Consumer spending** is counted on by those who take a more optimistic view to provide the most decisive stabilizing influence. There is much to support a confident view of consumer purchases over the next few years. American families on the whole have attained a record high level of economic well-being. Current and prospective increases in income will add to their purchasing power, which is now backed by record savings in liquid and semi-liquid forms. The purchases made by many consumers in the two post-Korea scare buying waves seem to have been digested finally, so that a return to normal buying can be expected.

The key question is whether most families are in a position to maintain their standard of living if the start of a general business decline results in layoffs and shorter working hours. As described more fully in the industry-by-industry outlook below, even under the prosperous conditions later this year, many vital lines such as automobiles and consumer durables cannot expect to reach the production and sales figures of late 1950 and early 1951.

Add the possibility that such other important lines as textiles may also face a temporary dip (as indicated by their long-term experience of a two-year cycle between high and low sales) and you get a picture of a lag in spending which, though moderate, could seriously affect every business which deals in goods and services for the consumer.

Here, again, the optimistic and pessimistic possibilities will be delicately balanced. The one certainty is that the economy will be vulnerable; and business must plan accordingly. An interesting aspect of the situation is that if enough companies are prepared for a period of difficulty, its impact will be less severe, its duration shorter.

(5) **The role of foreign trade.** Some 9% of our production usually goes into export sales, and while this figure may not seem high enough to be a crucial factor in our economic well-being, there are two reasons why it is actually more important than it looks:

—In many industries, the relatively small percentage of foreign sales accounts for all or nearly all profit. (This was traditionally true of motion pictures, for instance, where the rule of thumb was: "Domestic bookings cover the costs, foreign markets bring the gravy.")

—Foreign sales have played a large role in the boom of the machinery industry, in the chemical field, in agriculture and elsewhere.

A slackening of foreign demand for U. S. goods—whether due to lack of dollars, or foreign curbs on imports, or new competition from Japan and Germany — can have sizable effects in this country.

On the other hand, U. S. shipments abroad under the Mutual Security Program will be larger than last year; and military aid will be substantial. As noted earlier, this will be true whether Eisenhower or Stevenson is elected.

On balance, the Institute does not anticipate the kind of export sag that might trigger a recession here—but the weakening of this economic prop will add to the vulnerability of the economy if a test comes.

(6) **The role of Washington.** At the very time when the new President will present his program to Congress for legislative action, business conditions are likely to be good and the general atmosphere will probably be one of mild inflation rather than deflation. A White House request for measures against a recession will sound abstract and unconvincing. Although business executives, government officials and labor leaders may already be spotting signs of trouble in their particular areas, it will be had to develop any real concern over economic setback.

And add a new political factor. The White House, whether occupied by Stevenson or Eisenhower, will have a strong feeling **against** additional government intervention in business unless and until it is clearly dictated by circumstances. Eisenhower would be more reluctant to move than Stevenson, and would not move as far—but Stevenson would also move slowly, as indicated above, and much less directly than Truman.

The reluctance of the next President to seek Washington action against a possible recession will be reinforced by the conviction of many leaders in both government and business that a mild recession may be healthy—that it may be precisely the way to shake out the economy for a sound resumption of long-term growth, avoiding a really severe depression. There is in any case a growing conviction that the economy must at least pause on a plateau long enough to digest the terrific growth of the past few years.

Even if Washington took bold steps against a slump, there's a very real question of whether they would be effective in the kind of economic enviroment we have now. At the beginning of Roosevelt's term taxes were mild and government spending was low. A modest increase in spending by Washington was enough to have some stimulating effects. Today we start with fantastic spending, taxes at or near the breaking point — and with measures like farm price supports and minimum wages so well established that they are fully discounted in the economic planning of every individual and business.

The key point is that, given our current Federal budget, the amount of new spending required to stimulate the economy would have to be staggering.

This doesn't mean, of course, that Washington will sit idly by while the economy begins a downward slide. Public construction and other public works already blueprinted for 1953 and 1954 will be pushed at the Federal, state and local levels. Government supports for farm prices, though long on the books, may for the first time fully exert their potential retarding influence on any downward movement of prices. The rigidities built into our economic structure by government loans, minimum wages, long-term union contracts, etc., will assert themselves if and when recession starts.

It is probable that these factors will be at least keep a slump from deepening into a serious recession even if it turns out that they cannot prevent a dip entirely.

Taxes Are Coming Down

Neither Eisenhower nor Stevenson will ask for higher taxes in the absence of a shooting war. Both favor tax reduction "as the budget permits." Eisenhower will probably press harder for speedy cuts, consistent with necessary defense spending. Stevenson has counseled a "wait and see" attitude, but would take advantage of any opportunity to ease the tax load.

Odds are that neither candidate will be able to achieve any real tax cuts in 1953, barring a recession. The budget will tie the President's hands.

However, the present tax law automatically provides for tax reductions. Unless Congress changes the timetable, this is now how the tax rates will come down:

Individual income taxes. For 1954 and thereafter, rates will drop about 10% below the 1952 level for taxpayers making up to $25,000. (This would work out to a little less than 1951 taxes.) Taxpayers in the over-$25,000 bracket will get less relief

Corporate income taxes. For years beginning after March 31, 1954, the normal tax rate is slated to dip from 30% to 25%. The 22% surtax will continue. This would cut taxes by more than 15% for corporations earnings under $25,000.

Excess profits tax will be ended for years beginning after June 30, 1953. Calendar year corporations will still pay excess profits tax for 1953.

Capital gains tax. The 26% ceiling rate will revert to 25% for individuals' taxable years beginning after Oct. 31, 1953, and corporations' taxable years beginning after March 31, 1953,

Excise taxes. Many of the levies which rose on Nov. 1, 1951 are scheduled to return to the pre-Nov. 1, 1951 rates on April 1, 1954. These include manufacturers' excises like those on automobile chassis, gasoline and sporting goods—also liquor and cigarette taxes.

A new tax law at the end of 1953 is probable. If the cost of defense isn't headed down at that time, there will be pressure to postpone or reduce some of the cuts required by the present law. On the other hand, if the outlook for lower costs in 1954 is good, there will probably be a move to deepen the authorized cuts. In either case action on the bill will be taken in 1953, although actual changes won't become effective until 1954.

In any such measure, the difference in viewpoint between the Republicans and Democrats would probably emerge in these areas:

—Republicans would be more inclined to liberalize or repeal the excess profits tax; would be less likely to reduce or repeal excises. They would also favor a shorter holding period for long-term capital gains and a lower rate (but not below the lowest individual rate.)

—Democrats, particularly in the House, would lean more toward benefiting lower-income groups, and would be less likely to apply the corporate tax to cooperatives that compete with business.

Even if tax rates aren't changed in 1953 there's a real possibility of an administration tax bill aimed at improving the tax system, relieving hardships, removing inequities, etc. The staff of the Congressional Joint Committee on Taxation is already gathering suggestions from taxpayers throughout the country (although Colin Stam, the chief of the staff, denies that this material is being collected specifically for a 1953 Revenue Act. A measure of this kind **could benefit many taxpayers as much as, or even more than, a straight rate reduction bill.**

The Democratic platform suggests the possibility of further loophole closing. Even if Stevenson favored such action (and it isn't clear at present whether he does) a Democratic victory wouldn't necessary bring it about. Truman's requests for loophole closings were whittled down by a **Democratic** Congress and there's no reason to expect any greater sympathy from the next Congress whether Democratic or Republican.

The Congressional tax committees won't be affected much whether Congress is Democratic or Republican. The powerful Senate Finance Committee in particular is a homogeneous group in its political and economic views regardless of party affiliation. For example, the three top Democrats, George, Byrd and Johnson, and the three top Republicans, Millikin, Taft and Butler, see eye to eye on most tax matters.

An important tax angle to watch in the next year is growth of new pressure for a sales tax—though under some other name. With such a new major source of revenue, some real cuts in income taxes would become possible. However, resistance to a sales tax will be hard to overcome, especially if the Democrats are in power. A manufacturers' tax across-the-board—except for certain necessities—might have more of a chance if the Republicans win. Eisenhower's economic advisers, mostly reflecting the policies voiced by the Committee for Economic Development, favors such a levy.

The Future of Controls

Both Stevenson and Eisenhower would prefer **not** to have price and pay controls. Thus, the White House will initially present only a limited and general request to Congress. The President will wait until close to the April 30 deadline of the Defense Production Act, and he will not pressure for extension unless the economic outlook at that time clearly indicates the need for continuation. With this over-all picture in mind, here are the prospects in the major areas now subject to government restrictions:

(1) **Credit controls** will disappear completely before this year ends. Under the provisions of the Defense Act, Truman will ease the present limitations of Regulation X on real estate credit, and may revoke them altogether.

(2) **Price controls** are in for tough sledding despite the threat of new increases. For one thing, OPS simply doesn't have the funds to follow up on the price control structure. The result will be suspension and decontrol on a much wider scale. Many industries will be declared "insignificant" to the cost of living, and simply removed from control, to ease the administrative burden in Washington. When Woods replaced Arnall, the last link with "tough" policy was cut.

The limited OPS staff won't be able to enforce its ceilings on anywhere near the scale attempted earlier in 1952. This doesn't mean that obviously willful violators will not be caught and mauled, but those instances will become fewer. Also, OPS enforcement drives will be almost entirely centered on the few areas of business which are most sensitive (such as some of the basic metals like steel and scrap) or which are particularly important to the cost of living (such as meat).

Companies which remain under price control and are willing to comply will often find it difficult to live up to the price regulations. Already there are strong indications tnat some OPS divisions are so badly understaffed that they can't adequately process the required reports and applications, much less render businessmen the services necessary for compliance.

It's this administrative breakdown of the OPS machinery which may turn out to be the decisive factor in discontinuing price controls after April 30. It would take overwhelming evidence of strong inflationary pressures to persuade the new President and Congress to recreate a full system of new price controls and provide the money to restaff the price agency. As things look now it just doesn't seem possible, barring foreign crisis, that this will be the economic climate in the spring of 1953.

(3) **Wage controls** are likely to fade with price curbs next spring. But there are some significant differences:

—Despite the weakened powers of the new Wage Board, pay controls are essentially intact at present.

—Even more than in a case of price controls, willful violators of pay rules will face a real risk of stiff penalties.

(4) **Material controls** will continue until June 30, 1953 and may be extended—but only a radical change in the internationl situation, compelling a sudden speed-up in the defense effort, could reverse the fast easing of material shortage which has been taking place for the past several months. The steel strike has not basically altered the prospect—in fact, it resulted in larger supplies of metals like copper, which piled up while steel was unavailable for production.

In the next twelve months, only a few isolated materials loom as potential trouble spots. The list of items now under allocation is as good an indication as any: mainly alloying agents, a few chemicals, and industrial diamonds. In the metal field the outlook shapes up as follows:

The balance of 1952 will see fairly tight supplies of some types, forms, shapes and sizes, though early winter will bring an easing of such primary civilian items as galvanized small cold finished bars, hot and cold rolled sheet, 16 gauge and light.

Going into 1953, some items which are most widely used in defense production will almost certainly continue tight into the second quarter, and a few may not be freely available for several months beyond that. This is especially true of heavy gauge sheets, cold finished bars, and hot rolled bars in larger sizes, nickel bearing stainless, tin-plate, electric sheet and strip, structural plates and possibly also some structural shapes.

In general, however, the effects of the steel strike will be less serious than was expected—includ-

ing the matter of iron ore. The timetable is now set to make up for the supplies lost during the strike, and no real difficulty is in sight.

In several of the non-ferrous metals, the decisive influence on prices may be the timing of government buying. If stockpile requirements are heavy just when civilian demand is picking up, a substantial part of the recent price drops may be wiped out.

We anticipate that the Controlled Materials Plan will be carried to at least the second quarter of 1953. If the material supply picture has sufficiently improved, the NPA may well drop CMP then. Still to be expected, however, is some system of preference ratings going on as long as military needs may require any kind of priority to be assured of scarce materials.

Labor Problems in the Year Ahead

National Labor Policy. Despite the campaign talk, the Taft-Hartley Act will not be revised drastically under either Eisenhower or Stevenson. Efforts to crack down on industry-wide bargaining will fail. The slogans "repeal Taft-Hartley" and "restrict industry-wide bargaining" will continue to be heard as loudly as ever from the opposing camps—with little practical effect, because both catch phrases have more political value to their respective shouters than actual fulfillment of the demands would have.

Even the fact that President Truman refused to invoke Taft-Hartley in the critical steel strike will not be sufficient to get Congress to toughen the national emergency strike provisions.

No new minimum wage and overtime legislation is likely. Government shaping of minimum wage policies will be confined to industry rulings under the Walsh-Healey (Public Contracts) Act. There are no pending developments such as portal-to-portal or overtime-on-overtime which will require "crisis" legislation. But, despite the fact that employers will be operating under rules which should be well known to them by now, it is likely that government inspectors will continue to find the majority of employers in violation of overtime and minimum pay statutes—usually because so many businessmen just don't know how to apply the rules.

A large hidden factor will be the indirect pressure resulting from the decontrol of wages of less than $1 an hour which Congress put through last June. Every employer who takes advantage of it not only pays more at the bottom of his scale but has to meet the presure caused by dislocation of his higher rates.

The Wage Outlook. Despite WSB's explanation that its steel recommendations fitted stabilization policies, the fact is that directly or indirectly it has set an upward pattern for wage rates. Most unions will seek increases under the Board's tandem and interplant inequity principles, and unorganized companies will as usual feel the pressure.

In the event of a recession in 1953 or 1954, wage demands will be softpedaled and employers will face stronger pressure for fringe factors which emphasize employee and union security — pensions, severance pay, disability insurance and the whole range of social benefits. There are already signs of this change in union bargaining goals, although wage demands are the most publicized issues.

The accepted use of the word "fringe" for benefits other than direct wage increases is unfortunate. It does not adequately convey the very direct dollars-and-cents cost of these indirect payroll expenses. For instance, many companies have now undertaken social insurance programs which have become a heavy portion of their indirect payroll. If business slackens, many firms will find it difficult to meet their premium obligations.

Note another defect of "fringe" thinking which becomes more important when the business chips are down. **Many employees don't appreciate fully the money which fringes represent to themselves and the company.** As a result, there is often a lack of incentive which a direct pay boost can foster. Employees need to have pointed out to them the money the employer is spending in their behalf, and the benefits they derive from it.

A Long Look at the Pay Structure

Whether or not a company can ride out a temporary economic storm depends on the ability of its whole force to join in a campaign of trimming expenses. **Cost control** may literally become a matter of business life or death. One fact is certain: the **rigidity of wages** makes business extremely vulnerable in a period of let-down—particularly since pay rates are a major factor in the currently high break-even points. Pay rates will not move down rapidly—even under the blasts of severe economic adversity.

For a long time now, management has been wrestling with a series of forces that have tended to dislocate the pay structure in the average company. Wage stabilization, union pressure, time-and-a-half for employees with no similar provision for supervisors—these and other factors have tended to strip company pay patterns of rhyme and reason.

Particularly in anticipation of a changing economic environment it's time to ask these questions:

—Have you allowed government pay rules in the past to set your wage floors, both in individual jobs and in union scale negotiations?

—Have shortages in particular skills forced you to pay out-of-line rates and created internal inequities that must be corrected at the first opportunity?

—Have you been resolving all your wage questions on the basis of your current profit position without regard to your long-range prospects?

—Are you functioning under (or contemplating) a program of welfare benefits based on a realistic recognition of the cyclical character of business—or have you been simply yielding to current pressures?

In answering these questions you may turn up some interesting situations in your company. For example, you may discover that you have been forced to unbalance your pay structure by narrowing the gap between semi-skilled and skilled employees. Obviously, if you enter a period of declining business, you will not want to correct the inequities by means of pay hikes for those on the wrong end of the differential. Instead, your planning might be directed toward ultimately enlarging the jobs of those who are being paid too much now, so that their wages will be more appropriate to the work they do. In some cases, the solution might be to break jobs down into a series of tasks requiring less skilled employees.

Such devices may be your only hope in an interval of difficulty—but if they are to be feasible, they require long preliminary study.

New Union Drives

The door will be ajar to union organization in companies which have failed to understand the underlying psychological factors that have historically driven employees to unionize. Thus, a management layoff policy which flatly sacrifices seniority for profit considerations will be an open invitation. Few employees value their services to the company with the same impartiality that is exercised by an industrial engineer doing a time and motion study. Unless layoff policies accord some definite tangible weight to length of service, a company will destroy both the morale and loyalty of those who remain on the job. "You may be next" is still the best sales talk yet devised for a union organizer.

White collar organization will increase. Except in the largest cities, unions have made little organizing progress with clerical workers, technicians, sales clerks, etc. One reason has been the white-collar suspicion of leftism in clerical and retail unions—founded on fact in some major instances. But in the event of a prolonged recession in 1953 or 1954, it will become apparent that even moderate-scale layoffs can frighten traditionally anti-union employees into a union's arms on the promise that membership will protect them.

This kind of pressure will be intensified wherever a union organizer can point to instances of unfair discharges or layoffs, particularly where partiality is a factor in management decisions.

Strike Outlook

The rest of 1952 will see a continuation and acceleration of the strike trend. You must take into account not only the prospect of a strike within your own company but the possibility that your business will be affected by strikes against your sources of supply or your customers. Note these factors:

(1) The Wage Board, with its powers restricted under the amended Defense Act, is a much weaker agency in the eyes of union negotiators. It's not so much that WSB no longer has authority to handle dispute cases. The point is that there is nothing to prevent unions from using the strike instrument as a device for insisting on wage increases which measure up to their demands, regardless of WSB rules.

(2) One significant feature of the steel dispute was the readiness with which steelworkers struck, returned to work, then struck again. This new responsiveness to union leaders characterizes most other unions—a factor to be reckoned with in charting labor relations policy.

(3) Smaller companies have reached a point in their cost picture where they cannot meet union demands based on settlements in steel, aluminum, etc. There age going to be many cases of "irresistible force and immovable object," with bitter strikes the result.

Chemical Bank Names Asst. Trust Officers

Four assistant trust officers have been advanced to trust officers by Chemical Bank & Trust Company, N. Baxter Jackson, Chairman, announced today. They are: James M. Clark, Joseph F. Emmerich, Charles A. Rosebrock and Earl C. Williams. The bank also has promoted W. Brewster Winton, formerly investment trust officer, to Assistant Vice-President in the Investment Division.

James W. Oldfield

James W. Oldfield passed away in Miami, Florida, on Oct. 7 at the age of 65.

He had been with the brokerage firm of Oscar E. Dooly in Miami since 1939. Previously Mr. Oldfield had conducted business in New York City under the name of J. W. Oldfield & Co.

Joins H. L. Robbins

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Frank G. Philbin is now with H. L. Robbins & Co., Inc., 40 Pearl Street.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

In the past few weeks I've read numerous articles about the coming depression. Based on a survey of these reams of forecasts, all economists seem to agree that the big retreat will start sometime after the middle of 1953.

* * *

I've always been awe-struck at the conclusions of scientific economists who take a series of figures from various sources and by the proper use of a slide rule, come up with sage results that have all of us genuflecting with respect.

* * *

For all I know the boys with the sharp pencils may have this thing figured right. Still, I've yet to see where a generally expected event actually comes to pass.

* * *

Naturally, from a stock market angle, I'm interested in what happens to business from any source. I'm not so naive as to believe that stocks go up, or down, without a basic reason. And what could be more basic than business trends.

* * *

Assuming that the heralded depression does take place on schedule, it seems to me that the looked for event has already been weighed by the market, its importance evaluated, and at least partially discounted by its action. The only thing markets can't discount is the unexpected, and even that is to some extent known by somebody somewhere. The only thing I except is accidental death.

* * *

In the past few years there's been considerable buying of common stocks by new interests. The mutual funds were, and are, the big buyers, plus savings banks and insurance companies. The last two are not worried about market vagaries. The first, in my opinion, will have to be. Most of the open end trusts buy and sell daily, based on the sales or cashing in of their own participating shares. So far these trusts have not been severely tested.

* * *

All of the foregoing has only a slight relation to the intra-day market movements, which this corner is supposed to be primarily concerned with. So far as this goes there's been little change from the position taken here last week or the week before. Dullness with draggy market action was generally expected. That's just what you saw.

* * *

I think now, however, that the market is getting closer to a new up move that may start a lot quicker than we generally look for. There's no hard and fast rule that can cover such action. Following tape strength, an old yardstick, no longer is practical. Too many times in the past few years have moves started and before you can get in they've been over. The time to buy, therefore, is when they're dull and loggy. Conversely, when they're strong and active is the time to sell.

[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.]

Bank of America Stock Offered at $31

Dillon, Read & Co., Inc., and Blyth & Co., Inc., headed a nationwide group of underwriters which on Oct. 14 offered to the public 1,341,085 shares of common stock of Bank of America N. T. & S. A. at a price of $31 per share.

The stock being offered was purchased from Transamerica Corp. and subsidiaries. It will represent all of the stock of the Bank of America owned by such companies and consummates a program begun in 1937 by Transamerica and subsidiaries to divest themselves of ownership of Bank of America stock.

Bank of America now has outstanding 24,000,000 shares of common stock. The current annual dividend rate of $1.60 a share was established in August, 1950.

Earnings per share of common stock were $1.29 for the six months ended June 30, 1952, and $2.12 for the year ended Dec. 31, 1951. Capital funds per share of common stock were $17.67 per share on June 30, 1952.

The Bank of America, in terms of deposits and resources, is the largest non-government bank in the United States. On June 30, 1952 deposits totaled $6,881,410,177 and resources $7,568,646,919.

Six with Renyx, Field

NEW ORLEANS, La.—Edna D. Barnett, Lowe A. Barnett, Michael J. Cousins, Jenny R. Friedel, John H. Hankey, Jr., and Paul M. Smith, Jr. have joined the staff of Renyx, Field & Co., Inc.

Now With Norman Dacey

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Frederick J. Hilton has become associated with Norman F. Dacey & Associates, 114 State Street. He was formerly with A. W. Benkert & Co., Inc.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Nihl D. Johnson has become connected with Hamilton Management Corporation, 445 Grant Street.

Joins Investment Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—J. R. Wells is now with Investment Service Corporation, 444 Sherman Street.

W. L. Haberthier Opens

(Special to THE FINANCIAL CHRONICLE)

LIMON, Colo. — Wilbert L. Haberthier is engaging in a securities business from offices here.

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The State of Trade and Industry

liant performance that's reaping a new crop of steel production records.

The new records, it adds, are made possible by the additional new capacity coming into operation in the steel industry. Still higher production levels can be expected over the next few weeks as further new facilities come into use.

Rapid recovery from the steelworkers' strike and the expansion in the steel capacity are tending to make some consumers less interested in forward buying than they were a few months ago. On the other hand you can still find consumers scrambling for steel. Much of this scurrying is to fill the supply gap caused by the steel strike, "Steel" points out.

As a result, Inland Steel Co., Chicago, which has been a big figure in rolling conversion steel for consumers trying to make ends meet in their steel supply, is booked full on its conversion capacity for the first quarter, and is turning down business, this trade journal notes. The automobile and farm equipment makers, big users of conversion steel, show little loss of interest yet in conversion tonnage.

Some fabricators of structural steel have two worries. One is over lack of steel for now. The other concerns the lack of business for the future, continues this trade paper. In some areas, inquiry for fabricated structural steel is the slowest in at least three years. Contributing to the dullness are governmental restrictions and increasing costs, 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 105.8% of capacity for the week beginning Oct. 13, 1952, equivalent to 2,197,000 tons of ingots and steel for castings. In the week starting Oct. 6, the rate was 106.6% (revised) of capacity and actual output totaled 2,215,000 tons, a new high record. A month ago output stood at 102.1%, or 2,121,000 tons.

Electric Output Makes Further Gains the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Oct. 11, 1952, was estimated at 7,697,880,000 kwh., according to the Edison Electric Institute.

The current total was 32,472,000 kwh., above that of the preceding week when output amounted to 7,665,408,000 kwh. It was 537,500,000 kwh., or 7.5%, above the total output for the week ended Oct. 13, 1951, and 1,189,289,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Trend Lower for Week and Year

Loadings of revenue freight for the week ended Oct. 4, 1952, totaled 851,866 cars, according to the Association of American Railroads, representing a decrease of 10,195 cars, or 1.2% below the preceding week.

The week's total represented a decrease of 6,891 cars, or 0.8% below the corresponding week a year ago, and a decrease of 12,037 cars, or 1.4% below the corresponding week in 1950.

United States Auto Output Declines 2% From Level of Previous Week

Passenger car production in the United States last week fell about 2%, but maintained the over 100,000 weekly pace begun after the first week in September.

It aggregated 102,699 cars compared with 104,745 (revised) cars in the previous week, and 91,130 cars in the like week a year ago, according to "Ward's Automotive Reports."

Total output for the past week was made up of 102,699 cars and 29,581 trucks built in the United States against 104,745 cars and 29,461 trucks (revised) last week and 91,130 cars and 23,349 trucks in the comparable period a year ago.

Canadian plants turned out 2,846 cars and 2,276 trucks against 6,814 cars and 2,109 trucks last week and 3,989 cars and 2,075 trucks in the like week of 1951.

Business Failures Advance the Past Week

Commercial and industrial failures rose to 147 in the week ended October 9 from 129 in the preceding week, Dun & Bradstreet, Inc., reports. This upturn brought casualties above the 126 which occurred in the comparable week a year ago, but they remained below the 1950 total of 188 and the pre-war level of 237 in 1939.

Liabilities of $5,000 or more were involved in 118 of the week's failures; mortality in this size group increased from 108 last week and 94 in 1951. A rise also appeared among small casualties, those with liabilities under $5,000, which rose to 29 from 21 but did not reach their total of 32 recorded a year ago.

All industry and trade groups except construction had heavier casualties during the week. More businesses succumbed that last year in retail trade, construction and service. A slight decrease from the 1951 level prevailed in the two other major functions, manufacturing and wholesaling.

The Pacfic States, where failures rose to 37 from 28, and the West South Central, where they were up to 5 from none, accounted for most of the week's upturn. No change occurred in the Middle Atlantic States and the only declines during the week appeared in the West North Central and Mountain States. Failures exceeded or equalled last year's level in all regions except the East North Central States. The most notable uptrend from 1951 centered in the Pacific Region.

Food Price Index Reflects First Rise in Six Weeks

There was a steadying movement in foods last week as the Dun & Bradstreet wholesale food price index advanced slightly for the first time in six weeks. The index rose to $6.44 on Oct. 7, from $6.43 the week previous. The current level compares with $6.79 on the corresponding date a year ago, or a drop of 5.2%.

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

Wholesale Commodity Price Level Turns Slightly Upward

The Dun & Bradstreet daily wholesale commodity price index trended slightly higher the past week after reaching a three-month low the week before. The index closed at 290.70 on Oct. 7, as compared with 290.68 a week earlier, and with 303.54 on the corresponding date last year.

Following some early weakness, grain markets developed a firmer trend last week. Strength in wheat reflected expectations of heavy export trade in wheat and flour in coming months and continued dry weather conditions over most of the Winter wheat belt. Corn and other coarse grains derived strength from the improvement in wheat as well as soy-beans. Corn picking was in full swing; prospects remained good to excellent with most of the crop said to be safe from frost. The Department of Agriculture set the national average price support level for 1952 crop corn at $1.60 a bushel, as compared with $1.57 for the previous crop.

The volume of trading in all grain and soybean futures on the Chicago Board of Trade last week dropped moderately below the level of the previous week and a year ago.

Domestic bookings of hard wheat bakery flours continued at a slow pace with little interest being shown in other types. Export flour business slowed down following fair sales a week previous. Cocoa values moved downward on liquidation and trade selling induced by disappointing manufacturer demand and prospects for a larger world cocoa output for the 1952-53 season. Warehouse stocks of cocoa continued to drop, and totaled 83,406 bags on Oct. 6, as against 93,324 a week ago, and 206,832 bags at this time last year. After touching new lows for the season, lard prices developed some firmness. A steadying influence was the reported drop of almost 20,000,000 pounds in lard stocks in Chicago during September. Hog values moved sharply lower at the close, reflecting increased receipts and curtailed packer interest. Sheep and lamb prices turned higher last week following a six-week decline that began in late August.

Spot cotton prices fluctuated irregularly in a narrow range and closed slightly higher than a week ago. Sustaining influences in early dealings included mill price-fixing for foreign and domestic account and the belief in some trade quarters that the forthcoming Government crop forecast would be slightly below that of a month ago. Although farmers were reported holding an increasing proportion of current ginnings, very little cotton has been pledged to the Government loan thus far this season.

Reported sales in the ten spot markets rose sharply last week to a total of 412,200 bales, from 331,100 the previous week, and 316,700 in the corresponding week last year.

The mid-September parity price for cotton was reported unchanged from a month ago at 34.47 cents a pound, as compared with 33.85 cents on the corresponding date a year ago. Trading in cotton textile markets was moderately active at steady to slightly firmer prices.

Trade Volume Perks Up in Latest Week

Retail trade quickened perceptibly in the period ended on Wednesday of last week as temperatures tumbled in many parts of the nation. As during the last six months, shoppers spent slightly more than in the corresponding week a year earlier.

Special seasonal promotions and late shopping hours helped to stir shopping. Relaxed credit terms were instrumental in sustaining total consumer debt near the record set a few weeks ago.

Supermarkets and suburban branch stores generally had more favorable year-to-year comparisons than did department stores in large cities.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from unchanged to 4% higher than the corresponding 1951 level. Regional estimates varied from the levels of a year ago by the following percentages: New England and Northwest 0 to +4, East —2 to +2, Midwest —1 to +3, South and Southwest +2 to +6, and Pacific Coast +1 to +5.

Food stores sold slightly more than in the previous week and continued to have larger receipts than they did a year ago. Housewives boosted their buying of meat the past week; increasingly popular were poultry, pork and large beef cuts.

Shoppers increased their purchases of apparel in the week as they sought to replenish their Winter wardrobes. While there was a sharp rise in the buying of coats in some sections, the most popular items throughout the nation continued to be women's sportswear, suits, and dresses and children's clothing. Male shoppers bought more suits than in either the prior week or the similar week a year ago as some price reductions proved to be attractive.

The consumer interest in household goods was much more avid than at this time last year. Sales of television sets continued to rebound from the doldrums of the earlier months of the year. Widely popular were bedding, decorating materials housewares and cotton floor coverings.

As many retailers strove to augment their stocks in anticipation of a boost in consumer buying the volume of wholesale orders rose steadily in the week. As during recent months, the total dollar volume of wholesale trade slightly exceeded that of a year earlier. Delivery snags, resulting from delayed ordering, were rather common in the soft goods lines.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Oct. 4, 1952, rose 5% above the level of the preceding week. In the previous week a decrease of 2% was recorded from that of the similar week of 1951. For the four weeks ended Oct. 4, 1952, sales reflected an increase of 1%. For the period Jan. 1 to Oct. 4, 1952, department store sales registered a drop of 2% below the like period of the preceding year.

Retail trade in New York last week declined about 11% below the comparable week a year ago. An important factor in the decline was the fact that Columbus Day sales were included in the comparative figures of last year, the holiday having fallen on a Friday.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Oct. 4, 1952, decreased 2% below the like period of last year. In the preceding week a decline of 5% was reported from that of similar week of 1951, while for the four weeks ended Oct. 4, 1952, an increase of 3% was registered above the level of a year ago. For the period Jan. 1 to Oct. 4, 1952, volume declined 9% under the like period of the preceding year.

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News About Banks And Bankers

from Girard Corn Exchange's present Central City Office at 1510 Chestnut, and part of the plan is the eventual moving of all bank departments and personnel out of "1510".

* * *

As of October 1 a merger with the **National Bank of Detroit, Mich.** at **Detroit, Mich.** (capital $15,000,000 was effected by the **Wayne State Bank of Wayne, Mich.**, with common stock of $200,000, the **First National Bank in Plymouth, Mich.**, common stock $500,000, and the **Plymouth United Savings Bank of Plymouth**, common stock $100,000. The merger was consummated under the title of the National Bank of Detroit. At the effective date of the merger, the capital of the latter, according to the advices from the Comptroller of the Currency, was $15,660,000, in 1,566,000 shares of common stock, par $10 each; surplus $45,000,000 and undivided profits of not less than $11,250,000.

* * *

Under the charter and title of the **First National Bank of Cincinnati, Ohio,** (with common stock of $6,375,000) the **Norwood Savings Bank of Norwood, Ohio** (with common stock of $100,000) was consolidated with the First National. At the effective date of the consolidation September 30, the Comptroller reports the capital of the consolidated bank as $6,525,000, in 652,500 shares of par $10 each; surplus of $14,625,000 and undivided profits of not less than $3,900,000.

* * *

Stockholders of the **First National Bank in Dallas Texas** approved at a special meeting on October 7 a capital expansion plan which will add $5,000,000 in new capital plus a $1,000,000 stock dividend. The enlargement of capital structure, previously authorized September 22 by directors who then called the special session of shareholders to ratify their action, will increase the capital stock of the bank from $12,000,000 to $15,000,000 and the surplus account from $12,000,000 to $15,000,000 and also effect a reduction of the par value of the stock from $16 to $10 per share by the issuance of additional shares. With reserves, the bank will have total working funds of more than $37,000,000. In addition to the capital increase of $1,000,000 by the stockholders' dividend, the shareholders are being offered 200,000 shares of new $10-par-value stock at $25 per share. It is contemplated that the dividend paid on each share will be at the rate of $1.30 per year, beginning with the last quarter of this year. Reference to the plans to increase the capital was made in our October 2nd issue, page 1242. Ben H. Wooten is President of the First National Bank. The new stock issue has been underwritten by a syndicate of securities firms headed by Merrill Lynch, Pierce, Fenner & Beane and the First Southwest Company of Dallas. Stockholders have until October 21 to exercise their rights to purchase the additional stock.

* * *

Virgil D. Sisson, Vice-President of **California Trust Company, of Los Angeles,** has completed his 25th year of service with the company. A graduate of the University of California, Mr. Sisson was admitted to the California Bar in 1927. Following a series of promotions, he was elected Trust Officer of California Trust Company in December, 1948, and to Vice-President in June, this year.

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)	Oct. 19	105.8	*106.6	102.1	102.1
Equivalent to—					
Steel ingots and castings (net tons)	Oct. 19	2,197,000	*2,215,000	2,121,000	2,041,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Oct. 4	6,514,500	6,507,150	6,441,550	6,337,600
Crude runs to stills—daily average (bbls.)	Oct. 4	¶6,928,000	6,987,000	7,021,000	6,536,000
Gasoline output (bbls.)	Oct. 4	23,451,000	23,561,000	23,220,000	21,446,000
Kerosene output (bbls.)	Oct. 4	2,595,000	2,634,000	2,591,000	2,656,000
Distillate fuel oil output (bbls.)	Oct. 4	10,423,000	10,214,000	10,612,000	9,329,000
Residual fuel oil output (bbls.)	Oct. 4	8,966,000	8,835,000	8,822,000	8,330,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Oct. 4	119,793,000	120,276,000	116,830,000	122,919,000
Kerosene (bbls.) at	Oct. 4	35,212,000	34,989,000	33,223,000	36,056,000
Distillate fuel oil (bbls.) at	Oct. 4	118,078,000	114,727,000	106,326,000	105,266,000
Residual fuel oil (bbls.) at	Oct. 4	54,617,000	54,583,000	53,275,000	49,185,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Oct. 4	851,866	862,061	746,044	858,757
Revenue freight received from connections (no. of cars)	Oct. 4	723,941	727,072	585,870	709,524
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Oct. 9	$341,573,000	$234,277,000	$264,618,000	$220,702,000
Private construction	Oct. 9	204,680,000	143,559,000	126,482,000	108,463,000
Public construction	Oct. 9	136,893,000	90,718,000	138,136,000	112,239,000
State and municipal	Oct. 9	93,093,000	71,774,000	84,816,000	86,234,000
Federal	Oct. 9	43,800,000	18,944,000	53,320,000	26,005,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Oct. 4	8,975,000	10,030,000	9,125,000	10,922,000
Pennsylvania anthracite (tons)	Oct. 4	863,000	859,000	698,000	1,008,000
Beehive coke (tons)	Oct. 4	87,700	*86,100	61,900	140,400
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Oct. 4	116	112	100	110
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Oct. 11	7,697,880	7,665,408	7,654,324	7,160,380
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Oct. 9	147	129	91	126
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Oct. 7	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Oct. 7	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton)	Oct. 7	$42.00	$42.00	$42.00	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Oct. 8	24.200c	24.200c	24.200c	24.200c
Export refinery at	Oct. 8	34.575c	34.925c	34.850c	27.425c
Straits tin (New York) at	Oct. 8	121.500c	121.500c	121.500c	103.000c
Lead (New York) at	Oct. 8	15.000c	16.000c	16.000c	19.000c
Lead (St. Louis) at	Oct. 8	14.800c	15.800c	15.800c	18.800c
Zinc (East St. Louis) at	Oct. 8	13.500c	13.525c	14.000c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Oct. 14	96.29	96.24	96.88	98.03
Average corporate	Oct. 14	109.06	109.24	109.60	111.07
Aaa	Oct. 14	112.93	112.93	114.08	115.63
Aa	Oct. 14	111.62	111.62	112.00	115.04
A	Oct. 14	108.70	109.06	109.06	109.97
Baa	Oct. 14	103.47	103.47	103.80	104.31
Railroad Group	Oct. 14	106.21	106.21	106.74	107.80
Public Utilities Group	Oct. 14	109.06	109.06	109.42	111.07
Industrials Group	Oct. 14	112.19	112.37	112.93	114.66
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Oct. 14	2.76	2.76	2.71	2.63
Average corporate	Oct. 14	3.22	3.21	3.19	3.11
Aaa	Oct. 14	3.01	3.01	2.95	2.87
Aa	Oct. 14	3.08	3.08	3.06	2.90
A	Oct. 14	3.24	3.22	3.22	3.17
Baa	Oct. 14	3.54	3.54	3.52	3.49
Railroad Group	Oct. 14	3.38	3.38	3.35	3.29
Public Utilities Group	Oct. 14	3.22	3.22	3.20	3.11
Industrials Group	Oct. 14	3.05	3.04	3.01	2.92
MOODY'S COMMODITY INDEX	Oct. 14	418.9	424.1	426.0	461.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Oct. 4	335,236	227,129	269,531	287,590
Production (tons)	Oct. 4	240,751	231,254	175,730	215,312
Percentage of activity	Oct. 4	95	94	72	88
Unfilled orders (tons) at end of period	Oct. 4	553,261	459,907	480,274	528,885
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Oct. 10	109.27	109.19	109.11	116.14
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	Sep. 27	24,083	25,546	19,632	29,815
Number of shares	Sep. 27	689,120	707,804	548,682	867,872
Dollar value	Sep. 27	$31,188,227	$32,727,115	$25,125,125	$37,739,448
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Sep. 27	21,292	20,422	18,101	26,625
Customers' short sales	Sep. 27	128	113	110	149
Customers' other sales	Sep. 27	21,164	20,309	17,991	26,476
Number of shares—Total sales					
Customers' short sales	Sep. 27	599,922	561,065	489,697	753,464
Customers' other sales	Sep. 27	4,840	3,403	3,776	5,046
Dollar value	Sep. 27	595,082	557,662	485,921	748,418
Round-lot sales by dealers—	Sep. 27	$24,376,660	$23,224,613	$19,946,318	$30,723,051
Number of shares—Total sales	Sep. 27	173,400	156,300	149,240	216,000
Short sales	Sep. 27	------	------	------	------
Other sales	Sep. 27	173,400	156,300	149,240	216,000
Round-lot purchases by dealers—					
Number of shares	Sep. 27	276,640	314,090	220,310	320,350
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	Sep. 20	190,800	239,970	154,610	345,930
Other sales	Sep. 20	5,626,080	6,339,570	4,691,310	10,616,640
Total sales	Sep. 20	5,816,880	6,579,540	4,845,920	10,962,570
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Sep. 20	556,920	659,660	479,350	1,199,920
Short sales	Sep. 20	89,140	111,350	85,530	205,570
Other sales	Sep. 20	427,290	515,480	412,860	931,120
Total sales	Sep. 20	516,430	626,830	498,390	1,136,690
Other transactions initiated on the floor—					
Total purchases	Sep. 20	136,020	122,530	74,700	374,200
Short sales	Sep. 20	15,400	10,550	10,900	23,300
Other sales	Sep. 20	111,800	129,800	74,400	362,050
Total sales	Sep. 20	127,200	140,350	85,300	385,350
Other transactions initiated off the floor—					
Total purchases	Sep. 20	212,950	244,120	175,745	405,000
Short sales	Sep. 20	31,800	25,820	17,690	38,640
Other sales	Sep. 20	225,295	288,566	228,317	416,090
Total sales	Sep. 20	257,095	314,386	246,007	454,730
Total round-lot transactions for account of members—					
Total purchases	Sep. 20	905,890	1,026,310	729,796	1,979,120
Short sales	Sep. 20	136,340	147,720	114,120	267,510
Other sales	Sep. 20	764,385	933,846	715,577	1,709,260
Total sales	Sep. 20	900,725	1,081,566	829,697	1,976,770
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	Oct. 7	111.0	111.0	111.4	------
Farm products	Oct. 7	106.0	105.9	107.2	------
Processed foods	Oct. 7	108.2	*108.4	110.3	------
Meats	Oct. 7	108.3	108.7	113.7	------
All commodities other than farm and foods	Oct. 7	112.6	112.6	112.6	------

*Revised figure. ¶Includes 636,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—			
Month of July (in thousands)	$131,960,000	*$129,870,000	$110,756,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of August	7,108	7,549	6,496
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of July (million of dollars):			
Manufacturing	$42,128	*$42,213	$39,908
Wholesale	9,405	*9,481	10,315
Retail	17,766	*17,847	20,045
Total	$69,299	*$69,541	$70,268
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES—1935-39 = 100 — Adjusted as of Aug. 15:			
All items	191.1	190.8	185.5
All foods	235.5	234.9	227.0
Cereals and bakery products	194.2	194.4	188.7
Meats	280.3	274.1	276.6
Dairy products	213.8	212.3	205.9
Eggs	217.2	208.7	225.8
Fruits and vegetables	242.3	253.2	208.9
Beverages	346.6	346.4	345.2
Fats and oils	141.4	140.6	162.7
Sugar and sweets	189.9	188.9	188.3
Clothing	201.1	201.4	203.6
Rent	142.3	141.9	136.8
Fuel, electricity and refrigerators	147.3	146.4	144.2
Gas and electricity	99.0	98.3	97.3
Other fuels	209.0	208.4	204.2
Ice	164.2	162.1	157.8
House furnishings	204.2	204.2	210.8
Miscellaneous	173.2	173.0	165.4
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of June:			
All manufacturing (production workers)	12,393,000	*12,606,000	13,064,000
Durable goods	6,947,000	*7,280,000	7,409,000
Nondurable goods	5,446,000	*5,326,000	5,655,000
Employment Indexes (1947-49 Avge. = 100)—			
All manufacturing	101.2	101.9	105.6
Payroll Indexes (1947-49 Average = 100)—			
All manufacturing	126.8	128.2	129.8
Estimated number of employees in manufacturing industries—			
All manufacturing	15,487,000	*15,680,000	15,956,000
Durable goods	8,689,000	*9,012,000	8,998,000
Nondurable goods	6,798,000	*6,668,000	6,958,000
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of July:			
Death benefits	$154,506,000	$148,980,000	$135,428,000
Matured endowments	33,809,000	35,126,000	38,234,000
Disability payments	8,845,000	8,651,000	8,152,000
Annuity payments	31,200,000	31,177,000	28,478,000
Surrender values	52,947,000	50,453,000	48,203,000
Policy dividends	57,194,000	65,435,000	48,788,000
Total	$338,501,000	$339,822,000	$307,283,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of July (millions of dollars):			
Inventories:			
Durable	$23,003	*$23,246	$20,304
Nondurable	19,125	*18,967	19,605
Total	$42,128	*$42,213	$39,908
Sales	21,700	*21,848	21,249
MONEY IN CIRCULATION—TREASURY DEPT.—As of July 31 (000's omitted)	$28,978,000	$29,026,000	$27,851,000
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of Sept.	£15,429,000	£10,384,000	£15,524,000
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of July (in billions):			
Total personal income	$264.2	*$266.7	$254.5
Wage and salary receipts, total	177.5	*179.3	170.7
Total employer disbursement	173.8	*175.8	167.3
Commodity producing industries	74.4	*77.2	75.0
Distributing industries	49.2	*48.5	46.3
Service industries	21.5	21.3	20.4
Government	32.4	32.3	29.0
Less employee contributions for social insurance	3.9	3.8	3.4
Other labor income	4.5	4.5	4.2
Proprietors and rental income	52.5	52.8	50.1
Personal interest income and dividends	21.3	21.4	20.4
Total transfer payments	12.3	12.5	12.5
Total nonagricultural income	243.2	*245.9	234.0
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—August, 1909-July, 1941 = 100—As of July 15:			
Unadjusted—			
All farm products	295	292	294
Crops	276	277	252
Food grain	230	238	236
Feed grain and hay	227	226	213
Tobacco	436	437	438
Cotton	311	319	329
Fruit	214	220	175
Truck crops	287	250	204
Oil-bearing crops	307	289	317
Livestock and products	312	306	332
Meat animals	376	380	414
Dairy products	286	277	272
Poultry and eggs	208	181	222
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION—Month of July (000's omitted):			
Savings and loan associations	$585,995	$563,630	$447,747
Insurance companies	113,440	107,882	131,756
Bank and trust companies	317,159	304,791	272,781
Mutual savings banks	104,994	96,141	89,011
Individuals	245,535	228,999	215,586
Miscellaneous lending institutions	223,196	211,291	213,320
Total	$1,590,319	$1,512,734	$1,370,201
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of September 30	$262,721,632	$263,224,860	$257,386,206
General fund balance	7,156,176	6,952,146	6,916,361
Net debt	$255,565,456	$256,272,714	$250,469,845
Computed annual rate	2.348%	2.345%	2.28[illegible]%

*Revised figure.

Continued from first page

Democracy and the Future Of Free Enterprise

economic theory is still substantially in line with the principles which Adam Smith and David Ricardo established in the late 18th and early 19th centuries. But the demand that business should buy and sell on a free market and that governments should not interfere with prices and wages and should not normally enter business themselves have been increasingly ignored in every country where the people rule themselves under a democratic constitution.

The principles that were correct a century ago when *laissez-faire* had its heyday are equally correct today. However, the voters in the democracies will have none of that. *Laissez-faire* parties no longer exist on either side of the Atlantic. The mere use of the term *laissez-faire* and the endorsement of what it stands for would eliminate any party as a political force. We, therefore, speak of "free enterprise." Our Republicans have tacitly accepted the reforms of the New Deal and do not dare present a candidate who stands against social security or the 40-hour work week. In England the economic policies of the Conservatives are less radical, but otherwise much the same as those of the Labor party. The soundness of substantial economic interventionism is dogma with the voters.

The time has now come for the supporters of free enterprise (who should really be called the "liberals," had that name not been usurped by their very opponents) to face a problem which they have as yet been all too eager to ignore. Are democracy and free enterprise compatible or do they mutually exclude each other? Is it more than a coincidence that in every democracy the people prefer some sort of welfare state to the abstention from all government interference with the distribution of the national product? Can the march of interventionism be stopped, if at all, only by a dictatorial regime?

Those politicians and economists who reject the socialist claim that every "true" democracy must anyway be equalitarian, have not been eager to face these and similar questions. True, a related problem has been discussed in recent years, viz: whether on their part socialism and interventionism tend to destroy democracy (rather than what democracy does to a free economy). But even though Friedrich Hayek whose book "The Road to Serfdom" started that discussion, made a fine argument in favor of his pessimistic conclusions, he produced little, if any, historical material to prove his thesis; and the years that have elapsed since the end of the second World War have to a certain extent vindicated the claim of the various labor parties that they will not use undemocratic methods for the purpose of achieving or retaining political power, and that they will obey every freely chosen democratic government, even a "reactionary" one. In no country where democracy has been a living force have interventionism and socialism as yet destroyed it. (The Soviet dictatorship was established through an armed insurrection in a war-torn and defeated country.) But at the same time democracy is continuously undermining free enterprise and individual competition.

Macaulay's Apprehension

Almost a century ago a famous English historian, Thomas B. Macaulay, expressed his apprehension concerning the future of private property under the system of universal suffrage. Macaulay was an ardent believer in *laissez-faire* economics. The England of his time had given the vote to the higher middle class, but not to the laborers and other property-less groups. The House of Lords, still powerful, could be trusted to obstruct socialistic experiments. "My firm conviction," said Macaulay in a speech in 1842, "is that, in our country universal suffrage is incompatible not with this or that form of government, but with all forms of government and with everything for the sake of which forms of government exist; that it is incompatible with property, and that it is consequently incompatible with civilization." He felt that his native system of government, which stood midway between an aristocracy and a democracy, compared favorably with the principles of Thomas Jefferson and the American Constitution. In a letter which he wrote to an American friend in 1857 Macaulay praised the stability of English institutions which were in the hands of a "select" class, "deeply interested in the security of property and the maintenance of order." "The time will come when New England will be as thickly peopled as Old England. . . . You will have your Manchesters and Birminghams. . . . It is quite plain that your government will never be able to restrain a distressed and discontented majority. For with you the majority is the government, and has the rich, who are always a minority, absolutely at its mercy."

Since this letter was written England has become a full-fledged democracy and Macaulay's view of the future has been borne out, not fully, but to a large extent by subsequent developments in every democratic country.

Democratic Ethics

There are a number of reasons why the majority of the people in the democracies are reluctant to accept the arguments of the free enterprise economists. We shall review the most significant of these on the following pages.

History records that almost in every society some people have been wealthier than others. A few had the power to give orders and enforce them while the bulk of the people had to obey. That the underprivileged should desire to share the wealth of the wealthy and dispose of a measure of power is only natural. The desire for equality (if not now, then after death) is fairly deep-rooted in the nature of man. During the greater part of history this desire had hardly any consequences since the various religions, in which the people believed, sided with the powerful and wealthy and did not by any means encourage social criticism or disobedience. The gods of the Greeks and Romans were not thought to be opposed to slavery. Neither was Aristotle or other Greek philosophers. Hinduism is the creed of a caste society which holds out the promise of a favorable reincarnation to those who honor and obey the laws. The medieval Church taught that such inequalities as existed on earth were God-ordained, that it was sinful to question their legitimacy and that man's life was anyway only a short venture before final sentence would be passed on men in the last judgment.

Since the Renaissance and particularly since the Age of Enlightment the churches no longer have the hold on the masses which Rome could claim at the height of its power. In addition, the Catholic as well as the Protestant authorities no longer consider every government entitled to do more or less what it likes. Social and political criticism and under certain circumstances, even the resort to revolution are no longer considered sins against the Divine Order. It was not too difficult for the churches to fall in step with the equalitarian urge of modern man, since one important equalitarian doctrine is at the very root of the Christian faith itself. All human beings are equal before God. And there is no good reason why Christians should not support the establishment of a social order which, rightly or wrongly, promises everyone the chance to develop the gifts with which God has endowed him. In part at least, modern democratic thought stems from a fresh interpretation of the Christian tradition; and the churches have not resisted the world-wide demand for democracy and more equality. At the same time, materialists, agnostics and the believers in "ethical culture" generally accept the ethics of Christianity, even though they claim that they have derived them from their own premises.

Modern ethics are equality minded. For modern man the command to love one's neighbor like oneself implies not only the right, but definitely the duty to work and sacrifice for the improvement of the lot of the poor.

It is at this point that a truly basic conflict emerges between modern ethics and the principle of *laissez-faire*. For the latter contends that he who works for the poor by the support of labor unions, abundant relief, and the use of taxes for social purposes will create more poverty in the long run than could be eliminated in the short run; and that Adam Smith's predecessor, Bernard de Mandeville, was right when he praised the wealth-creating power of money-greedy egoism and gave his "Fable of the Bees" the cynical subtitle "Private Vices — Public Benefits."

Now when these two systems of ethics come into conflict, there can be no doubt as to which one has the stronger appeal. The argument of the free enterprise economists is eminently reasonable. They are right that when unemployment subsidies and relief are high, the resolve to work is weakened and more unemployment will result; that when high incomes are taxed away new investments are frustrated and new employment opportunities will not arise, etc., etc. But these arguments are only accessible to the few who are willing to listen, learn, and think. The demand: Help your neighbor, work for social justice, is supported by the moral instinct and by the whole trend of modern ethics. The ethics of equality and emotional help for the underprivileged will certainly prevail over *laissez-faire* reasoning, which is frequently considered a devilish device of the well-to-do for the purpose of exploiting the poor. On the moral level, democracy is bound to favor the principle of the Welfare State.

Individualism and Idealism

According to the supporters of free enterprise, it is they who are fighting for the individual in its age-old battle against the state; and they have often expressed their surprise and disappointment when it became obvious that few people are willing to accept economic liberty as the symbol of liberty in general; for is it not human nature to love freedom and abhor coercion? But they should not be surprised. Their claim that economic liberty is the cornerstone of all other liberties does not express a self-evident proposition and is vigorously denied by the socialists. It is the contention of the socialists that, as between rich and poor, liberty enslaves, while freedom has an ally in governmental interference. In this the socialists are mistaken. But if they would understand their own argument better, than they usually do, they might well insist that there are two kinds of individualism namely the individualism of means and the individualism of aims, and that only the latter is really concerned with the basic rights of every human being. The economics of free enterprise are basically a philosophy of means. The society that will emerge from *laissez-faire* may just as well be politically authoritarian as the reverse. In 18th century France the physiocrats advocated *laissez-faire* in order that the King of France should rule over a prosperous rather than a poor country, and should not be prevented by the lack of taxable wealth from acting according to his "plaisir."

Adam Smith called his great book "An Inquiry Into the Nature and Causes of the Wealth of Nations." He was not concerned with the rights of man. He believed then "an invisible hand" was using everyone's lust for riches to bring about the general good. The advocates of the Welfare State, on the other hand, and particularly the Christian socialists insist (but do not necessarily prove) that their proposals, if realized would give the underprivileged access to pleasures and to cultural values which *laissez-faire* denies them. Socialism would make them truly free.

The claim of the supporters of free enterprise that economic freedom *is* the most important freedom will be accepted by few. The contention that economic freedom *produces* more social, political and cultural freedom than even the most benevolent government could ever achieve, though correct in the opinion of the present writer, has to be proved. The propaganda of the socialists and interventionists has been far more effective that the claims of the *laissez-faire* individualists who are so cocksure of their position because they take the very point which should be proved for granted.

In a democracy the believers in economic liberty find it impossible to mobilize popular enthusiasm in their favor. There are plenty of enthusiastic and even fanatical individual free enterprisers. But vigorous *mass* movements are conditioned by the conviction that there is somewhere an enemy, preferably an "exploiter," whom his victims should hate and fight in common. In spite of what the supporters of the Marshall Plan said in 1948 and the believers in the Point Four program say at this time, poverty as such has never caused a revolution. Poverty may as well make people apathetic. Revolutions break out when the people, rightly or wrongly, believe that other human beings are oppressing and exploiting them. The communists thrive on the "capitalists," the Nazis had the Jews, contemporary Asia and North Africa hate the "foreigners," preferably the Americans, British and French. As against all that, the economics of *laissez-faire* imply that the interests of all the people are basically in harmony with each other. Free enterprise has no place for "classes" and does not encourage any group to hate and fight another group. This, in every other respect highly honorable and praiseworthy attitude, is a definite handicap in the struggle for voters and popular support.

The Welfare State

We may convince a person who disagrees with our views, that we are right and he is wrong, if and when we can induce him to admit, even if unconsciously, firstly that he and we are aiming at the same objective, and secondly, that the means by which we propose to achieve it, hold out the better promise. When two opponents fail to agree on a common objective, arguments on either side are wasted. Someone who is eager to postpone his death as long as possible may be persuaded to shun liquor, smoking or night clubs; but medical arguments will fall flat with a person who prefers a short life full of thrills and pleasures to a longer and less exciting one. The "international proletariat" of the Marxians means nothing to an American patriot. The American way of life is a matter of indifference to an international Communist.

Under democratic procedure, it is up to the American, the British, and other people to decide whether they would rather have a competitive free enterprise economy or a Welfare State. The former provides the most efficient division of labor on the national and on the international level, great social mobility, the biggest attainable national income the biggest average income, fast and lasting economic progress and low taxes. Some people will be very rich, the bulk of the population will belong to the prosperous middle class and some people will be without any means whatever. These will be entitled to relief, but relief will be kept at the minimum so that the unemployed will ever be looking out for work, however poorly paid. From time to time business will be in a bad state and many will be unemployed. But if governments let prices and wages fall until the markets have found a new equilibrium, no depression will last long. Economic progress will never come to standstill.

In a Welfare State, on the other hand, the aggregate national income as well as the average income will be substantially lower. Many bureaucrats will be on the public payroll and taxes will be high. There will be few, if any, wealthy people, the living standard of the middle classes will be low and life will be drab. But there will be little real destitution. Mass unemployment will not be allowed to occur. The government will create work by deficit financing, even if that should involve an increase in the public debt, inflation and higher prices. Unemployment insurance will take care of the unemployed, social security of the aged, health insurance of the sick. The chances that anyone might make a big fortune will be slim. Personal initiative will decline and economic progress will be substantially slowed down.

Laissez-faire on the one hand and the Welfare State on the other represent two different types of society. Their respective supporters do not share a common ultimate objective.

If now the merits and the failures of both, *laissez-faire* and welfare economics, would be explained to the voters in every democracy the way they have been outlined above and the voters were asked to declare themselves in favor of either the one or the other, the chances are that the majority would option for the Welfare State. The people will decide against full-fledged free enterprise, even though they may be willing to admit that he policies of the Welfare State may adversely affect the national income. For the number of people who live in fear of destitution is far larger than the number of men or women who are inclined to gamble on the chance of winding up with a fortune. In repeating time and again that the whole nation stands to profit when government leaves business alone, we are merely wasting our breath. Most people are little concerned with the national output and with statistical averages. They want to be protected against unemployment, destitution and the humiliation associated with relief. And on the basis of the achievements of modern science and engineering

they can be so protected, if we are willing to pay the price.

Like other specialists, economists are prone to overestimate the importance of their professional knowledge. Our modern world is the result of the achievements of the scientists far more than of new economic insights. Today an average doctor can cure patients, confronted with whose maladies the most eminent specialist would have been helpless fifty years ago. A social system which has modern engineering and chemistry at its disposal can indulge in crazy economic experiments and yet survive. If economic principles alone were decisive, Soviet Russia would have collapsed long ago. The gloomy forecasts of the English free enterprisers at the time of Lloyd George's interventionistic reforms in the years before the first World War and the even more gloomy expectations of the American business community when the New Deal was introduced were far too pessimistic. They have not been borne out by subsequent events. The economic arguments of the pessimists were correct. But the harm done by unsound economic policies was overcome by the discoverers and inventors (and, in the case of the New Deal, by inflation).

Principles and Consequences

Attention should be paid to another point which all too enthusiastic advocates of free enterprise are sometimes apt to forget. Political philosophies may be divided into two classes; the politics of principles and the politics of consequences. The Roman Fiat *justitia pereat mundus,* may the world perish if only justice is done, may serve as an example for the insistence on a principle. Hitler's motto that "everything is good that serves the German people" (Whatever that may mean) is an example of an extreme policy of results. Democracies are as a rule eager to achieve results. They do appreciate principles, sometimes even enthusiastically, but they are unable or unwilling to accept reverses and wait patiently for better times. The Roman Catholic Church may claim that it can afford to be patient because it is eternal. No democracy would speak that way. And unless the radicals among the believers in free enterprise pay attention to the consequences of their proposals they may eventually find it impossible to continue arguing for their principles.

Some free enterprisers would abolish compulsory elementary education at the expense of the taxpayer. They contend that our present system violates the American tradition of individual freedom. No child should be compelled to attend school. That may or may not be correct. But it can hardly be denied that we live in a society in which educational degrees help everyone very substantially in his or her adult career and that their lack is a serious handicap. It is better to have graduated not merely from elementary school but from high school as well, not merely from high school but also from college. People who have not even been taught the three R's in their youth would start almost as outcasts. It cannot be to our interests to create a class of desperados who have nothing to lose and little to look forward to and whose only crime consists in their parents not having been able or willing to pay for their education. The only gainers would be the Communists.

In another and quite different case our tacit compliance with one of the prevailing interventionistic prejudices would actually bolster the survival chances of free enterprise.

Many arguments can be adduced against compulsory old age insurance. In the first place, the relative number of the young people, out of those incomes future old age pensions will be paid, will presumably decline while there will be ever more elderly beneficiaries, if medical progress should further extend the average life span. We don't know whether the young people of the future will honor the promises which we are making on their behalf. Secondly, the so-called "reserves" of the social security system are actually no reserves at all. They consist in the promise of the Federal government to honor claims for which it has received cash in the past, all of which was spent on the spot together with the income from regular taxes. Yet from the point of view of social contentment and the elimination of social strife compulsory social insurance has one outstanding merit. The employees believe that they pay for only half of it and that their employers pay the other half. That, however, is an illusion. The real incidence of social security taxes" it can be argued, rests solely with the employees. Every employer pays his employees as much, but not more, than they are worth to him. If $1.50 per hour is his limit and he is compelled to add, say 3% for social insurance, he will in the long run make the wage $1.45 plus social security; he will not pay $1.55 if that leaves him no profit. If there were no social security, there would be more demand for labor, in non-inflationary as well as in inflationary times, and wages would be higher. But social security is everywhere immensely popular with the employees who believe that half of what they receive is a contribution of their employers. Yet even when taxes are used to subsidize the system, the beneficiaries have to shoulder the greatest part of the costs. Why then, in spite of the evidence to the contrary, decry a non-existent danger, because a cherished principle has led us to believe in it? Why fight against an institution, the psychological effect of which is so fundamentally conservative?

Free Enterprise—Chance of Survival

Macaulay was right when he wrote that, the more the franchise would become universal, the more would the sovereign people question the inviolability of private property. He was, however, wrong when he expected that the poorer classes would simply expropriate the wealthy. Dictators have done that, but not democracies. Macauley's Socialist contemporaries on the other hand, who did not fear the end of free competition, but ardently desired it, were confident that what the masses really wanted was socialism, i.e., the ownership of the means of production by the whole people. But they were also mistaken.

Recent trends leave no doubt that democracy is opposed to *laissez-faire* and that the decline of unfettered enterprise in every country where the people elect their government is far more than coincidental. But at the same time it may be said with more confidence today than would have been warranted 20 or 50 years ago that within certain limits free enterprise has an excellent prospect for survival; and that there is not the slightest reason why its supporters should give up.

Of the predictions of Karl Marx some have come out correctly while others have been wrong, Marx was right when the foresaw that as a result of the industrial revolution many big enterprises would defeat or swallow up their small or middle-sized competitors and that in the advanced countries the bulk of the working population would fall into the status of employees. He was mistaken when he predicted that wealth would be concentrated in ever fewer hands and that the majority of the population, the "proletarians," would become ever more destitute. What did happen is, that where modern industry took roots the percentage of employees increased formidably and that of the independent businessman shrunk in relation to the whole population. At this time the industrially advanced nations are largely nations of employees, with the bulk of the people on someone else's payroll. But many employees are white-collar workers, rather than manual workers, and, contrarily to what Marx expected, wages and salaries have substantially improved.

As long as there existed as many or more independent farmers, artisans or merchants as there were hired hands, it made a big difference to a persons self-esteem, whether he was on his own or in someone else's pay. But few of our modern millions of employees could ever contemplate the establishment of enterprises of their own. To them the concept of free competition between a multitude of business units means little. On the other hand, it makes hardly any difference to them whether they are employed by private business or by the government; and there are today many more government employees in most countries than has ever been the case before. Surprisingly, this development has not bolstered the demand that governments should take over completely because our gravest social problems would be solved if everyone would work for the state. The belief in the nationalization of the means of production is weaker today than it has been for several generations.

The masses that vote for the labor parties in Western Europe and Scandinavia and for the Democratic party in the United States want good wages, full employment and social security. All qualified observers agree that they are indifferent toward socialism proper and entirely agreeable toward the continuance of free enterprise, provided the latter can meet their basic demands.

Soviet Russia, its satellites and its faithfuls, of course, raise a different problem. But whether the bulk of the people who vote the Communist tickets in France and Italy really want the nationalization of the means of production, including the land, may be questioned. It should never be forgotten that in 1917 Lenin gained mass support for the little known party of which he was the leader not by holding out agricultural collectives but by promising the peasants "peace and *land.*" In America socialism proper has never had much appeal.

This development holds a great promise for the survival of free enterprise. For the Welfare State which has replaced socialism in the minds of the reformers would be founded on the continuance of private property and individual competition, even though business enterprise, wages and investments would be far from "free." There will always be the danger of no profits accruing before taxes or none remaining with the entrepreneurs after taxes; and the danger of full-fledged socialism being gradually introduced as the alternative. But basically the supporters of the Welfare State would preserve the hen that lays the golden eggs. Consequently, the survival of a measure of free enterprise, though it is not their ultimate objective, is one of their objectives; and they share it with their opponents.

Rational arguments then still have a fighting chance. It should be possible, for instance, to convince organized labor that non-contributory industrial pensions have at least two undesirable results: they make general business expenses more inflexible than they would otherwise be and should thereby be a factor in producing unemployment under non-inflationary conditions; and they will harm the aged workers whom they are supposed to help since firms will avoid keeping laborers on their payrolls until they reach retirement age and thereby become a heavy financial burden. It should be possible to make organized labor and our legislators understand the statistical findings on distribution according to which labor's share of the national product has remained practically stable throughout the last decades. Neither social security payments nor minimum wage laws nor strong labor unions, nor successful strikes have achieved anything for labor as a whole that the free market would not have won for the workers anyway. A redistribution of the national product as between occupational groups cannot be effectuated by any sort of legislation. In this, Ricardo and his followers have been completely vindicated. The only method that works within limits is the distribution of the tax burden and the allocation of the available funds to various purposes.

In the very interest of the Welfare State it should be possible to avoid large-scale strikes. It may prove possible to organize unorganized labor on the political level and use its influence for the elimination of the closed shop and the union shop. Political organizers should find a promising field in the fight against inflation by mobilizing the consumers, the owners of saving accounts, and the holders of mortgages and life insurance policies on a common platform. Inflation has become a permanent phenomenon because the debtors are more effective politically than the creditors, and the pressure groups which represent the producers are more active than those who protect the consumers. The exporting industries rarely prevail against the domestic manufacturers who insist on tariff protection. All that could be changed and the free enterprise economy might get a vigorous lift if those groups who are prone to neglect their interests were marshalled against those who are reckless in pursuing their own. Even the emotional preference of the masses for strongly progressive income, inheritance, and corporation taxes as against all other taxes should be vulnerable, as long as the leaders in the fight for economic security do not want the greatest part of industry and trade to be transferred from private into public ownership. It should be possible to find a way that large earnings could still be retained and big fortunes could still be acquired. No one denies that venture capital is a necessity if an economy is not to stagnate. To grant tax reductions for funds which are not spent but invested is a procedure against which some weighty arguments can be adduced. But there is also much to be said in its favor and the promoters of the Welfare State are more interested in the creation of employment opportunities than in anything else.

Should another great depression occur like the one of the early 1930's, the friends of free enterprise shall be well advised if they forget their economics for a while and avoid raising a popular furor by insisting that prices and wages should drop until business has gained new confidence and courage. For, though the controversy about the advisability of deficit financing has been going on on the theoretical level ever since the late Lord Keynes launched it, its practical significance is nil for the time being. On the political level, deficit financng as an anti-depression measure is a foregone conclusion. There is not a government in the world that would hesitate to risk inflation if the alternative would be the explosive threat of large-scale unemployment. If it acted otherwise it would be swept out of office long before it would have had a chance to let *laissez-faire* succeed with its own cure. Patience is not a democratic virtue. It is not an American virtue either. During the 19th century depressions could be allowed to run their course. That was, as the record shows, sound economic policy which led to sound recovery. But democratic convictions and institutions were not nearly as firmly entrenched in the Western world at that time as they are now.

When the present economic conflict is visualized as one between the Welfare State ideal on the one hand and radical *laissez-faire* on the other, the conclusion that emerges is that the supporters of *laissez-faire* will not in a thousand years achieve their purpose under any democratic constitution. They would have to establish a dictatorship. This dictatorship would have to be run by the people of wealth and means. It would be quite different from the regimes of Mussolini and Hitler who wooed the masses by establishing more economic interventionism than even some of the democracies. Those free enterprisers who contend that the Founding Fathers of this country wanted the United States to be a "republic" rather than a "democracy" may have something of the kind in their minds. It is obvious that their policies would have to be established against the will of the majority of the nation and could be maintained only by the methods of Hitler and Stalin.

The supporters of free enterprise should not by any means relax in their efforts. But they should change their propaganda methods and give infinitely more thoughts than heretofore to the psychology of democracy. A great segment of the competitive system can still be saved and lost positions may yet be retrieved. We have to reconcile ourselves to the limitations of our economic principles—not in the realm of theory but very definitely in the realm of democratic practice.

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc., heads a group which is offering $7,000,000 of The California Oregon Power Co. first mortgage bonds, series due Oct. 1, 1982, 3⅝%, at 101.749% and accrued interest. The group was awarded the bonds at competitive sale on its bid of 101.129%.

Proceeds from the sale of the bonds and from the sale of 250,000 shares of common stock are to be applied to the payment of indebtedness incurred in the company's construction program.

The bonds may be redeemed by the company at any time at prices ranging from 104.75% to 100%.

The California Oregon Power Co. is an operating public utility company providing electricity exclusively in five counties in southern Oregon and in five counties in northern California.

Among those associated in the offering are: Stroud & Co., Inc.; Weedon & Co., Inc.; Foster & Marshall; Mullaney, Wells & Co.; Wm. E. Pollock & Co., Inc.; The Robinson-Humphrey Co.; Thomas & Co.; J. B. Hanauer & Co.; Patterson, Copeland & Kendall, Inc., and Peters, Writer & Christensen, Inc.

Joins Cruttenden Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Ervin E. Ball has become affiliated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

W. T. Grimm Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Francis D. Foss has joined the staff of W. T. Grimm & Co., 231 South La Salle Street.

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.

● **Aeroquip Corp., Jackson, Mich. (10/17)**
Sept. 24 filed 195,000 shares of common stock (par $1), of which 150,000 shares are to be sold by company and 45,000 shares by eight selling stockholders. **Proceeds**—To repay bank loans. **Underwriters**—White, Weld & Co., New York, and Watling, Lerchen & Co., Detroit, Mich.

Allpark Finance Co., Inc. (10/22)
Aug. 28 filed $500,000 of 6% sinking fund convertible debentures due June 30, 1962. **Price**—At par. **Proceeds**—For working capital. **Office** — Houston, Tex. **Underwriter**—C. K. Pistell & Co., Inc., New York. The proposed offering of preferred and common stocks have been withdrawn from registration.

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.

★ **Ancient River Channels Gold Mining Co.**
Oct. 6 (letter of notification) 1,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For incline shaft and exploration mining. **Office**—Suite No. 1, Cornet Bldg., Las Vegas, Nev. **Underwriter**—None.

★ **Anheuser-Busch, Inc., St. Louis, Mo. (10/30)**
Oct. 10 filed 356,717 shares of common stock (par $4). **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Business** — Manufacture and sale of beer. **Underwriters**—Stifel, Nicolaus & Co., Inc., Reinholdt & Gardner and Newhard, Cook & Co., all of St. Louis, Mo.

Benson & Hedges, N. Y. (10/22)
Oct. 2 filed $3,000,000 of 15-year sinking fund debentures due Oct. 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—To step up production of Parliament cigarettes. **Underwriter**—Morgan Stanley & Co., New York.

● **Benson & Hedges, N. Y. (10/22)**
Oct. 2 filed 40,068 shares of common stock (par $4) to be offered for subscription by common stockholders of record Oct. 20 at rate of one new share for each 10 shares held; rights to expire on Nov. 3. **Price**—To be supplied by amendment. **Proceeds**—To step up production of Parliament cigarettes. **Underwriter**—None. Tobacco & Allied Stocks, Inc. (owner of approximately 55% of the present outstanding common stock) will purchase any unsubscribed shares.

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.

Bristol Oils Ltd., Toronto, Canada
Sept. 25 filed 1,000,000 shares of common stock (par $1). **Price**—Approximately 64.48 cents per share. **Proceeds**—To acquire leases and for corporate purposes. **Underwriter**—None. To be named by amendment.

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.

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**—To be received up to noon (EST) on Oct. 20 at Room 2033, No. 2 Rector St., New York 6, N. Y.

Cincinnati Enquirer, Inc.
July 25 filed $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 and New York. **Offering** — Temporarily postponed.

NEW ISSUE CALENDAR

October 16, 1952
Central of Georgia Ry. ..... **Equip. Trust Ctfs.**
(Bids noon EST)

October 17, 1952
Aeroquip Corp. ..... **Common**
(White, Weld & Co. and Watling, Lerchen & Co.)

October 20, 1952
Carolina Power & Light Co. ..... **Bonds**
(Bids noon EST)
Olympic Radio & Television, Inc. ..... **Common**
(Offering to stockholders)
Standard Tungsten Corp. ..... **Common**
(Scott, Khoury, Brockman & Co., Inc.)

October 21, 1952
Hecht Co. ..... **Common**
(Goldman, Sachs & Co.)
Virginia Electric & Power Co. ..... **Bonds**
(Bids 11 a.m. EST)

October 22, 1952
Allpark Finance Co., Inc. ..... **Debentures**
(C. K. Pistell & Co., Inc.)
Benson & Hedges ..... **Debentures**
(Morgan Stanley & Co.)
Benson & Hedges ..... **Common**
(Offering to stockholders—no underwriting)
Corning Glass Works ..... **Common**
(Harriman Ripley & Co., Inc. and Lazard Freres & Co.)
Seiberling Rubber Co. ..... **Debentures**
(Blair, Rollins & Co. Inc.)

October 23, 1952
Jefferson Electric Co. ..... **Common**
(Paul H. Davis & Co.)

October 24, 1952
Gulf Sulphur Corp. ..... **Common**
(Peter Morgan & Co.)

October 27, 1952
Redwater Utilities Holdings Oil & Gas Ltd. ..... **Com.**
(White, Weld & Co. and George R. Gardiner, Ltd.)

October 28, 1952
American President Lines, Ltd. ..... **Class A & B**
(Bids 11 a.m. EST)
Smith-Douglass Co., Inc. ..... **Common**
(F. Eberstadt & Co., Inc.)

October 30, 1952
Anheuser-Busch, Inc. ..... **Common**
(Stifel, Nicolaus & Co., Inc.; Reinholdt & Gardner and Newhard, Cook & Co.)

November 1, 1952
Crown Drug Co. ..... **Debentures**
(Offering to stockholders)

November 3, 1952
Dow Chemical Co. ..... **Common**
(Offering to stockholders—No underwriting)

November 10, 1952
Sinclair Oil Corp. ..... **Debentures**
(Offering to stockholders—to be underwritten by Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane)

November 12, 1952
American Trust Co., San Francisco ..... **Common**
(Offering to stockholders—Blyth & Co., Inc.)

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 a.m. PST)

November 19, 1952
Duquesne Light Co. ..... **Common**
(Bids 11 a.m. EST)

November 24, 1952
Gulf States Utilities Co. ..... **Bonds**
(Bids noon EST)

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

Clinton Machine Co., Detroit, Mich.
Oct. 1 (letter of notification) 18,035 shares of common stock (par $1). **Price** — $2.50 per share. **Proceeds**—For working capital. **Office**—21535 Groesbeck Road, Detroit, Mich. **Underwriter**—None.

★ **Commonsense Commodity Futures, Parsippany, N. J.**
Oct. 3 (letter of notification) 100 participation unit certificates, first series (par $100) each with option to buy up to 20 additional certificates within three years from date of issuance of any of the 100 certificates. **Price**—At par. **Proceeds**—For trading in commodities on the organized exchanges. **Office**—Brookwood Park, Route 6, Parsippany, N. J. **Underwriter**—None, with sales to be handled by Dudley Kimball, in New Jersey only.

Consumers Cooperative Association, Kansas City, Missouri
Sept. 24 filed $3,000,000 of 10-year 4½% subordinated certificates of indebtedness, $6,000,000 of 20-year 5½% subordinated certificates of indebtedness; and $1,000,000 of 25-year 5½% subordinated certificates of indebtedness; to be offered for sale to members and others. **Price**—At face amount. **Proceeds**—To build plant. **Business**—Wholesale purchasing association. **Underwriter**—None.

● **Corning Glass Works, Pittsburgh, Pa. (10/22)**
Oct. 3 filed 104,104 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters** — Harriman Ripley & Co., Inc. and Lazard Freres & Co., both of New York.

Cowles Co., Cayuga, N. Y.
Oct. 6 (letter of notification) 3,000 shares of capital stock (par $5) to be offered for subscription by stockholders of record Oct. 1 at rate of one share for each three held; rights expire Oct. 31. **Price**—$25 per share. **Proceeds**—For working capital. **Underwriter**—None, unless 1,000 shares are unsubscribed which will be sold to one individual through Clemens E. Gunn of Gunn, Carey & Co., Cleveland, Ohio.

● **Crown Drug Co., Kansas City, Mo. (11/1)**
Sept. 18 (letter of notification) $250,000 of 4½% convertible debenture notes due Oct. 1, 1962 to be offered on Nov. 1 for prior subscription by stockholders. **Price**—at par (in denominations of $60, $100, $500 and $1,000 each). **Proceeds**—For working capital. **Office**—2210 Central St., Kansas City, Mo. **Underwriter**—Business Statistics Organizations, Inc., Babson Park, Mass.

★ **Darmond Mining & Smelting Co.**
Oct. 7 (letter of notification) 56,550 shares of common stock. **Price**—$1 per share. **Proceeds** — For equipment and working capital. **Office**—8445 East Las Tunas Drive, San Gabriel, Calif. **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.

★ **Delaware Research & Development Corp.**
Oct 6 (letter of notification) 4,946 shares of capital stock. **Price**—$10 per share. **Proceeds** — For working capital. **Address**—P. O. Box 110, New Castle, Del. **Underwriter**—None.

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.

Dole (James) Engineering Co.
Sept. 19 (letter of notification) 100,000 shares of convertible 5% preferred stock to be offered for subscription by stockholders of record Oct. 6 at rate of one share for each 10 common shares held; rights to expire on Oct. 31. **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 50 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**—$31 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ Dravo Corp., Neville Island, Pittsburgh, Pa.
Oct. 7 (letter of notification) not to exceed 6,000 shares of common stock (par $1) to be offered for subscription by employees of company and its subsidiaries. **Price**—$42 per share. **Proceeds**—From 2,700 treasury shares, to be added to working capital. **Office**—4800 Grand Ave., Pittsburgh 25, Pa. **Underwriter**—None.

● Duquesne Light Co., Pittsburgh, Pa. (11/19)
Sept. 30 filed 250,000 shares of common stock (par $10), of which 80,000 shares will be offered by company and 170,000 shares by the Philadelphia Co. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Lehman Brothers; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; Carl M. Loeb, Rhoades & Co. and Wertheim & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EST) Nov. 19.

Farmers Underwriters Association, Los Angeles, California
Sept. 25 (letter of notification) 2,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To John C. Tyler, the selling stockholder. **Office**—4680 Wilshire Boulevard, Los Angeles, Calif. **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif.

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 4% convertible subordinate debentures due Oct. 1, 1967, being offered for subscription by common stockholders at rate of $500 of debentures for each 66 shares of common stock held as of Oct. 8; rights to expire on Oct. 23. **Price** — 100%, plus accrued interest. **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.

● Forming Machine Co. of America, Inc.
Oct. 3 (letter of notification) 175 shares of common stock (par $1) being offered for subscription by stockholders of record Sept. 23 at rate of one new share for each 15 shares held; rights expire Nov. 9. **Price**—$200 per share. **Proceeds**—For working capital. **Office**—18 Hamilton St., Bound Brook, N. J. **Underwriter**—None.

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.

General Laboratory Associates, Inc. (N. Y.)
Sept. 30 (letter of notification) 7,435 shares of common stock. **Price**—At par ($20 per share) to be offered for subscription by common stockholders of record Oct. 15 at rate of one share for each two shares held; rights to expire Oct. 30. **Proceeds**—For expansion of facilities and to reduce bank loans. **Office** —17 East Railroad Street, Norwich, N. Y. **Underwriter**—None.

★ Guardian Chemical Corp., Long Island City, N. Y.
Oct. 7 (letter of notification) 299,900 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For expansion and working capital. **Underwriter**—Batkin & Co., New York.

● Gulf Sulphur Corp. (10/24)
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.

Hawaiian Electric Co., Ltd., Honolulu, T. H.
Sept. 25 filed 50,000 shares of common stock to be offered for subscription by common stockholders of record Oct. 3 in the ratio of one new share for each 10 shares held. **Price** — At par ($20 per share). **Proceeds** — To repay short-term notes and for new construction. **Underwriter** —None.

Hecht Co., Baltimore, Md. (10/21)
Sept. 30 filed 135,000 shares of common stock (par $15). **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriter**—Goldman, Sachs & Co., 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.

★ Inter-City Funding Corp., Jamaica, L. I., N. Y.
Oct. 9 (letter of notification) $250,000 of one-year debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds**—To assist in temporary financing of mortgages. **Office**—167-08 Hillside Avenue, Jamaica, L. I., N. Y. **Underwriter**—None.

International Glass Corp., Beverly Hills, Calif.
Sept. 22 (letter of notification) 299,635 shares of common stock, to be issued as follows: To William Hoeppner, 6,985 shares; to stockholders of Soft-Flex Glass Fabrics Corp., 17,650 shares; and to public, 275,000 shares. **Price**—At par ($1 per share). **Proceeds**—For general corporate purposes. **Office**—119 South Beverly Drive, Beverly Hills, Calif. **Underwriter**—Douglass & Co., Beverly Hills, Calif.

Israel Industrial & Mineral Development Corp., N. Y.
Oct. 6 filed 30,000 shares of class A stock. **Price**—At par ($100 per share). **Proceeds**—For industrial and mineral development of Israel. **Underwriter** — Israel Securities Corp., New York.

Jefferson Electric Co., Bellwood, Ill. (10/23)
Oct. 3 filed 100,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—To reimburse treasury for cost of additions and improvements to plant. **Underwriter**—Paul H. Davis & Co., Chicago, Ill.

★ Lindberg Instrument Co., Berkeley, Calif.
Oct. 3 (letter of notification) eight shares of capital stock (par $10) and $40,000 of 10-year promissory notes, either bearing 6% interest or non-interest. **Price** — At par (the notes in denominations of $1,000 each). **Proceeds** —To develop "fluid sound" and for working capital. **Office**—1808 Harmon St., Berkeley, Calif. **Underwriter** —None.

★ Long Island Lighting Co. (11/18)
Oct. 15 filed $20,000,000 of first mortgage bonds, series E, due 1980. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—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). **Bids**—Tentatively scheduled to be received on or about Nov. 18.

★ Macco Corp., Paramount, Calif.
Sept. 30 (letter of notification) 1,000 shares of common stock (par $1). **Price**—At market (approximately $10 per share). **Proceeds**—To Edward A. Pellegrin, the selling stockholder. **Office**—14409 South Paramount Blvd., Paramount, Calif. **Underwriter**—None.

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds** — For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. Telephone WHitehall 3-2181. **Offering**—Date indefinite.

★ McCormick & Co., Inc., Baltimore, Md.
Oct. 2 (letter of notification) 500 shares of 5% cumulative preferred stock (par $100); 1,000 shares of voting common stock (no par); and 6,394 shares of non-voting common stock (no par). **Price**—The preferred at par and both classes of common stock at $27.50 per share. **Proceeds**—For working capital. **Office**—414 Light St., Baltimore 2, Md. **Underwriter**—None.

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.

★ McGraw (F. H.) & Co., Hartford, Conn.
Oct. 6 (letter of notification) 25,000 shares of common stock (par $2). **Price**—$7 per share. **Proceeds**—To Clifford S. Strike, the selling stockholder. **Underwriter**—Granbery, Marache & Co., New York.

Midcontinent Chemical Co., Grove City, Ohio
Sept. 26 (letter of notification) $50,000 of 5½% secured debentures due March 15, 1963. **Price**—At par (in denominations of $1,000 and $500). **Proceeds**—For working capital. **Underwriter**—The Ohio Company, Columbus, Ohio.

★ Midwestern United Life Insurance Co.
Oct. 3 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds** — To increase capital and surplus. **Office**—229 West Berry St., Fort Wayne 2, Ind. **Underwriter**—None.

Mineral Exploration Corp., Ltd., Toronto Canada
July 29 filed 2,000,000 shares of common stock, each share to have attached an "A," "B" and "C" warrant, each giving the holder the right to 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.

Mississippi Chemical Corp., Yazoo City, Miss.
Sept. 29 filed 2,000,000 shares of common stock (par $5), of which 849,038 shares have been subscribed, paid for and issued, and an additional 107,550 shares have been subscribed for as of Aug. 28 and will be issued in connection with expansion of ammonia plant. The remaining shares will be offered for sale primarily to farmers and farm groups. **Price** — At par. **Proceeds** — For new construction. **Underwriter**—None.

Montana Basin Oil Corp. (N. Y.)
Sept. 19 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and development expenses. **Underwriter** —Aetna Securities Corp., New York.

★ Montana Power Co., Butte, Mont.
Oct. 2 (letter of notification) $290,000 aggregate of shares of common stock (no par) to be purchased at market under employees' stock purchase plan. **Office**—40 East Broadway, Butte, Mont. **Underwriter**—None.

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.

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.

Penn-Allen Broadcasting Co.
Sept. 30 (letter of notification) 18,580 shares of class A common stock (par $10) and 7,432 shares of common stock (par $10) to be offered in units of five class A shares and two common shares. **Price**—$70 per unit. **Proceeds**—To construct a television station and for working capital. **Office**—Masonic Temple Bldg., Allentown, Pa. **Underwriter**—None.

Pennsylvania Citrus Groves, Inc., Vero Beach, Fla.
Oct. 8 (letter of notification) 100,000 shares of common stock (par $2). **Price**—$2.50 per share. **Proceeds**—To plant, fertilize and insure citrus fruit trees. **Underwriter**—Graham & Co., Pittsburgh, Pa.

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.

Phoenix Budget Loans, Inc., Minneapolis, Minn.
Sept. 22 (letter of notification) 4,000 shares of preferred stock, series A (no par). **Price**—$24 per share. **Proceeds** —For working capital. **Office**—227 Twin City Federal Building, Minneapolis, Minn. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

Powers Manufacturing Co., Longview, Tex.
Sept. 25 filed 250,000 shares of common stock (par $1). **Price** — $2 per share. **Proceeds** — For machinery and equipment and new construction. **Business**—Production of heavy duty power transmission chain, prockets, gears, etc. **Underwriter**—Dallas Rupe & Son, Dallas, Texas.

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.

● Redwater Utilities Holdings Oil & Gas Ltd., Calgary, Canada (10/27)
Oct. 7 filed 1,200,000 shares of common stock (par 50 cents—Canadian). **Price**—To be supplied by amendment. **Proceeds**—To pay for litigation and for general corporate purposes. **Underwriters**—White, Weld & Co., New York; and George R. Gardiner Ltd., Toronto, Ont., Canada (for 600,000 shares each). Not to be offered publicly.

Reeves Soundcraft Corp., N. Y.
Oct. 3 (letter of notification) 10,245 shares of common stock (par five cents). **Price**—At market (about $2.62½ per share). **Proceeds**—To Bernard Goodwin, the selling stockholder. **Underwriter**—Gearhart & Otis, Inc., New York.

Resort Airlines, Inc., Miami, Fla.
Oct. 1 (letter of notification) 20,000 shares of common stock (par 10 cents). **Price**—45 cents per share. **Proceeds** —To Richard A. Miller, the selling stockholder. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Safeway Stores, Inc.
Sept. 12 filed 1,900 shares of 4% cumulative preferred stcok (par $100) and 18,000 shares of common stock (par $5) to be issued to James A. Dick Investment Co. (formerly The James A. Dick Co.) in exchange for inventories, fixtures, operating supplies, good will and other assets of Dick. It is anticipated that the Dick Company will sell all or a substantial part of these shares from time to time on the New York Stock Exchange. **Underwriter**—None.

Schulte (D. A.), Inc., New York
Sept. 26 filed 717,149 shares of common stock (par $1), in two blocks, one in the amount of 349,500 shares and the other 367,649 shares, to be sold from time to time on the New York Curb Exchange. **Price**—At market (approximately $2 per share). **Proceeds**—To certain selling stockholders. **Business**—Cigarette and cigar store chain. Underwriter—None.

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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.

★ **Segal Lock & Hardware Co., Inc.**
Oct. 7 (letter of notification) not exceeding $155,600 aggregate value of common stock (par $1) of which 82,000 shares are to be issued in exchange for 50% of the stock of Arrow Lock Corp. and 73,600 shares are to be issued to liquidate indebtedness. **Price**—At market (at from $1.25 to $1.75 per share). **Underwriter**—None.

● **Seiberling Rubber Co. (10/22-23)**
Oct. 1 filed $3,750,000 convertible sinking fund debentures due Oct. 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—To repay $1,200,000 loan and for working capital. **Underwriter**—Blair, Rollins & Co., Inc., New York.

★ **Sheller Manufacturing Corp., Portland, Ind.**
Oct. 6 (letter of notification) 5,000 shares of common stock (par $1). **Price**—At market (approximately $15 per share). **Proceeds** — To Ralph P. Chempney, the selling stockholder. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

Sierra Pacific Power Co.
Sept. 15 filed 26,775 shares of common stock (par $15) being offered for subscription by holders of preferred and common stocks of record Oct. 6 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**—$23 per share. **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.

★ **Smith-Douglass Co., Inc., Norfolk, Va. (10/28-29)**
Oct. 14 filed 370,000 shares of common stock (par $5), of which 100,000 shares are to be offered by the company and 270,000 shares by certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To install phosphoric acid facilities and other plant improvements. **Business**—Producer and distributor of fertilizer materials and mixed fertilizers. **Underwriter**—F. Eberstadt & Co., Inc., New York.

Southern New England Telephone Co.
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; rights to expire Oct. 31. **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 Cable Corp., Chickasha, Okla.**
Oct. 2 (letter of notification) 38,095 shares of common stock (par 25 cents). **Price**—$2.62½ per share. **Proceeds**—To L. W. Lord, the selling stockholder. **Underwriter**—None. Statement withdrawn. New letter to be filed.

★ **Standard Dredging Corp. (N. Y.)**
Oct. 9 (letter of notification) 24,500 shares of common stock (par $1). **Price**—At market (about $4 per share). **Proceeds**—To North American Industries, Inc. **Underwriter**—None, but Strauss, Blosser & McDowell, Chicago, Ill., will act as broker.

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.

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. **Offering**—Tentatively postponed. Statement may be withdrawn.

Texo Oil Corp., Ardmore, Okla.
Sept. 2 (letter of notification) 934,400 shares of common stock (par one cent). **Price**—31¼ cents per share. **Proceeds**—To drill three wells to test formation on corporation's leases in Duval and Live Oak Counties, Texas. **Underwriter**—Stanley Pelz & Co., Inc., New York.

Thompson Trailer Corp., Pikesville, Md.
Aug. 27 (letter of notification) $116,150 of 5% convertible debentures, first issue, due Sept. 1, 1962. **Price**—At par (in units of $50 each). **Proceeds**—For working capital. **Address**—P. O. Box 356, Pikesville, Md. **Underwriter**—None.

Torhio Oil Corp., Ltd., Toronto, Canada
Aug. 21 filed 300,000 shares of common stock (par $1) to be offered first to stockholders and then to the general public. **Price** — 60 cents per share. **Proceeds**—For exploration of oil and gas properties, and to drill a test well. **Underwriter**—None, but offering to public will be handled through brokers.

★ **United Gas Corp., Shreveport, La.**
Oct. 15 filed 525,036 shares of common stock (par $10) to be offered for subscription by Electric Bond & Share Co. to its stockholders on the basis of one share of United Gas stock for each 10 shares of Bond and Share stock held. **Price**—To be supplied by amendment. **Proceeds**—To Electric Bond & Share Co., which presently owns 3,165,781 shares (27.01%) of outstanding United Gas stock. **Underwriter**—None.

★ **U. S. Manganese Corp., Phoenix, Arizona**
Oct. 6 (letter of notification) 52,579 shares of common stock (par 25 cents). **Price**—At market (approximately between 26 and 30 cents per share) to aggregate a total of $12,773. **Proceeds**—To Mrs. Eda M. Welkom, the selling stockholder. **Underwriter**—Hunter Securities Corp., New York.

Video Products Corp., Red Bank, N. J.
Oct. 3 (letter of notification) 75,000 shares of common stock (par 50 cents). **Price**—$2.50 per share. **Proceeds**—For working capital. **Office**—42 West Street, Red Bank, N. J. **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.

★ **Waukesha Motor Co., Waukesha, Wis.**
Oct. 6 (letter of notification) 5,800 shares of common stock (par $5). **Price** — At market (approximately $17 per share). **Proceeds**—To Edward G. Bach, Executor of the Estate of Isabel Hadock. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, Milwaukee, Wis.

★ **West Coast Pipe Line Co., Dallas, Texas**
Sept. 29 (letter of notification) 12,500 shares of capital stock (par $10). **Price**—For 10,000 shares at par and for remaining 2,500 shares $12.50 per share (latter to be sold for account of 23 stockholders). **Proceeds**—For working capital. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York.

★ **Whiting Corp., Harvey, Ill.**
Oct. 10 filed 50,000 shares of 6% cumulative convertible preferred stock, series A. **Price**—At par ($25 per share). **Proceeds** — For new equipment and working capital. **Business**—Manufacture and sale of heavy equipment for manufacturers of food and chemical processing, and transportation, etc. **Underwriters**—William R. Staats & Co., Los Angeles, Calif.; and Shearson, Hammill & Co., 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

American Trust Co., San Francisco, Cal. (11/12)
Sept. 30 Blyth & Co. Inc. and associates agreed to purchase at $55 per share such number of common shares sufficient to provide the funds required to retire on Oct. 27 the 4% convertible preferred stock (par $50) remaining outstanding after expiration of the conversion privilege at 5 p.m. (PST) on Oct. 22. The preferred is convertible for common stock on a share-for-share basis. The bank plans offer of additional common stock on or about Nov. 12 on a pro rata basis for a 30-day standby with Blyth & Co., Inc. underwriting.

Arkansas Louisiana Gas Co.
Dec. 6, 1951 it was reported company may issue and sell $35,000,000 of first mortgage bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lazard Freres & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; Equitable Securities Corp. **Proceeds**—To repay bank loans and for new construction.

Arkansas Natural Gas Co.
Oct. 3 it was reported company plans to issue and sell $23,000,000 of sinking fund debentures due 1972. **Proceeds**—To retire $21,877,760 preferred stock at $105 per share. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lazard Freres & Co. (jointly); Smith, Barney & Co.

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.

Byrd Oil Corp., Dallas, Tex.
July 22 it was announced stockholders will in the fall receive the right to subscribe for $1,700,000 of 5½% first mortgage (convertible) bonds on a pro rata basis for a 14-day standby (certain stockholders have waived their rights). **Proceeds**—To repay bank loans and for development and exploration expenses. **Underwriters**—Probably Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill.

★ **California Electric Power Co.**
Oct. 7 it was announced company intends to sell early in 1953 approximately $10,000,000 of additional new securities, the type of which has not yet been determined. Bidders for common stock may include: Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. (jointly); Kidder, Peabody & Co.; Blyth & Co., Inc.

Central of Georgia Ry. (10/16)
Bids will be received at the office of J. P. Morgan & Co. Incorporated, 23 Wall Stree, New York, N. Y., up to noon (EST) on Oct. 16 for the purchase from the railway company of $2,775,000 equipment trust certificates, series "X," to be dated Nov. 1, 1952, and due $165,000 annually from Nov. 1, 1953 to and including Nov. 1, 1967. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co.

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 bidders: (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.

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-[illegible] basis. **Proceeds**—For expansion program. **Underwriter**—None.

★ **Columbia Gas System, Inc., N. Y.**
Oct. 10 it was announced company plans to issue and sell common stock and additional debentures early in the Spring of 1953. **Proceeds**—To repay bank loans and for construction program. Company has sought SEC authority to borrow from banks an aggregate of $[illegible] **Underwriters**—To be determined by competitive bidding. Probable bidders: For stock, Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co. For debentures, Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

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.

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 expansion will later on require additional financing. There is, 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.

East Tennessee Natural Gas Co.
Sept. 29 it was announced company proposes to construct about 100 miles of pipe line the estimated cost of which, $5,784,606, is expected to be financed through the issuance of $4,500,000 of first mortgage bonds (to be placed privately) and $1,300,000 of bank loans. **Traditional Underwriter**—White, Weld & Co. (N. Y.)

Continued from page 39

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.

★ **Segal Lock & Hardware Co., Inc.**
Oct. 7 (letter of notification) not exceeding $155,600 aggregate value of common stock (par $1) of which 82,000 shares are to be issued in exchange for 50% of the stock of Arrow Lock Corp. and 73,600 shares are to be issued to liquidate indebtedness. **Price**—At market (at from $1.25 to $1.75 per share). **Underwriter**—None.

● **Seiberling Rubber Co. (10/22-23)**
Oct. 1 filed $3,750,000 convertible sinking fund debentures due Oct. 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—To repay $1,200,000 loan and for working capital. **Underwriter**—Blair, Rollins & Co., Inc., New York.

★ **Sheller Manufacturing Corp., Portland, Ind.**
Oct. 6 (letter of notification) 5,000 shares of common stock (par $1). **Price**—At market (approximately $15 per share). **Proceeds** — To Ralph P. Chempney, the selling stockholder. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

Sierra Pacific Power Co.
Sept. 15 filed 26,775 shares of common stock (par $15) being offered for subscription by holders of preferred and common stocks of record Oct. 6 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**—$23 per share. **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.

★ **Smith-Douglass Co., Inc., Norfolk, Va. (10/28-29)**
Oct. 14 filed 370,000 shares of common stock (par $5), of which 100,000 shares are to be offered by the company and 270,000 shares by certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To install phosphoric acid facilities and other plant improvements. **Business**—Producer and distributor of fertilizer materials and mixed fertilizers. **Underwriter**—F. Eberstadt & Co., Inc., New York.

Southern New England Telephone Co.
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; rights to expire Oct. 31. **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 Cable Corp., Chickasha, Okla.**
Oct. 2 (letter of notification) 38,095 shares of common stock (par 25 cents). **Price**—$2.62½ per share. **Proceeds**—To L. W. Lord, the selling stockholder. **Underwriter**—None. Statement withdrawn. New letter to be filed.

★ **Standard Dredging Corp. (N. Y.)**
Oct. 9 (letter of notification) 24,500 shares of common stock (par $1). **Price**—At market (about $4 per share). **Proceeds**—To North American Industries, Inc. **Underwriter**—None, but Strauss, Blosser & McDowell, Chicago, Ill., will act as broker.

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.

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. **Offering**—Tentatively postponed. Statement may be withdrawn.

Texo Oil Corp., Ardmore, Okla.
Sept. 2 (letter of notification) 934,400 shares of common stock (par one cent). **Price**—31¼ cents per share. **Proceeds**—To drill three wells to test formation on corporation's leases in Duval and Live Oak Counties, Texas. **Underwriter**—Stanley Pelz & Co., Inc., New York.

Thompson Trailer Corp., Pikesville, Md.
Aug. 27 (letter of notification) $116,150 of 5% convertible debentures, first issue, due Sept. 1, 1962. **Price**—At par (in units of $50 each). **Proceeds**—For working capital. **Address**—P. O. Box 356, Pikesville, Md. **Underwriter**—None.

Torhio Oil Corp., Ltd., Toronto, Canada
Aug. 21 filed 300,000 shares of common stock (par $1) to be offered first to stockholders and then to the general public. **Price** — 60 cents per share. **Proceeds**—For exploration of oil and gas properties, and to drill a test well. **Underwriter**—None, but offering to public will be handled through brokers.

★ **United Gas Corp., Shreveport, La.**
Oct. 15 filed 525,036 shares of common stock (par $10) to be offered for subscription by Electric Bond & Share Co. to its stockholders on the basis of one share of United Gas stock for each 10 shares of Bond and Share stock held. **Price**—To be supplied by amendment. **Proceeds**—To Electric Bond & Share Co., which presently owns 3,165,781 shares (27.01%) of outstanding United Gas stock. **Underwriter**—None.

★ **U. S. Manganese Corp., Phoenix, Arizona**
Oct. 6 (letter of notification) 52,579 shares of common stock (par 25 cents). **Price**—At market (approximately between 26 and 30 cents per share) to aggregate a total of $12,773. **Proceeds**—To Mrs. Eda M. Weikom, the selling stockholder. **Underwriter**—Hunter Securities Corp., New York.

Video Products Corp., Red Bank, N. J.
Oct. 3 (letter of notification) 75,000 shares of common stock (par 50 cents). **Price**—$2.50 per share. **Proceeds**—For working capital. **Office**—42 West Street, Red Bank, N. J. **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.

★ **Waukesha Motor Co., Waukesha, Wis.**
Oct. 6 (letter of notification) 5,800 shares of common stock (par $5). **Price** — At market (approximately $17 per share). **Proceeds**—To Edward G. Bach, Executor of the Estate of Isabel Hadock. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, Milwaukee, Wis.

★ **West Coast Pipe Line Co., Dallas, Texas**
Sept. 29 (letter of notification) 12,500 shares of capital stock (par $10). **Price**—For 10,000 shares at par and for remaining 2,500 shares $12.50 per share (latter to be sold for account of 23 stockholders). **Proceeds**—For working capital. **Underwriters** — White, Weld & Co. and Union Securities Corp., both of New York.

★ **Whiting Corp., Harvey, Ill.**
Oct. 10 filed 50,000 shares of 6% cumulative convertible preferred stock, series A. **Price**—At par ($25 per share). **Proceeds** — For new equipment and working capital. **Business**—Manufacture and sale of heavy equipment for manufacturers of food and chemical processing, and transportation, etc. **Underwriters**—William R. Staats & Co., Los Angeles, Calif.; and Shearson, Hammill & Co., 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

American Trust Co., San Francisco, Cal. (11/12)
Sept. 30 Blyth & Co. Inc. and associates agreed to purchase at $55 per share such number of common shares sufficient to provide the funds required to retire on Oct. 27 the 4% convertible preferred stock (par $50) remaining outstanding after expiration of the conversion privilege at 5 p.m. (PST) on Oct. 22. The preferred is convertible for common stock on a share-for-share basis. The bank plans offer of additional common stock on or about Nov. 12 on a pro rata basis for a 30-day standby with Blyth & Co., Inc. underwriting.

Arkansas Louisiana Gas Co.
Dec. 6, 1951 it was reported company may issue and sell $35,000,000 of first mortgage bonds. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lazard Freres & Co. (jointly); Union Securities Corp.; Smith, Barney & Co.; Equitable Securities Corp. **Proceeds**—To repay bank loans and for new construction.

Arkansas Natural Gas Co.
Oct. 3 it was reported company plans to issue and sell $23,000,000 of sinking fund debentures due 1972. **Proceeds**—To retire $21,877,760 preferred stock at $10.50 per share. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lazard Freres & Co. (jointly); Smith, Barney & Co.

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.

Byrd Oil Corp., Dallas, Tex.
July 22 it was announced stockholders will in the fall receive the right to subscribe for $1,700,000 of 5½% first mortgage (convertible) bonds on a pro rata basis for a 14-day standby (certain stockholders have waived their rights). **Proceeds**—To repay bank loans and for development and exploration expenses. **Underwriters**—Probably Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill.

★ **California Electric Power Co.**
Oct. 7 it was announced company intends to sell early in 1953 approximately $10,000,000 of additional new securities, the type of which has not yet been determined. Bidders for common stock may include: Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. (jointly); Kidder, Peabody & Co.; Blyth & Co., Inc.

Central of Georgia Ry. (10/16)
Bids will be received at the office of J. P. Morgan & Co. Incorporated, 23 Wall Stree, New York, N. Y., up to noon (EST) on Oct. 16 for the purchase from the railway company of $2,775,000 equipment trust certificates, series "X," to be dated Nov. 1, 1952, and due $165,000 annually from Nov. 1, 1953 to and including Nov. 1, 1967. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co.

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.

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.

★ **Columbia Gas System, Inc., N. Y.**
Oct. 10 it was announced company plans to issue and sell common stock and additional debentures early in the Spring of 1953. **Proceeds**—To repay bank loans and for construction program. Company has sought SEC authority to borrow from banks an aggregate of $25,000,000. **Underwriters**—To be determined by competitive bidding. Probable bidders: For stock, Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and R. W. Pressprich & Co. (jointly); Morgan Stanley & Co. For debentures, Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

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.

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.

East Tennessee Natural Gas Co.
Sept. 29 it was announced company proposes to construct about 100 miles of pipe line the estimated cost of which, $5,784,606, is expected to be financed through the issuance of $4,500,000 of first mortgage bonds (which may be placed privately) and $1,300,000 of bank loans. **Traditional Underwriter**—White, Weld & Co., New York.

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).

Equitable Gas Co.
Oct. 3 it was announced Philadelphia Co. proposes to invite competitive bids for its holdings of $6,354,000 of 20-year 3⅜% sinking fund debentures, due March 1, 1970, of Equitable Gas Co. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); and Harriman Ripley & Co., Inc.

European American Airlines, Inc.
June 11 it was reported company plans to raise an additional $400,000 of equity capital. An issue of $200,000 of capital stock was just recently placed privately at $7.50 per share. Underwriter — Gearhart, Kinnard & Otis, Inc., New York.

First National Bank of Dallas (Tex.)
Oct. 8 stockholders of record Oct. 7 were given the right to subscribe on or before Oct. 21 for 200,000 additional shares of capital stock (par $10) at rate of 4/15 of a share for each common share held. **Price** — $25 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane, First Southwest Co.

Frontier Refining Co.
Oct. 1 it was reported directors have authorized issuance and sale of $1,000,000 additional convertible debentures. **Proceeds**—To increase refining capacity. **Underwriters**—Peters, Writer & Christensen, Inc.; Sidlo, Simons, Roberts & Co.; Boettcher & Co.; and Bosworth, Sullivan & Co. handled sale in May 1, 1951 of a like amount of 5½% debentures due in 1961.

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.

Gulf States Utilities Co. (11/24)
Oct. 3 it was announced company plans to offer and sell $10,000,000 of first mortgage bonds. **Proceeds**—For new construction and to repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Carl M. Loeb, Rhoades & Co. and Lee Higginson Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Lehman Brothers; Stone & Webster Securities Corp. **Bids**—Expected to be received up to noon (EST) on Nov. 24.

International Minerals & Chemical Corp.
Oct. 1 it was announced stockholders will vote Oct. 28 on approving issuance of up to $20,000,000 of subordinated convertible debentures. **Proceeds**—For expansion program. **Underwriter**—White, Weld & Co., New York.

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.

Laclede Gas Co.
Oct. 1 it was reported company may issue and sell $10,000,000 to $12,000,000 of securities, probably bonds. **Proceeds**—For new construction. In August of last year, an issue of $8,000,000 3¾% first mortgage bonds due 1976 was placed privately through Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane.

★ **Mansfield Tire & Rubber Co.**
Oct. 1 it was reported company plans issuance and sale of a convertible preferred stock issue. **Underwriter**—A. G. Becker & Co. Inc., Chicago, Ill.

MidSouth Gas Co.
Sept. 23 company was authorized by FPC to construct 191 miles of natural gas pipeline and to acquire an existing 38-mile line from Arkansas Power & Light Co. at an aggregate estimated cost of $4,524,200. Stock financing in July, 1951, was underwritten by Equitable Securities Corp.; T. J. Raney & Sons; and Womeldorff & Lindsey.

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.

Mutual Telephone Co. (Hawaii)
Sept. 23 it was announced company expects to place privately in October an issue of $2,500,000 3½% bonds and plans to issue and sell next year about $3,000,000 securities, half in preferred stock and half in common stock. **Traditional Underwriter**—Kidder, Peabody & Co., New York.

★ **Narragansett Electric Co.**
Oct. 7 it was reported company plans issuance and sale of about $10,000,000 first mortgage bonds, series D. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Glore, Forgan & Co. (jointly); Salomon Bros. & Hutzler; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly); Union Securities Corp.; The First Boston Corp.; White, Weld & Co. **Offering**—Expected late this year or early in 1953.

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 mortgage pipeline bonds, and preferred and common Boston Corp. and Kidder, Peabody & Co. (jointly). Common stock financing will probably be done via rights.

★ **Olympic Radio & Television, Inc. (10/20)**
Oct. 14 it was announced company plans to offer to its common stockholders of record Oct. 20 the right to subscribe to approximately 36,000 shares of additional common stock (probably on a 1-for-11 basis), with an oversubscription privilege. **Price**—To be named later. **Proceeds**—For expansion program. **Underwriter**—Fox, Wells & Co., the largest shareholder, has agreed to purchase any unsubscribed shares.

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 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. **Offering**—Expected sometime in December.

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 a.m. (PST) on November 18.

★ **Pennsylvania Power & Light Co.**
Oct. 3 it was reported company may be planning to issue and sell $10,000,000 of first mortgage bonds. Previous bond financing was done privately through The First Boston Corp. and Drexel & Co. If competitive, probable bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Equitable Securities Corp.; White, Weld & Co.; Smith, Barney & Co.

Peoples Gas Light & Coke Co.
Sept. 29 it was announced company plans issue and sale to present stockholders of 186,715 shares of capital stock on a one-for-five basis. **Price**—At par ($100 per share). **Proceeds**—For expansion program. **Underwriter**—None.

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.

Sinclair Oil Corp. (11/10)
Oct. 6 company announced it plans to file with the SEC in the latter part of this month a registration statement covering a proposed issue of about $100,000,000 new convertible subordinated debentures to be offered initially to stockholders. **Price**—To be determined at a later date. **Proceeds** — For expansion program. **Underwriters** — Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York. **Registration**—Statement expected to be filed on or about Oct. 20.

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 Development Co.**
Oct. 3 it was reported sale of this company's common stock (at least 260,000 shares) by Sinclair Oil Corp. is planned. **Underwriter** — Union Securities Corp., New York.

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.

Standard Tungsten Corp. (10/20)
Oct. 1 is was reported company planned to issue and sell 150,000 shares of common stock. **Price** — $2 per share. **Underwriter** — Scott, Khoury, Brockman & Co., Inc., New York. Letter of notification expected to be filed about Oct. 10.

Texas-Ohio Gas Co.
Sept. 30 FPC scheduled an oral argument for Oct. 20 on a motion by National Coal Association and others to deny company's application to build a 1,406-mile pipeline extending from Texas into West Virginia and to import natural gas from Mexico. The estimated cost of the project is over $184,000,000. **Underwriter**—Kidder, Peabody & Co., New York.

★ **Toledo Edison Co.**
Oct. 3 it was reported company plans issue and sale of $7,500,000 first mortgage bonds and 500,000 shares of common stock. **Proceeds**—For construction program. **Underwriters**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Salomon Bros. & Hutzler (jointly); Carl M. Loeb, Rhoades & Co.; Kidder, Peabody & Co.; The First Boston Corp. The common stock offering may be underwritten by The First Boston Corp. In 1950, the following group bid for common stock issue: Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.; Smith, Barney & Co. and Collin, Norton & Co. (jointly); Lehman Brothers, Harriman Ripley & Co., Inc., Bear, Stearns & Co. and Carl M. Loeb, Rhoades & Co. (jointly); W. C. Langley & Co. **Offering**—Of bonds, probably in November; and of stock, later in 1952.

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. **Registration** — Expected week of Oct. 13.

Our Reporter's Report

One of the complaints among underwriters for a long period has been the hard-boiled attitude of institutional investors, chiefly the big insurance companies, toward new debt offerings.

Portfolio men for these large investment outlets have not been seeing eye-to-eye with underwriters in the matter of pricing and yields for many months. True, they have been buyers of new issues, offered publicly, from time to time but not in the volume that might have been anticipated.

A look at their record of new investments through August and the first eight months of the year, gives some insight into the reasons why they could afford to have been choosey.

For the month they bought $289,000,000 of corporate securities, including $8,000,000 of stock, contrasted with $405,000,000 last year when $32,000,000 in stock was included. But, in the same period they added $307,000,000 of mortgages to their holdings, somewhat under the $405,000,000 of a year ago, yet a substantial figure.

In the eight months to Aug. 31, they purchased $3,279,000,000 of corporates including $121,000,000 of stocks, which was well above the 1951 comparable of $2,929,000,000. They added $2,633,000,000 to mortgage portfolios in the same interval, also slightly under a year ago, but nevertheless affording them a very substantial outlet for their funds.

And in both instances, in the case of securities, it must be reckoned that a goodly part of the totals shown was represented by securities acquired through direct negotiations rather than through purchases from investment underwriting firms.

Underwriter's Spreads

Occasionally the matter of the underwriter's spread on a given piece of business comes up for discussion. And, according to some bankers, there is a tendency to accept the gross indicated spread, that is the difference between the price paid to the issuer, and that set for offering, as the real figure.

But, it is pointed out, in such instances the discussion makes no allowance for important and definite costs which the sponsoring banking group must absorb and which naturally cut into the "gross" spread, often in substantial manner.

For example, it is noted, the actual spread on Duquesne Light's recent $14,000,000 offering was indicated as $4.60, but legal expenses, advertising costs, taxes, etc., took the equivalent of $1.34 a bond reducing the net spread to $3.26 a bond. Similarly on Appalachian Electric's offering the "gross" spread was $6.81, but expenses cut the "net" to $5.83.

Next Week's Offerings

A pickup in utility financing is on tap for next week with two medium-sized bond issues and a common stock operation due up for bids.

On Monday Carolina Power & Light Co., is scheduled to open bids for $20,000,000 of 30-year first mortgage bonds, and, on the same day, Duquesne Light Co. will receive bids for a block of 250,000 shares of common.

Of the last-mentioned stock, the company is selling 80,000 shares with the Philadelphia Co., marketing the balance.

Tuesday should bring Virginia Electric & Power Co.'s offering of $20,000,000 of first and refunding mortgage bonds, 30-year maturity, up for bids. Preliminary plans of underwriters indicate active bidding for all three issues.

On Thursday a banking group will do a "standby" underwriting on 104,104 shares of Corning Glass Works common which is scheduled to be offered to stockholders.

Continued from page 16

Problems of N. Y. Stock Exchange

through last year. The figure is just short of 40%.

In all honesty I can't put the entire blame for the present near-stagnation of our markets on Federal laws and regulations. We at the Stock Exchange would like to be perfect—and at the same time we are quite well aware that we are not. We at the Exchange are normally undergoing a certain amount of soul-searching all the time, but at present this self-examination is as intensive as any I can recall.

I can tell you tonight that a Special Committee of Governors and other leaders of our community has begun an exhaustive study of the problems involved in broadening and improving the auction market for securities.

Some of the areas which this committee is exploring, with the assistance of specialized groups, include the significance to our economy of a free and broad auction market in securities; governmental regulations which restrict trading volume; the Exchange's own rules and regulations; the present and potential effects on our market of the operations of pension funds, investment trusts, insurance companies and savings banks; a review of listing policies; and even an analysis of competition from other forms of investment.

Study will also be made of such collateral questions as commission rates, permissive incorporation of member firms, the responsibilities of specialists and floor-traders—in fact, the whole book of how and what makes us tick.

Such a thorough and searching self-investigation cannot, obviously, be completed overnight. It will take time, effort and the best brains in our industry. And it goes without saying that the Committee needs your help. It needs the ideas and suggestions of every segment of the securities industry.

Constructive Work Should Start Now

We can't afford in the meantime, to sit back and hopefully wait for the Committee to solve all of our problems for us. A great deal of constructive work can be accomplished — starting now—not only in Los Angeles and New York, but in everyone of the 424 cities in which the Stock Exchange is represented.

It has always seemed to me that every individual in our industry has an absolute community of interest with every partner and employee. But I know, as you know, of instances in which a producer in an office has become unnecessarily critical in front of a customer about the work of a floor member. Or of instances where the floor member has been vocally critical about the demands of his office. That sort of thing — patently—is good for none of us.

If there is any lack of sympathy between those engaged in different phases of the securities business, it results, in the cases I know about, from misunderstanding of the roles played by the component parts of our industry.

Take a case we've all run into, "stock ahead." I have in mind a simple instance such as this. A Pasadena investor, let's say, writes out an order to sell 100 shares of XYZ common stock at 10⅜ at the very time when the specialist has orders on his book to sell 5,500 shares at this same price. The customer, seeing a 1,000-share sale on the tape at 10⅜, immediately concludes that his order has also been executed at that price. Does that customer know about "stock ahead"? Is he told?

Another source of misunderstanding which does us no good revolves around the number of minutes necessary for the average transaction to appear on the ticker tape. You know the circumstances. A customer enters an order to sell 75 shares of ABC stock at 25. A minute or so later—but before his order has reached the odd-lot dealer on the floor — a round lot transaction appears on the tape at 25⅛, followed a little later on by a sale at 24½. Understandably, the investor may feel that he is entitled to the sale on the basis of the 25⅛ price. He isn't, of course. But wouldn't there be a better feeling all around if he got a clear and simple explanation of why an odd-lot can be filled only on the basis of the first round lot transaction *after* his order reaches the odd-lot dealer?

I hope you won't think I'm lecturing on customer-relations, for I have a confession to make. My own business isn't all that I'd like it to be.

Before leaving New York, one of my associates reminded me that for a New Yorker to make a talk in California without mentioning the climate and remembering to use superlatives is pure heresy.

Well, I'm certainly not going to run that risk, There's no need to. For the advice I received was just superfluous.

I'd like to take my hat off to the citizens of California on another score which ranks right up, in my opinion, with their foresight in making this State their home. I am thinking now of their wisdom in recognizing the investment potentials of common stocks.

The recent report by the Brookings Institution on "Share Ownership in the United States" (which, I might add, is becoming the "bible" of the securities industry) disclosed that Californians own nearly 500,000,000 shares of common stock of publicly-held corporations,—or, to put it another way, approximately 10% of all common stock owned in this country. Only one State—New York—can boast of greater share ownership. California ranks ahead of such investment strongholds as Pennsylvania, Illinois and Massachusetts.

It is no secret that the growing importance of this State's investors was largely responsible for the recent decision of the New York Stock Exchange to extend its trading sessions by half an hour daily. And I'd like to add that the soundness of that decision has been confirmed by the public as well as by our own community.

To many people, of course, the Brookings Report on share ownership was something of a disappointment. They had expected the number of individual share owners would be much larger than the actual figure of 6,500,000. But when this total is translated into terms of families, it represents more than 13,000,000 men, women and children. One out of every 12 persons in this country, in other words, has a direct personal ownership interest in American industry.

The most challenging aspect of the share ownership census is not what has been accomplished in the direction of making America a nation of share owners—though the sharp increase in the past three years is certainly encouraging—it is the job which remains to be done.

The word tremendous for that job is an understatement. We have no more than scratched the investment potential of this country. And to realize the goal we have set for ourselves will take the combined talents of all of the organized securities markets, our leading corporations, our schools and colleges. It will take a long, long time to tell all the people, in terms they will understand, of the risks and rewards of share ownership.

To help accomplish this, the Stock Exchange is doing everything within its power—and within its resources—to satisfy the needs of the modern investor. But we can't be most effective if we're crippled by discriminatory legislation.

Either free capital markets are a legitimate, honest, necessary and important business, making a vital contribution to the entire economy—or they aren't.

And if we *are* members of a vital and legitimate business—which I believe with my whole heart—then, let's make sure that we're treated like any other legitimate enterprise.

And, in that, gentlemen, as I said before, we are going to need your help.

High Taxes Forcing Corporate Debt Incurrence

H. H. Heimann says current heavy tax levies, by reducing cash position of many corporations, is forcing them to go into the bond market for funds.

According to a statement by Henry H. Heimann, Executive Vice-President of the National Association of Credit Men, in his "Monthly Business Review," the impact of the current heavy tax levies on the cash position and net earnings of many corporations is forcing them to go into the bond market for funds to conduct their operations.

Henry H. Heimann

"Many companies have had to resort to bond sales to obtain new money for they had no alternative," Mr. Heimann points out. "This is true of both large and small companies. In some instances even the convertibility feature had to be added. The debt of industry is rising and its liquid position is declining. It is too early for statistics to reflect the true condition as yet but one need only look at the financial papers to note how many companies, large and small, and how many of unquestioned credit responsibility, are now in the capital market with promises to pay. You will note in these listings some of the big-name companies that heretofore have been able to largely finance themselves through their own operations. Interest on these obligations must be paid whether or not earnings are realized. Today with business still profitable, even though the margin is getting thinner, it can absorb these costs; tomorrow it might be a different story. It is not too comforting a financial picture."

To indicate the increasing trend to this form of financing the head of the nation-wide organization of credit and financial executives reports that the total capital issues in the first eight months of this year, including some municipal bonds, but excluding U. S. Treasury obligations, exceeded $10 billion. This is higher than the offerings in 1929. It is significant, he says, that in these capital issues preferred and common stock financing fell short of the total reached in 1929, and the total capital bond issues included in these figures exceeded $4 billion. These figures give some idea of the extent of the demand for money and credit, Mr. Heimann indicates.

"Even though dividend declarations have been conservative as compared to earnings, there is now less opportunity to adequately finance operations from earnings for these are on an accounting basis in which a dollar earned is not generally represented in cash but in improvements, increased receivables, inventories and other items," the credit chief says. "In former years when the tax levies were more reasonable the cash drain for taxes was more readily absorbed. Today, with a heavy tax load, all of which must of course be paid in cash, there is little left for capital or credit needs. It is a fact that today some concerns seriously pressed for cash and showing a marginal credit responsibility are intentionally in arrears on tax payments. They gamble on a tax delinquency, with its interest cost, as being as easy a method for temporizing on their tax bills as a bank or other loan with its serial maturities. This practice, though not common, presents a real danger and a burdensome cost. Worst of all it stimulates legislative penalties in future tax legislation.

"It is plain to see, therefore, that at the present time the credit needs of business are difficult to fulfill. The naked truth is that the present tax law if continued will strangle the business growth of the nation. It is a brake on business, on personal initiative and on incentive. If continued for any length of time serious trouble is ahead, for the law of diminishing returns in taxation has now taken effect."

With Smith, Barney & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Kenneth W. Riley is now associated with Smith, Barney & Co., 39 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Carver Blanchard Opens

BATON ROUGE, La. — Carver Blanchard is engaging in the securities business from offices in the Louisiana National Bank Building. Mr. Blanchard was previously with T. J. Pringle Investment Co.

W. W. Carpenter Opens

NEW HARTFORD, N. Y.—William W. Carpenter has opened offices at 16 Hoffman Road to conduct an investment business. He was previously with R. M. Horner & Co.

Chase & Co. Formed

WASHINGTON, D. C. — I. A. Levine, I. L. Chasen, and F. S. Schnitman have formed partnership under the firm name of Chase and Co. to conduct a securities business from offices at 501 Thirteenth Street, N. W.

A. W. Ault Co. Formed

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Albert W. Ault has opened offices in the First National Bank Building to engaging in the securities business under the firm name of A. W. Ault & Co.

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Dangerous Course of Our Fiscal And Administrative Policies

taxes; a man's suit 116. In some instances, invisible taxes account for more than the cost of the product. This is true on a ton of coal, a gallon of gasoline, a pack of cigarettes. For a family which has an annual income of $7,500, hidden taxes will total nearly $2,000 while income taxes are about $900. The insidious thing is that most people do not have any understanding of just how much taxes they are paying. As a matter of fact, the present difficulty which families are having in making ends meet financially is not so much the high cost of living as it is the high cost of taxes. Americans, generally, have not realized these facts and have not become aware of what destructive effects runaway taxation is having upon them.

Businessmen have been saying sincerely and energetically for many years that we are jeopardizing our economic stability through headlong taxation, resulting largely from profligate government spending. By and large, we have not received a great deal of public support on this issue. If we would make facts, such as I have just given you, available to our associates, to our neighbors, to the teachers in our schools, to the preachers, and to other groups, they would see that businessmen have been right on this matter which is of utmost importance to everyone. Then they should be encouraged to make their views known to their Congressmen and Senators. Unfortunately, we have not done the selling job that would convince millions of other Americans who are as deeply concerned in this matter as we are, that we must have honest, economical, and intelligent government, which would automatically eliminate confiscatory taxation. Instead, the voters still follow the siren song of heavy spending and wealth for all even though their own dollars become steadily less in value.

The excess profits tax is both inflationary and destructive to initiative and enterprise. It encourages needless spending. When one realizes management can keep only 18 cents out of each additional dollar it may make, there is little incentive to produce more, to work harder, or to be more efficient.

We businessmen believe in and strongly advocate a balanced Federal budget. It is essential to the maintenance of a stable and sound economy. Only in times of all-out war or extreme emergency should Federal expenditures be allowed to exceed income. Many of the economic problems of today—high prices, excessive costs of doing business, a depreciated dollar—can be traced to the fact that in 19 of the past 22 years our Federal Government has spent more than it has taken in. Only four of these years were actual war years.

When a nation is fighting a hot war for its survival, excess expenditures can be justified in the expectation that an all-out effort for a limited period will win the war. However, the cold war in which we are now engaged may extend for years, and we must make long range plans. We must build and maintain our defenses within our income, else we shall wreck our economy, depreciate further our currency, and undermine our national strength. A $4 billion deficit for fiscal 1952, a possible $10 billion or more deficit for fiscal 1953, all piled on top of an already staggering Federal debt, poses an enormous problem of financing upon our Treasury, will certainly bring more inflation, and will place a severe strain upon the nation. We have no right to pile up more and more debt to be passed on to the shoulders of future generations.

"A Little Inflation" Is Dangerous

There is a pet phrase to the effect that "a little inflation is good for the economy." That is just as dangerous and just as fallacious as saying that a few shots of narcotics are good for a high school student. It may be a wonderful stimulant for the moment, but the consequences will be disastrous. It is the obligation of government, business, individuals and every segment of our society to work together as a team in holding the line on inflation. This takes discipline, a deep sense of conviction, and a disregard of selfish or political motives. Government bureaus and agencies should set an example to the nation. Instead, many of them have yielded to pressures and political expediency and have spent money recklessly and lavishly.

We have been puffing on the opium pipe of inflation now for more than a decade, and it is going to take some drastic action, some down-to-earth self-discipline, some courageous leadership to break the habit, but if we do not do it now it may be too late.

It is of paramount concern that the integrity of the dollar be maintained. It has replaced the British pound in the market places of the world. We can neither fulfill our obligations abroad nor maintain stability at home with a weakening dollar. Whenever people lose confidence in, and respect for, their money, they also lose confidence in their government, in their security, and in their future.

There are some who will say that this is old stuff, "just what might be expected from a banker or a businessman." These fundamental economic principles in which we believe have been attacked from many sides by those who say they are old-fashioned, that they do not meet modern needs in the fast pace of the atomic age. We should ask these critics if it can be that business management, which has built the greatest productive machine in the world and which, through mass production, selling and distribution, has helped give our people the highest standard of living in the world, is completely ignorant with respect to matters of government finance, taxes, and government spending? After all, did we not import most of these new spending and deficit financing ideas from Socialist Europe, which now has to look to us for help? If we continue to undermine our economy, as they have done, with their socialistic schemes and unsound finances, who will provide a Marshall Plan for the United States?

We businessmen believe that everything fair and reasonable should be done to promote harmony and good relations between management and labor in our industrial plants. We believe that the laboring man has certain basic rights which should not be denied. He has a right to join a labor union, and he also has the right to stay out. He certainly should not be forced to join a union against his will. We deplore recent action by some government agencies and administrators to force upon industry the principle of the closed shop, which denies the worker his right to remain a free agent if he so chooses.

We are *for* honest, efficient government, fair and impartial to all. We ask no favors. We shall support Congress to the limit in all sincere efforts to expose and to expel those who, through corruption and malfeasance in office, have brought shame and dishonor to the Government of the United States. Unfortunately, many businessmen have been parties to bribery and influence peddling, and we must demand that the corrupter be judged just as guilty as the corrupted and punished as severely.

Businessmen are for controlling the stampeding forces of inflation which threaten the soundness and stability of the nation. But price and wage controls deal only with the results of inflation, not its basic causes. Such controls constitute an infringement upon basic freedoms and can be justified only in times of war or extreme emergency. They provide a contant temptation for politically motivated administrators to use the great powers conferred for purposes other than those intended by Congress. In the light of recent developments, the continuance of these controls cannot be justified.

Businessmen, legislators, and citizens in all walks of life are deeply conscious of the fact that the times through which we are passing are critical indeed. We face great challenges in the days ahead. They call for a national resurgence of the old-fashioned virtues; of integrity, statesmanship, self-discipline, sacrifice, and patriotism. These are the things that made America great, and only these will keep it great.

Appeasement, the dodging of issues, a lack of integrity and foresight in Federal fiscal matters, corruption and self-seeking of all kinds, spending ourselves into insolvency — these are the breeding-ground of Communism. Freedom is being threatened throughout the world, and today strong, vigorous, unselfish support is needed from you, and me, and all other patriotic citizens as never before.

"No man escapes when freedom fails,
The best men rot in filthy jails;
And they who cried: 'Appease, appease,'
Are hanged by men they tried to please."

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Shares for America's Savers —An Economic Realism

familiar phrase "social security." I believe that the best kind of social security, the kind that makes the soundest and most progressive kind of community is that provided by the maximum number of people in the community employing their savings in **productive** commercial enterprise. Our goal should be the creation of a situation in which every young man can have the prospect of making himself, by saving, a free and independent capitalist, a goal not achievable with a punitive tax structure such as the one we now have.

No discussion of income taxes and the role they play in capital formation can omit two other taxes, both of which should be eliminated on the solid ground that they are profoundly harmful to our economy, and that through their harmful effects they subtract more from the yield of other taxes than they themselves produce. These restrictive and self-defeating taxes are the Excess Profits Tax and the Capital Gains Tax.

The Excess Profits Tax is due to expire by limitation next year, and it is to be hoped that its widely recognized economic unwisdom will prevent renewal or extension, even in modified form. Its unwisdom lies largely in the circumstances that it prevents capital formation or the attraction of capital exactly where new capital is most needed, and that it encourages corporate extravagance of every kind, from the lavish entertainment of customers to the use of scarce steel for drilling deferrable oil wells. The basic principle with regard to this tax, that applies to individual income taxes as well, is that any tax which exceeds 50% will place a greater premium on tax avoidance and on corruption than on the constructive profit-making which is the basis of a capitalist society.

Obstruction of Capital Gains Tax

Turning to the capital gains tax, we in the financial community have had firsthand experience of its deadly effect in stifling investor initiative and inhibiting the raising of capital by new or growing enterprises, and we have long fought against it. Its essential unsoundness has been fairly well understood by the more intelligent and objective thinkers and writers on the subject, but for the public at large there has been much confusion. Much of this confusion has sprung from a failure to distinguish between capital gain and income. However, this confusion was resolved in at least one field of capital gain by the action of the last Congress in exempting from the capital gains tax profits made in the sale of owner-occupied houses where another house was bought within 12 months. Congress did this because it properly recognized that in an inflationary period most capital gains are illusory, and in addition, that in the case of sales of owner-occupied dwellings, the tax was a levy on the move to the new home—a transfer tax. I believe that our advocacy of the extension of this same principle to transactions in stocks and other forms of capital assets would do more to make the actual working of the capital gains tax clear than any other step we could take. The fact is, that as it affects our business, the capital gains tax is a transfer tax and should be compared with other transfer taxes, and not with income taxes. It has been stated that capital gains taxes are a bargain to those in upper brackets when compared with income taxes. However, when capital gains taxes are considered in their proper light—as transfer taxes—anyone can see that they are fantastically high, so high as simply to eliminate capital fluidity where they bear heavily.

It is the rigidity in the ownership of capital assets frozen in by potential liability for the capital gains tax which accounts to a large extent not only for the present sluggishness in the secondary markets for securities, but also in considerable measure for the present difficulty in raising new equity money. This potential tax liability exists in considerable measure not because of **real** capital gains but rather because of price advances resulting from increases in the general price level —illusory capital gains. It seems to me that an appropriate action which the next Congress might take would be to accord to assets held, let us say, since 1942, complete exemption on gains of 80% or less; 80% being the approximate advance in the general price level since that date. Lesser exemptions could be accorded to assets acquired more recently—the idea being to free from liability for the tax assets which have failed to keep pace with the rise in the general price level. After all, an asset which has failed to maintain its value in step with the general price level actually represents a loss to the owner, and to compound a loss with a tax is manifestly unfair. This step, and the privilege of tax-free exchanges, referred to earlier, would not reduce tax revenues, because they would merely permit transfers to take place which simply don't take place at all now. After all, it must not be forgotten that liability for the capital gains tax is voluntary and self-imposed, and we in the securities business know that, more often than not, tax considerations are the dominant factor in investment decisions.

As steps to increase revenues from the Capital Gains Tax, the Treasury, if it is to be guided by economic realism, and not by doctrinaire anticapitalism, should advocate a shorter holding period and a much lower maximum rate, say 10%. The economics of these proposals are merely the classic doctrine of successful American business—lower prices create increased revenues which more than offset the price reduction. The capital gains tax is in the main merely a "price" which the investor pays for shifting his investments, and in an inflationary economy the "price" is so high as to diminish "sales" far below what they would be if the "price" were more reasonable.

I have outlined a few high spots in a realistic sequence of policies for us to pursue and advocate if we want our goal of "Shares for America's Savers" to be realized but every good program has a key slogan or word, and we haven't taken that up yet. The key word of the politicians for many years has been "security," a word which apparently has adequately reflected a genuine underlying social aspiration, and this thought has expressed itself in all kinds of admirable ways — unemployment insurance, old age pensions, and an enormous military establishment, to mention but a few. It would now seem to be time for a change—of emphasis, at least and our key word might well be "Incentive" — incentive to make money, to keep it, to invest it and reinvest it. The incentive to hard work and to thrift and the resultant accumulation of needful capital which even moderate changes along the lines discussed tonight would produce, would be ample to assure our industry's playing a full part in this great country's rise to new heights of achievement.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Present flare-up of military activity in Korea is expected to stop short of the great big show which might have the most violent repercussions upon U. S. election campaign, it is the opinion of informed sources here.

While top military spokesmen never seem to tire of declaring that if the Reds decided to conduct a major offensive the U. S. forces would make them regret it, this is not the view of responsible observers. As they see it, the Communists have an overwhelming superiority on manpower and firepower, and could push the U. S.-UN forces far back if they so chose.

So the current step-up in the scale of activity raises the question as to whether this is the offensive which is really dreaded. The best reports seem to be that it is not, that now that the U. S. has broken off the farcical "truce" negotiations, the Reds have simply decided to show the United States that they have some military power to deliver.

U. S. military leaders, it is suspected, do not need to be given a demonstration of Red China's capacity to conduct an offensive. This information is being conveyed by Russian-inspired activity, to the public of the United States and the world at large.

Doubt Budget Balance Before Fiscal 1955

Figures as to the volume of appropriations and spending authorizations on hand give a tremendous weight of evidence that even with a desire to do so—if there is such a desire in the new Administration and Congress—it will be nearly impossible to balance the Federal budget before the fiscal year 1955.

As of the beginning of the current year, fiscal 1953, the government had a grand total—including new allowances made at the 1952 session of Congress—of $160.1 billion available to spend. It is estimated that $79 billion will be spent on all accounts this year, and $1 billion of unspent appropriations or authorizations will expire at the end of this fiscal year.

Hence even if the government spends the $79 billion, it will have a net inventory of appropriations and other forms of spending authorizations of $80.1 billion to spend in the fiscal year 1954 and succeeding years. It will have this sum even if not a dime of new money is voted in 1953 by Congress. (Of this $80.1 billion carryover, $68.6 billion is for U. S. defense and foreign military aid.)

If the newly-elected leaders of the nation were to attempt to balance the budget in 1954 they would have to make heavy recissions in already-voted appropriations and contract authorizations. Such recissions, however, involving cancellations of partly-completed contracts, are made only with the greatest political difficulty. A witness to this is the furore which arose when the House attempted unsuccessfully to set a spending limit of $46 billion on defense for the current year.

It is anticipated that two things could and might happen. The first is that the Defense Department may request something like $4 to $6 billion less in new money authorizations than it got from Congress this year. Second, barring a left-wing sweep of the Congressional elections, the new Congress, like the old, will probably cut a few billions off even the pared Defense Department requests as approved by the White House.

Not even an aggregate of $10 billion in fewer appropriations and contract authorizations, however, could prevent the military program on all accounts from hitting the $60 billion stride in calendar 1954 and perhaps the first quarter of calendar 1955.

Since the "non-defense" sector of Federal expenditures, of a scope of $20 billion, will also be protected by a carryover next July 1 of $11.5 billion of unspent allowances, real economy in the non-defense sector also looks dubious.

Hence the fiscal year 1954 will probably see total expenditures, finally built up since the program began in fiscal 1951, running pretty close to $80 billion even if the most frantic effort should be made by the new President and Congress toward reaching a balanced budget.

Actually, the story which the carryover of spending allowances tells is that it would take the greatest effort by both the legislature and executive to come anywhere near down to total expenditures of $70 billion in fiscal 1955. This would mean a balanced budget in fiscal 1955 only with the best of luck and no tax reduction.

New Mediator Favors Union Shop

David L. Cole, named by President Truman as head of the Federal Mediation and Conciliation Service of the Labor Department, to succeed Cyrus S. Ching, was chairman of the emergency board which recommended the union shop for the labor employed by Western and Southern railroads.

Hence Mr. David L. Cole's confirmation is probably something which the voters, even though they may not be aware of it, will be deciding next Nov. 4. If CIO-sponsored candidates win in the election, Mr. Cole probably will be confirmed even if with opposition. If the CIO doesn't do so well, then perhaps Mr. Cole will not be the new Director of Mediation and Conciliation very long.

Ease Mortgage Credit

While the Federal Reserve is moving with the determination to shut off the supply of easy money generally, the political arm of the Administration, the Housing and Home Finance Agency, is moving with equal determination to keep the flow of easy mortgage money going.

In some recent revision of mortgage restrictions, the HHFA has made it still easier for the "deserving veteran" to hock his future income for a government-guaranteed loan.

It has been provided that for a VA-guaranteed loan, no minimum down payment is required for a house priced at $8,000. Previously the no down payment was limited to a $7,000 house. For homes priced above $8,400, the minimum down payment hereafter is only 5%.

VA, however, does not require mortgage lenders to agree to such liberal terms. These are only minimum. Creditors may exact a higher down payment if they wish, says VA.

They do so, however, VA fails to point out, at their political peril. The combined weight of veterans' organizations and the Administration is thrown behind propaganda for increased direct government loans if the banks and insurance companies fail to see the advantage of little or nothing down loans at 4%, although the 4% rate is the same which prevailed when Treasury 90-day bills sold at ⅜ths of 1% and one-year money was at ⅞ths of 1%.

Furthermore, VA also announced that "in certain substantial hardship cases, it may waive the down payment on houses costing over $8,000. However, the veteran must pay closing costs in cash."

One of the really dulcet changes in the new VA mortgage regulations was that down payment to be required of a veteran on the purchase of a house may be used to pay closing costs. Thus, for example, on a $10,000 house with a minimum down payment of $500, closing costs are $200. The VA guarantees a loan for $9,700. So the $500 includes the closing costs.

Give Supports Sans Benefit of Clergy

One of the more really far-reaching easy mortgage money developments, however, is that which will provide limited support for non-defense FHA mortgages without benefit of either clergy or the law, even if it appears technically to be in no violation of law.

Under the Housing Act $900 million was provided for the government to commit itself in advance to buy mortgages for Title IX (defense), Title VIII (military), or "disaster" housing. This is roughly known as the program to support defense housing.

Furthermore, through provisions of that act and through use of certain balances, HHFA has found it possible to provide $400 million to buy non-defense eligible FHA and VA mortgages.

HHFA, however, has developed a third wrinkle. Although there is in law no authority for HHFA's Federal National Mortgage Assn., to make advance commitments to purchase eligible non-defense mortgages, FNMA has announced that any institution which purchases an eligible non-defense mortgage from the agency's portfolio, may get a "purchase receipt" for the face value of the liens so acquired. Then, within 12 months, it may sell eligible non-defense mortgages to FNMA for the same amount. This is an agreement specifically without the force of a formal contract.

Builders Acclaim Deal

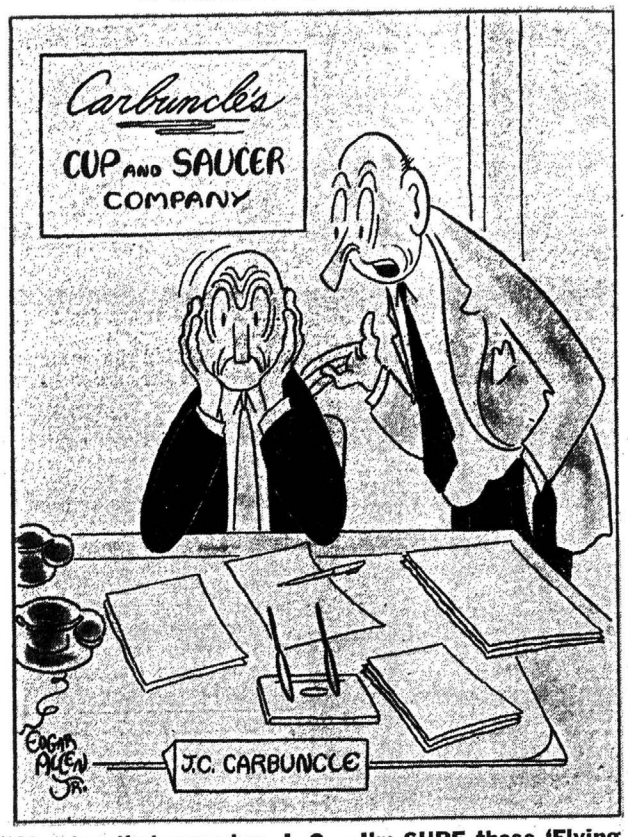
The extent to which the building industry is hooked to operating on this low-interest, government-instituted, government-guaranteed program was attested by the "Washington Letter" of the National Association of Home Builders.

With respect to this unofficial support of non-defense mortgages, NAHB announced that "It is a pleasure to announce," etc., this new unofficial mortgage-support program.

This same newsletter of NAHB also deplored the fact that the government stuck to 25-year maximum-term mortgage loans, instead of going to 30 years.

(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



"Oh, stop that worrying, J. C.—I'm SURE those 'Flying Saucers' are not going to turn out to be an advertising stunt of our competitor!"

Business Man's Bookshelf

How to be Tax-Wise in your Investments—J. K. Lasser—"The Investor," 150 Broadway, New York 38, N. Y.—paper—$1.00.

Over-the-Counter Securities Review—Monthly pocket-size magazine including earnings, dividends, and prices of unlisted companies, industry analyses, etc.—One year's subscription, plus free copy of "Dividend Champions" — $3.50 — —Over-the-Counter Securities Review, Dept. 15A, Jenkintown, Pa.

The End of the I. T. O.—William Diebold, Jr. — International Finance Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—paper—no charge.

Utah Power & Light 3½% Bonds Offered

Halsey, Stuart & Co. Inc., and associates are offering today, $10,000,000 Utah Power & Light Co. first mortgage bonds, 3½% series due 1982, at 100.742%, and accrued interest, to yield 3.46%. The group won award of the issue at competitive sale Tuesday on a bid of 100.142%.

Net proceeds from the sale of the bonds, together with funds received from the sale of additional common shares in September, will be added to the company's general funds and may be used for any of its corporate purposes, including capital expenditures for construction. The cost of the construction program of Utah Power & Light Company and its subsidiary for 1952-1954 inclusive, is estimated at $42,900,000 for additions to property, with $17,000,000 to be spent in 1952, $12,900,000 in 1953 and $13,000,000 in 1954.

The bonds are redeemable at general redemption prices ranging from 103.75% to 100%, and at special redemption prices, for the sinking or improvement fund which commences in 1958 and continues through 1981, at prices ranging from 100.75% to 100%, plus accrued interest.

Utah Power & Light Co. is a public utility operating in southeastern Idaho, northern and central Utah and southwestern Wyoming and is also a registered public utility holding company under the Public Utility Act of 1935. It is engaged principally in the generating, transmitting, distributing and selling of electric energy throughout such territory, and to a limited extent provides central steam heating service in the commercial district of Salt Lake City. The company's operating subsidiary, The Western Colorado Power Company, supplies electric service in southwestern Colorado.