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EDITORIAL

As We See It

In less than a week the verdict of the American people will be rendered in the case of Trumanism vs. Eisenhower at the head of a Republican party which appears on the surface at least to have been in substantial degree re-unified. For some weeks, business, particularly those sections of business which are largely centered in Wall Street, have been busily engaged in trying to foresee developments during the next several months. It is perhaps natural in the circumstances that factors are being sought which are believed likely to remain invariant (as the mathematicians would say) under political transformations. That is to say, effort is being made to formulate forecasts or appraisals of the outlook which, according to the forecaster or appraiser, are likely to hold regardless of the results of the forthcoming elections.

In much of this, it has of late seemed to us that there was a growing disposition to reach the conclusion that the basic business situation is likely to develop in much the same way in the months to come quite regardless of whether the Democratic party or the Republican party is returned victor next Tuesday. So far as this type of reasoning is but part and parcel of, or a basis for, a forecast of the general business situation or of the course of the stock market, we have little or no disposition to enter the debate. If such conclusions as this reflect a belief that, whatever may have been said or may be said during this election campaign, the policies and the programs of the national government are likely to be much the same in the months or even the years to come regardless of whether Mr. Stevenson or Mr. Eisen-

Continued on page 44

Role of Toronto Exchange in Canada's Economic Growth

By HON. L. M. FROST, Q.C.*

Prime Minister of Ontario Province

Praising the courage and foresight of the organizers of the Toronto Stock Exchange, Ontario's Prime Minister hails its hundredth anniversary as a token of Canada's progress. Calls the Exchange one of great institutions of Canada, now ranking third in size on the American Continent. Points out progress of Canada since the time when a small group set up the Toronto Stock Exchange, but warns further development and high living standards are dependent on hard and honest work. Holds Canada's financial position is strong and "only we ourselves can weaken it."

It is a pleasure to be here on this occasion, which commemorates the one hundredth anniversary of The Toronto Stock Exchange. Anniversaries sometimes provide an occasion for stock taking. On this one hundredth anniversary of a great Ontario and Canadian institution, the third largest Stock Exchange in America, while paying tribute to those men whose vision and enterprise brought it into being and developed it into its present greatness, we also desire to reflect upon its contribution to our province and our country.

Hon. L. M. Frost

The little Stock Exchange of one hundred years ago has become one of the great institutions of America. The work of the century has added up to great success, indeed, beyond what the most optimistic of its founders one hundred years ago would have dared dream.

One of the outstanding things in the history of Canada is the greatness of the vision of those whom we regard as the fathers of our country—in business, in education and in political life. One hun-

Continued on page 31

*An address by Prime Minister Frost at the Centennial of the Toronto Stock Exchange, Toronto, Canada, Oct. 24, 1952.

World Economic Outlook

By ROBERT C. TURNER*

Member, President's Council of Economic Advisers

Holding since outbreak of Korean hostilities a full cycle of business fluctuation has been completed, so that abnormal demand for goods has ceased, newest member of President's economic advisers says there is now stability at a high level and not "stagnation." Warns, however, present situation is not without dangers, since demands on productive resources "may verge upon the inflationary." Points out demand for primary products exceeds supply, and undeveloped nations should be helped by U. S. investment abroad and by more U. S. imports. Calls attention to current study of Public Advisory Board to Director of Mutual Security on our foreign trade policies.

The year 1951 will be remembered by economists as the year when, first in one country of the free world, then in another, a war-stimulated boom suddenly leveled off. In general, the level of activity remained at unprecedented heights, and in certain cases it continued to rise, but at a much slower rate than before.

The year 1952, I think, may be remembered as the year when the world-wide lull in certain sectors of business activity completed its course, and once again the strength of public and private demand put pressure on the free-world economy. And, for reasons I shall give later, I dare say that the next decade will be remembered as an era of rising prices for primary products—that is, agricultural products and raw materials—at least in certain sections of the world.

Robert C. Turner

As a matter of fact, the period from June, 1950, when hostilities started in Korea, to about now, forms a complete inventory cycle. The wide swings in the rate of inventory accumulations by business

Continued on page 40

*An address by Dr. Turner at the 30th Annual Agricultural Outlook Conference, Washington, D. C., Oct. 20, 1952.

TORONTO EXCHANGE DINNER PICTURES—Candid shots taken at the 100th Anniversary Dinner of the Toronto Stock Exchange, held at the Royal York Hotel, Oct. 24, appear in the special Pictorial Section, starting on page 23.

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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

Traders Finance Corporation Ltd. — Winfried H. Oppenheimer, Partner, Oppenheimer, Vanden Broeck & Co., New York City. (Page 2)

Revenue and Tax Obligations of Smaller Municipalities—Robert N. Tuller, Partner, Tuller, Crary & Ferris, New York City. (Page 2)

WINFRIED H. OPPENHEIMER
Partner, Oppenheimer, Vanden Broeck & Co., New York City
Members New York Stock Exchange

Traders Finance Corporation Ltd.

The security I like best at this time is Traders Finance Corp. Ltd. "A" common, selling at about $39 on the Toronto Stock Exchange, paying $.50 Canadian quarterly, yielding more than 5⅛%. I believe that acquisition of this equity gives excellent participation in the dynamic growth of our northern neighbor. Canada's national output has risen in the last 10 years from $8.5 billion to $22 billion. Canada's living standards have been boosted during this period by 50%, or much more than ours. This increase in the living standards, which is still continuing, is one of the main reasons for my calling Traders Finance Corp. Ltd. "A" the security I like best. Experience in this country has shown that the more the living standard rises, the more recourse is taken to financing durable goods purchases. The reason is clear. An expanding income gives confidence and, thus, makes people anticipate the continuation of good income by buying the necessities immediately instead of deferring them. Studies in this country have shown that those income groups which benefit most by improved living standards increase their credit demands the more the standard improves. Up to Spring this year, stringent installment credit restrictions existed in Canada. In spite of these restrictions, receivables of Traders Finance Corp. Ltd. have increased steadily from year to year, and with it the dividends paid on the company's stock.

W. H. Oppenheimer

The company is one of Canada's foremost automobile financing companies. Sales of automobiles in Canada are increasing sharply, both with regard to old cars and new cars. The company's business is supposed to have expanded considerably during this current year to a new record, and it is safe to say that the excellent management of this company assures a dynamic participation in the extraordinary expansion of Canada's economic life.

Under these circumstances, one would expect that in common with most other Canadian shares the stock of Traders Finance Corp. Ltd. would compare statistically unfavorably with other similar enterprises in the United States. Far from it, however.

Below I give comparisons which show the special attractiveness of these shares compared to similar shares in the United States. For comparison, I am using the three largest finance corporations in the United States and a small one: The C. I. T. Financial Corp., Commercial Credit Co., Associates Investment Co. and General Acceptance Corp. None of the American companies has working capital which is larger than its receivables. The Canadian company has.

SCHEDULE I
Working Capital as Pct. of Receivables

Traders Finance Corp. Ltd.	104.4
C. I. T. Financial Corp.	57.6
Commercial Credit Co.	43.8
Associates Investment Co.	39.8
General Acceptance Corp.	63.4

Comparing receivables of Traders Finance Corp. Ltd. with the four American companies mentioned above in a ratio of receivables to their total capital, Traders Finance Corp. Ltd. comes off equally well. In this respect, I figured total debt at par and all listed securities at current prices.

SCHEDULE II
Total Capitalization as a Pct. of Receivables

Traders Finance Corp. Ltd.	96.8
C. I. T. Financial Corp.	35.1
Commercial Credit Co.	34.2
Associates Investment Co.	39.1
General Acceptance Corp.	50.8

To continue this comparison, I would like to draw attention to the fact that the book value of Traders Finance Corp. Ltd. "A" shares, compared to its current quotation, is far higher than that of the other four American companies.

SCHEDULE III
Estimated Book Value at 12-31-52 as Pct. of Current Price

Traders Finance Corp. Ltd.	102.6
C. I. T. Financial Corp.	68.8
Commercial Credit Co.	82.2
Associates Investment Co.	74.8
General Acceptance Corp.	65.1

The stock of Traders Finance Corp. Ltd. also stands out in a favorable light if one compares price-earnings ratios.

SCHEDULE IV

	Ratio
Traders Finance Corp. Ltd.	5.17:1
C. I. T. Financial Corp.	8.59:1
Commercial Credit Co.	8.41:1
Associates Investment Co.	7.19:1
General Aceptance Corp.	8.27:1

In studying Traders Finance Corp. Ltd., one is also struck by the fact that the corporation, contrary to American companies, has financed its operations by a large funded debt. This accounts for the company's extremely favorable ratio of current assets to liabilities. A comparison of this ratio is given below.

SCHEDULE V

	Ratio
Traders Finance Corp. Ltd.	7.04:1
C. I. T. Financial Corp.	1.91:1
Commercial Credit Co.	1.62:1
Associates Investment Co.	1.56:1
General Acceptance Corp.	1.95:1

This makes the presently outstanding 261,299 Traders Finance Corp. Ltd. "A"* shares very attractive. The number of shares is very small compared to the volume of business, thus making for high leverage. Standard & Poor's, discussing this stock in one of its publications at the end of September, mentioned the expectation of a split of the "A" shares. Earnings this year should be substantially above last year's $6.23. The average earnings from 1948 to 1951 were over $6 a share per annum. Dividends paid have been moderate compared to earnings, and I feel it safe to expect that the company will continue its policy of increasing its dividends from year to year.

*There are also 120,000 "B" shares outstanding which in every respect rank pari passu with the "A" shares except that the "B" shares have a more generous voting power. However, the "B" shares have a poorer market compared to the "A" shares.

To sum up, Traders Finance Corp. Ltd. "A" common shares offer one of the most attractive participations in Canada's dynamic growth. Comparing these shares with their American counterparts, they seem to be more attractively priced than similar American shares. The company may consider a split of these shares as well as an increase in the dividend rate in the not too distant future. The shares are selling at a very low price-earnings ratio, offering good yield and exceptional possibility for capital appreciation without undue risk.

ROBERT N. TULLER
Partner, Tuller, Crary & Ferris, New York City
Members New York Stock Exchange

Revenue and Tax Obligations of Smaller Municipalities

Writers for this interesting forum are usually careful to qualify their "best liked" security as being "best" not only in point of time but also as being "best" for certain classes of investors. With these qualifications I nominate revenue and tax obligations of smaller municipalities or political entities as being an overlooked group which is worthy of being called to public attention.

Robt. N. Tuller

Picture for a moment a small community of 650 successful farmers in the reputedly second richest agricultural county in the United States. Farm land is selling here at a minimum of $300 per acre. The small community has reached a size where a community water system shows distinct advantages over household wells or cisterns. The total tax supported debt including all overlapping debt amounts to only $11,886 and the village has never defaulted in the payment of principal or interest on any obligations. A water supply has been developed and tested as to quality and quantity. The people have voted tax obligations of $23,000 for the establishment of a water system. A competent engineer has certified the proposed plans, and based upon adopted rate structure has estimated average debt service coverage of 1.73 and average interest coverage of 3.62.

The water revenue bonds of the village are finally issued and offered to yield 3.65% at a time (1951) when high-grade obligations of comparable maturity are offered to yield 2.10%. The difference here of 155 basis points in yield is the price an investor pays for a higher quality obligation possessing the best marketability. I submit that for a true tax-exempt investor holding a portfolio

Continued on page 21

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Outlook for the Domestic Economy

By JULES BACKMAN*
Professor of Economics, New York University

Prof. Backman, after reviewing data on business conditions following Korean outbreak, concludes in this period, expansion of war production and plant equipment has more than offset decreases in civilian economy. Lists sustaining and expanding forces in future outlook as well as unfavorable factors. Sees Republican victory "as negative factor for the short-term," and holds national and private debt increase will result in "pulling out a very important prop underneath our economy." Predicts a downward movement sometime in 1953.

I always find that if I want to know where I am going I better find where I am at. Too often business forecasts start with hopes and goals, and then the forecaster builds up the figures and facts to support them. So I think it might help us if I very briefly summarized where we are in terms of a few of the important national figures.

Dr. Jules Backman

National income and disposable income rose sharply until the end of 1951, had a moderate rise after that, and in the last few months have been flattening out.

Personal consumption expenditures, with one or two minor exceptions, have continued to increase fairly steadily since Korea. There has been a steady increase in personal consumption expenditures for nondurable goods, except for a minor decline in one quarter in 1951, in practically every quarter since Korea.

For durables, there was a sharp increase in sales immediately after Korea, reaching a peak in the first quarter of 1951, and, as you know, starting in the second quarter of 1951, the total has actually been below the pre-Korean level. Figures were roughly some $25 to $26 billion each quarter at annual rates as compared with somewhat more than $26 billion prior to the start of the Korean War.

Corporate profits before taxes reached a record peak in the first quarter of 1951, then dropped very sharply to the third quarter, and have remained practically unchanged since then.

Corporate Profits

Corporate profits after taxes reached a peak in the last quarter of 1950, then dropped sharply to the third quarter of 1951, and have since shown relatively little change. The level is about 10% below the pre-Korean rate. You might be interested in having that figure. Before Korea—that is, the quarter before Korea—the annual rate was $19 billion. It then reached a rate of $26 billion in the fourth quarter of 1950, fell to $17.3 billion the fourth quarter of 1951, and is estimated at $17 billion the third quarter of 1952.

The first part of 1951 had record level profits, and, obviously, as you compare the current $17 billion rate with the $25 and $26 billion rate of early 1951, the $17 billion rate would suggest the year-to-year comparison would be lower. I repeat I am emphasizing that the level of profits, having declined by the third quarter of 1951, have stayed at about that level, and from that it follows, of course, that if they stay at this level year-to-year comparisons will become more favorable in the period ahead because the comparisons will be made with the $17 billion a year ago rather than, as was the case in the early part of 1952, with the $26 billion rate prevailing in the early part of 1951.

Industrial production rose steadily through 1951, was moderately lower just before, and, of course, during the steel strike, when it fell very sharply. The latest figure is the highest since Korea.

Inventories started moving up rapidly right after Korea and were pretty close to their peak in June, 1951; they have shown practically no change since then. However, manufacturing inventories have continued to rise while retail and wholesale inventories have fallen. The figures show retail inventories have fallen about $3 billion since the middle of 1951; manufacturing inventories have risen about $3.5 billion.

What about expenditures for plant and equipment? They rose very sharply until the latter part of 1951, when an annual rate of somewhat in excess of $27 billion was achieved. Throughout 1952, the rate has fluctuated around $27.5 billion, a very minor increase above the 1951 peak; for all practical purposes a sidewise movement for the past year.

Unemployment in September reached 1.4 million, which is the lowest figure we have had for a long, long time. We have overemployment to the extent of at least a million and a half persons today because we normally figure that frictional unemployment — that is, people moving from job to job, seasonal unemployment, people who are temporarily laid off, businesses going into bankruptcy, and so on—runs somewhere about 2.8 to 3 million. So, when we get 1.4 million in unemployment we are very much overemployed.

Department store sales thus far for 1952 have averaged 1% under 1951, but if you made month-to-month comparisons you would find that in the first two or three months of this year the comparisons were very sour because of

Continued on page 32

*A stenographic report of remarks by Prof. Backman before the Investment Association of New York, New York City, Oct. 22, 1952.

INDEX

Articles and News Page

World Economic Outlook—Robert C. Turner ... Cover
Role of Toronto Stock Exchange in Canada's Economic Growth —Hon. L. M. Frost ... Cover
Outlook for the Domestic Economy—Jules Backman ... 3
The Three "O's" in Canada—Oil, Ore and Optimism —Ira U. Cobleigh ... 4
Capital Supply Prospects for the Gas Industry —Roger F. Murray ... 6
Current Labor Trends and Problems and the Taft-Hartley Act —Sumner H. Slichter ... 7
Capital Investment and the Economy in 1953 —Nathan M. Koffsky ... 8
Steel Hormones and the Ferro-Alloy Industry —William C. Keeley ... 9
Rate Policy of FPC Toward Natural Gas Companies —Thomas C. Buchanan ... 11
Sound Investment Programming for You —George F. Shaskan, Jr. ... 12
We Can Carry Through a Transition by Expanding Civilian Economy—Herbert R. Silverman ... 14
Television's Increasing Service to Utility Industry —Charles B. Jolliffe ... 16
New Inventions—Roger W. Babson ... 17

* * *

Ample Funds Deemed Available to Finance Gas Industry Growth ... 4
Investment Bankers Association of America Receives Nominees for 1953 ... 17
NYSE Reports Third-Quarter Profit; Reports on Public Transaction Study ... 20
Protest 75% Margin Requirement ... 21
Centenary of Toronto Stock Exchange Hailed ... 21
English Gold and Silver Markets ... 22
Public and Private Debt vs. Savings ... 34
Education and Business, Partners in Freedom! ... 36
Continued Bright Outlook Seen for Rails ... 51
Mutual Bank Deposits Now Top $22 Billion ... 52

Regular Features

As We See It (Editorial) ... Cover
Bank and Insurance Stocks ... 18
Business Man's Bookshelf ... 5
Canadian Securities ... 31
Coming Events in Investment Field ... 8
Dealer-Broker Investment Recommendations ... 8
Einzig—"British Treasury Financing and Inflation" ... 20
From Washington Ahead of the News—Carlisle Bargeron ... 10
Indications of Current Business Activity ... 43
Mutual Funds ... 38
NSTA Notes ... 16
News About Banks and Bankers ... 18
Observations—A. Wilfred May ... 5
Our Reporter's Report ... *
Our Reporter on Governments ... 19
Prospective Security Offerings ... 49
Public Utility Securities ... 10
Railroad Securities ... 32
Securities Salesman's Corner ... 33
Securities Now in Registration ... 46
The Security I Like Best ... 2
The State of Trade and Industry ... 5
Tomorrow's Markets (Walter Whyte Says) ... 50
Washington and You ... 52

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The Three "O's" in Canada—Oil, Ore and Optimism

By IRA U. COBLEIGH

Author of "Expanding Your Income"

A swift panorama of dynamic Dominion progress, with a few Maple Leaf items for the investor's book.

International economic courtesy suggests that today we take a deep statistical bow in the direction of Canada which, this week, is celebrating the 100th anniversary of the Toronto Stock Exchange. Starting in 1852, when there were but 60 paltry railroad miles in all of Canada, and with seats selling for a fabulous five bucks apiece, this same Toronto Stock Exchange now ranks second in volume of shares traded (N. Y. Stock Exchange 1951 volume 642 million; Toronto 561 million) and third in total market value, of all the security markets in the world; and a Toronto seat is now worth $90,000.

Ira U. Cobleigh

The growth and present magnitude of the Toronto market is significant not only in itself, but as a rather impressive gauge of the scintillating economic progress of the Dominion, especially in the last five years. Canada may be a cold country, but it offers rare fertility of climate for the flowering of private enterprise.

The first big "O" I want to talk about is oil. There had been dabblings in drillings, out Alberta way, as far back as 1914 but nobody came up with a gusher of ebony gold; and even if one had come in, markets were remote, and transportation to population centers, meager in those earlier days. With the big Imperial hit at Leduce, a short five years ago, all this has changed and today Canada, instead of buying 90% of its crude oil outside, is now producing over 1/3 of its needs; and this fraction is getting larger every day. The vast West Canada petroleum production potential, centering in Alberta, is generally believed to cover over 400,000 square miles; and only about 5% of this geophysical Garden of Eden has been prospected to date. Even so, Canada produced 132,000 barrels a day in 1951, and about 160,000 a day, so far in 1952. Compared to the lush oil sands of Araby, this production may not seem great, but this oil is lots nearer the consumer.

The search for oil is not for peasants and pikers. It takes money. For exploration alone, over $250 million will be spend in Canada this year. Almost every major American oil company is on a petroleum prowl on the Great Plains, and there is a plethora of wildcatters. The glitter and glamor of all this has lured thousands South of the Border (Canadian) with the gleam of swift riches; and led to prodigious outpouring of drilling company securities. Well, let's face it—a lot of these are operation rat-hole! Standard criteria of ratios of price to earnings have frequently been thrown to the winds, and a number of companies either have produced little or nothing, or will run out of cash before they can ever gush. If the penny dreamboat you happen to hold a few thousand shares of is shy of cash, drilling experience, and acreage, then watch out. You'll get better bubbles from Ivory soap, and they won't hurt as much when they burst!

Prime Canadian Companies

So as some rein to unbridled and uninformed speculative zeal, may I suggest a consideration of the prime oil companies of Canada: Imperial, British American, and McColl Frontenac?

Imperial Oil Limited, Inc., incorporated 73 years ago, is the largest producer, refiner and seller of petroleum products in the Dominion. A $430 million company, over 70% owned by Standard Oil of New Jersey, this is the Tiffany of Canadian Oils. Sells today (N. Y. Curb) at 33 paying $1 currently. It has led Canadian exploration, has the money to drill, and the management brains necessary for progress and profit.

British American, the number two of integrated Canadian oils, has over 6,900 owned retail outlets, a refinery capacity of about 70,000 barrels a day, a sound capitalization and an aggressive drilling program. Common sells around 21.

McColl Frontenac is more particularly a refiner, with daily capacity of around 49,000 barrels. A 10% royalty production agreement with Texaco Exploration Co. provides a call on the possibilities of 1,755,000 acres of undeveloped land and 6,760 producing acres in Alberta. If you like assurance here. Texas Company owns 56.52% of the 2,607,962 shares of common.

Other and smaller companies favored by informed persons would include Calgary and Edmonton, Royalite, Husky Oil and Refining, Pacific Petroleums and Canadian Superior. Before investing, get the facts, set limits to your optimism, gird your loins with patience, select well, and you may glean prairie petroleum profits. But watch your step in the moose pastures!

The "Ore" Leaders

My second "O" is for ore. The dwindling supply in our famous Mesabi Range has set up a global scurrying for iron ore, not unlike the oil rush; and Canada has come up with two areas of vast promise. The first is what is known as the Labrador Trough, riding both sides of the Quebec-Labrador line, some 360 miles north of the Gulf of St. Lawrence. Here in a zone of about 12,000 square miles lies a fabulous deposit of iron. Licenses to exploit about 4,000 square miles here, and 20,000 square miles further East in Labrador, were granted to two subsidiaries of Hollinger Consolidated Gold Mines. These companies, together with M. A. Hanna Co., Armco Steel, National Steel, Wheeling, Youngstown, and Republic all have lined up in the $200 million Iron Ore Company of Canada, projected to create ore shipments of five million tons in 1955, twice as much in 1956; and ultimate output of 20 millions a year. To bring this vital element to civilization, a $50 million railroad, running 360 miles from Burnt Creek south to Seven Islands, on the St. Lawrence is now under way.

The most obvious ore speculation in this section is Hollinger Consolidated Gold Mines, second largest Canadian gold producer, in addition to its big stake in high grade ore reserves aforementioned. Hollinger's slice of this pie is 17.7% of Iron Ore of Canada, (directly and indirectly owned) 51% of Labrador Mining and Exploration, and 60% of Hollinger North Shore Exploration Co. At the 1951 year-end, there was $7.40 in net working capital for each of the 4,920,000 shares of Hollinger Consolidated common outstanding (sole capitalization). The stock has paid some dividends in each year since 1916, except one, and last year disgorged 18 cents a share. Current quotation is $14.75, Canadian.

Coming a few hundred miles nearer the Great Lake Steel mills is the second major entry into the ore sweepstakes—the Steep Rock ore field in northwestern Ontario. Here the speculative vehicle that may enthrall you, is Steep Rock Mines, Ltd., owner of a hematite ore enterprise slightly to the west of Port Arthur, Ontario. This is no blueprint company — it actually turned out over 1,300,000 tons in 1951 and has been in production since 1944. No one expects Steep Rock to be as big as the Ungava field in the Labrador wilderness, but the management of this solvent and savvy company does project 10 million tons a year, as an ultimate possibility; and ore here is far less costly to transport. Steep Rock Mines has 7,008,000 outstanding shares. They are quoted at $6 in Canadian funds.

The Basis for Optimism

Now for the third "O"—optimism. It's hard to tell where to begin on this topic. Perhaps it derives from sound government finance; a balanced budget, a dollar that sells at a premium over the U. S. variety, and—think of this — a government surplus, and reduction in national debt, in each year since World War II! Perhaps optimism stems from a less burdensome tax structure, devoid of EPT and more flexible for corporations with wide earning swings; more favorable to individuals because of no capital gains tax. Perhaps optimism oozes from a branch banking system, which had no failures during the depression, and has proved sound for 140 years. Certainly some optimism must come from pride: in an land area 20% larger than the U. S.; in the world's largest privately owned railroad; in the world's largest production of plup and paper (three out of evry five pages of our newspapers are strictly from Canada); in fish, furs and wheat; in world leadership in platinum, nickel and asbestos; and in second place in aluminum, gold and zinc.

Then, too, what about uranium? If the atom is the power of the future, Canada's second place in known reserves of uranium is persuasive to security in war, and profit in peace. And so it goes—1,200,000 square miles of forest, 13½ millions of hydroelectric horsepower, a brand new oil pipeline abuilding from Alberta to the Pacific (Trans Mountain—very interesting, better look it up) and over $7.5 billion of U. S. money already invested. Matter of fact, the one big lack in Canada is people. Only 190,000 migrated there in 1951, and only 14,400,000 are rattling around this half continent altogether — roughly the population of New York State.

The romance Canada holds for the security buyer is amply shown not only by the eager purchase of assorted prairie oil shares, but by steady dollar entry into such standard equities as Bell of Canada, Canadian Pacific, Abitibi Power, Consolidated Paper, Consolidated Smelting, Hudson's Bay Company, Massey-Harris, Noranda and Bank of Montreal. Above that, two major American mutual funds have been launched this year with the magic word "Canada" in their titles.

With some misgivings in our minds about our own immediate economic future, we doubt not at all, the vast and sustained expansion of Canada. We're optimistic about that! So I wind up this economic Canadian travelogue on the same accent I started off with, namely on the "O"—oil, ore and optimism. Happy Birthday Toronto S. E.! Nice to see you selling at par—100, that is!

Ample Funds Deemed Available to Finance Gas Industry Growth

Marcus Nadler says additional funds for further necessary development can be readily obtained. Holds business conditions will continue to fluctuate, but depression of 1930 is unlikely.

In addressing the American Gas Association at Atlantic City, N. J., on Oct. 29, Dr. Marcus Nadler, Professor of Finance at New York University, predicted that despite the hugh capital expenditures already made, the gas industry will continue to grow and no difficulty will be experienced in obtaining additional financing on favorable terms.

Marcus Nadler

"Although it is evident that the business cycle will continue to operate," Dr. Nadler stated, "one may state with a fair degree of certainty that major swings, both up and down, will probably be avoided. In other words, while business conditions, as in the past, will continue to fluctuate, a depression of the type that occurred during the '30's is not likely. The population is steadily increasing, the standard of living of the majority of the people is rising, and the economy is dynamic in character. It may therefore be concluded that the expenditures by the gas industry were warranted and that the demand for gas will continue to grow."

Another question facing the gas industry, Dr. Nadler commented, is also not hard to answer. "American corporations of high credit standing will not find it difficult to obtain the necessary capital, both in the form of debt and equity funds, for further development. In judging the prospects for obtaining money through the sale of bonds it should be borne in mind that the savings of the country have become institutional in character and that institutional savings, particularly as regards insurance companies and pension funds, will continue to grow. As funds accumulate in their hands, these institutions are under pressure to invest, and therefore the flow of capital going into bonds will continue to grow.

"In spite of the widespread talk about the shortage of equity capital," Dr. Nadler continued, "experience of the past few years has clearly demonstrated that when a sound utility offers stock to the public it is generally taken. The movement of utility stocks in the last few years has increased the confidence of the investor in this type of security, and there are no reasons to be-

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lieve that a change in this respect will take place. One may therefore answer the second question by saying that sound gas companies will not find it difficult to obtain the necessary capital, in the form of debt or equities, for further development in the future.

"At what rate of interest the gas companies will have to borrow will also depend on business activity. So long as business is at a high level, as it is at present, money rates will continue to be firm. Once business activity begins to turn downward, however, even though only moderately, the demand for capital will decrease and the credit policies of the Reserve authorities are bound to undergo a change. Rates of interest are rapidly approaching a peak, and unless some unforeseen event happens, such as an increase in the prime commercial rate charged by the banks, no further material increase from the present level is to be expected. Sometime next year, when business activity begins to taper off, a moderate decline in money rates should take place. Under these circumstances one may assume that gas companies and other high-grade corporations in need of money will not have to pay a higher rate of interest than prevailed during the second half of 1951."

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The State of Trade and Industry

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

Notwithstanding the interruption last week in the recent advance in the nation's total industrial output, it continued to hold close to the highest level attained since the close of World War II and was slightly above that of a year earlier. Material shortages in the week were much less evident than a few months ago. However, many producers found that skilled workers were in rather short supply.

In the steel industry the strong production pace that's being counted on to clean up the steel order backlog at an early date was continued last week with the nation's steelmaking furnaces turning out more steel than ever before, in a comparable interval. The record total, according to the American Iron and Steel Institute was 2,221,000 tons of ingots and steel for castings, or equivalent to an average of 106.9% of capacity.

There is no mistaking the fact that steel business is excellent, and the outlook will continue that way, at least until the second quarter of 1953, states "The Iron Age" in its current review of the steel trade. Even then, it adds, steel people don't expect the ingot rate to go into a tailspin.

By the second quarter rugged competition is expected to spread from specialty items into tonnage products and even before that a tough selling job will be necessary to move some of the lighter products such as light structurals and shapes and other items.

Steel producers have known all along that the ingot rate would have to decline sometime. The present feeling is that when the market does ease, demand will still be good enough to sustain an operating rate that will assure a margin of profit, declares this trade authority.

The third postwar upswing in the business cycle is putting new zip into a number of steel consuming industries. This is being reflected in unrelenting pressure for early delivery from the mills. Industries sensitive to boom psychology have apparently decided to eat their steel cake now—and fight for more in the first quarter. This explains why steel appetites are staying so strong in the face of record breaking production and shipments, continues this trade weekly.

The strongest drive for steel among civilian manufacturers is coming from Detroit. Here the competitive race for the consumer market is intense. Conversion deals, which had been expected to wither in December, now hold the key to auto output in the early months of 1953, states "The Iron Age."

Additional steel requests have also reached National Production Authority from makers of kitchen ranges, food freezers, lawnmowers, clothes driers, metal furniture and others.

A shortage of freight cars is still hampering mills in their efforts to move record tonnage into the hands of their customers. Car builders were knocked flat by the strike, and have had a dreadful time trying to restore production.

They are presently operating at 50 to 80% of capacity, due in part to lack of structurals, wide plates, and heavy castings, concludes "The Iron Age."

Auto production rose 8% last week to the highest point in 16 months.

Ward's "Automotive Reports" said 109,929 cars were built the past week, compared with 101,317 in the prior week. Last week's figure was 22% higher than the 90,136 autos assembled in the like week a year ago.

Chrysler Corp.'s output in the week rose 30% and Packard Motor Car Co.'s jumped 200%, as both companies swung into volume operations on 1953 model cars. Nash-Kelvinator Corp. showed a 54% gain in production last week following a parts shortage which "slashed" output in the preceding week.

The agency expects 483,000 cars will have been completed for October in United States plants, 10% more than the 441,424 in September and greater than any month's volume since 484,223 were made in June, 1951.

A shortage in labor and steel, however, may prevent auto companies from meeting their planned schedules for continued high rate production, according to "Ward's."

"While overtime continues in strong use at many of the car makers, such schedules are taxing steel availability for some producers to the point of forcing a return to more normal instead of overtime operations," the report said.

Living costs eased after a series of new highs, according to the Bureau of Labor Statistics. Its consumer price index dipped 0.2% in the month ended Sept. 15, brought about by a 1% decline in retail food prices. The mid-September index—190.8% of the 1935-39 average—was 2.3% higher than a year ago and 12.1% above pre-Korean June, 1950.

A recent report from the United States Department of Commerce reveals that the nation's retailers did $14 billion worth of business in September, 7% more than a year ago. After adjustment for seasonal factors, sales were 4% greater than in August. September volume in durable goods, such as automobiles, furniture and appliances, rose to $4.9 billion. This was a 12% gain over August after allowance for seasonal factors. Auto sales went up 30% to a level of $2.6 billion, reflecting recovery in passenger car production from the slump in August caused by steel shortages.

Trade volume for the Christmas season this year will be the largest in history. That's the view of leading retailers attending the Boston Conference on Distribution. Increases over the 1951 holiday season of 1% to more than 10% in both dollar and physical volume were predicted. Particularly optimistic was George Hanson, President of the National Retail Dry Goods Association, representing 7,500 stores throughout the United States. Mr. Hanson

Continued on page 42

Observations . . .

By A. WILFRED MAY

On the Art-Science of Investment-Speculation

— Purism vs. Making-A-Quick-Buck —

Two new books on investment-speculation clearly and authoritatively illustrate the basic contradictions in the prevalent approach to that art-science. At one philosophical pole we have a breezy Wall Street best-seller spelling out the fascinating credo of the frankly self-defined speculator, **The Battle for Investment Survival** by **Gerald M. Loeb** (Boston, Barron's Publishing Company, Inc., 192 pp., $2.95). And almost at the opposite pole of the logic-embracing school, is **Financial Independence Through Common Stocks** by **Robert D. Merritt** (Boston, United Business Service, 346 pp., $5), to be published Nov. 10.

A. Wilfred May

Mr. Loeb, whose wide extra-financial interests run the gamut from cooking to architecture, is one of the few highly successful veterans of the trader's hey-day. Not that he did not come up the hard way, via the statistician's slide-rule and indefatigable analyst of company reports, to partnership in a leading brokerage firm. But he still follows that glamorous routine of reading the financial news before sunrise, breakfasting in his office at 7:30 a.m., and spending the time before 10 a.m. in digesting market bulletins and wire reports.

As the star alumnus, if not the principal, of the I'm-proud-that-I'm-a-Speculator-School, his ABC's include such maxims as:

"Forget dividends. Look for capital gains and trading profits. A good investment must first of all be a good speculation."

"It is [sic] sound policy to get out of long positions which begin to prove themselves wrong by declining in price."

"Nine times out of ten it is better to sell a stock which is down because it is then so much easier to do your thinking unprejudiced by your position." [Apparently an equally good reason for selling when your stock is *up*.]

"The first thing for the average venturer into Wall Street to decide is that it's a step in the right direction to restrict purchases and sales to liquid listed securities. . . . I like liquidity."

Against diversification: "The greatest safety lies in putting all your eggs in one basket and watching the basket . . . safety should come not from the selection of a slow mover or a cheap issue, or worse yet, a group of such shares, but by concentrating in the one outstanding fast-trading leader that is jumping in the right direction."

"Mutual funds are a lazy man's investment."

"The man who invests for a small safe return on his money inevitably loses, while the man who sets out determinedly and intelligently to double a part of his capital has a pretty good chance of getting away with it." [In a recent radio program the author has said, "That's really what the book's about."]

And, crucially: "Deliberate planned speculation is, in my opinion, the best and safest method to improve one's chances of preserving the purchasing power of capital or maintaining its constant convertibility into cash without loss."

Continued on page 39

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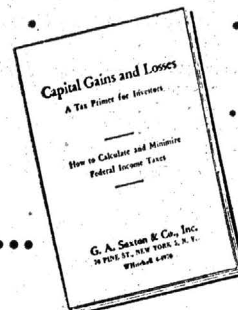

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Capital Supply Prospects For the Gas Industry

By ROGER F. MURRAY*

Vice-President, Bankers Trust Company, New York City

Pointing out there exists an unstable equilibrium in the bond market, New York banker contends there will be greater competition for capital in the coming months, and the gas industry will encounter more difficulty in obtaining its share needed for expansion. Says gas industry must be alert to changing preference of investors and must also tailor their securities to suit the institutional market. Concludes, however, "under fair and reasonable regulation," gas industry will be able to secure necessary capital.

Most of us in recent years have been so concerned over the inflationary consequences of public and private spending that we have given inadequate attention to the fact that we live in a high savings economy. This fact accounts for our having been able to increase our plant capacity by about 50% since 1945 without a severe strain on the capital markets and without the necessity of a series of authoritarian five-year plans to reach our objectives.

Roger F. Murray

Many factors contributed to this remarkable performance. The high standard of living attained under American capitalism is responsible for the markets which are the incentives for expansion and it also creates the savings which are the primary means for financing new productive facilities. Individual savings are not enough, however, in a highly industrialized nation where projects require extremely large aggregates of capital. For the effective accumulation and direction of the flow of many small amounts into the most productive channels we are indebted to our strong and flexible commercial banking system and to our great savings institutions. The gas industry is an excellent example of how our system works to develop great natural resources, to place them at the disposal of consumers, and to induce those same consumers to finance the production of the services which they enjoy.

All of such achievements have been possible without borrowing from abroad, without the excessive use of bank credit, and without nationalizing our basic industries, all because of the size and breadth of our domestic capital market. I am sure that if in 1939 we had visualized the size of our 1952 outlays for plant and equipment, residential housing construction, and working capital needs of business, we would have despaired of meeting such a tremendous total in an orderly manner. The demands for funds skyrocketed, as we know so well, but so did the flow of savings through the principal savings institutions. Life insurance companies, mutual savings banks, savings and loan associations, and corporate pension funds had about $2 billion of new money available for investment in 1939. By 1951, this total had grown to $9 billion and this year it should exceed $10 billion. The figures are all the evidence we need of the ability of our high savings economy to cope with the growth and development of new productive capacity.

*An address by Mr. Murray at the Financial Conference of the American Gas Association, Atlantic City, N. J., [illegible] 25, 1952.

An Unstable Equilibrium in the Bond Market

Despite this growth in the availability of savings during the postwar years, however, the demand for funds for industry, residential housing, and state and local improvements has been so great that this group of savings institutions during the five years 1947 through 1951 had to sell upwards of $12 billion of U. S. Government securities in order to meet their commitments. This is, of course, the reason why the Government bond market has been the key factor in the capital market since the end of World War II. Federal debt has been the medium for a giant central banking operation for lending activities outside of the commercial banking system.

As a result of this race between the dramatic growth of savings and the spectacular rise in the demand for funds, we have witnessed unstable equilibria from time to time in the capital markets, with alternating periods of strength and weakness in the bond market coinciding with a dearth or an abundance of new offerings. The past 18 months, since the unpegging of Government bonds, for example, has included recurrent price weaknesses in June, 1951, December, 1951, and in recent weeks, while fairly significant recoveries took place in the intervening months. Corporate bond prices, the sensitive barometer of the capital market, have shown alternating forecasts of foul and fair weather for new financing. Thus far, however, the lows of June, 1951 for new issues have not been penetrated and we have seen fluctuations within a relatively flat range.

The question before us this morning is whether this is the pattern which we should expect during the years immediately ahead when the gas industry contemplates a record volume of construction expenditures and new financing.

The Situation in Prospect

While this year's $10 billion of new institutional funds seeking investment has been generated in a period of prosperity and full employment, there is reason to expect only a moderate [illegible] the event of some slackening in general business. Reference to past experience indicates the high degree of stability inherent in the bulk of these savings. It seems reasonable to believe that for 1953 and 1954 we can count upon a flow of funds of comparable size, perhaps in the $8 to $10 billion range. Thus, the outlook for the supply of funds seems satisfactory.

The more critical question is how much competition the gas industry will encounter in trying to attract its share of the available total. Your most aggressive rivals will undoubtedly be the electric utility, telephone, chemical, and petroleum industries. In addition, residential housing and public improvements will present very large outlets for funds. On the other hand, railroad equipment borrowing and the financing of expansion in basic raw materials capacity are probably past the peak.

Business outlays for plant and equipment in 1951 increased by about 25% over 1950, whereas the record total for 1952 will show an increase of only about 5% over the preceding year. Even those who are quite optimistic about the outlook do not feel that 1953 will show any significant increase over the present year's totals, and there is a considerable body of opinion to the effect that next year will witness some downturn in business investment which could continue into 1954. This latter view is based upon widespread doubts that the feverish pace of plant expansion can be maintained indefinitely in the absence of even greater pressure from armament demands.

The other principal factor in the demand for funds represented by working capital requirements to carry enlarged inventories and receivables and to bolster cash balances is also becoming less active. The liquidity of nonfinancial corporations as represented by the ratio of cash and government securities to current liabilities deteriorated continuously until the second quarter of this year when, for the first time since 1949, corporate liquidity ceased to decline. This suggests that in spite of a smaller volume of retained earnings, corporations are under somewhat less pressure to raise money for the expansion of plant and the carrying of larger inventories at higher prices.

Real estate financing volume also appears to have passed its peak. Thus, we may have been going through the period of severest strain on the capital markets during the last two years and some easing in the situation might well occur. The exact timing of such a development is difficult to foresee, and the capital markets may be under some strain for quite a few months ahead. Nevertheless, barring a material acceleration in the defense program, it would appear that eventually the combination of a stable volume of savings and some slackening in the demand for funds on the part of business will lead to relief from the pressure on bond prices which has been in evidence for the past two years.

This moderately reassuring outlook for the capital markets could, of course, be altered by government operations. If the Federal Reserve, for reasons which are not now apparent, should pursue a more restrictive credit policy, this would place renewed pressure on the bond market. A similar consequence would follow from a decision by the Treasury to borrow on a large scale at long term or to refund a sizable proportion of its floating debt. At the moment neither of these contingencies appears too likely to materialize, but they should be kept in mind and they should tend to moderate any recovery in prices over the near future.

The Competitive Position of the Gas Industry

We are entitled to believe, however, that there will be an adequate volume of funds available for investment in the gas industry and that competition for the supply of funds from other industries may become somewhat less aggressive. This does not mean, however, that the gas industry will have an easy time meeting its substantial expansion programs. The projections made by your association indicate that about two-thirds of the capital expenditures during 1953 and 1954 will be for natural gas transmission facilities. This suggests that there will be a corresponding concentration of new financing in the pipeline companies.

Any company or industry which seeks large amounts of new capital at frequent intervals has to contend with the problem of indigestion in the market. Within broad limits, the appetite of investors varies inversely with the size of their previously taken positions in the industry. For example, the fact that life insurance companies have done the bulk of the pipeline debt financing in recent years means that they are to that extent less eager to make new loans. Under these circumstances it is necessary to offer higher rates of return to whet sated appetites and to explore all potential markets. In other words, the industry must be prepared to pay higher rates than its less actively borrowing competitors for funds and to provide the quality of securities in best demand. Even a better tone in the bond market might not result in more favorable borrowing terms.

The appeal for financing will be to institutional investors as in the past. These groups, especially the life insurance companies, mutual savings banks, and corporate pension funds, have constituted the principal market for all new corporate bond issues. Over a period of years their bond investments have typically equaled or exceeded the supply of new issues. They have been finding an additional outlet for their funds through the process of acquiring the corporate bonds held directly by individuals. Nevertheless, these investing groups will have a good supply of alternative outlets for their funds.

At the moment it seems clear that it would be exceedingly difficult to finance a new interstate natural gas pipeline on a basis which would be satisfactory to its organizers. Although the uncertainty as to the status of the certificate of convenience and necessity of the Algonquin Gas Transmission Company may be an isolated case involving no serious threat to the first mortgage bonds, this episode is not reassuring to investors. Accustomed as they are to having the certificate as the keystone of the corporate structure, it is most disquieting to have its permanence brought into question. After all, in other areas of the public utility field there is usually no question about the basic right to do business in the designated territory.

Of more fundamental importance, however, is the blow given to confidence in the profitability of gas company operations by the recent decisions of the Federal Power Commission in the Northern Natural Gas and Colorado Interstate Gas cases. The long term investor in corporate bonds must be satisfied that the borrower can service not only the present debt but also debt issued in the future to finance further expansion. He expects that there will be sufficient equity money on hand and in prospect to provide a margin of safety against future contingencies. The cost of money philosophy for regulating the rate of return, if consistently applied, would lead to the excessive use of senior securities and the inability of companies to sell common stock either to investors of the institutional type or to indiivduals interested in the industry as providing an attractive field for venture capital. It seems perfectly evident to me that this type of regulation would substantially curtail the projected expansion of natural gas transmission facilities, or as a minimum, greatly increase the cost of financing.

Tailoring Securities to the Institutional Market

Apart from this necessity that the gas industry be allowed to earn good profits under favorable business conditions in order to attract new capital, there are ways in which individual issues can be made to appeal to institutional buyers. In the financing of recent years, for example, the use of sinking funds on both bonds and preferred stocks has provided the basis for the large scale financing of the production and sale of an exhaustible resource. Life insurance companies and savings banks, in general, seem to like this repayment feature. The trustees of most rapidly growing pension funds, on the other hand, are less anxious to have the return flow of funds for investment. As long as new gas reserves are being discovered and the industry is expanding, moreover, the sinking fund money could be usefully employed in new construction. In spite of the traditional practice of providing for debt retirement at a rate consistent with the expected life of the reserves at the time of the financing, it may be that ultimately a somewhat more flexible financing medium could be developed. I have no specific proposal to make on this score but believe that securities convertible into common stock at the option of the holder might be suitable in certain instances. In recent years institutional investors have shown a much greater interest in equity investments, and looking some years ahead, it might be feasible for the gas industry to make a greater appeal to this interest. We have seen how the oil industry, for example, has outlived the sinking fund stage in its financing and now uses convertible securities to advantage despite the fact that it is also disposing of an exhaustible asset in its current operations.

Distribution companies and combination transmission and distribution companies have an established market for their equity securities among investors of the institutional type. It would appear that eventually the pipelines should seek to reach this same market. This means that ultimately capitalization ratios will be substantially altered to enlarge the equity base, always assuming that regulation permits such a development. This would help to round out the appeal to investors of all types which every industry wishes to make in its period of rapid expansion.

Another group of factors contributing to the need for a higher proportion of equity money relates to the changing character of the gas business. As expansion becomes more dependent upon the development of the more intensive usage of gas, with the disappearance of previously untapped markets such as New England, it is evident that growth will tend to more in such lines as space heating which contribute to higher costs because of the less stable load factor. At the same time rising field prices might be reducing the competitive advantage of gas, with the result that earning power would be subject to moderately wider fluctuations depending upon both economic and weather conditions. If the evolution of the business is along these lines, it is logical that fixed charges, preferred dividends, and sinking fund requirements should claim a smaller proportion of revenues. The common equity should be substantially increased in order to give all classes of securities a sound investment position.

In competing for the available funds to meet its further growth, therefore, it is evident that the gas industry will have to be alert to the changing preferences of investors and the gradual evolution of its business. If company managements continue to be aware of such developments and ready to modify their financial policies accordingly, there is ample grounds for confidence that under fair and reasonable regulation the industry will be able to secure all of the capital funds necessary for its continued development and progress.

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Current Labor Trends and Problems and Taft-Hartley Act

By SUMNER H. SLICHTER*
Lamont University Professor, Harvard University

Professor Slichter discusses weak and strong points in the Taft-Hartley Act and what arrangements the government needs for dealing with so-called "emergency disputes." Gives consideration to present coal wage dispute and says collective bargaining has become more "two sided." Lists improvements in union labor contracts and holds union rivalries are important shortcomings in industrial relations. Supports American trade union philosophy and says American collective bargaining system has "tremendous advantages," which counteract the ill effect of rising labor costs and high price levels.

I

Trade unions are more firmly established in American industry today than ever before. The total membership late in 1951 was about 14.2 million, divided among about 7.8 million in the AFL, 4.4 million in the CIO, and 2 million in neither federation. The growth in membership since the end of the war, however, has been quite slow and confined in the main to the AFL group of unions. The AFL gained about 700,000, or 10% between 1946 and 1951, and gained another 200,000 during the last year. Between 1946 and 1951, however, the membership of the CIO and the independents has changed little. The CIO says that it has gained enough members to offset the loss of 800,000 when 11 Communist-dominated unions were expelled in 1948.

Sumner H. Slichter

I wish to examine briefly how labor and management have fared during the strong sellers' market that has prevailed almost continuously (with the exception of 1949) since 1946; the kind of philosophy and basic policies that the American trade unions have pursued during this period and finally, some of the principal public issues that have been created by the rise of powerful trade unions, particularly the problem of disputes that imperil public health or public safety. This last topic will require a brief discussion of some parts of the Taft-Hartley Act. I am adding a few remarks on the problem of wage stabilization.

II

How has labor fared during the strong sellers' market of the past six years? Labor has gained substantially in wages, fringe benefits, and union security. Between 1946 and June 1952, while the consumers' price index rose 35.9%, hourly earnings in manufacturing rose 61%; in bituminous coal mining, nearly 62%; in building construction 54%; in railroading 63%; and in the telephone industry 38.6%.[1] In the case of gas and electric utilities, average hourly earnings rose 33% between 1947 and June 1952, while the consumers' price index was rising 18.8%. Labor, as is well known, has made enormous gains in fringe benefits. There has been a rapid spread of pension plans, sick benefit plans, holidays with pay, and vacations with pay. For example, in 1951, employer contributions to private pension and welfare funds were over $3 billion, or about two and a half times the contributions in 1946 and about 18 times the contributions in 1940.

Finally, labor has made substantial gains in union security because the spread of union shop contracts has been rapid. In fact, some form of union shop contract is rapidly becoming the usual arrangement in industry. A government survey of 2,651 contracts, covering 5.6 million workers and in effect in late 1950 and 1951, showed that 58% of the workers were covered by union shop contracts. A similar survey of 2,150 agreements in effect about a year earlier and covering about 4 million workers showed that about 50% provided for the union shop. Among the concerns that have recently granted the union shop are General Motors, the Chrysler Corporation, B. F. Goodrich, Goodyear, Firestone, the United States Rubber Company, the principal steel companies, and the Eastern railroads. The spread of the union shop has been accelerated by the Taft-Hartley Act which, until October 1951, prohibited employers from granting the union shop unless the union shop had been approved by the employees in a government-conducted election. The overwhelming endorsement of the union shop by the workers in thousands of elections during the last four or five years (the union shop was approved in about 97% of over 44,000 elections and usually by a one-sided vote) has done much to persuade employers to concede this demand. Not until government conducted the elections required by the Taft-Hartley Act did the country realize how strongly workers favor the union shop.

III

How have the stockholders and management fared during the strong sellers' market? Fortunately, the rise in efficiency has been rapid enough so that corporate profits have held up well in spite of the fact that wage rates have increased much faster than prices. Corporate profits after taxes and inventory valuation adjustment were 3.9% of sales in 1950 and 3.6% in 1951 in comparison with 4.7% in 1940, 5.0% in 1949, and only 3.2% in 1946, as shown in Table I.

The strong sellers' market seems to have raised slightly the share of employees in the product of industry. The best measure of the effect of economic conditions on the share of employees is the ratio of the compensation of employees in corporate industry to the total of compensation of employees in corporate industry plus profits after taxes. The share of employees in this total has been as shown in Table II.

But how has the strong sellers' market affected the ability of managements to do a good job of operating the plants? Have unions taken advantage of their strong bargaining position to impose restrictive rules or arrangements on managements? It is not easy to answer these questions because the experience of no two companies is alike. Furthermore, replies are likely to be somewhat biased because managements do not like to admit that they may be losing ground.

During the last few months I have been attempting to gather evidence on how the strong sellers' market has affected the terms of union-management agreements. The overwhelming view of those managements that I have interviewed is that they have been reasonably successful in retaining efficient control of operations during the postwar years. But a good many of these companies express the view that most other managements have not been so successful, and that the strong sellers' market has in general weakened management's control of operations. In other words, there seems to be a sharp difference between what each management says about itself and what it thinks has been happening elsewhere.

Certainly it is true that collective bargaining has become more two-sided. Today managements more frequently present proposals to the union negotiators than was the practice a few years ago. Indeed, many of the managements and new unions that began bargaining in the late thirties and early forties seemed for a while to accept the view that bargaining was simply an occasion when the union asked for things. This, however, has changed. Various companies report having negotiated some improvements in their contracts during the last few years. Of course, an improvement from the standpoint of management is not necessarily a bad feature from the standpoint of the union. Among the so-called improvements are:

(1) More workable arbitration provisions.
(2) Longer contracts.
(3) The deletion of ambiguous restrictions on the kind of work that supervisory forces may do.
(4) Improvements in grievance machinery.
(5) Improvements in the clause providing for leave of absence for union business (to prevent abuse of this privilege).
(6) Procedural changes affecting job evaluation programs.
(7) Changes in wage progression systems by which automatic wage changes come at intervals more satisfactory to management.
(8) A requirement that the day before and after a holiday must be worked to entitle an employee to holiday pay.
(9) Reimbursement to the company for the cost of making payroll deductions for union dues.
(10) Removal of the right of the referee to modify disciplinary action by management—the referee may sustain or nullify but not modify.
(11) Limitation on retroactive pay for grievance adjustments.
(12) Limitation on the amount of time of union representatives in the shop that the company must pay for.
(13) Removal of restrictions on the right of the company to promote to better jobs in the shop employees who are holding the position of union shop representatives.
(14) Agreement on the part of the union that is members will not participate in strikes or slowdowns.

I do not pass judgment on the wisdom of these specific changes. Obviously one cannot do that without knowledge of the circumstances that led to them. Some of these changes and others that I have not listed suggest to me that the relationship between the union and the management is still somewhat legalistic and savors of the terms of truce between two armed camps. This certainly is true of the attempt of unions and managements in a few plants to write into the agreement detailed rules over the union use of bulletin boards. The evidence that managements are making proposals for changes in agreements, however, is a good sign—good from the standpoint of *both* unions and management. It shows that the bargaining process has vitality, that both sides are using negotiations as occasions to talk over problems with the other side and to reach mutual agreement on the solutions of problems.

Although bargaining is being conducted more satisfactorily in most industries than a few years before, managements in general have not come to grips with fundamental long-run policy issues that are raised by the growth of powerful unions. Certainly it is broadly true that the role of management in industrial relations is still too negative and defensive, and there is danger that this negative and defensive role will persist too long. Evidence is lacking that managements are doing long-range planning in the field of industrial relations. Few managements seem to have formulated

Continued on page 34

TABLE I

	Corporate sales (billions)	Corporate profits after taxes and inventory valuation adjustment (billions)	Corporate profits per dollar of sales
1940	$135.2	$6.3	4.7 cents
1941	176.2	6.8	3.9
1946	270.9	8.7	3.2
1947	347.8	12.8	3.7
1949	370.0	18.4	5.0
1950	423.9	16.4	3.9
1951	484.9	17.4	3.6

TABLE II

	Compensation of employees in corporate industry (billions)	Corporate profits after taxes and inventory valuation adjustment (billions)	Percentage of compensation of employees to total of compensation of employees plus profits
1940	$32.1	$6.3	83.6
1941	41.0	6.8	85.8
1946	68.9	8.7	88.8
1947	81.2	12.8	86.4
1950	96.5	16.4	85.5
1951	111.4	16.1	87.4

*An address by Prof. Slichter before the American Gas Association, Atlantic City, N. J., Oct. 27, 1952.

1 The figures for 1946 are the monthly averages for the year.

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Capital Investment and The Economy in 1953

By NATHAN M. KOFFSKY*
Bureau of Agricultural Economics
U. S. Department of Agriculture

Foreseeing only a modest decline in level of capital investment, Agricultural Department economist says drop may be approximately $4 billion, or less than 10%. Says this prospective change will be more than offset by from $7 to $12 billion in government spending. Predicts high over-all level of business activity next year.

One of the big questions in this year's outlook concerns the level of capital investment in 1953. During the postwar period, very large investments have been made in adding to capacity and modernizing equipment. The Department of Commerce has estimated that by the end of this year, industrial capacity in this country will have increased by approximately 50% since the end of World War II. There is currently no indication of a weakening in business investment in the next few months. Plans of businessmen for the fourth quarter of this year indicate some increase in capital outlays over the third quarter. No quantitative indication for 1953 will be available until toward the end of this year when the Department of Commerce and some private concerns will surevy business intentions concerning further expansion. However, in view of the large capacity now installed and the increasing concern in some industries that over-capacity is being built up, it seems probable that investment in new plant and equipment will not expand over the next year and more likely will be reduced. The decline, if it should occur, is likely to be modest. Even though many defense related expansion programs are nearing completion, there is still a substantial amount yet to be built on which rapid amortization has been granted. There may well be an increase in commercial facilities, some of which could not be built previously because of restrictions on construction.

Nathan M. Koffsky

It seems likely that 1953 will also be a fairly good year for residential construction. With high incomes and easier credit terms, the demand for new houses continues high. However, this is another sector of the economy where output in postwar years has been at a very high rate since the end of the war and has substantially exceeded the number of new families formed. Apparently, most of the backlog demand from doubled up families carried over from the war has been filled. In addition, the number of new families being formed is declining, reflecting low marriage and birth rates in the early 1930's. The current indication is that between 900,000 and 1,000,000 units will be built in 1953. At worst, this would represent a decline of about 10% from this year's level.

There is not likely to be any significant change in the inventory position of American business over the next year. Inventories have been worked down to a better relationship with sales and their composition is better balanced than a year ago.

The magnitude of the possible drop in total business investment over the next year may approximate $4 billion, less than 10% below current levels.

With the increase in government expenditures by the third quarter of next year expected to exceed any drop in investment, economic activity is likely to rise slowly. Employment may increase a little. Wage rates are likely to continue to rise at about the rate of the past year, and consumer incomes available for spending are also likely to make a similar gain. In addition, with high cash reserves and easier consumer credit, the savings ratio of consumers may move somewhat lower over the next year, but is likely to remain high relative to the pre-Korean level. It seems very unlikely that the steady growth of consumer expenditures which has occurred this year will be diminished in the year ahead. In total, consumers may well increase their rate of expenditures by another $8-10 billion over the next 12 months.

Adding these prospective changes in demand in the major sectors of the economy, an increase of $7 to $12 billion in government expenditures, a decline of perhaps $4 billion in private investment, and a further increase of $8-10 billion in consumer expenditures, the total flow of money in the economy would rise at least $11 billion and perhaps as much as $18 billion by the third quarter of 1953, over the third quarter of 1952. This would represent an increase of 3 to 5% in total demands over the next year. Even if the higher defense outlay is reached, the increase in total demands would not be much greater than that which occurred over the past year. Such increases as appear to be in prospect would not put much more strain on the productive facilities of the economy than we are experiencing currently. It could be accomplished with a small increase in employment, perhaps slightly higher average hours worked and the normal growth of productivity per man-hour of about 2½% a year. Prices generally are likely to continue fairly firm with perhaps some little further rise overall, if the higher level of defense outlays is reached. Civilian supplies are likely to increase slightly. Food production, if weather is favorable, will provide as much food per capita as in 1952. Supplies of consumer durables will be larger as a result of the increase in capacity for producing metals, if the defense program continues unchanged.

It would not be fair to take you to a point about a year from now and then leave off. The outlook for that period seems fairly secure in view of the continued expansion in defense outlays and in consumer expenditures. But what happens beyond that when defense expenditures presumably have leveled off? It would be well to recognize the possibility that a testing of the economy might well occur in the winter and spring of 1953-54, especially if business investment is declining at that time. But a decline in investment is by no means a certainty, although such evidence as we have leans in that direction.

Even if the growth of the economy is interrupted temporarily and some easing develops late in 1953, there is little to indicate that the over-all level of activity will not continue high. Expenditures for the National Security programs, although no longer rising, probably will be higher in the winter and spring of 1954 than they are now. It should also be noted that because of military requirements consumers in the last 2 years have been unable to increase their per capita purchases of goods and services, which rose rapidly in the decade between 1940 and 1950. With prospects for larger civilian supplies, consumers may well step up their rate of buying to offset, at least in part, declines elsewhere in the economy. In the recession of 1948-49, when business investment dropped off substantially, consumer expenditures held stable and then began to increase. Consumers have the money to do so again. Liquid assets of individuals total approximately $175 billion, including some $5 billion of Series E Savings Bonds which mature in 1953. Also, if conditions should change, tax policy at that time could have an important effect on stimulating business capital investment and consumer expenditures.

As a final word, it would be well to consider that the spring of 1954 is 18 months away. This analysis is based on the assumption that the international situation continues much as at present. The cold war could get warmer. The ingredients of inflation may be latent at present but their potential remains undiminished.

*Part of address by Mr. Koffsky at the 30th Annual Agricultural Conference, Washington D. C., Oct. 20, 1952.

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Association of Stock Exchange Firms annual meeting and election.

Nov. 19, 1952 (New York City)
Purchases & Sales - Tabulating Division of Wall Street, Association of Stock Exchange Firms annual dinner at the Hotel Statler.

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

Dealer - Broker Investment Recommendations & Literature

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

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.

Bonds of the State of New Jersey—Brochure—Municipal Bond Dept., National State Bank of Newark, 810 Broad Street, Newark 1, N. J.

Canada's Industrial Giants — Bulletin giving data on **Abitibi Power & Paper Company Ltd., Aluminium Limited, Bell Telephone Company of Canada, Canada Cement Company, Limited, Canadian Industries Limited, Canadian Pacific Railway Company, Ford Motor Company of Canada Ltd., Consolidated Mining & Smelting Co. of Canada, Imperial Oil Limited, International Nickel Co. of Canada Ltd., Shawinigan Water & Power Company, and Steel Company of Canada**—The Midland Company, 50 King Street, West, Toronto, Ont., Canada.

Canada and the Investor — Report and analysis of Canadian growth companies — ask for CC-44 — Bache & Co., 36 Wall Street, New York 5, N. Y.

Canadian Government and Municipal Financial Statistics—Brochure—Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

Capital Gains & Losses—A Tax Primer for Investors—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Excess Profits Tax — Bulletin — Stern, Frank, Meyer & Fox, Union Bank Building, Los Angeles 14, Calif.

Income Tax Pointers Affecting Securities — Brochure — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is a review of **Tobacco Stocks.**

Lead & Zinc Prices — Discussion — Kafflen Investment Co., Radio Central Building, Spokane, Wash.

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Performance—Eighteen-year study of market action and income—Conrad, Bruce & Co. of Los Angeles, 530 West Sixth Street, Los Angeles 14, Calif. Also available are revised reports on **Globe & Republic Insurance Company** and **Packard-Bell Company.**

Pulp & Paper Stocks — Memorandum — Flood & Co., 360 St. James Street, West, Montreal, Que., Canada.

Tax Gains & Losses—Bulletin on change in treatment of capital gains and losses in 1952—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Railroad Roundup—Data on **Buffalo, Rochester & Pittsburgh, Central of Georgia Railway, International Railways of Central America, Jamestown, Franklin & Clearfield, Maine Central Railroad, Northern Pacific Railway**—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

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

Understanding Capital Gain Distributions—Brochure by Harry I. Prankard, II, discussing nature and effect of capital gain distributions by investment companies—Lord, Abbett & Co., 63 Wall Street, New York 5, N. Y.

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Alliance Manufacturing Company—Analysis—L. H. Rothchild & Co. 52 Wall Street, New York 5, N. Y.

American Tobacco Company — Analysis — Dreyfus & Co., 50 Broadway, New York 4, N. Y.

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

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Garrett Corp. — Analysis — Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Gulf Mobile & Ohio Railroad—Memorandum—White, Weld & Co., 40 Wall Street, New York 5, N. Y.

Kansas City & Southern Railway Company—Railroad Bulletin No. 111—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Continued on page 50

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Steel Hormones and the Ferro-Alloy Industry

By WILLIAM C. KEELEY*
President, Vanadium Corporation of America

In picturing the ferro-alloy industry as a growth industry, with tremendous possibilities of expansion, Mr. Keeley reviews recent metallurgical advances that call for the use of both the older and the newer ferro-alloys. Gives data on rapid increase in production of ferro-alloys, and predicts demand for ferro-alloys will continue to rise faster than that for steel over the years. Gives data on Vanadium Corporation of America.

Some financial people with whom I discuss the steel industry and the industries related to steel seem to feel that these industries lack the glamour entitling them to be included in the "growth" categories. We in the management of the Vanadium Corporation of America believe that the ferro-alloy industry is a growth industry. We believe so in spite of the fact that in most cases the term "growth industry" is used in describing an infant industry engaged in one of the newer sciences.

Wm. C. Keeley

Growth industries are not only those commonly regarded as having glamour but are also those which have growth characteristics because of technical advances, new demands, and improved techniques in the utilization of products. Viewed in this light, the ferro-alloy industry is entitled to be included among the latter. This industry has grown materially over the last decade or two. In so doing, it has accelerated the development of the world economy. The growth of the alloy industry has been one of the most important factors in the progress of metallurgy. This progress, in turn, underlies the growth of industrial America.

Iron and Steel Industry Important

As you know, the iron and steel industry is the largest consumer of ferro-alloys, which are to steel somewhat like vitamins are to the human body. These alloys intensify many of the most vital functions and give strength and other special qualities. They have helped make the steel industry of the United States not only the producer of the most versatile and most used metal, but they have also enabled it to meet the new and increasing demand for stainless and other alloy steels.

Production of the domestic steel industry in 1920 was approximately 47,000,000 ingot tons. This represents a 60% increase over the 1910 output. The 1929 production increased another 34%—to 63,000,000 ingot tons. That peak was slightly exceeded as early as 1940 and it was topped last year by 66% with an output which amounted to more than 105,000,000 ingot tons.

Due to the recent steel strike, the industry will not in 1952 repeat last year's performance. However, it is worthy of note that in the last 50 years, while the world's population has doubled, United States steel production has increased seven to eight times. Much of this increase has taken place during the last 12 years.

Ferro-Alloy Use Soars

Even more impressive than the expansion of the basic steel industry has been the growth in the use of ferro-alloys. Production of these alloys increased from 397,000 net tons in 1910 to 764,000 net tons in 1920; 959,000 in 1929; 1,300,000 in 1940 and 2,100,000 in 1951.

Exclusive of the so-called newer alloys, which always are used in sharply increased amounts as defense needs rise, the less rare members of the family, such as silicon, manganese, chromium and molybdenum, all have increased in usage. Chrome has shown a particularly good gain. More than 300,000,000 pounds of chrome were consumed in the steel industry last year. This represented an increase of 142,000,000 pounds, or 87%, over the 163,000,000 pounds so consumed in 1946.

Alloy Steel Critically Important

Of the 105,000,000 ingot tons of steel produced last year in the United States, only 10,000,000 tons, or 9.6%, represented stainless and other alloy steels. However, this compares with 7.4% in 1940, of a total steel production for that year of approximately 67,000,000 tons. What is more, the 10,000,000 tons of alloy steel produced in 1951 made possible the production and utilization of most of the remaining 95,000,000 tons. The alloy steel produced provided most of the tools with which the remaining steel tonnage was brought into usable form.

Alloy steel also provided the jaws of ore crushing equipment, the teeth of rock drilling bits and the necessary working components of internal combustion and jet engines on which modern automobiles and aircraft depend. Today's turbines would not be possible without alloy steel in their component parts. These are only a few of the examples of the modern and growing usage of alloys which has brought the tremendous changes and improvements in design of machines and equipment in some 60 years or more since the simple combination of iron and carbon represented all that was known as steel.

Stainless Steel Big Factor

The utilization of stainless steel, another branch of the alloy family, has opened another new world of steel uses. Stainless steels have been known for many years but the commercial production and acceptance of stainless steels in volume in this country was not clearly indicated until about 1935. The markets for this wonderful metal have scarcely been scratched and the utilization of stainless for peacetime uses; such as, food equipment and construc-tural decoration, have become so commonplace that we accept them as part of our daily living. Recent developments along a commercial scale of a new extrusion process for forming complicated tubing and shapes from steel will still further increase the tonnage of stainless. We cooperate in the licensing of this process with our French associated company, Societe d'Electro-Chimie d'Electro-Metallurgie et des Acieries Electriques d'Ugine.

Other Metals Need Alloys

The rapidly expanding aluminum and magnesium industries also depend on alloys. The 1951 primary aluminum output of 1,700,000,000 pounds was 16½% above the 1950 production and more than 16 times the 104,000,000 pound production of 20 years ago. This industry's current expansion program contemplates an annual production of 3,000,000,000 pounds by the close of next year, in addition to Canada's rapidly expanding facilities, visualizing an annual capacity of 1,250,000,000 pounds. These capacities are destined to add another increased requirement for alloys.

Still another metal which must use alloys in almost all of its application is magnesium, the lightest of all structural metals. Though barely out of infancy now (it was first produced in quantity during World War II) it seems destined to increase in popularity in the years ahead. The recent Paley Report on the projected future of United States natural resources envisaged magnesium demand in 1975 roughly 18 times that of 1950.

Vanadium Corporation of America

We in Vanadium Corporation of America have accelerated our expansion program in recent years in order to gain a broader participation in the growth of the ferro-alloy industry and to provide the company with modern and economical plant facilities.

We have invested substantial sums in all phases of our business, including mining operations, ore milling and alloy production. One of the most significant steps taken in our expansion program was the acquisition last year of very substantial chrome ore properties and operating facilities on the Great Dyke in Southern Rhodesia, South Africa. We have done a large amount of development at existing mines there, and new workings have been opened. As a result, we have increased our reserves of available chrome ore and tripled our production from our own properties. Thus, we have materially strengthened our raw material position.

Today, we supply more than 70% of our own chrome ore requirements, and we are prepared to sell a surplus to others, if the Rhodesian railroad facilities are improved in accordance with present plans to permit the shipment of additional tonnages.

We have increased our reserves of vanadium-uranium ores in the Colorado-Utah region in recent years by the purchase and lease of additional mining claims, as well as by added development in our existing mine properties. In addition to operating our own mines in the West, we are buying quantities of ore from independent miners for utilization in our mills at Naturita and Durango, Colorado, and White Canyon, Utah.

Last winter we enlarged the capacity of our mill at Durango, Colorado, and we are prepared to make further increases in our milling capacity whenever we receive the approval of the Atomic Energy Commission. These steps are providing an important addition to the nation's known internal uranium supply.

New Plant Facilities

Even more significant have been the additions made in our alloy production division. Approximately $1,500,000 has been spent during the past two years in rehabilitation and modernization, to increase the capacity of the company's plant at Niagara Falls, New York. The largest single property investment during this period has been made in our alloy-producing plant at Graham, West Virginia. The first portion of these increased facilities, costing approximately $8,000,000, is being completed and placed in operation this year. This plant houses five electric arc furnaces primarily designed for the production of ferro-silicon, silicon metal and other silicon products. These efficient and modern furnaces have an overall rated capacity of 50,000 kilowatts.

In 1953 we contemplate a still further addition to the West Virginia plant, at an estimated cost of $3,500,000, to produce very low carbon ferro-chrome. This very low carbon ferro-chrome represents a still further advance in the production of high quality alloys necessary for new types of high temperature resistant steels and certain types of stainless steel.

This summer we started the construction of a $2,500,000 plant near Cambridge, Ohio, in which we shall produce the secondary aluminum and aluminum alloys formerly produced at a leased plant in Chester, Pa. We anticipate also that the production of ferro-vanadium, Grainals, and other alloys will be started at this plant next year, and additional modern research facilities will be provided there.

Sales Pattern Shifted

As a result of our expansion and production diversification, we have made a material shift in the sales pattern of Vanadium Corporation. Vanadium products which only a decade ago accounted for the bulk of Vanadium Corporation's sales, are now the source of less than one-fifth of the total, and this will probably drop to 10% when production starts to flow from our properties now under construction. The remaining sales, aside from our sales of ores and concentrates, are made up of ferro-chromium, ferro-silicon, ferro-titanium, Grainal (boron) alloys, aluminum alloys, and various chemical compounds employed not only in the iron and steel industry, but also in the chemical, petroleum, glass and other industries. Most of our products are marketed under the trade name "Vancoram."

The normal utilization of our ferro-alloys is as follows: Ferro-chrome is used in the manufacture of alloy constructional steels to provide increased strength. It is also used in the manufacture of practically all types and grades of

Continued on page 16

*An address by Mr. Keeley at meeting of the Association of Customers' Brokers, New York City, Oct. 28, 1952.

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

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Public Utility Securities

By OWEN ELY

Regulation of Natural Gas Companies

The talk on the above topic by Chairman Thomas C. Buchanan of the Federal Power Commission, before the New York Society of Security Analysts on Oct. 8 (which appears on page 11 of today's "Chronicle") has aroused great interest not only among analysts but among members of the gas utility industry. The talk by President Paul Kayser of El Paso Natural Gas Company, before the same society on October 22, was not specifically stated to be a reply to Mr. Buchanan, but nevertheless it gave the other side of the argument over the "cost of money" theory of rate of return.

The service of getting gas to the consumer is a single and continuous operation—from the gas field to the valve in the home of the customer, Mr. Kayser pointed out. Thus the gas producer, the pipe line company, the wholesaler, and the retail utility company are allied together to serve the customer, and are completely dependent on each other for the success of this public service; and the regulatory authorities also share in this burden.

The most important fact demonstrated in the past six years, Mr. Kayser pointed out, is that the public wants gas service—"wants it in abundance — wants it efficiently delivered—and wants it widely distributed for as long a time as the product can be made available." The industry has been engaged in a huge construction program designed to help supply the public's demands for gas as soon as possible. But certain regulatory problems have now arisen in connection with the rate of return to be allowed the gas utility companies.

Mr. Kayser stated (evidently with the Buchanan talk in mind): "If at a time of rising cost of money, the rate of return allowed to pipe line companies is reduced, such action will check the flow of money that has been available to such industry. If the flow of money is checked, expansion will be checked and if expansion is checked then service to the public will be curtailed. I do not believe that any amount of sophistry can ever explain away this simple conclusion. Measured by the principle laid down in the beginning of this talk, namely, that a course of action in this business must be judged solely by its effect upon the public service, the Commission's action in reducing the rate of return in the face of the admitted rise in the cost of money is not in the public interest. This is not a one-way street we are traveling. If the obligation is upon management in the industry to judge its actions by what is good for the public service, then there is no question but that the same obligation rests upon the regulatory authorities. . . .

"Since the security market opened up in 1946 to date, the total service of natural gas to the consumer has increased approximately 250% and approximately $2 billion have been poured into this industry by the investor for the service of the consumer. The expansion of this service to the satisfaction of the demands of the consumer is wholly dependent upon the security market and just exactly to the extent that such market is curtailed, service will be impaired. Whoever is responsible for that result must ultimately account to the public for their actions.

"There is one technical point in respect to the new formula that should be emphasized. The Commission claims that the formula is based upon well-known rate making principles and is calculated to be a sufficient return to yield earnings on the stock that will cause the public to freely buy the stock in the open market, and that such return is arrived at by taking the experience of the principal pipe line companies over the period of 1946-1951. . . .

[But] "the evidence upon which the rate of return is based was wholly inapplicable to the period in which the rate would be applicable. The yields, earnings, price-ratio data for the seven companies for the period 1946 to 1951 were obtained from the experience of seven companies through that period when the public rightfully or wrongfully understood (1) that a 6% return was generally acceptable to the Commission (and it was throughout all of that test period) and (2) that the common stock of each company would have the advantage of the leverage between borrowed money and equity. In addition, the industry went through in that period one of the greatest expansion periods that has occurred in the industry and the public appraised the stocks based not only on earnings and yield but on growth prospects. The Commission's new formula reduces the rate of return, deprives the common stock of the leverage of interest on debt and will necessarily put a brake on further expansion. Thus the rate fixed by the Commission to be charged the public in the future is based upon a set of facts that was applicable only in the past and will not be applicable in the future. This action certainly is not in the interest of the Consumer."

Mr. Kayser also criticized the cost of money theory as applied by the FPC in that (1) it may deprive the management of any incentive to efficiency, and (2) it makes it more difficult for the investor to project the earnings of a pipe line company into the future, since he does not now know what rate of return will be allowed. With the rate of return established at a definite 6% level, "management had something to shoot at and could strive to make the company more and more prosperous by taking advantage of [capital] leverage.

Regarding the question as to whether gas rates should be reduced, Mr. Kayser pointed out that the cost of gas is still well below the cost of other comparable service,* so that in his opinion, the cost is not the real issue with the consumer, who is more interested in getting adequate gas service. He concluded "the Federal Power Commission over the past 12 years has maintained a policy in respect to rate of return that has permitted the outstanding development of the Natural Gas Industry over this period. Despite its present protestation that there was nothing fixed and immutable about the 6% return, it was universally recognized by the Commission as the correct measure by which earnings were estimated on new projects in certificate cases and more than two billion dollars have been poured into the business by investors upon the faith of such estimates and more than 40,000 miles of pipe lines have been built and more than three millions of horsepower installed to deliver more than three trillion additional cubic feet per year to the consumers. This stupendous growth occurred under the wise policy so understood by the industry and the investing public that a 6% return would be permitted and the companies would have the leverage of interest rates against return for the benefit of the common stock. The expansion of the industry is not complete. Further expansion of the pipe lines is the key to the completion of the service and the satisfaction of the present insistent demand. It is axiomatic that the only way this service can be further extended in any appreciable amount to the consuming public is through further additions to the present long lines, large diameter pipe lines. If this expansion is checked, the consumer will be deprived of the service. . . ."

*This would not be true in all areas, but gas is frequently in demand as a superior fuel even when the cost is higher.

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Bache & Co. to Admit Huhn as Partner

Jack B. Huhn

Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, on Nov. 1 will admit John B. Huhn to partnership. Mr. Huhn has been with the firm for some time.

Central States Group of IBA Elects Officers

CHICAGO, Ill. — Lee H. Ostrander, William Blair & Company, Chicago, was elected Chairman of the Central States Group of the Investment Bankers Association of America at the annual meeting of the Group yesterday (late Friday afternoon, Oct. 24). He succeeds Holden K. Farrar of Smith, Barney & Co., Chicago. Other officers elected are:

William D. Kerr, Bacon, Whipple & Co., Vice-Chairman.

Thomas W. Evans, Continental Illinois National Bank and Trust Company, Secretary-Treasurer.

New members of the Group Executive Committee are:

Eugene Hotchkiss, Blunt Ellis & Simmons; William J. Lawlor, Jr., Hornblower & Weeks; James M. Pigott, Central Republic Company.

The new officers and members of the Executive Committee will take office immediately following the annual convention of the IBA Nov. 30-Dec. 5 at Hollywood, Fla.

From Washington Ahead of the News

By CARLISLE BARGERON

If you dig enough around Washington, get people who should know how to talk about anything but the outcome of the campaign, you will learn that regardless of the outcome "something is to be done about Korea." It has been a political war and politics will determine its conclusion.

General Eisenhower has said that if he wins, he intends to go over there with a view to working out a solution. He doesn't have to do that. Politics being what they are, if the Republicans win, the Korean war will in some way be washed out in a matter of a short time.

The bunk about its continuation being necessary to save our face in Asia or to keep the "light of freedom burning in Asia," will somehow be replaced by another form of propaganda. The plain facts are that the time has ended in Asia when the white people have any "face" except their dollars. There was a time when the British and we could withstand an onslaught of Chinese against our then called legations with a battalion of marines. The Chinese have now learned how to use guns and they have them, too. They have learned this battalion of marines can't stop them.

Carlisle Bargeron

Notwithstanding the propaganda that our intervention in Korea inspirited the peoples of Asia, made them formidable resitors of the "Communist tide," the British are still having trouble in Malaya; the French plenty of it in Indo-China. Pandit Nehru in India has not been impressed by our efforts. He doesn't support us in the UN; he is playing both ends against the middle.

Our intervention in Korea has accomplished exactly nothing; Korea has no strategic value to us, it produces nothing of value to us. If, as contended, Chiang Kai-shek forces on Formosa would have to have the U. S. Navy to land them back again on the Chinese mainland or on Korea, because they, themselves, have only sampans, then unmistakably the Chinese Communists have only sampans with which to reach Japan.

Our intervention in Korea was political. It was designed to prove that it was not true what the Republicans were saying about the Administration—that they were coddlers of Communists. "We'll show them," said Truman and Acheson. They did.

It is my conviction that the Republicans in the present campaign have not made the best of the Communist issue. Stevenson's own words reveal the attitude of his party and kind on this matter. Repeatedly he has said that it isn't Communists we should be afraid of, but Communism. And he has said that the way to beat Communism is to beat poverty.

Now, how do you do that the New Dealers' way? Why, you establish a bigger and better bureaucracy than Moscow has. He is wrong, in the first instance, in the fact that our most dangerous Communists have not been poverty stricken or hungry people, but our most educated and wealthy citizens. Explaining it is something the psychiatrists have been trying to do, but it is a fact. But Stevenson's attitude has been most revealing as to the "Liberals" mind on Communists. Since 1933 when those "Liberals" came upon our political horizon they have never looked upon the Communists as agents of a foreign country, as subversives. The Communists have always been "fellow intellectuals," moving toward the same goals as "we Liberals." Mrs. Roosevelt has said so many times. I doubt there is a "Liberal" in the country today who does not feel sympathetic toward Alger Hiss.

The Republicans have made no use of this public confession of Stevenson's: in effect, that the hue and cry against Communists is nonsense, that what we have got to fight is Communism and although, he hasn't so pinpointed it, the way to fight Communism is to establish socialized medicine, a still bigger and more monstrous centralized Federal Government.

But now, let's get back to Korea. It is not the Republicans' political baby. They are not afraid of being accused of Communist appeasement. So they would be likely to deal forthwith and realistically with the situation. They would most likely decide that Korea means nothing to this country and have no illusions or political fears about withdrawing from the country and telling Stalin to go to hell, or maybe to turn the war over to the South Koreans and the Chinese Nationalists.

Supposing, however, Stevenson wins. Well, the Administration went into the Korean War because of the fear of the Republicans' charge that they were coddling Communists or were fellow travelers. They will now have gone to the country and beat the Republicans on that issue. They were unnecessarily worried. The issue can't be revived four years from now. The Communist issue will be something they have no longer to fear. So they, themselves, would be likely to kiss Korea off, to end it up in some sort of a propaganda splurge intended to make us feel we had outwitted the Russians, had won a victory, but of which, irrespective of how convincing the propaganda should be, the people would say the end of the war is o.k. with them.

Papadakos Opens

Nicholas J. Papadakos is engaging in the securities business from offices at 80 Wall Street, New York City.

G. C. Sexton Opens

WELCH, W. Va.—G. C. Sexton is engaging in the securities business from offices in the Vick Building.

P. Riley Co. Formed

SARATOGA SPRINGS, N. Y.—Philip Riley has formed Philip Riley and Company with offices at 246 Caroline Street to conduct an investment business.

C. S. Shealy Opens

OPELIKA, Ala.—C. S. Shealy is engaging in a securities business from offices at 115½ South Eighth Street.

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Rate Policy of FPC Toward Natural Gas Companies

By THOMAS C. BUCHANAN*
Chairman, Federal Power Commission

Limiting his discussion to the controversial subjects of the rate of return and the delays in fixing rates of utilities, Chairman Buchanan reviews recent natural gas rate cases. Denies Federal Power Commission has changed basis of rate determination as set up by the Supreme Court 30 years ago. Describes net investment base as followed by the Commission, and holds FPC should not and does not fix rates merely to maintain market value of securities. Points out efforts of the Commission to reduce "time lag" in fixing rates.

My discussion necessarily must be limited. So, to bring it into immediate focus I will confine it to two subjects which, I fancy, are those in which you are primarily interested, namely, rate of return and regulatory lag. That you are interested in the topic of rate of return is obvious, as I have said, from reading the financial press in recent weeks. Likewise, from panel discussions at the recent American Bar Association meeting in San Francisco, as well as from published reports to stockholders, it is equally obvious that regulatory lag is a matter of great concern. I will address myself to those subjects in that order.

Thomas C. Buchanan

Bases of Rate Regulation

It is generally recognized that public utility regulation is based on two fundamental premises:

First, it must be taken as a fact that all rate regulation is intended to limit earnings which, in itself, necessarily has a breaking effect on the market value of stock.

Second, since we are dealing with monopoly, it is axiomatic that there should be a reasonable return on the dollars invested in the project, but that there should be little, if any, relationship between such return and speculative profits.

The Northern Natural decision was handed down by the Commission on June 11 of this year—just ten days before I went on sabbatical leave (somewhat involuntarily), due to the fact that I had dared to express an opinion during the previous year that the Supreme Court had meant what it said in the *Interstate Natural Gas Case*,[1] as it related to the *Phillips Petroleum Case*,[2] now on appeal. It was not until almost three months later that the Northern decision reached open recognition in the financial news. No doubt all of you will recall the "Warning" that appeared in capital letters as an advertisement in the New York "Times" on Sunday, Sept. 7. The next day the natural gas market "slid off." To be sure there was a general market decline, but as critical as one may try to be, I doubt seriously if reasonable persons can charge that break to the Federal Power Commission, although some of our correspondents have definitely done just that. My own opinion is that, lacking any constructive motive, the so-called "Warning" was an ill-considered action, and demonstrated poor judgment. The analysis that appeared the following day, not only in the house publication, but likewise in the public press, announced to the world a change in rate policies on the part of the Federal Power Commission.

Now our approach to rate making is not a creature of our own devising, but follows the standard of the Brandeis dissent in the Southwestern Bell case,[3] and the decisions in the Bluefield Water case,[4] and the Hope Natural Gas case,[5] ranging from the early 1920's to 1943. So I believe I can assure you that there has been no change in our rate making from those standards and I know of none contemplated.

It is significant that during the three months interim between the issuance of our opinion in Northern Natural and the "Warning," our volume of mail did not increase materially and apparently the industry had not reacted unfavorably to our action in that case. In fact, one week before the "Warning" one service had recommended favorably some of the stocks which the "Warning" criticized. Actually the "Warning" coincided, time-wise, more nearly with the issuance of our opinion in the Colorado Interstate and Mississippi River cases, which may have some significance.

As I have said, actually there has been little change in Commission policy in respect to the determination of rate of return through the years the Commission has had jurisdiction over public utility rates. In this connection, it should be recognized that every member of the Commission in one or another of the these cases, Northern, Mississippi and Colorado, has approved the rate of return therein used.

The Commission has always determined the rate of return on the basis of the record before it, that is to say, on a case-by-case basis. This is made clear by the fact that in the first major natural gas rate case, Natural Gas Pipeline Company of America, decided in 1940, the rate of return found reasonable was 6½%. In the Mississippi River Fuel Corporation case, decided in 1945, 6% was found reasonable. In the Safe Harbor Water Power Corporation proceeding, 1946, which was an electric utility rate case, 5% was found appropriate. In the recent Colorado Interstate Natural Gas Company opinion, issued Aug. 8, 1952 5¾% was allowed; in the Mississippi River Fuel Corporation opinion, issued Aug. 4, 1952, 6% was found reasonable and in the Northern Natural opinion, issued June 11, 1952, 5½% was allowed. It is not accurate, therefore, to say the Commission has one rate of return which it applies regardless of the facts of the case.

FPC Follows Supreme Court Ruling

The fundamental principle in accordance with which rate of return determinations are made, not only by the Federal Power Commission but by regulatory commissions in general, was stated by the Supreme Court in the *Bluefield* case, decided about 30 years ago. The principle is:

"The return should be reasonably sufficient to assure *confidence in the financial soundness* of the utility and should be adequate, under efficient and economical management, *to maintain and support its credit* and enable it *to raise the money* necessary for the proper discharge of its public duties." (Emphasis supplied.)

That principle is just as applicable today as when it was first uttered.

Perhaps even more specific is the statement in the *Hope* case:

This is the Supreme Court speaking:

"Thus we stated in the *Natural Gas Pipeline Co.* case that 'regulation does not insure that the business shall produce net revenues.' 315 U. S. p. 590. But such considerations aside, the investor interest has a legitimate concern with the financial integrity of the company whose rates are being regulated. From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock. Cf. *Chicago & Grand Trunk Ry. Co.* v. *Wellman*, 143 U. S. 339, 345-346. By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital. See *Missouri ex. rel. Southwestern Bell Tel. Co.* v. *Public Service Commission*, 262 U. S. 276,291 (Mr. Justice Brandeis concurring). The conditions under which more or less might be allowed are not important here."

It is well known that the Federal Power Commission in determining just and reasonable rates employs what is called a net investment rate base. Broadly speaking, the net investment rate base consists of cost of properties used and useful in the public service, less accrued depreciation, with a reasonable allowance for required working capital. The Commission has used this method in all except its interim order in the Natural Gas Pipeline rate case, 1940, and the method was fully sustained by the Supreme Court in the "Hope Natural Gas Company Case" and other proceedings. The method is used widely throughout the United States, being employed by more commissions than any other rate base method. It is employed, for instance, by the Public Service Commission of New York.

In applying the principle of the "Bluefield Case," the Commission considers all the pertinent information bearing upon proper rate of return. In the formal proceedings before the Commission, comprehensive financial data are introduced in the form of exhibits by witnesses for the utilities and the Commission's staff, and extensive testimony is given in respect to the exhibits. These exhibits generally set forth in great detail interest rates on borrowed money, cost of preferred stock capital, cost of common stock capital, and cost of money to the company under consideration.

It is true that in reaching its conclusions, the Commission has emphasized the cost-of-capital concept specifically mentioned in the "Hope Case." This, however, is neither a new nor a novel emphasis. Financial data bearing upon cost of capital has been introduced in rate proceedings as far back as I can remember. Moreover, the cost-of-capital emphasis is employed not only by the Federal Power Commission, but quite generally by regulatory commissions in this country. There was no warrant, therefore, for the charge that the Commission in the Northern Natural and other recent cases has departed from its long-time practice.

The Role of Financial Data

It is likewise true that as more financial data in respect to electric and natural gas utilities become available, the Commission is enabled to refine somewhat its process of determining the rate of return. It was not long ago when practically all of the electric utilities were in holding company systems and it was most difficult to obtain satisfactory financial data in respect to operating electric utility common stocks. When the Commission first obtained jurisdiction over natural gas pipe line companies a similar situation prevailed. Now, however, information concerning the financial characteristics of more than 100 electric utility stocks is available, and along with the great expansion of the natural gas companies putting securities in the hands of the public, a wealth of information concerning natural gas securities is also becoming available. It is only natural as more and better data are available to the Commission that better analyses will be made and the process of determining rate of return refined and made more accurate.

Now the overall rate of return standing by itself does not mean very much in the analysis of common stock. The cost and quantity of senior capital must be taken into consideration. A 5½% return in one case could yield more on common stock than a 6% return in another case. In the Northern case the 5½% overall return provided 8.75% for common. The common amounted to 44% of the total capital. Northern's cost of debt capital was very low. I do not believe that 8.75% on common equity of a utility of Northern's standing can be said to be unreasonably low. The 6% found reasonable for Mississippi River Fuel Corporation contemplated 9.3% on common equity. In the Colorado case the 5¾% overall return allowed 8.45% for common equity. The returns on common equity are after allowance for cost of financing.

In determining the yield requirementts on debt capital we, of course, use the method employed in bond yield tables. Bonds may sell at a premium or a discount but knowing the nominal rate of interest, the term of the bonds and the market price, we can readily determine the relationship of interest to price. I would like to emphasize at this point that the yield on bonds is a relationship, the relationship of annual interest to current market with adjustment for amortization of premium or discount.

Now the use of a similar process is the best means of informing our judgment as to earnings and dividend requirements on common stock. If investors believe that for a given stock a yield of 6% and an earnings coverage of 9% are required to call forth their capital, then the stock will generally sell on the basis which reflects these facts.

Thus if the $9 dividend of A. T. & T. and earnings on that stock are related to the market value thereof, we get a reasonable approximation of the investor's requirement in order to put his money in A. T. & T. Investor requirements may vary from time

Continued on page 37

*An address by Chairman Buchanan before the New York Society of Security Analysts, New York City, Oct. 8, 1952.

1 *Interstate Natural Gas Company* v. *F. P. C.* et al., 331 U. S. 682.

2 *State of Wisconsin and P. S. Commission of Wisconsin* v. *Federal Power Commission and Phillips Petroleum Company*, et al., C.A. D.C. Ncs. 11,247, et al.

3 *Southwestern Bell Tel. Co.* v. *Public Service Commission*, 262 U. S. 276.

4 *Bluefield Water Works & Improvement Co.* v. *Public Service Comm.*, 262 U. S. 679.

5 *F. P. C.* v. *Hope Natural Gas*, 320 U. S. 591.

All of these shares having been publicly subscribed to, this advertisement appears as a matter of record only and is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Offering Circular.

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Sound Investment Programming For You

By GEORGE F. SHASKAN, Jr.*
Partner, Shaskan & Company
Members New York Stock Exchange
Members New York Curb Exchange

Mr. Shaskan compares sound security selection with the shopping tests women make when purchasing for the family. Sees three reasonable objectives for a sound investment program: (1) good income; (2) inflation protection, and (3) opportunity to share in the country's long-term growth. Warns against tips and lists rules for sound investing.

Perhaps at the outset we should set forth what you cannot expect from a sound investment program. In this way those of you who have been induced to come under the false pretense that you will leave with a magic formula to become very wealthy — or at the very least to make enough profit to buy that new fur coat you have wanted — can leave now and take care of the many pressing errands which I am sure all of you have. No, an investment program cannot be counted on to make quick profits. Now I know that all of us have heard about someone who became a millionaire with only a few hundred dollars; or someone else who bought a security at $10 a share and sold it three weeks later for $25 a share. I'm afraid that such incidents often have more romance than fact and in the very few cases where they have occurred represent special conditions which few of us are fortunate to share. On the contrary, those who have sought to make a "quick killing" in the market most often find that they have not only foregone reasonable returns but lost their investment too. The path of easy profit is strewn with the wrecks of best intentions and fondest hopes.

Geo. F. Shaskan, Jr.

On the other hand, a sound investment program can accomplish three very important goals. First, it can provide a reasonable income which is most important for the many individuals — particularly women who have a fixed number of dollars, the income from which is their only or principal source of livelihood. As you know savings accounts and Government bonds return only about 2½%; that is, for every $1,000 invested each of these two media would provide an income of about $25. It is my belief that a carefully considered investment portfolio can be counted on to return more than 5% on the average considering both good years and bad. This means that for each $1,000 invested, annual income would average some $50, or 100% more than in the previous example. It is interesting to note that taking all of the dividend-paying common stocks listed on the New York Stock Exchange, the rate of return for each of the past ten years based on the year-end price of each security was as follows:

Year	Rate
1942	7.8%
1943	6.1
1944	5.0
1945	3.6
1946	4.8
1947	6.3
1948	7.8
1949	7.0
1950	6.7
1951	6.5

*An address by Mr. Shaskan before the Women's Club of Scarsdale, N. Y., October 21, 1952.

At the present time a sound security portfolio could be obtained to yield more than 6%. However, it must be recognized that business today is at an all-time peak and dividends are commensurately high. There will be times when such a portfolio will probably yield only 3 or 4% and that is why I have used a figure for average rate over good years and bad of about 5%.

A second very important end which we can achieve with a sound investment program is some protection against inflation. Let us stop for a moment and go over a menu of one of the fanciest restaurants in New York—Delmonico's. I see that corn beef and cabbage costs 4 cents; roast beef, 5 cents; roast chicken, 10 cents; a regular full course dinner, 12 cents. Wait a moment, something must be wrong. Oh yes, this menu is about 100 years old. I'm sure that all of you shoppers know what inflation means. In the past ten years alone prices have doubled and the upward spiral shows little sign of relenting. This means that a dollar will buy only half what it bought a decade back—or put another way it takes $2 to purchase what $1 bought ten years ago. This is again a particularly difficult problem for those who have only a fixed number of dollars.

What some of you may not realize about inflation, however, is that it is not something new, or something about which we have to worry only a little longer. Actually, the record of prices over the long run is an upward one and over the past 100 years in this country the cost of living has jumped over 300%.

Inflation Protection

A sound investment program can provide some protection against this rise in living costs because many common stocks reflect this condition both in their price and in the dividends which they pay to their owners. Common stocks, after all, represent the equities in the nation's productive resources — its factories, its mines, its railroads, its utilities, etc. As prices rise these resources become more valuable measured in terms of prices; they produce greater earnings which in turn permit greater dividends. For example, during the price rise of the last decade an investment in an average group of securities on the New York Stock Exchange would have provided a total gain including dividends of about 35% after adjustment for the rise in the cost of living. This is not a great gain, but it is the protection which was so sorely needed.

The third goal which we can reasonably expect from a sound investment program is participation in the country's wonderful future. Despite all the talk of the passing of frontiers and false prosperity built on war, I have faith that our industries will continue to grow and that there will be more goods and services for all. Each of us cannot build a new aluminum plant or harness energy from the atom, or discover the hundreds of wonderful drugs and chemical products which will mark the years ahead. But by a judicious selection of securities of those companies who each day are conquering new economic frontiers we can share in this great work and reap handsome rewards in the form of capital appreciation and increased income. In the past decade we have seen almost a doubling of our economic resources. This I believe is but a beginning. Ten years from now we will produce and consume even more, and twenty years hence even still more. Of course, there may be ups and downs in the way, But the true investor can only take the long run view.

Well then—if these are the reasonable objectives of sound investing, how do we go about to achieve them? I don't believe that the road is as difficult as many people make it out to be.

Let us forget about investments for the moment and look at something with which I am sure you are all familiar. I have here an ordinary snow suit—the kind you might be buying this afternoon for Johnny or Suzy. What do you look for when you go out to but a snow suit? First, I am sure you ask yourself whether Johnny needs a snow suit or whether he might be better off with a jacket or a coat. In other words, you first answer the question—what do I want?

Then having decided on what you want you start looking. None of you I am sure buys the first snow suit that you see. You look at several — checking to see whether they are in style, whether they are well-made, whether they will give good service, wash well, and so forth. Finally, having to stretch the family budget as wide as possible, you shop around, you try to buy the snow suit you have selected as cheaply as possible. In other words, you are engaging in that honorable and intelligent practice of "comparative shopping."

Stocks and Snow Suits

Now, selecting a security is not very different from buying a snow suit. The first question we must ask ourselves is what do we want? Are we primarily interested in a good income or is income less important at the moment than inflation protection. Or perhaps, we just want to make sure that when Johnny gets old enough for college we will have a nest egg tucked away. Whatever the answer, our first question is to decide just what we want out of an investment program.

Now we are ready to select a security. Like selecting a snow suit we must ask ourselves a number of questions. Is the security in an industry which will grow and prosper in the future or is it likely to be a horse and buggy industry in an automobile age? This is equivalent to our checking the snow suit for style—in other words is it fashionable and likely to continue to be so.

Having made sure we have the right industry we must then look at a number of securities in that industry. We look over their earnings record to see how a particular company has fared in good times and bad, how it has weathered the stormy years and how it has prospered in the prosperous years. Closely related to earnings is the company's dividend record, since a company can disburse to its stockholders only what it has been able to earn. Figures of earnings and dividends are easily obtained —you can find them in almost any standard security reference book, or if this is not available to you, ask your broker. He will be glad to supply them. Looking at earnings and dividends is like checking to see how our snow suit will hold up, how it will wash, in short how serviceable it will be.

We must also look at a company's financial position—whether it has been conservative or prodigal in its borrowings, whether it has sufficient funds to meet its normal activities or to expand. These and many other questions about financial structure are available from the company's balance sheet. You can find such a balance sheet again either in one of the standard security reference books, by writing to the company for its latest annual or quarterly report, or by asking your broker. Balance sheet analysis may be a little difficult at first but with a little practice and working with your investment advisor you can soon learn to pick out a few of the essential highlights. Determining the soundness of financial structure is like checking our snow suit for soundness of workmanship.

Having made these four tests we are now ready for the final test—is the security priced right. We now have to do our comparative shopping. Naturally a security which has met the first four tests is also one which is likely to receive a good deal of interest from the investment community. Perhaps in the clamor to get aboard the price of such a security has been pushed out of line. Security prices after all like the prices of all other goods and services reflect supply and demand. If many people are interested in acquiring a particular security and few investors already holding that security wish to sell it, it is only natural that the price will rise—sometimes much too high. So we compare the price of comparable values in the same industry to try to obtain the best buy.

These then are five simple steps which the intelligent investor can easily take in selecting a particular security. I don't know why so few investors actually follow them. Perhaps it is because most people are so busy trying to make money that they have little time left over to invest it wisely. It is a truism that it is easier to make money than to hold on to it.

Or perhaps, most investors are in fact not investors but speculators. In other words they are really interested in making a quick profit, in beating the game, rather than having a sound investment program for the long run. The line between a speculator and an investor is not always easily drawn. However, I should say that if you look at the stock market page every day chances are you are a speculator. If, having purchased a security on the basis of the above five tests, you are concerned about its falling off a point or two, or wish to sell it because it is up a point or two—you are probably a speculator and not an investor.

Having established the tests which we must make in selecting a particular security, it is just another step to prepare an overall sound investment program. Such a program is simply a combination of well chosen individual securities. However, in preparing an overall program a number of general rules should be followed.

Far and away the most important is diversification. Since none of us is infallible it is important to have as many eggs in our investment basket as possible. Then if we have made a mistake or two it will not mean as much as if our entire capital were involved. Frequently I come across an investor who will buy only one stock—let us say American Telephone. Now I quite agree that American Telephone belongs in any well-rounded portfolio. However, it doesn't make any more sense to have nothing but American Telephone than it does to eat nothing but oysters.

Another important rule is to have patience. Many forces affect security prices. Some of these have little to do with the real value of a security. But in the short run they can have considerable effect on market action. If you have selected a security on a sound basis you should not be discouraged if it declines somewhat or if it fails to act as well as you had anticipated. You should certainly not rush to sell it because of a small gain when your original selection may have been predicated upon a long-run growth.

Tips Expensive

Beware of tips. Tips can be the most expensive kind of advice you are ever likely to get. And this is particularly true of a first tip which may work out well. From then on you are fair game for any rumor which may come along. A tip may not of itself mean that a security is either good or bad value but we must remember that investigation is the first step in security selection. Tips are usually appealing, that is why we are willing to follow some one for whom in other circumstances we might have little regard. That is why we sometimes listen to what the elevator man tells us he has heard from the chauffeur of the assistant to the President of a company. Remember most respectable officers of the companies do not reveal confidential material. Moreover, it is often possible that the management of a company may be so involved with day to day problems that it is unable to make an overall evaluation of its own security.

Don't try to beat Uncle Sam. Taxes are, of course, an important consideration in determining upon any action. However, if it is indicated that a security should be sold for investment reasons it should be sold and not held because of taxes which may have to be paid on profits or in order to take advantage of lower long-term capital gain rates. Holding a security that extra month may often result not only in a disappearance of any profits but a loss of the original investment itself.

Sacred cows, like tips, are likely to be expensive—beware of them. We all know at least one investor who has a particular pet. Perhaps it is a security which his grandfather told his father who in turn told him should never be sold. We must remember that we are living in a dynamic world, one in which we are constantly seeing the buggy being replaced by the auto, the coal furnace by the oil burner, the ice box by the refrigerator. Yesterday's heroes may well become tomorrow's duds. We must always be willing to take a fresh look at the economy and to make such changes in our investment thinking as are necessary to keep it up to date.

There are, of course, many other investment rules which we could discuss. It is certainly not possible to cover them all in these few minutes. However, I should like to add two more which are not generally found in the rule books but about which I feel quite deeply. The first, is that the conservative investor should stick to securities of companies whose main business is in either the United States or Canada. It seems to me that it is difficult enough to follow the fortunes of American corporations without trying to keep in contact with those outside the country. With foreign holdings, moreover, we must run additional risks such as exchange controls, confiscation, etc. I see no reason to take on this additional risk.

I think it is also a good idea to stick to securities which have been on the public market for a number of years. New issues — and by this I am referring to securities which are offered to the public for the first time, not additional shares of companies already on the market—often seem attractive. But here again, we do not know what the public acceptance for these will be and we probably have less information available with which to check them. I realize that in following this rule we will miss some wonderful in-

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vestments but we are more likely to miss the Tuckers and the hundreds of other issues which have become totally worthless.

You may well ask isn't there considerable risk attached to security purchases. I would answer this first by saying that there is a risk involved in anything you do or don't do. When you leave this lecture you will have to cross streets to get home. A great many people are run over every year. There is risk in keeping cash in your mattress. First, your house may burn down. More important, the purchasing power of your dollar, as we have seen, may be whittled away so that while you have the same number of dollars in the mattress each dollar will buy much less than previously. This loss is just as real as though you were to lose part of your money and prices remained stationary.

What has inflation done, for example, over the past decade to money kept in the savings bank or in an annuity? I am sure you will agree that both of these are normally considered extremely safe. However, including interest or annuities received, but adjusted for the rise in the cost of living, statistics show that the man who put $1,000 in the savings bank in 1940 had only the same amount 10 years later, while $1,000 put into an annuity 10 years ago is today actually worth in purchasing power only half.

Certainly it is true that security prices fluctuate and there may be times when the prices at which you can sell your securities may be less than the prices paid by you. However, we are assuming that except for special circumstances, or to replace one security by a better one, securities are being purchased for long-term holding. Over the long run I do not believe that there is much risk involved in a sound investment portfolio—unless the country itself becomes bankrupt, in which case neither cash nor government bonds will be any safer.

The Funds

For the small investor, investment companies, or what you may have heard referred to as mutual funds, offer many advantages. In brief, these investment companies do for the small investor what the large investor can do for himself. An investment company specializes in the management of investments for other people. It is much like any other corporation except that its assets, instead of being in the form of oil wells or rolling mills, are composed of stocks and bonds of other companies. These have been selected after careful study by the company's financial staff. Income received from such stocks and bonds and capital gains derived from their sale at a profit are passed along to the investor.

There is not enough time left to take up the subject of investment companies in detail. But in closing, some of their advantages may be briefly noted. First, they offer the investor wide diversification, our first and most important investment rule. A typical investment company will hold securities of 50 or 100 companies. The small investor normally could not acquire this degree of diversification. Secondly, because of the fact that an investment company represents the investments of thousands of investors totalling many millions of dollars, it is able to employ skilled financial advisors who constantly supervise its portfolio. Other advantages include convenient custodial arrangements, ready marketability and a host of others which we do not have time to go into now.

Doremus-Eshleman Merge Phila. Offices

William H. Long, Jr., President of Doremus & Company, advertising and public relations, and Benjamin Eshleman, President of the Benjamin Eshleman Company, announce the merger of the Benjamin Eshleman Company, advertising agency, and the Philadelphia office of Doremus & Company, Inc., effective Jan. 2.

The merged business will be operated in Philadelphia under the name of Doremus-Eshleman Company, a division of Doremus & Company, with headquarters at 1522 Locust Street. E. Howard York, III, Benjamin Eshleman, James J. D. Spillan, L. H. Greenhouse and B. Franklin Eshleman, II, will be Vice-Presidents with Mr. York serving as manager.

With reference to the merger, Mr. Long said: "Both Mr. Eshleman and I feel that this combination will benefit the clients of both agencies by increasing our facilities in all phases of advertising and public relations. It also provides a broader base for added business."

Doremus & Company, headquarters of which are at 120 Broadway, New York City, also has offices in Chicago, Boston, and San Francisco and correspondents in London.

Searight Retained by Scott, Khoury Co.

Scott, Khoury & Co., Inc., New York City, has retained the services of George A. Searight, Dealer Relations Representative, in connection with forthcoming public offerings of two new corporate originations.

Three With Wm. C. Roney

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Michael E. Roth, Lindley H. Stout, Jr. and Donald J. Wulbrecht have joined the staff of Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges.

Thomas Boynton With R. W. Pressprich & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Thomas W. Boynton has become associated with R. W. Pressprich & Co., 201 Devonshire Street. Mr. Boynton was formerly Boston manager for Dean Witter & Co. Prior thereto he was with Merrill Lynch, Pierce, Fenner & Beane and Laird, Bissell & Meeds in New York.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Mrs. Betty Butler has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 311 C Street.

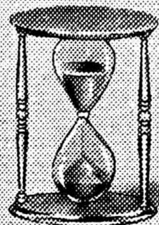
America's largest liquid library

It is located near the Kentucky border. As you walk in, your eye is struck by the hundreds of bottles, row upon row, shelf after shelf, that line the huge room.

Each bottle contains a different type of whiskey—samples in Schenley's vast blending "library." Every one has been specially made and aged to bring out its most notable quality: fine bouquet, rich or light body, tangy or mellow flavor.

Drawing upon this library—and their own great scientific skills—Schenley master blenders can combine in any one blend *all* the subtle qualities that please your taste. The Schenley library is the largest in America, in the variety and the quantity of its whiskies.

This library is a vital part of the complete network of quality controls that guard Schenley whiskies from the time the grain is grown till—years later—the whiskey is in your glass. This is Schenley's way of making certain that you get the utmost enjoyment in every drop of every drink. *Schenley Distillers, Inc., N. Y. C.* ©1952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The best-tasting whiskies in ages

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We Can Carry Through a Transition By Expanding Civilian Economy

By HERBERT R. SILVERMAN*
Vice-President, James Talcott, Inc.
President, National Conference of Commercial Receivable Companies, Inc.

Mr. Silverman, pointing to "profitable recession" of 1948-49, maintains we can weather forthcoming transition by expanding civilian economy. Says, with aid of finance industry, American business can carry through this transition. Cites as present elements of strength: (1) business has become less vulnerable to international uncertainties; (2) we have highest living standards in history; (3) we have expanding markets; and (4) our foreign policy coincides with domestic policy. Urges adoption of practical policies with respect to inventories, wages, prices, costs and credit. Holds we should have "more profitable recessions and less profitable prosperity."

We in business have endless arrays of advisers and prophets. Our peculiar difficulty is that in anxious times their prophecies are always so contradictory. One is kept so busy picking and choosing among them he has little time to ask whether they might all be wrong. Or right.

Herbert R. Silverman

Some observers consider another year of high level business activity inevitable. They are impressed by the size of personal income and the growth of personal savings. They find encouragement, too, in the expansion in the use of consumer credit and the greater willingness of some consumers to increase their purchases.

Certainly all the portents make its seem rather likely that the current boom will continue as far in 1953 as we can see ahead. But I would not go so far as to say that this is inevitable. In business, as in love, war and politics, nothing is inevitable.

The late Wesley Mitchell, the great Columbia economist, spent his lifetime studying the business cycle. Among the conclusions to which he was compelled by a host of facts were two. One was that every boom generated its own slump. The other was that every slump had its start in the midst of the preceding boom and was often well on its way before the boom reached its peak.

These are sobering facts. I do not recall them to dim your enthusiasm about the business outlook. I merely wish to make the point that good times, like hard times, do not "just happen." They result from decisions.

Proper Policies Are Important

If our present level of business activity is maintained, it will be because the policies we adopt tend to promote its maintenance and because we refuse to adopt policies which would tend toward business contraction. "We" in this context means, in our democratic society, all decision-making groups, not business alone.

I emphasize the negative as well as the positive side of our common responsibility because the commercial finance industry has recent experience of its truth. In 1946-47 we faced, just as we do in 1953-54, the need to effect a transition from an economy dominated by military expenditures to one dominated by civilian expenditures.

At that time, in a single year, 1946, government purchases for defense dropped 95 billion dollars. These, like any other figures I shall use, are 1951 dollars. There were soothsayers then who said that another depression was inevitable. If we had adopted policies that flow from such prophecies, it would have been a terrible blunder. But we did not.

The commercial finance industry helped to finance the transition from a war-time to a peacetime economy. Our industry made a contribution out of all proportion to its relative size. For it exists and prospers because it is a flexible and mobile source of credit, one that moves with sales and keeps pace with the need for its services.

Our customers like the rest of progressive businessmen effected speedy reconversion and went all out to recapture the civilian market. All of us remember how, in war plants we visited, special purpose tools were shoved aside or put outside in the snow to make room for civilian goods assembly lines.

We are accustomed to give major credit to pent-up demand for cushioning the transition in 1946-47. But we should not overlook the role played by progressive business and those who finance its operations. I say that not because we businessmen are looking for bouquets. As a matter of fact, we are too accustomed to dodging brickbats.

In 1946-47, by following the wrong policies, we could have blundered our way into a recession. We must not forget that now, when we are close to the peak of a boom the like of which neither our own economy nor any other has ever seen. For in spite of the many elements of strength which support that boom, in spite of the momentum of this unprecedented forward movement, there is just as great danger today of blundering our way into a recession.

In fact, as I see it, that is easy. We have only to adopt mistaken policies which are being urged upon us by some of our political leaders on the one hand, and by some business and labor leaders on the other.

Task of Business in the Transition

How mistaken these policies are will be seen when we recall the task that faces American business. To effect the transition of 1953-54, we need to expand the civilian economy, just as we did in the transition of 1946-47. But six years ago the amount of the cutback was equal to nearly a third of our total output. This time it is less than 10%. Then orders were cancelled in one fell swoop. Now the transition will be more gradual.

But government expenditures will remain relatively high, even when we achieve economy and efficiency in the government — which I hope we are all determined to do. Because of that long-term trend in government spending, we shall have to guard, in the period just ahead, against further inflation. At the same time we shall have to be ready to check any deflationary tendencies. For these could prevent us from carrying through an orderly adjustment of our production and distribution programs to the needs and possibilities of the civilian economy.

I believe that American business, aided by the finance industry of which we are a segment, can carry through the expansion of the civilian economy needed to effect the transition if it is given the opportunity. I believe the transition ahead can be completed just as successfully as the one six years ago.

The Role of Credit

In the process, of course, credit will play a key role. If it is able to function as it should.

I emphasize the "if". I do so because, if we are to keep the economy on an even keel, surging ahead at an adequate but not an excessive speed, we must be sure that credit is available, when and where it is needed, and to the extent it is needed.

Our credit policy must be one that will avoid speculative excesses. Yet it must also make possible the expansion in the production and distribution of consumers goods that our goal of economic stability in transition requires.

One of the Presidential candidates has not discussed this problem. The other remarked the other day: "I shall hope to be able to work with the Congress to prepare a set of restraints upon excessive private credit which will keep the money market on an even, non-inflationary keel."

It is difficult to guess what he had in mind. But many of us who have considered this situation look upon these hints with considerable foreboding.

For we know that farm commodity prices have been in a nearby downtrend since the Spring of 1951. The Department of Agriculture recently forecasted that meat prices, which have been in the vanguard of rising food prices, would soon become more reasonable. The prevalent opinion among businessmen is that there will not be a general upsurge in prices.

In this situation, the voluntary exercise of responsibility by the finance industry for curbing credit excesses is all that is required. By adopting a credit restraint program that blocked the channnels of credit, we could easily blunder our way into a recession.

We need not do that even as a standby measure, for such a measure would only create business uncertainty. In the unlikely event of a new threat of runaway inflation, we would still need a credit policy aimed to achieve stability not a rigid credit restraint program that would destroy all chances of achieving stability.

In credit policy there are a few alternatives. In that unlikely situation, the only choice would be between centrally-administered direct controls over credit to business and the consumer and a voluntary program of credit restraint administered as a public duty by the various sectors of the finance industry.

To operate the first, you need legislative ceilings and you need a large administration drawn from the finance industry. The administrative structure is rigid, cumbersome and expensive. You must embark on a sea of regulation where all the charts that you have tell you that previous adventures have been failures.

To operate the second, you have only to ask the industry to cooperate, make it possible for it to set up the necesary voluntary committees, and fix responsibility upon the industry and its representatives to achieve the goals. Our experience proves that this approach has worked well in the past every time that it was tried. This voluntary method is flexible, simple and inexpensive.

No Inevitable Drastic Readjustment

Another way by which we can blunder into a recession is by lending a gullible ear to those in business who say that a drastic readjustment is inevitable. I think this opinion arises from a misunderstanding of our economic growth in recent years and from a failure to appreciate the possibilities in the years ahead.

Is the current boom a South Sea bubble that is going to burst? Have we been setting up companies "to make salt water fresh," to obtain "oil from poppies," as the English did in the heyday of their classic speculative boom?

All that we have really done in recent years is to expand our capacity to make weapons of war. Except for a prudent amount, we have not been stockpiling these economic liabilities. We count these efforts as a calculated economic loss, the price of security.

Much more of our effort in recent years has gone into the expansion of the goods and services needed to maintain high levels of living for all our people. Even at the peak, the military economy will account only for about 18% of our total output.

It may take a high order of genius to prevent any interruption of the network of exchanges required to distribute the goods that pour from our horn of plenty. But the same determined planning and action by industry that produces the goods can bring about its distribution.

This was proved in the so-called recession of 1948-49 — the most profitable recession American business ever had. We are in an era, it seems, of more profitable recessions and less profitable peak prosperities.

On the basis of expanded consumer purchases and increased business investment, total output in 1948 reached a level of $280 billion. Then in 1949, when business investment dropped $10 billion, total output declined by a third of a billion.

From 1949 to the beginning of the third quarter of 1950, consumer buying increased 12%. This huge demand for goods started production upward in late 1949 and early 1950—nine months before Korea.

The Federal Reserve Board's index, which seeks to measure the actual volume of goods turned out by industry, rose from 176 in mid-1949 to 183 by January, 1950, and to 199 by June, 1950. The level of production in June, 1950, was well above that of mid-1948.

When we made the fateful decision to halt the red hordes that threatened the peace of the world, we were well on the way toward a level of peacetime prosperity without precedent in our history.

Strong Cards We Have to Play

Then Korea came and we sacrificed our peacetime prosperity in an effort to maintain world peace. We cannot hope to go back where we left off. We must deal with a new situation. Here are some of the strong cards we have to play:

1. Business is less subject to uncertainties arising from international politics. We have succeeded in rearming without increasing the danger of global war. Now we can move from strength in efforts to lessen the war danger.

2. We have gone a long way toward correcting the maldistribution of income. As a result, our people enjoy the highest levels of living in history. But we have only scratched the surface of the possibilities of scientific technology. The next business expansion will make much higher levels possible.

3. Our markets are expanding or ripe for expansion. There will be tremendous opportunities for businessmen who know how to use them.

4. Our foreign relations responsibilities demand that we bend every effort to keep our allies, against Russia's efforts to split them away. This puts pressure on the government to see that our economy does not generate inflationary or deflationary influences abroad. The goals of foreign policy now coincide with the needs of the domestic economy.

These important elements of strength give us a strong hand to play. But we still must do the playing. In the very important fields of inventory, wage, price, cost and credit policy we have decisions to make, decisions that could dissipate our strength or build upon it.

One important element of strength is that a substantial measure of recovery has been achieved during the past year in the consumer goods sector. The commercial finance industry, while playing a great part in the achievement of military strength, also helped to get these producers and distributors out of the doldrums.

Our industry took a firm stand against business speculation. We recognized that the inventory situation growing out of the uncertainties of the outbreak of war in Korea required speedy correction. But we sensed that the situation was one with which progressive management could cope.

It was clear that inventories were somewhat excessive for a period in which a major war was not too likely. But it was equally clear that, in a period of higher levels of business activity, inventories must necessarily rise to some degree. We called, therefore, for the orderly liquidation of inventories. This has taken place to a substantial extent.

Our industry can take considerable satisfaction in the help it gave its customers to achieve this partial correction of the inventory situation. We refused to be stampeded by panic. We were keenly alive to the dangers of the situation, but we were just as keenly alive to its possibilities. We took a realistic view, and the passage of time has shown that it was the correct one.

Now we must carry this through to a conclusion. Some elements of inventories being carried by some companies represent a management effort to avoid coming to grips with realities. This is not a widespread problem in business and I suppose that in aggregate amount the total of unjustified inventory is not large by any standard. But there is no use riding a dying horse.

Managements should take advantage of continuing prosperity to strengthen their positions. Sound inventories are an important element of strength. Slow-moving, overpriced or obsolescent inventories are an element of weakness in any business.

That is a minor problem that bulks small on the economic horizon. There is another that is much more general. Last year we had to caution against exaggeration of the problem of heavy inventories. This year we are running to the problem of companies tending to carry their inventories at low unworkable levels.

Danger of Inventory Expansion

If consumer buying continues to expand at rates presently indicated, there will be great temptation next year for such companies to expand inventories helter-skelter once again.

In many situations—most obviously in the cases of rapidly expanding businesses—some further expansion of inventory is inevitable. To achieve the expansion of the civilian economy that our situation will require, we will need a normal expansion of inventory for some industries, just as we will need a normal contraction of

*An address by Mr. Silverman at 8th Annual Convention of the Commercial Finance Industry, New York City, Oct. 27, 1952.

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inventory in the case of some others.

But we have no need at all for speculation in inventory. The commercial finance industry, I am sure, will urge its customers to exercise the greatest caution in considering abnormal expansion of inventory. Each particular case must be judged on the merits of its peculiar situation.

It is far more prudent to risk the loss of a speculative profit than to risk a very real financial loss.

American industry has always thrived on initiative, imagination, resourcefulness and risk. In a certain sense, we of the financial community are appraisers of such qualities. Our responsibility, however, is to see that the end result justifies the effort.

There will be many opportunities for legitimate venture in a period when the domestic market is being cultivated. Indeed, if businesses are to grow, they must be encouraged to avoid speculative risks and to concentrate their energies on productive opportunities. Our industry has a prime role to play in this process.

All of us, I suppose, could match the story of one of our members who takes the greatest pride in the growth of a small manufacturer of truck trailers in a little country town. This manufacturer started out in a very humble way. However, in filling war contracts, he developed plant capacity which he believed made it possible for him to compete with large, well-established companies.

Our member felt that his faith was justified and supplied him with the financing he needed. His balance sheets now are a record of achievement of the kind that is part of the story of America. From a small business his company had developed into one of the more important in his field.

Bright Spots in Situation

There are many such opportunities in this land of ours. For example, laboratory research is paying off for some companies. Our industry is familiar with the newer synthetic products, each with its special characteristics. New products and new versions of established products are the dividends from technological advance.

Even more promising are the new production, merchandising and marketing methods which some companies, with the help of members of our industry, have been able to introduce. One case stands out in my mind, that of a manufacturer of laminated steel products, who formerly employed five laminating ovens. When the rise in labor costs threatened his price structure, he purchased, with our assistance, a single oven with a built-in conveyor which replaced the five existing ovens. Now he gets an improved product at a lower cost. The process takes ten minutes where it formerly took one hour. Here, then, is an example where our financing made it possible for a company to make their operation more efficient and less costly.

A more striking example, perhaps, is the revolution in the construction industry brought about by the development of the newer types of construction equipment. You have only to watch these vast earth-movers leveling and grading a complex of hills to appreciate what changes invention has wrought in the face of the land. They are not mere labor-saving devices. Like the electronic brains, they enable man to do jobs that were not possible before.

Most promising of all is the opportunity to improve the quality of products, an opportunity that should lie within the reach of most progressive managements. The new labor-saving equipment and the new materials-handling equipment that our companies have helped to finance enabled management to manufacture improved products.

The plastics and the electronics industries — which, to a degree, have been nurtured with our funds—are the new industries of our day just as automobiles and radio were the new industries of a generation ago. There will be many others if ever the war clouds are dispersed.

Production gives us the dramatic episodes of business, but merchandising and marketing often offers equal opportunities for building profits. Many of the four million businesses in America reach only the margins of their potential markets. Prosperity is dispersed into the far corners of our economy by the zeal of our distributors. This expansion of the domestic market, often helped in part by our industry, is all to the good.

Some years hence we may be able in the same way to expand our foreign markets. During the past year, for the first time since the end of the war, we witnessed the beginnings in recovery of some sectors of our world market, particularly in Latin America. Our industry provided part of the funds which facilitated the flow of goods to and from these markets.

But all these opportunities in production and distribution can only be realized if enterprise is promoted by sound economic policy. We need an economy stabilized at a very high level of output employing all our resources to the full. But it must be a dynamic stability, one which permits sound gradual expansion. Stability in the midst of sound growth must be our watchword.

The much-debated area of price policy provides an apt illustration. There are some who say that the consumer feels that prices are too high. There are others who say that prices will never come down.

Must Expect Changing Prices

In the history of prices, periods of stability are very rare. In our own history since 1820, there were only two relatively brief periods when consumer prices were fairly stable. The characteristic of prices is change.

Whenever prices are strongly influenced by buyers or sellers or consciously controlled by government, disparities occasionally develop between particular prices and sets of prices. If this is not corrected in prosperous times, it is corrected—often over-corrected—in recession.

Thus in every boom there comes a time when price corrections are in order. Management and its advisers, then, would do well to look at the prices with which they are concerned to determine if any is "too high" with respect to other prices and to the needs of an expanding market.

In most lines, a buyer's market is the prevalent type, even in boom. In any period of active competition, American prices recede. Often we are unaware of this because price tags escape change. A better product is offered for the same price. The quality of the materials is improved. The design or the incorporated workmanship are changed. Or the associated services are increased.

Hasn't the American standard of living been raised this way over the past 150 years? Yes, it is the normal course of American business. It strengthens our economy, it does not weaken it. The consumer is a complex economic personality. But his income is much too high to focus his interest on the price tag alone and distract it from the goods which "dangles" from the tag.

The moderate consumer pressure on prices has called attention to production costs and spurred progressive management to action which will eliminate the rigidities that bring about recessions.

Watch Production and Credit Expansion!

Business must never become complacent about production costs. It is convenient to speak about fixed costs, but we must not let them become fixed ideas. Our industry, by financing out-of-season production, has helped the men on the production line to reduce the waste of overtime. This is only one of the many ways we have helped to level out the peaks and the valleys in production.

Linked closely with this is wage policy. Great advances in personal income in recent decades have resulted from steadier employment. These advances, I think, outweigh the rises in wage rates. They must not only be safeguarded. They must be extended. Very great advances in personal income still are possible by spreading the full employment policy further and further throughout our economy.

The full employment policy can as readily be defeated by an irresponsible wage drive — in the name of an "improvement" or a "productivity" factor or some other high-sounding name for a grab — as by a general rise in prices.

Without wage stability, we cannot hope to have the level of business investment required in the transition period. Labor, just as readily as management, can price its product out of the market. Fortunately, there seems to be more general appreciation of this fact.

Credit policy is another critical area where we must act responsibly or pay the price. Many people talk about credit policy as if it could be employed as a panacea to avoid recession. It can serve only as one element in a counter-depression program, as one element in a program of dynamic stabilization.

But there are no panaceas in economic policy. During the past year one of our great research agencies, the National Bureau of Economic Research, published a very interesting, if highly technical, study of factors affecting the demand for consumer instalment sales credit.

This study examined the facts about the frequent attempts in the past to control the flow of consumer credit by juggling credit terms. It reached this conclusion: "These terms are of only limited importance in the determination of the demand for instalment sales credit." Then it went on:

"The main factor underlying such credit is income, which, when it rises to high levels, brings a high level of instalment sales credit, and when it reaches low levels, reduces consumer desire to use credit."

If, by failure of other elements in a dynamic stabilization program, personal income is allowed to zoom upward, control of consumer or business credit cannot correct the situation.

A realistic credit policy can be relied upon, however, as one element in a comprehensive program. It will provide credit where it is needed and in the amounts justified by the needs of the economy and divert it from the places where it would produce effects detrimental to the nation's economic requirements.

Our industry is one that has its roots in the past. But our vision is ever forward. We do not shrink from the challenges or the opportunities of the day. We welcome them.

Back more than a century ago, in 1835, Richard Cobden, the great economic statesman of England when she was on the threshold of her greatest period, visited this country.

He marveled at what he called our "prodigious advances." But he had a word of warning for us.

"Wait the ordeal of wars, distresses and prosperity—the most dangerous of all—which centuries of duration are sure to bring to your country," he said. "These are the test."

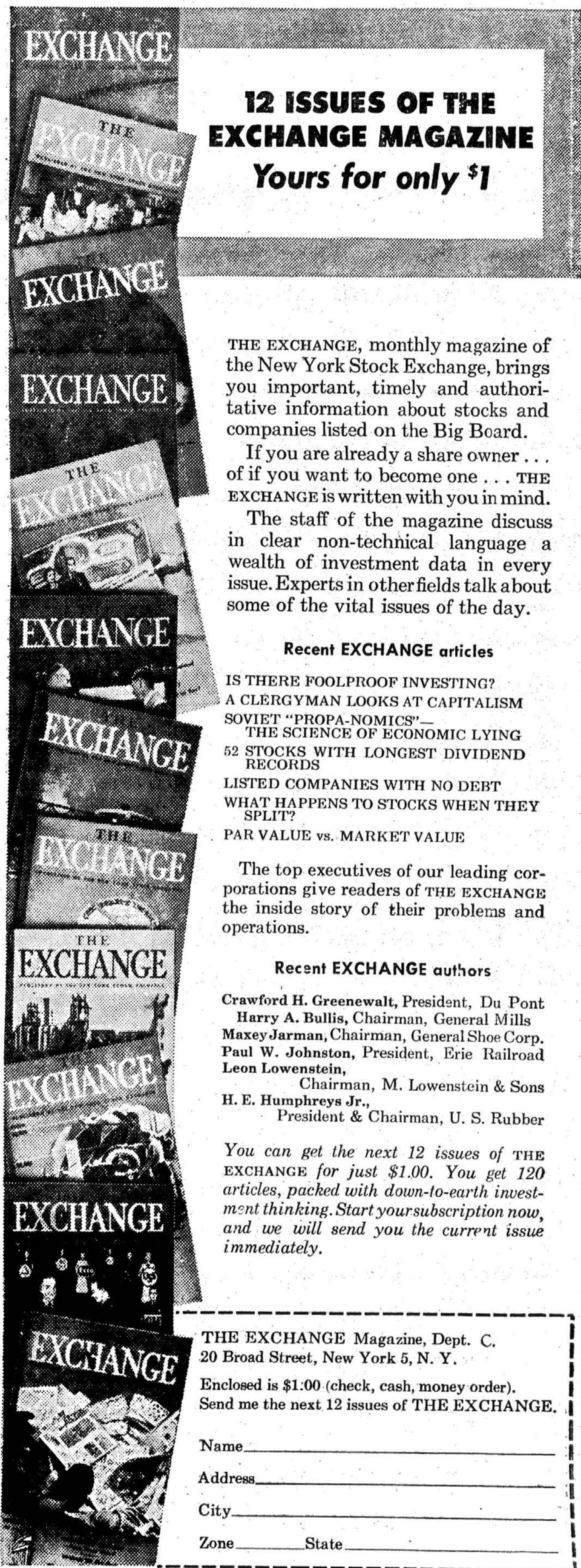
We have had the wars. We have endured the distresses. And now we must deal with that period most dangerous of all, prosperity.

Cobden was right, I think, in setting out that the way we dealt with it would be a test of our greatness. These are times that call for genius, that cry out for daring, that demand the utmost in responsibility from leaders in industry, labor and government.

It is easy to go chasing after panaceas. But the times call for practical programs that will be effective in a period without precedent in our history. When put to the test, our industry, I am confident, will not be found wanting.

L. A. Huey Forms Own Company

OMAHA, Neb.—Lee A. Huey has formed L. A. Huey Co. with offices at 325 Aquila Court to act as underwriter and participating distributor and dealer in public utility, industrial and municipal securities. Mr. Huey was formerly Vice-President of Chiles, Huey, Schutz Co.



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Television's Increasing Service to Utility Industry

By DR. CHARLES B. JOLLIFFE*
Vice-President and Technical Director, Radio Corporation of America

In pointing out value of television in adding to revenues of power companies, RCA executive reviews progress of television industry during the experimental period. Says "we are on our way to a truly nationwide television service," and reveals problems facing successful color television. Comments on other electronic advances, and holds "super-brains machines" are no longer in dream stage. Finds television beneficial to industry, science, education, security, and other nonbroadcast endeavors.

It was my pleasure early this year to have participated in the work of the Committee of the American Institute of Electrical Engineers, which selected Mr. Arthur E. Silver of Ebasco Services to receive the Lamme Medal for his pioneering achievements which led to widespread rural electrification. Were it not for his farsighted efforts, many of the great market areas in this country still might lack adequate power supply. And, consequently, my theme for discussion today—television — might have held but slight interest for those of you who have journeyed to New York from those areas.

Dr. C. B. Jolliffe

As it stands, I believe we can join unanimously in a salute to the progress evident on many sides of our kindred industries. Television is on the verge of service to the entire Nation. Only a few years hence, the number of television receivers in American homes within range of one or more of some 2,000 TV stations may exceed 50 million. To television pioneers and planners, this expanded service will mean realization of long-cherished hopes and dreams; to utility men, it means important electrical appliance sales and additional power load.

The dollar value of television to the power industry increases with each new set owner. Although one set uses only a relatively small amount of electricity, the great number now in use brings about a major increase in the over-all power load of each community. Present estimates place the added revenue to your industry, directly traceable to power consumption by television home receivers, at $200 million a year.

This nation-wide figure is based upon a conservative average of local rate schedules from coast-to-coast and power used by the average TV set. It represents an attractive percentage as compared to the present annual going rate of $3 billion for the television industry itself—including sales of sets, tubes, parts, transmitters and associated studio equipment.

Moreover, the growing TV power load does not take into consideration added use of electricity by families remaining at home to enjoy television; nor does it encompass revenue to utility companies from TV station operations. The former load increase, as you doubtless will agree, is extremely difficult to ascertain with exactitude; the latter, however, can be determined with reasonable accuracy.

The power consumed by the five television stations atop New York's Empire State Building, for example, is 250 KWH. Lighting and other studio requirements add substantially to that rate. Thus, at New York prices, these five transmitting stations alone expend in the vicinity of $120,000 a year for power.

The estimated total of electrical consumption by television studios and transmitters in the United States approaches $2,500,000 a year.

With some reservations hinging on the complexity of the New York electrical market, Consolidated Edison attributes $12 million of its increase in revenues during the 12 months ended June 30, 1952, to home television usage.

Brighter Look Ahead

As substantial as this revenue from television may appear, the outlook for the months and years ahead is still brighter. Six years ago, when the post-war television surge began, New York had less than 7,500 sets. Today, there are more than three million set-owners — or three out of every four families in the New York market. The national total of set-owners now exceeds 19,000,000, and 110 stations are on the air in 65 cities.

Every available television channel in the VHF (Very High Frequencies) is in use by New York's seven licensed TV broadcasters, four of which serve as key outlets of networks spanning the country from coast to coast. Telecasts originating here for transmission over the networks total nearly 300 in an average week.

Our local utility company, setting a pattern of operations for many others in TV communities, has been a steadfast believer not only in the value of the television receiver to boost residential power loads, but also in its own use of television as an institutional and merchandising medium. It has two popular commercial programs; one of them on the air five times, and the other 17 times each week.

Those among you who are awaiting television's arrival in your community may find helpful guidance in the detailed record of achievement of a prominent Mid-Western utility company, which went all-out for TV the moment its city's first station opened for business.

Recognizing an opportunity to sell more electricity, this company's entire chain of command, from the president down, joined forces to assist in making the community television conscious. They believed that a pioneering job of promotion had to be done on television, just as it had been performed for radios, ranges, water heaters and appliances.

But in this case, it was more than the TV set that needed to be popularized. Broadcasting itself had to be sustained by advertising before an audience could be properly developed.

The normal thing to do would have been to give the local station an order for a program. But the thinking of this utility group went beyond this. They saw the necessity for liaison men and women who could work with the newly organized TV station and in turn assist the electrical industry to increase television time and audiences.

The responsibility was divided into two parts. First the work with the industry to promote the sale of receivers and to aid in establishing adequate servicing facilities was assigned to a seasoned sales counselor, and the dealer sales representatives working under his direction.

The second responsibility was that of directing the public's attention by means of television to beneficial uses of electricity. This task was given to the utility's home economics specialist. She spent several weeks in New York City, Hollywood and other TV cities learning techniques of producing shows. Returning, she went on the air when the one local station operated less than 25 hours a week and "grew up" with it.

It didn't take long for the utility company to find justification of its faith in television as an effective merchandising medium and load builder. The success of its home-making program grew by leaps and bounds. Time on the air was increased from 15 minutes to 45 minutes daily, and the show attracted 14 sponsors.

The television station itself, less than three years after opening, was broadcasting 5,865 air minutes a week—with 1,136 minutes, or 19.4%, sponsored by the electrical industry. The utility company assisting this station estimated a gain in consumption of 250,000 kwh. for every 1,000 television sets added to the area.

This is but one example of what television can mean to an enlightened utility organization. I am sure this story will be repeated many times in the next few years as more and more new television stations begin operations.

Earlier Promise and Challenge

Now that television has ascended to a place among this country's most eminent arts and industries, it may be difficult to recall those earlier days and years when the hope of linking sight with sound broadcasting flickered but dimly in the laboratory. Yet, less than a generation ago, this was true.

Research requirements alone—in the beginning and for nearly two decades—were so enormous that only those imbued with an intense pioneering spirit dared to pursue television's complexities and challenges. Behind the ultimate success are not only these years of research, involving application of many scientific principles and the work and effort of many individuals, but a great faith in research and the willingness of management to back this faith with money and facilities.

The largest role in the advance of this industry was played by industrial research and development laboratories, much of the work being done by the laboratories of the Radio Corporation of America. In taking credit for the industry in general and RCA in particular, I do not minimize the accomplishments of many pioneers in the field of fundamental science and research. It is on the foundation of their work that the development rests. I do, however, want to use this development as an illustration of how industrial research laboratories play an important part in our economic and industrial life.

Until the beginning of the 20th Century the work of applying new scientific knowledge to the development of new instruments and industries was a hit-or-miss process. Inventions were largely the result of the work of individuals, many of whom had little or no direct contact with pure science. As a rule, the inventor was largely dependent upon his own efforts to focus attention on

Continued on page 44

*An address by Dr. Jolliffe before a conference of utility executives, sponsored by Ebasco Services, Inc., New York City, Oct. 6, 1952.

Continued from page 9

Steel Hormones and the Ferro-Alloy Industry

stainless steel. Ferro-vanadium and, to a limited extent, vanadium pentoxide, are used in the manufacture of high grade steels requiring toughness and resistance to shock; such as tool steels, heavy duty forgings and castings, springs of various types, etc. Ferro-silicon is used as a deoxodizing agent more generally than other alloys, except ferro-manganese, for the manufacture of steel and iron. The Grainal (boron) alloys are multiple element ferro-alloys used in boron-treated steels. These steels have been produced in increased quantities in recent years of alloy shortages. They contain iron, vanadium, titanium, aluminum, boron, zirconium and manganese.

Vanadium Corporation has benefitted, of course, from the accelerated growth of the ferro-alloys industry and from the company's expansion program completed to date. Our sales of $36,000,000 in 1951 were 245% of our sales in 1941. During that interval, total steel production tonnage rose to 127% of the 1941 production while alloy steels rose to 138% of similar production in 1941.

Sales and Earnings Increase

Our sales in 1951 were 22% above the previous record high volume of $29,000,000 achieved in 1950 and more than double the $17,500,000 of 1949. Last year's profit of $2,005,585, or $3.62 per share on the 554,679 shares of capital stock now outstanding, compared with earnings of $2,234,121, or $4.03 per share in 1950, based on present capitalization. Our increase in the quarterly dividend payment in September, last year, from 50 to 60 cents per share, brought total payments to stockholders in 1951 to $2.10 per share, against $1.20 per share paid in 1950.

All things considered, the showing for 1952 to date has been quite satisfactory. Notwithstanding the longest, strike-imposed stoppage of steel production on record, the company's sales for the nine months ended Sept. 30, 1952, were about $26,700,000, which exceeds the $26,281,843 sales volume for the corresponding period of 1951.

Net income after all charges and taxes for the first nine months this year topped the $1,511,017 earned in the corresponding period a year ago, even after absorbing in charges approximately $460,000 of amortization in excess of normal depreciation and start-up expense of new facilities. Computed on the basis of the 554,679 shares of capital stock now outstanding, the profit for the nine months last year was equal to $2.72 per share.

The increase in the number of shares of Vanadium Corp. capital stock outstanding during the past year or more has resulted largely from the conversion of the company's 3½% debentures due Oct. 1, 1965. All of the debentures which remained outstanding were called on Aug. 4, for redemption on Sept. 3, 1952.

I presume that you would wish me to look into the crystal ball and project our operating results into the future. Despite the steel strike, our sales for all of 1952 will be better than those of 1951. The showing will be the best in our history. Despite increased costs, our earnings for 1952 should approximate or exceed last year's.

Continued Growth in Prospect

Our older facilities are operating at capacity, and this quarter we are coming into additional production in new plants. I believe that in the year 1953, the demand for ferro-alloys will continue at a high rate, along with a large demand for steel. Vanadium Corporation should receive additional benefits from the contribution of new facilities during the year. All in all, our 1953 outlook for sales and earnings is favorable.

So far as concerns the longer term outlook, I believe that the ferro-alloy industry can be expected to continue its growth, over the years ahead, whether we have war or peace.

Herbert B. Schwabe With Coburn & Middlebrook

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Herbert B. Schwabe has become associated with Coburn & Middlebrook, Incorporated, 292 Worthington Street. Mr. Schwabe in the past conducted his own investment business in Hartford and has recently been connected with Putnam & Co.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York (STANY) Bowling League standing as of Oct. 23, 1952 are as follows:

Team —	Points
Donadio (Capt.), Demaye, Whiting, O'Connor, Rappa, Seijas	31
Murphy (Capt.), Manson, D. Montanye, O'Mara, Pollack, Gavin	25
Hunter (Capt.), Klein, Weissman, Sullivan, Murphy, Searight	24
Goodman (Capt.), Smith, Valentine, Meyer, Farrell, Brown	24
Meyer (Capt.), Kaiser, Swenson, Frankel, Wechsler, Barker	22
Serlen (Capt.), Gersten, Krumholz, Rogers, Gold, Young	21½
Mewing (Capt.), Bradley, Weseman, Hunt, Gronick, Huff	18
Burian (Capt.), G. Montanye, Voccoli, Siegel, Reid, McGovern	17
Lytle (Capt.), Growney, Craig, Fredericks, Bies, Lyons	16½
Leone (Capt.), Greenberg, Tisch, Werkmeister, Leinhard, Lopato	15
Krisam (Capt.), Ghegan, Jacobs, Gannon, Cohen, Strauss	14
Bean (Capt.), Frankel, Casper, Nieman, Bass, Krassowich	12

200 Point Club
Arthur Burian

5 Point Club
Joe Donadio
Richy Goodman

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Investment Bankers Ass'n of America Receives Nominees for Year 1953

CHICAGO, Ill.—Ewing T. Boles, President, The Ohio Company, investment banking house of Columbus, O., has been nominated as the next President of the Investment Bankers Association of America, it is announced by Joseph T. Johnson, The Milwaukee

Ewing T. Boles

Malon C. Courts

Lewis Miller

Ralph E. Phillips

Walter A. Schmidt

Norman P. Smith

Company, Milwaukee, President of the Association. Named with Mr. Boles are the following nominees for Vice-President:

Malon C. Courts, *Courts & Co.*, Atlanta.
Lewis Miller, *The First National Bank of Chicago*, Chicago.
Ralph E. Phillips, *Dean Witter & Co.*, Los Angeles.
Walter A. Schmidt, *Schmidt, Poole & Co.*, Philadelphia.
Norman Smith, *Merrill Lynch, Pierce, Fenner & Beane*, New York.

Nominations, made by the Board of Governors, are considered tantamount to election in the IBA, which will act on the ticket at its annual convention scheduled for Nov. 20-Dec. 5 at the Hollywood Beach Hotel, Hollywood, Fla.

Mr. Boles has been in the securities business for more than a quarter of a century. As an undergraduate he attended the University of Illinois and Centre College, Danville, Ky., and upon graduation from Centre in 1916 entered the College of Law, University of Kentucky. During World War I he served as Ensign in the United States Navy. He is a past national President of Phi Kappa Tau fraternity.

In 1926 Mr. Boles was appointed Central Ohio representative of Halsey, Stuart & Co. Inc., Chicago. Three years later he joined the BancOhio Securities Company as sales manager and within six years was made President, a post he held until 1942 when the name of the BancOhio Securities Company was changed to The Ohio Company. Mr. Boles has served The Ohio Company from inception as President and Director and continues in that dual capacity. The Ohio Company is one of the leading investment banking houses in the Middle West and is a member of the Midwest Stock Exchange.

Through his active participation in the affairs of the securities business and the offices he has held in various trade groups, Mr. Boles is widely known throughout the financial community. He served as a Governor of the Investment Bankers Association of America from 1948 to 1951, was elected a Vice-President in 1951, and previously, 1945-47, was Chairman of the Ohio Valley Group, one of the 18 regional divisions of the IBA. He has served on numerous committees of both the Ohio Valley Group and the Association and for the past three years has headed the important Group Chairmen's Committee of the national organization. Positions of responsibility held in other trade organizations in the investment field include: President, Investment Dealers of Ohio, Inc., 1945, and Governor, National Association of Securities Dealers, Inc., 1949-52.

In addition to heading The Ohio Company Mr. Boles is a director of numerous business and industrial organizations, including Federated Publications, Inc., White-Haines Optical Company, Ohio Valley Baking Company, Universal Concrete Pipe Company, and Tiffin Art Metal Company.

Civic affairs and philanthropy absorb considerable of Mr. Boles' time and energy. For example, he is President and a member of the Board of Trustees of the Gladden Community House and a Trustee and Chairman of the Finance Committee of the White Cross Hospital, both of Columbus.

"As head of the Group Chairmen's Committee, Ewing Boles has significantly served the IBA in integrating Group and national Association policies and procedures," President Johnson said, "and his enthusiastic leadership has stimulated greater activity and cooperation at the Group level."

Mr. Boles has been vitally interested in and has constructively supported the merchandising and public relations phases of the Association program, according to Mr. Johnson, who pointed out that the efforts of the IBA in these areas will undoubtedly be continued and even expanded under the incoming President.

"Ewing Boles has shown that he can win cooperation and get things done," Mr. Johnson declared, "and under his direction 1953 should be a year of real progress for the Association."

New Inventions

By ROGER W. BABSON

Mr. Babson describes what electronic developments are doing in saving time and labor, and forecasts that progress along this line may counteract evils of inflation. Suggests possible new uses of electronics, in field of business and of medicine.

Electronic developments may largely counteract the evils of inflation. In fact, they may cause the value of the dollar to increase for awhile. I feel so strongly about the importance of new inventions that I keep, at my own expense, two full-time experts at the Patent Office in Washington to watch for revolutionary discoveries.

Roger W. Babson

Newer forms of electronic equipment are helping business and industry to operate faster, more accurately, and at lower cost. Electrical computers, recording oscillographs, mass spectrometers, electron diffraction cameras, electron microscopes, strain measuring equipment, and the complex analytical instruments used in the oil and chemical industries are accomplished feats. Electronic perceiving, memorizing, calculating, and concluding mechanisms will be widely used to see and act far beyond man's physical powers.

Engineers have developed automatic electronic equipment which reduces by at least 50% the time required to make color plates for printing. This reduces costs, saves time, and assures high-quality color reproduction. The telephone and telegraph companies and the railroads have already made very important savings in time, labor, and equipment through the use of electronic mechanisms and devices. The air lines and the military forces have found them invaluable. Only the bus companies lag in the procession of progress.

Now Saving Time and Labor

An electronic inventory control system will accomplish, in a matter of days, what ordinarily takes scores of people a period of several weeks. In the field of medicine the electron microscope, which magnifies more than 350,000 diameters, is bringing to light much new information regarding viruses, bacteria, cells and tissues. There is also electronic equipment for the inspection of medicines, as well as of food and beverages, which will prove big labor and time savers.

I am told a large insurance company will displace 1,000 women with new electronic equipment. All the above will be greatly hastened by the new "transistor," a tiny device using a germanium crystal which will replace present tubes. This should greatly reduce the cost and size of electronic machines.

Great Changes Possible

Biologists believe that a primary purpose of food is to develop electronic waves in the body which directly stimulate our nerves, brains, and blood; while indirectly stimulating our hearts, stomachs, and other organs. Hence, these questions arise: (1) Instead of heating the air in our homes and offices in winter, why not, electronically, merely heat our bodies? This might eliminate present heating systems and the use of fuel. (2) Could not the necessary food consumption be radically cut by treating, electronically, the food we eat either before or while eating?

Homes may have something about the size of a small radio with push buttons. Push No. 1, all those in the room will laugh; push No. 2, and they will all cry; push No. 3, and they will all enjoy beautiful music, but without a sound in the room; push No. 4, and their thinking powers and memories will quickly be stimulated so that they can answer questions like the "Quiz Kids."

Physical Check Ups

Having matched the progress of the Electronic Medical Foundation, located at 2452 Van Ness Avenue, San Francisco, Calif., I recently sent them a small sample of my blood to be electronically studied. It seems fantastic, but their diagnosis corresponds very closely with the "check up" which my physician gave me after the use of various machines and the consuming of considerable time. I surely would not recommend such electronic tests as a substitute for present medical diagnoses; but they may become of valuable assistance and have definite curative powers.

Surely tremendous material advances are ahead. It is most important that our grandchildren develop spiritually at the same rate.

Corning Glass Common Stock Oversubscribed

An underwriting group headed jointly by Harriman Ripley & Co., Inc. and Lazard Freres & Co. yesterday (Oct. 28) offered 104,104 shares of Corning Glass Works common stock at $67.50 per share. The offering was quickly oversubscribed.

The offering does not constitute new financing and the company will receive no part of the proceeds of the sale. It is being made from a number of individual and trust accounts of the Houghton family for purposes of diversification and to adjust investment holdings within the various accounts. The offering is a small part of their holdings and is less than 4% of the company's outstanding common stock.

Corning is a large domestic producer of glass bulbs and tubing used by others in the manufacture of incandescent and fluorescent lamps, radio and electronic tubes and television picture tubes. It manufactures a line of houseware products including those of heat resistant qualities familiarly known by the Pyrex trade-mark, products of fine glass sold under the Steuben trade-mark, lighting ware, special lenses and color filters, thermometer tubing, laboratory ware for research and analytical purposes and special purpose products for use in manufacturing processes. Its products do not include ordinary containers or flat glass.

Corning has emphasized research and development over the years, which has led it into the development of types of glass products not closely related to its own general lines. This resulted in the formation with Pittsburgh Plate Glass Co., Owens-Illinois Co. and The Dow Chemical Co., respectively, of Pittsburgh Corning Corporation in 1937, Owens-Corning Fiberglas Corp. in 1938 and Dow Corning Corp. in 1943. Corning presently owns 50% of the capital stocks of Pittsburgh Corning and Dow Corning. It holds as an investment 1,050,000 shares, or 33.3% of the outstanding stock of Owens-Corning Fiberglas.

Newport News Shipbuilding and Dry Dock Company

Quarterly Statement of Billings, Estimated Unbilled Balance of Major Contracts and Number of Employees

Billings during the period:	Three Fiscal Months Ended Sept. 22, 1952	Three Fiscal Months Ended Sept. 24, 1951	Nine Fiscal Months Ended Sept. 22, 1952	Nine Fiscal Months Ended Sept. 24, 1951
Shipbuilding contracts	$11,992,763	$ 6,898,922	$49,028,303	$25,937,036
Ship conversions and repairs	10,239,364	8,437,402	35,113,664	21,225,444
Hydraulic turbines and accessories	1,431,108	1,570,858	3,465,624	3,536,534
Other work and operations	2,159,545	1,749,264	7,667,911	5,745,477
Totals	$25,822,780	$18,656,446	$95,275,502	$56,444,491

	At Sept. 22, 1952	At Sept. 24, 1951
Estimated balance of major contracts unbilled at the close of the period	$299,615,713	$383,174,597
Number of employees at the close of the period	16,146	13,377

The Company reports income from long-term shipbuilding contracts on the percentage-of-completion basis; such income for any period will therefore vary from the billings on the contracts. Contract billings and estimated unbilled balances are subject to possible adjustments resulting from statutory and contractual provisions.

By Order of the Board of Directors

October 22, 1952 R. I. FLETCHER, *Vice President and Comptroller*

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Bank and Insurance Stocks

By H. E. JOHNSON

This Week — Bank Stocks

Bank stocks have performed much better than the general market so far this year. In fact, according to some averages, New York bank stocks have recently reached the highest point since 1937.

For 1952 "Barron's" bank stock group average has ranged between a high of 82.63, reached Sept. 25, and a low of 73.45, recorded on April 24. It started the year at 74.52 and on Oct. 23 stood at 80.09. Thus, for the year to date, the group average has gained by 5.57 points or approximately 7.5%.

At the same time the general stock market as measured by the Dow-Jones Industrial Averages has actually declined. This index has ranged between a high of 280.29, reached on Aug. 11, and a low of 256.35 on May 1. The averages started the year at 270.38 and on Oct. 23 were at 263.87. This amounts to a decline of 6.51 points or approximately 2.4% for the year.

While bank stocks as a group have acted considerably better than the general market, all of the stocks have not participated in the trend towards higher prices. In fact there are a number of issues in the New York group that have actually recorded declines since the first of the year. In other cases changes in prices have been nominal.

It is interesting to review the individual changes of different stocks. Accordingly, we have prepared a tabulation of the 17 major banks in New York City and six of the leading institutions in other sections of the country. Price changes since the end of the year together with the 1952 price range are presented:

	Market Bid Price			1952 Price Range	
	Dec. 31 1951	Oct. 29 1952	Point Change	High	Low
New York City—					
Bank of Manhattan	34⅜	33½	— ⅞	37	31⅜
Bank of New York	357	359	+ 2	382	340
Bankers Trust	47½	50½	+ 3	50½	44⅜
Chase National	38½	43¼	+ 4¾	45½	37½
Chemical Bank	46½	49	+ 2½	50	44¾
Corn Exchange	66½	63	— 3½	69¼	63
Empire Trust	135	153	+18	161	131
First National	408	389	—19	411	368
Guaranty Trust	298	328	+30	336	285
Hanover Bank	94½	95	+ ½	98	87¼
Irving Trust	22¼	22	— ¼	23	20¾
Manufacturers Trust	60⅛	63½	+ 3⅜	65	57½
Morgan (J. P.)	248	278	+30	278	238
National City	47⅝	51⅛	+ 3½	52⅞	45¼
New York Trust	113½	113½	—	118½	103
Public National	48½	46½	— 2	49¾	44½
U. S. Trust	238	258	+20	267	239
Outside New York—					
Bank of America	28	30½	+ 2½	31⅛	28
Continental Illinois Nat'l	77½	87½	+10	88¾	78
First National—Boston	46½	50	+ 3½	50¾	46
First National—Chicago	212	236	+24	245	208
Mellon National	350	345	— 5	372	340
Security First (Los Ang.)	89	96¼	+ 7¼	99	83

Large gains have been recorded among some of the higher-priced issues such as Empire Trust, Guaranty Trust, J. P. Morgan and U. S. Trust. First National after adjusting for the 200% stock dividend paid early in the year, is still below the Dec. 31 price.

Among the other stocks, Bankers Trust, Chase National, Chemical Bank, Manufacturers Trust and National City have made good gains. With the exception of Mellon National, the showing among some of the out-of-town banks has been uniformly excellent.

Fundamental factors, including prospective earnings and dividends, indicate a continuing strong demand for bank stocks over the remaining months of the year. They are one of the few groups which will report higher earnings for 1952 over those of the previous year. Also, there have been several dividend increases and only one or two reductions. There are additional increases or extras in prospect over the next two months.

For this reason and considering the market performance so far, it seems unlikely that tax selling will be an important factor in the remaining two months. While there may be some switching out of New York bank stocks into institutional shares in other areas, it seems more likely that bank shares may be looked upon as replacements for other stocks that are sold for tax losses.

Thus, this reasoning would indicate that market for bank stocks could remain strong over the next several months.

COMPARISON AND ANALYSIS

17 N.Y. City Bank Stocks

September 30, 1952

Bulletin on Request

Laird, Bissell & Meeds

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

Stone-Webster Add

Stone & Webster Securities Corporation, 90 Broad Street, New York City, announces that Robert E. Pine, James T. Phillips, Jr. and D. Charles Morganthau have become associated with the firm in the institutional sales department.

Hays Opens Office

(Special to THE FINANCIAL CHRONICLE)

RICHMOND, Calif.—M. R. Hays has opened offices at 2201 Macdonald Avenue to conduct a securities business.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Joseph A. Martino, President of the National Lead Company, at 111 Broadway, New York has been elected a member of the Board of Directors of the **Chase National Bank, of New York**, it is announced by Winthrop W. Aldrich, Chairman of the bank's Board. In addition to serving as President and Director of National Lead, Mr. Martino is also a director of Allegheny Ludlum Steel Corp., Baker Castor Oil Company, Doehler-Jarvis Corp. and National Cylinder Gas Company, and a trustee of the **Hamburg Savings Bank of Brooklyn**. He is also a Vice-President of Lead Industries Association and a director of the National Association of Manufacturers.

Joseph A. Martino

* * *

Morse G. Dial, President of Union Carbide & Carbon Corporation, has been elected a trustee of **The Hanover Bank of New York.** He succeeds the late Fred H. Haggerson, Union Carbide Chairman, who had been a Hanover trustee since 1948. Mr. Dial, who has been President of Union Carbide since last April, also is a director of The Prudential Insurance Company of America. A graduate of Cornell University, he joined Union Carbide in 1929, advancing to Assistant Secretary and Assistant Treasurer in 1939, Secretary and Treasurer in 1945, Vice-President and director in 1949, and Executive Vice-President and member of the Executive Committee in 1951.

Morse G. Dial

* * *

John Reginald Turner is leaving the employ of **The Corporation Trust Company of New York** after 50 years to retire on Nov. 1.

John R. Turner

Incidentally it is noted that Mr. Turner is probably more widely known to New York lawyers than any other one man in the city.

* * *

George C. Johnson, President of **The Dime Savings Bank of Brooklyn, N. Y.** and William A. Scott, Executive Vice-President and Treasurer of **Cohoes Savings Bank, of Cohoes, N. Y.**, were re-elected Chairman and Vice-Chairman, respectively, of **The Savings Banks Retirement System** at the annual meeting of the Trustees of the System on Oct. 23. Robert Matherson, Jr. was re-elected President of the System. Charles Diehl and William W. Sullivan were re-elected Vice-President and Assistant Vice-President, respectively. E. Henry Powell was elected Assistant Vice-President, C. Arthur Baumann was elected Mortgage Officer, and Edward J. Lacombe and Mary F. Stow were re-elected Treasurer and Secretary respectively. The Trustees reported the System's assets, as of Sept. 30, 1952, of $21.9 million and participation in the System by 98 banks and 4,537 employees.

* * *

More than 1,000 persons attended the 13th Annual Dinner of the 25 Year Club of **Manufacturers Trust Company of New York** held Oct. 23, in the Grand Ballroom of the Hotel Astor at which time 70 new members were admitted. The Club now totals 633 members. Horace C. Flanigan, President of the Trust Company, was host. He was assisted by John W. Gorman of the 39th Street (Manhattan) Office, retiring President of the Club. Officers elected for 1953 were: William O. Walter, President, Matthew McKinney, Vice-President and Russell Eberhardt, Secretary-Treasurer.

* * *

R. G. Follis, Chairman of the Board of Standard Oil Company of California, was appointed a Director of **The National City Bank of New York** at the regular meeting of the bank's Board of Directors on October 28. Mr. Follis joined Standard Oil Company of California in 1924 after his graduation from Princeton. He became President of the company in 1945 and Chairman of the Board on Jan. 1, 1950. He is a former General Manager of Standard's manufacturing department, and in recent years has been active in the management of Standard's foreign interests. He is a director and Vice-Chairman of the Board of Arabian American Oil Co., and Chairman and director of Trans-Arabian Pipe Line Co. Mr. Follis is also a director of **Crocker First National Bank of San Francisco.** He is a trustee of the National Industrial Conference Board and of the United States Council, International Chamber of Commerce; Vice-Chairman of the National Petroleum Council; and director of the American Petroleum Institute, National Association of Manufacturers, and Standard Research Institute.

* * *

Arthur S. Kleeman, President of **Colonial Trust Company of New York** has announced the promotion of Richard H. Von Ohlsen to Assistant Secretary and Assistant Treasurer. Mr. Von Ohlsen has been Department Head of the bank's IBM Tabulating Division and he will continue to be associated with Colonial's program for increasing mechanization in those departments where machine operation is considered feasible. Before joining Colonial Trust Company in 1946 Mr. Von Ohlsen had been with **County Trust Company, White Plains.** He served with the United States Air Force during World War II.

* * *

Portraits of Presidents of the United States, from George Washington to Harry S. Truman, done by a contemporary American artist, Constance Joan Naar, of New York City, will be placed on display from Oct. 31 to Nov. 27 in the windows of the **East River Savings Bank, of New York**, at 41 Rockefeller Plaza. The showing, which will also include related Americana, will open on Nov. 1 with the pictures of the 32 Presidents and on Nov. 5 will be augmented with a portrait of the President-elect. All of the portraits to go on display, it is stated, are originals although most of them have previously have been published in "Presidents of the United States" by Jane and Burt McConnell.

* * *

At a meeting of the shareholders of **The Franklin National Bank of Franklin Square, N. Y.** on Oct. 22, a payment was approved of a stock dividend of 4,300 shares payable to the holders of 337,000 shares of record as of Oct. 21. In announcing the action of the shareholders, Arthur T. Roth, President of the Bank, stated that this action is in line with the policy of the bank in issuing stock dividends in lieu of cash. However, it is announced any shareholder wishing to sell his dividends will be able to do so through a market established by the following underwriters: Blair, Rollins & Co., Inc., Grimm & Co., Hornblower & Weeks, Boenning & Co., W. C. Langley & Co. and Hallowell, Sulzberger & Co. Mr. Roth also stated that the value of dividends this year were running at a rate of approximately $3 per share which is considerably above the usual annual cash rate of $2 per share. The shareholders approved the sale of 33,700 shares of new stock at $44 per share. Rights will be issued to the present holders of stock entitling them to subscribe for one new share for each 10 shares held by them as of Oct. 21, at a price of $44 per share. The proceeds of the sale of this new stock issue will increase the bank's capital funds approximately $1,500,000 bringing the total capital funds over $10,000,000. Rights to subscribe to the new stock will expire 3 p.m. on Nov. 7. The **First National Bank of Floral Park, N. Y.** was consolidated with the Franklin National Bank on Sept. 26, as was noted in our issue of Oct. 2, page 1242.

* * *

The Office of the Comptroller of the Currency at Washington in its Oct. 20 circular states that a merger certificate was issued Oct. 10, approving and making effective as at the close of business that date, the merger of the **Citizens National Bank & Trust Company of Fulton, N. Y.** with common stock of $125,000, into the **Oswego County National Bank of Oswego, N. Y.** with common stock of $500,000. The merger was effected, it is stated, under the charter and title of the Oswego County National Bank. At the effective date of merger, the merged bank had a capital stock of $625,000, divided into 25,000 shares of common stock of the par value of $25 each; surplus of $840,000; and undivided profits of not less than $275,000. The offices of the Citizens National Bank & Trust are operated as a branch.

* * *

At a meeting of the Corporators of the **Connecticut Savings Bank of New Haven, Conn.** held Oct. 20, Alfred R. Hall was elected an Assistant Secretary of the bank. Mr. Hall was for a number of years employed by the Broadway Bank & Trust Company as Chief Teller, later becoming associated with Scovell Wellington & Company, Auditors. Mr. Hall became associated with the Connecticut Savings Bank in July 1939, as a teller, and has been employed in that capacity since that date. When the North Haven Branch of the Connecticut Savings Bank

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opens about Dec. 15, Mr. Hall will be Manager of that Branch.

* * *

The new Berkeley Heights, N. J., office of the **Citizens Trust Co. of Summit, N. J.**, will be formally opened Nov. 1st. The Berkeley Heights office at 372 Springfield Avenue, near Snyder Avenue, offers to the residents of the Passaic Valley area a conveniently located banking office with complete banking facilities and ample parking space. The senior officers of the institution include: John D. Hood, Chairman; Harry W. Edgar, President; Robert O. Peterson, Vice-President, and John K. P. Stone, Jr., Assistant to the President.

* * *

Announcement to the effect that the proposed merger of the **Peoples First National Bank & Trust Company** and the **Colonial Trust Company**, both of **Pittsburgh, Pa.** was called off on Oct. 21, was contained in the Pittsburgh "Post Gazette" of Oct. 22, from which we also quote:

"Because of various complications involved in the merger of a State and National bank, the boards of directors of the respective institutions have decided to discontinue negotiations on the merger of the two banks," Robert C. Downie, President of the Peoples First Bank, and C. A. McClintock, President of the Colonial Trust, said in a joint statement.

A committee representing the directors of the two banks has been seeking to develop a consolidation plan since last December. The Peoples First and the Colonial are the second and third largest banks in Pittsburgh. Had they been able to merge the combined banks would have had assets in excess of $600 million, and able to provide increased financial service to individual customers.

* * *

The election of Herman Henninger as a Vice-President of **International Bank, Washington, D. C.**, a non-Government bank founded 32 years ago, has been announced by T. Reed Vreeland, President. The bank, organized by private investors in 1920, is engaged principally in financing American foreign trade and cooperating with American business in expanding overseas operations. Mr. Henninger is also President of the bank's New York affiliate, **International of Washington**, a wholly-owned subsidiary with offices at 608 Fifth Avenue, New York City. Prior to joining the bank in 1951, Mr. Henninger was an executive of the Bank of The Manhattan Company, International Acceptance Bank, Inc. and American Continental Corp. In addition to the New York City affiliate the bank has affiliates in Paris, France, and Panama City, Panama.

* * *

The capital of the **First Minnehaha National Bank of Minneapolis, Minn.** was increased, effective Oct. 14, from $100,000 to $300,000 by a stock dividend of $200,000.

* * *

Fifteen New Orleans firms have agreed to underwrite the proposed sale of 25,000 additional shares of $20 par value capital stock of the **Hibernia National Bank in New Orleans**, proceeds of which are to be added to capital and surplus, according to Stanley H. Dodds in his financial column in the New Orleans "Times-Picayune," of Oct. 17. The item added that "also proposed is a plan to increase the dividend on an annual basis from $1 to $1.50 by declaring 37½ cents in December, payable Jan. 1, 1953, and quarterly thereafter, if earnings justify, instead of a semi-annual dividend of 50 cents." The account in the "Times-Picayune" added.

"Stockholders will vote on the proposals at a special meeting Nov. 6. The stock, if the plans are approved, will be offered at a price of $40. Shareholders of record Nov. 6 will be offered the right to subscribe for the new shares at the rate of one for each four shares held. Subscription rights will terminate at 2 p.m. Nov. 21."

The underwriting group is headed by Scharff & Jones, Inc., and White, Hattier & Sanford.

* * *

With the closing of the books on Oct. 21, **The First National Bank in Dallas, Texas** completed a capital financing plan which added $5,000,000 in new capital to the bank's resources. Another $1,000,000 was added by a stock dividend of 2 shares for each 15 held. These changes in the capital structure gave the bank $15,000,000 capital, $15,000,000 surplus, $4,000,000 undivided profits, and $3,000,000 reserved for contingencies, thus providing a $37,000,000 capital account. Ben H. Wooten, First National President, said "we feel certain that our new capitalization increase will enable us to continue our growth and increase the effectiveness with which we can serve the interests of our customers and ultimately our stockholders." Warrants issued on the basis of four shares of the new issue for every 15 shares of the old stock held were almost all exercised and the issue heavily oversubscribed, the bank reported. E. O. Cartwright, resident partner of Merrill Lynch, Pierce, Fenner & Beane, and W. C. Jackson, Jr., of the First Southwest Company, acted as co-managers of the underwriting. In connection with the new capitalization, the par value of the bank's capital stock was reduced from $16 per share to $10. The capital expansion program, approved by the stockholders on Oct. 7, was referred to in these columns Oct. 16, page 1458.

* * *

The Anglo California National Bank of San Francisco has acquired the business of the **Kern County Bank** and now operates the latter's offices in Taft and Oildale, Calif., as offices of the Anglo Bank, as of Oct. 27. In a joint announcement, Allard A. Calkins, Chairman of the Board of Anglo Bank, and H. F. Owen, President of the Kern County Bank, stated that arrangements were completed on Oct. 25, as a result of which the Anglo Bank has acquired the assets and assumed the liabilities of the Kern County Bank. The addition of the offices in Oildale and Taft gives Anglo Bank four offices in Kern County. The Anglo for many years has had two offices in Bakersfield. All members of the Kern County Bank's staff will continue in their present positions in both cities, Mr. Calkins said. Directors of the former Kern County Bank have been appointed members of an Advisory Board, headed by H. F. Owen as Chairman, for the two new Anglo offices. The members are Angus D. Crites, H. J. Crossan, N. H. Farnham, Raymond Grey, H. A. Hopkins, L. H. Houchin, C. W. Johnston, W. E. McFaddin, Frank Noriega and R. A. Sperry. H. J. Crossan, who served as Executive Vice-President of the Kern County Bank, has been appointed Vice-President and Manager of Anglo's Oildale office. Howard Sehlin, previously Manager of the Kern County Bank's office in Taft, has been appointed Assistant Vice-President and Manager of Anglo's office in that city.

With J. A. Hogle

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Hugh S. Jenings is now affiliated with J. A. Hogle & Co., 507 West Sixth Street.

R. C. Spangler Opens

WILLIAMSON, W. Va.—Richard C. Spangler has opened offices in the Cinderella Building to engage in the securities business.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market still appears to be on the constructive side, despite backing and filling on not too heavy volume. Some believe this might be the forerunner of a reversal in trend. To be sure, the market is still feeling its way because it is not out of the woods yet. However, the opinion seems to be growing that the Treasury market is in the process of making a bottom. This does not, however, indicate a sharp upturn in quotations because there will be profit taking and more of the backing and filling operation that is so necessary to establish a solid base. With somewhat enlarged volume which is being looked for in not a few spots, a much improved trading market would not be unexpected.

The intermediate and longer term government issues in the eligible group continue to attract attention. Lengthening of maturities seems to be the important factor in the bank list. Out-of-town institutions are the leaders in these operations.

Tax switching seems to be gaining in momentum, with these swops tending to make the 2½s due 1962/67 pretty much the leading issue in the eligible list from the replacement standpoint. The tap bonds, it is believed, should be more responsive to the general market betterment because the demand should be fanning out for these obligations.

Bank Eligibles in Demand

The eligible sector of the government market appears to be getting the bulk of the attention at present, although there has been a modest pickup in demand for the ineligible obligations. The broadening of the interest in the bank securities is bringing about a better tone in the intermediate and longer term issues. Deposit institutions are showing more of a tendency to lengthen maturities, and this appears to run all the way through the eligible list. It seems to involve exchanges from Treasury bills and other near-term maturities, to the highest yielding issues, with most of this maturity lengthening being done now by the out-of-town banks.

It seems as though the commercial banks believe that the time is not unfavorable to put more funds to work in the longer maturities and higher income Treasury obligations. This moving out in maturities by the deposit banks has had a favorable influence upon the prices of these obligations despite profit taking.

Even though there has been a moderate increase in volume and activity, the market is still thin and quotations can be moved about rather readily in both directions. Sellers, it seems, are now beginning to take a longer look at their intermediate and longer term holdings, before letting them out and this has made the market rather thin on the upside from time to time. However, it is still a trading market as far as most of these securities are concerned and sharp enough rises in quotations is still bringing bonds into the market for sale.

Current Bank Favorites

According to reports, the specific issues that appear to have appeal as far as the commercial banks are concerned are the same old favorites led again by the 2⅜s due 6/15/58. Dealers and investors alike continue to indicate this issue is still the bellwether of the recently rejuvenated eligible list with a broad trading market keeping this obligation at the top of the pile. It seems as though the 2½s due 1962/67 have taken over the second spot from the 2¼s due 6/15/59-62, although this is debatable because not a few operators continue to report the June 2¼s as among the better liked obligations in the bank list.

Likewise, there appears to be a fairly good demand for the longest eligible bond, the 2½s due 9/15/67-72, with some question as to whether or not this issue is not closing in rather rapidly on the other bank obligations as far as demand and leadership is concerned. The important factor at the moment, in addition to the yield, is the price appreciation that can be obtained in the eligible market. This appears to make the September 1967/72's a very attractive issue from that standpoint. All of this, to be sure, assumes that a turn has been or is about to be made in the higher income Treasury market.

Tax Selling Continues

Tax exchanges continue to add to the government market volume and activity and there are indications this will continue to be the case for quite some time now. These switches, according to reports, is one of the reasons why the 2½s due 1962/67 have come more prominently into the picture. It is believed that some of the deposit institutions have been taking losses in the 2½s due 9/15/67-72 and putting the proceeds principally into the 2½s due 1962/67. This does not mean that switches are not being made into the other eligible issues, but for the moment it seems as though the 1962/67's have an edge over the others for reinvestment purposes.

The ineligible bonds have been moving about in line with the bank issue, but there does not yet seem to be the same quality or quantity of investment in this group as in the eligibles. To be sure, there have been somewhat enlarged takings of the tap bonds, but these positions do not appear to be of the more permanent variety. The usual buyers, private pension funds, state funds and a few more of the formerly stock minded individuals have been putting not too sizable amounts into the ineligible bonds. There are still, however, enough nongovernment commitments and obligations around to detract from the restricted Treasury issues.

The prime rate is still a factor as far as the government market is concerned, but with declining importance it seems. What was a really hot subject not so long ago appears to have cooled off considerably. No change in this rate should be bullish on long governments.

Anheuser-Busch Stock Publicly Offered

Public offering of 356,717 shares of Anheuser-Busch, Incorporated, $4 par value common stock at $22 per share was made yesterday (Oct. 29) by a nationwide group of underwriters headed by Stifel, Nicolaus & Co., Inc.; Reinholdt & Gardner, and Newhard, Cook & Co.

The offering comprises common stock already outstanding and owned by L. Busch Faust, Vice-President and a director of the company, other members of his family, and the trustees under trusts established by his mother, the late Mrs. Anna Busch Faust. None of the shares is owned by Anheuser-Busch, and the company will receive no part of the sale's proceeds. The offering represents about 8% of the company's 4,475,000 common shares outstanding.

In 1951 the company completed its 99th year of operation with record sales of $179,405,026, compared with $151,565,906 in 1950. Shipments totaled 5,479,314 barrels, compared with 4,888,732 barrels the preceding year. Net earnings were $10,776,927 or $2.41 a share, as against $13,247,712 and $2.94 a share in 1950. Dividends of $1.20 a share, including 20 cents extra declared in December, were paid in 1950 and 1951, and four 25 cent quarterly dividends have been declared so far this year.

In the seven months ended July 31, 1952, the company reported net sales of $120,547,000 and net income of $7,128,000.

Anheuser-Busch, which markets its beer nationwide through some 900 wholesalers, 16 branches and two subsidiaries, is engaged in an expansion program to increase shipping capacity by 18%. It plans to start construction in February of a $15,000,000 brewery at Los Angeles, Calif., with an annual shipping capacity of 920,000 barrels. A $5,000,000 expansion of its Newark, N. J., brewery will increase this plant's shipping capacity from 1,380,000 barrels to 1,840,000 barrels by mid-1953. Also under consideration is the building of a $3,000,000 yeast plant on the West Coast.

With Minneapolis Assoc.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Charles C. Arnao, Jr. has been added to the staff of Minneapolis Associates, Inc., Rand Tower.

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British Treasury Financing and Inflation

By PAUL EINZIG

Referring to success of recent British Treasury refunding operation, Dr. Einzig discusses extent to which Government Loans cancel out inflation, and holds it is not government borrowing that is inflationary, but government spending in excess of revenue. Says inflated purchasing power cannot be canceled out with stroke of the pen.

LONDON, Eng.—The result of the funding operation undertaken by the British Treasury at the beginning of October in order to meet maturing debt and to reduce the floating debt may be regarded as reasonably satisfactory. The subscriptions covered the amount due for repayment, leaving in the hands of the Treasury a small but not negligible cash balance of some £60 million. As a result of the operation the banks have materially reduced their holdings of Treasury Bills, thereby complying with the official deflationist policy aiming at the reduction of their abnormally high liquidity ratio. The question is, to what extent has the operation succeeded in counteracting the inflationary tendency produced by the unexpectedly large Budgetary deficit. To the extent to which the lower ratio of liquid assets tends to induce the banks to be more cautious in their lending policy the change was undoubtedly in the right direction. To the extent of the cash surplus produced by the operation, the additional monetary resources created through the deficit have been mopped up. The cash surplus is, however, only a fraction of the deficit.

Dr. Paul Einzig

In this connection it is necessary to examine if and to what extent the issue of Government Loans tends to mop up inflationary purchasing power. To assume that the issue of Government Loans cancels out a corresponding amount of inflation would over-simplify a very complicated situation. It is well to bear in mind that the Budgetary deficit tends to cause inflation primarily not because it is financed by means of additional Treasury Bills which tend to increase the liquidity ratio of the banks. Inflation occurs not when the banks increase their holdings of Treasury bills, but when the Government spends in excess of its revenue. Writers on the subject are inclined to view the situation primarily from the technical point of view of the money market. What is more important, however, is the broad economic picture.

In so far as the deficit was due to increased expenditure on rearmament and housing it was inflationary because the purchasing power created thereby was not balanced by a corresponding increase in the quantity of newly-produced consumers' goods. Admittedly to the extent to which the newly-built houses were offered for sale their acquisition did reduce the newly created purchasing power. Most of the houses built under the Government's housing drive were not offered for sale, however. As for expenditure on rearmament it constitutes a most characteristic instance of non-productive capital investment which diverts productive capacity from the production of consumers' goods or of productive capital equipment. It is therefore essentially inflationary.

From the point of view of the direct inflationary effect of such expenditure it matters relatively little whether the deficit is financed through the issue of Treasury bills or of other types of Government securities which are usually held by banks, discount houses, insurance companies and other large investors. Had the issue consisted of securities which appealed to the small investor it might have resulted in a neutralization of purchasing power, provided that the amounts subscribed represented genuine savings. If all that happens is that investors, big or small, sell some of their holdings in order to make room for the new issue, then there is no mopping up of purchasing power. The new issue simply competes with the existing stock on the market and the price of the securities that are sold out declines.

It is of course quite impossible to form an opinion about the relative extent to which subscribers to a new Government Loan merely switch over from some other form of investment and the extent to which they abstain from exercising their purchasing power by investing their money. In the instance of the recent British Funding operation the types of loans issued did not attract the general public and therefore it seems reasonable to assume that the amount of purchasing power neutralized through the operation has been negligible.

It is largely because of this uncertainty of the extent to which Government borrowing tends to mop up purchasing power that Government borrowing cannot be regarded as a satisfactory antidote to the poison of inflation. If all that was needed would be to cover the deficit by means of a new issue then the solution of the problem would be a mere matter of interest rate. The Government would not find it difficult to raise an amount corresponding to that of the Budgetary deficit, provided that it is prepared to allow terms acceptable to subscribers. The trouble is that a very large proportion of subscriptions would not come to those who, in the absence of this Government Loan, would exercise their purchasing power, but from investors desirous of taking advantage of the more attractive terms by selling out their existing holdings and subscribing to the new loan. This means that the inflated purchasing power would remain in possession of the potential consumers and the loan operation would not affect the extent of their demand.

Inflated purchasing power cannot therefore be canceled out with a stroke of the pen. From this point of view the direct disinflationary effect of the recent British Treasury operation must have been quite negligible. On the other hand, as was pointed out at the beginning of this article, the reduction of the ratio of the bank's liquid assets through the funding of Treasury Bills and of loans with imminent maturity will tend to induce the banks to go slowly with the granting of new credits. It would not induce them to call in existing credit facilities because even after the Treasury operation their liquidity ratio remains reasonably high. This means that the operation tends to discourage additional inflation rather than reduce actual deflation. Even so, as we said above, the change is in the right direction.

St. Louis Municipal Dealers Elect

ST. LOUIS, Mo.—At the annual meeting of the St. Louis Municipal Dealers Group held at a dinner at the Missouri Athletic Club on Thursday, Oct. 23, 1952, the following were elected as officers for the following year:

Andrew S. Mills

Richard Morey

Norman Heitner

Kelton E. White, Honorary Permanent Chairman, G. H. Walker & Co.

Andrew S. Mills, Chairman, Newhard, Cook & Co.

Richard Morey, Vice-President, A. G. Edwards & Sons.

Thos. S. Bookstaver, Treasurer, Mercantile Trust Company.

Norman E. Heitner, Secretary, Blewer, Heitner & Glynn.

Andrew S. Mills, the dean of St. Louis Municipal Men, is a partner of the firm of Newhard, Cook and Company, is Manager of their Municipal Bond Department and is a member of the Board of Directors of the Investment Bankers Association, Mississippi Valley Group.

Peter Morgan Offers Gulf Sulphur Shares

Peter Morgan & Co. on Oct. 29 offered 225,000 shares of Gulf Sulphur Corp. common stock at $3 per share as a speculation.

Proceeds from the sale of the shares will be used to provide funds required for the purchase of machinery and equipment necessary for exploration and drilling of 30 wells on concessions in Mexico and to pay for advances already made for drilling. The balance will be used for working capital.

Gulf Sulphur Corp. was organized to acquire all the stock (except directors' qualifying shares) of a Mexican corporation, Compania De Azufre Veracruz, S. A., which was formed to carry out certain contracts relating to the Mexican Government. If sulphur in commercial quantities is found through such exploration, the contract also gives the rights to the exploration and development thereof.

NYSE Reports Third-Quarter Profit

President Funston tells members, despite small share volume, the Exchange and its affiliated companies had a net profit of $117,300 in three months ended Sept. 30. Releases summary Report of Public Transaction Study.

In a notice sent out to members, G. Keith Funston, President of the New York Stock Exchange, reveals that despite the disappointingly small share volume, the Exchange and its affiliated companies continued to operate at a profit in the third quarter of this year.

Net profit after taxes amounted to $117,300 for the three months ended Sept. 30, compared with the second quarter's net of $145,695. For the first nine months, net profit after taxes was $335,770, against $431,115 in the nine months ended Sept. 30, 1951.

The share turnover in the third quarter fell 11% below the second quarter, while volume for the first nine months dropped 30% from the corresponding three-quarters of 1951.

Total expenses were $1,902,338 in the third quarter as compared with $1,947,777 in the second. For the nine months, total expenses were $5,811,782 as against $5,866,-851 a year earlier. The reduction in salaries and wages in the third quarter reflects the adjustment in the Exchange's employees' volume bonus plan made this spring when the union contract was signed. The plan was placed on a volume base keyed to present conditions.

Income from direct charges to members declined by $490,000 during the nine months, principally because the 1% charge on member commissions and clearing charges declined as volume contracted. In addition, the rates of clearing charges were reduced in August and again in September, following the recent practice of adjusting such charges in the latter part of each year. Listing fees were $135,000 ahead of last year. Increased interest earned on the Exchange's investments, and fees received for ticker quotation service to non-members, boosted other income by $130,000.

New Ticker Set-Up

Mr. Funston reported that the leased-line operation of the stock tickers went into operation on Aug. 1, and there is every indication that the new set-up will benefit both the Exchange and its ticker subscribers. New revenues of some $120,000 a month will more than offset the costs involved. Based on the number of tickers in service as of Aug. 1, ticker subscribers, including member firms of the Exchange, will save $41,000 monthly as a result of the revised rates. Operation by the New York Quotation Company of the non-member tickers in downtown New York has for the first time put the Quotation Company on a better than break-even basis.

Regarding change in the margin requirements, Mr. Funston stated:

"Since my last report, I have protested both publicly and privately against the discriminatory 75% margin requirement of the Federal Reserve Board — which makes mandatory a larger down payment for shares in our greatest corporations than is required for the purchase of any other property.

"I shall continue to urge, as forcefully as I can, a realistic margin requirement of 40 or 50%—a rate consistent with present day use of credit in the securities market."

Tax Program

Concerning the tax program, Mr. Funston revealed that for the past several months, the Stock Exchange has been preparing a comprehensive study of the impact of Federal taxes on the capital markets, with particular attention given to the capital gains tax. The new material will provide the basis for renewed efforts to obtain urgently needed modifications in the Capital Gains Tax Law: a shortening of the holding period, a reduction in the capital gains tax rate and liberalization of the loss offset provisions.

"Tax reform essential to our industry," Mr. Funston maintains, "cannot succeed without the active aid of every member and allied member. May I suggest that each member of our community undertake immediately to enlist by personal contact the sympathetic support of his Senators and Representatives."

Summary Report on Public Transaction Study

In line with the aim to increase the volume of Stock Exchange transactions, Mr. Funston, on Oct. 24 released a summary report on the Public Transaction Study made on Sept. 10 and 17 with the cooperation of members, member firms and registered representatives. Reported volume on Sept. 10 totaled 1,590,000 shares, on Sept. 17, 1,000,000 shares.

The report analyzes 93% of all share transactions on the New York Stock Exchange on the two selected days. It shows the motive behind each transaction, how many shares represented transactions by the public, by mutual funds, banks, insurance companies and other institutions. It lays down a composite picture of the principal sources of Stock Exchange business. And plain statistics reflect the impact of restrictive regulations on the securities market.

The findings were reached by checking 44,000 different transactions, 26,000 the first test day and 18,000 the second, and correlating these statistics with regular reports of member trading.

These significant findings, among others, show that (1) almost 75% of the public transactions classified represented long-term investment, which for the purposes of this study was defined as an investment to be held for at least six months. About 20% represented short-term investments or from one to six months. Purchases or sales based on an actual or anticipate holding period of less than 30 days were considered trading transactions and made up the balance; (2) more than one out of every three shares appear to have been bought or sold by the public with capital gains tax considerations in mind. It highlights, in other words, the effect on investors of the six months holding period prescribed in the capital gains tax law; (3) on the more active of the two days, Sept. 10, when the market declined sharply, transactions by long-term individual investors, Stock Exchange members, and public traders were predominantly on the buy side. Transactions by institutions, non-member brokers-dealers, and short-term individual investors were predominantly on the sell side. On Sept. 17, the pattern was substantially the same; (4) institutional transactions, which accounted for 18 to 22% of the total volume tabulated, were predominantly for banks and mutual funds. On balance, mutual funds were buyers and fiduciaries were sellers, on both days.

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Continued from page 2

The Security I Like Best

balanced as to maturity, marketability, diversity, and risk that there is a definite appeal and place for this class of investment. Life insurance companies have long realized the suitability of this class of investment for their needs. Here especially marketability is not a controlling factor, but many such life insurance companies place a population limit on their purchases. Commercial banks familiar with local conditions can be sold the earliest maturities.

These situations are duplicated where communities of the same type bond themselves for an electric distribution system by issuing electric revenue bonds. In many such cases the political entity contracts for its source of power from an established agency for a long period of time and thus is not confronted with the problems of financing a power source. A third fundamental borrowing purpose can be found in the community efforts at proper sewage disposal. Not to be overlooked are the issues of natural gas revenue bonds which have been seen in the tax-exempt market mostly as a development of the past five years.

Reviewed recently was a substantial tax-exempt portfolio of a wealthy New Hamshire resident. Practically the whole list was confined to New Hampshire names and mostly of small villages. This investor shrewdly knew that value was there in the smaller places with higher yields, but he could not see beyond his State boundary. Local supply and demand for capital did not permit the large differences in yield previously cited, but this could have been obtained by putting the investment principle to work in other States or climes. Providing the economic background is conservative and debt burden reasonable, there is no reason why these bargains could not be found in almost every State of our Union. We have found such opportunities in Ohio, Indiana, Illinois, Kentucky, Pennsylvania, Florida and Alabama, but they should and do exist elsewhere. While the above remarks have been mostly concerned with tax-exempt bonds in the revenue field, they apply in degree to the tax-supported bonds of the smaller political entities as well. In some cases, the alert investor can find a combination of tax support and revenue support of a voted obligation, but this is not common. Again emphasis must be placed on the loss of marketability in this class of investment media. There must be ample reward for this deficient virtue through increased yield. These opportunities are best realized in a large portfolio of tax-exempt bonds where there is a balanced maturity schedule and careful geographical diversification as to purpose and risk.

Protest 75% Margin Requirement

Marshall Dunn, President of the Association of Customers' Brokers, and Jack B. Huhn, President of National Association of Investors' Brokers, lodge with Federal Reserve Board the protest of these two organizations against present margin requirements, which, they assert, are unwarranted, discriminatory and a deterrent to capital flow.

As spokesmen of their respective organizations, Marshall Dunn, of Wood, Struthers & Co., New York City, President of the Association of Customers' Brokers, and

Marshall Dunn Jack B. Huhn

Jack B. Huhn, of Bache & Co., New York City, President of the National Association of Investors' Brokers, on Oct. 21 directed a letter to the Federal Reserve Board protesting that the present 75% margin requirement for transactions on stock exchanges is unwarranted, discriminatory and a deterrent to the flow of capital into business. They requested that the Board give immediate consideration to a reduction of the margin rate.

The letter submitted to the Federal Reserve Board follows:

Federal Reserve Board
Washington, D. C.

Gentlemen:

The Executive Committees of the National Association of Investors' Brokers and the Association of Customers' Brokers have instructed us to write to urge the lowering of existing margin requirements from 75% to 50%, at least. Our Associations represent employees of security firms handling more than one million accounts.

We believe that the present 75% rate is unwarranted, discriminatroy and a deterrent on the flow of capital.

Unwarranted, because borrowings for the purpose of carrying securities are exceptionally low in relation to security values, and the wealth of the country.

Discriminatory, because credit restrictions in other fields of borrowing, such as real estate, consumer goods, etc., have been greatly reduced or removed entirely.

Deterrent on the flow of capital, because the present margin requirement is one of the major factors responsible for the low volume of security transactions. It may be pointed out, for example, that stock volume on the New York Stock Exchange last year, though with one exception larger than in any year since 1936, was less than half of what it would have been in comparison with that period 16 years ago if the great increase in the number of shares listed be taken into consideration. Furthermore, there has been a large volume of new financing in recent years, but it has not been commensurate with the country's growth, national product or income. This has tended to restrict the market for new issues to a relatively small number of companies. Many deserving companies have been forced to resort to private financing, through institutions and government loans rather than through the more normal channel of raising needed funds through the securities markets.

May we suggest here that the current decline in the market offers an opportunity for making the change in margin requirements. The present high interest charges on debit balances would have a restraining effect on any unhealthy expansion of new borrowing on securities.

We would appreciate your consideration of our plea.

Respectfully submitted,

JACK B. HUHN, President,
National Assn. of Investors' Brokers

MARSHALL DUNN, President,
Association of Customers' Brokers

Munic. Bondwomen's Educational Program

The Municipal Bondwomen's Club of New York will begin its educational program for 1952-53 on Thursday, Oct. 30, with a talk by Albert J. Milloy, Assistant Vice-President of The First Boston Corporation, according to an announcement by Mildred R. Johnson of F. P. Lang & Co., President of the Club. The meeting will be held at the Chemical Bank & Trust Company, 30 Broad Street at 5:30 p.m. Guests are invited.

Elsie T. Schuyler of the Chemical Bank & Trust Company, Chairman of the Educational Committee, arranged the program. Guest speakers to be heard at future meetings are Francis P. Gallagher of Kidder, Peabody & Co., David M. Ellinwood of Moody's Investors Service, Frederick Tilney, Jr., of Tilney & Co., and David M. Wood of Wood, King and Dawson.

Committees appointed by the President are as follows:

Educational Committee: Elsie T. Schuyler, Chairman; Margaret O. Angerman of Adams, McEntee & Co., Inc.; Jean M. Davies of Wainwright, Ramsey & Lancaster; Madlyn Hoskins of Braun, Bosworth & Co., Inc.; and Josephine M. Rodd of Goldman, Sachs & Co.

Arrangements Committee: Ruth A. Miller of Lee W. Carroll & Co., Chairman; Beatrice Larkin of Bartow Leeds & Co.; Jeanette Boondas of Eldredge & Co.; Madlyn Hoskins of Braun, Bosworth & Co., Inc.; Estelle M. Hanvey of Wood, Struthers & Co.; and Frances W. Isengard of Harry Downs & Co.

Outing Committee: Margaret M. Higgins of J. J. Kenny & Co., Chairman; Elaine Malast of Halsey, Stuart & Co., Inc.; Marilyn Madden of Union Securities Corporation; Rosemary Flynn of Gregory Harrington & Co.; Marie Feil of Phelps, Fenn & Co.; and Audrey Bickhardt of John Nuveen & Co.

Publicity Committee: Mary Ciarlo of The Bond Buyer, Chairman, and Anna F. Schreiber of Mitchell & Pershing.

Auditing Committee: Louise Bullwinkle of Tripp & Co., and Lillian J. Whelen of C. F. Childs & Co.

Mericka in Larger Quarters in Cleve.

CLEVELAND, Ohio — Wm. J. Mericka & Co., Inc. announce that their quarters in the Union Commerce Building have been enlarged and remodelled for the use of their retail sales department which is being expanded to complement the firm's usual trading activity, and to provide an overall service to their investment clientele.

Edward K. Eldridge, formerly with the Federal Reserve Bank, and Franklin Coryell, formerly with Curtis Publishing Company, have joined the firm's sales staff.

Centenary of Toronto Stock Exchange Hailed

At dinner in honor of the One Hundredth Anniversary of the founding of the Toronto Stock Exchange, now the third largest on the American Continent, speakers laud role the institution has played in Canada's progress. Chiefs of London and New York Stock Exchanges convey their felicitations, while F. G. McArthur, Chairman of the Montreal Stock Exchange, extends the good wishes of members of his organization. Dinner presided over by D'Arcy M. Doherty, head of the Toronto Exch.

At a dinner climaxing the 100th Anniversary of the Toronto Stock Exchange held at the Royal York Hotel in Toronto on Oct, 24, and attended by leading industrialists, bankers and statesmen of Canada and from abroad, the speakers stressed the courage and foresight of the small group of security traders who organized the institution in 1852, and pointed out the important role which the Toronto Stock Exchange has played in Canada's remarkable economic progress since that date.

Among the principal speakers at the dinner was the Hon. L. M. Frost, Q. C., the Prime Minister of Ontario, whose complete address appears in this issue of the "Chronicle," starting on cover page.

The dinner was presided over by D'Arcy M. Doherty of Doherty Roadhouse & Co., who is President of the Toronto Stock Exchange. Mr. Doherty, before introducing the speakers, called attention to the early days of the inception of the institution which he headed.

D'Arcy M. Doherty

"I feel it is only right that at this time I should say something about the early days of inception and give you some of the background of the Toronto Stock Exchange," he said. "You probably know as much as I about the subject due to the marvelous coverage that we have received from the press in recent weeks, for which we are very grateful, but I would like to mention a few highlights.

"Confederation was still 15 years away when 12 far-sighted Toronto citizens met to form the Toronto Stock Exchange in the year 1852. The original seats sold for $5.00 each and trading was conducted for one-half hour each morning in an office of a member. (Recently it has been easier for our members to visualize this condition.) By 1861 the Exchange apparently had a President (a questionable move on their part), 36 stocks listed, and was supplying quotations to Canadian and U. S. newspapers. By 1881 the Exchange had 30 members and seats were valued at $300.00 each.

"In 1896 the Toronto Stock and Mining Exchange was formed with 25 members having seats at $25.00 each.

"The two exchanges grew through the intervening years and the only time their doors were *ever* closed was for a four months' period in 1914 at the outset of World War I.

"In 1930 limited and incorporated partnerships were prohibited by the two stock exchanges, and strict audit regulations were adopted, since which time the public has not lost one dollar through insolvency on the Exchange.

"In 1934 the two exchanges merged, and in 1937 moved into their present quarters. From that time until the present there has been a gradual growth in listings and volume until we ranked second only to the New York Stock Exchange in volume of shares traded in the year 1951.

"Gentlemen, this has been a very brief outline sketch, but I feel sure that you will agree with me when I say that the members and partners have a justifiable right in their pride of the record of this Exchange."

Chairman of London Stock Exchange Speaks

Speaking of the importance of the Toronto Stock Exchange in the growth and progress of Canada, J. B. Braithwaite, the Chairman of the London Stock Exchange, the oldest of all existing securities exchanges, remarked:

John B. Braithwaite

"Yours is a very great country — probably the greatest land of opportunity left upon the earth.

"It is commonplace now, and yet it is romance also, to speak of Alberta oil and Quebec iron, and of the mineral wealth that stretches far into your northern and even Arctic territories.

"And upon these rich natural resources you are building, and will build a great and rich structure of industry; and in all that your stock exchanges will play their essential and indispensable part, as stock exchanges do all over the world.

"There are many stock exchanges represented here tonight — gathered together to do you honor—and I suppose that London may claim to be the first in point of time, and so the father of them all.

"But we all stand for the same thing; for integrity and service; for scrupulous honesty of dealing in the interests of the public and the industries and institutions and the governments that we serve.

"The sun never sets upon the stock exchanges of the five continents, but their work goes on unceasingly round the clock — San Francisco, Chicago, Toronto, New York, London, Paris, Johannesburg, Calcutta, Melbourne, Sydney, and many more, following the shadow of the sun around the perimeter of the world.

"Your kind invitation, Mr. Doherty, and this magnificent assembly here tonight, has put ideas into my head.

"It is very possible that more stock exchanges are represented here tonight than have ever before been gathered together on one occasion.

Suggests Conference of All Exchanges

"It would be a great thing to hope for, and a great thing to accomplish, if all the stock exchanges in the world could be gathered together at some fitting time, to meet each other, to get to know each other better, and to exchange knowledge and ideas

Continued on page 22

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Continued from page 21

Centenary of Toronto Stock Exchange Hailed

and techniques; and it is beginning tonight to dawn in my mind —I must not say more than that— that perhaps the occasion of the Coronation next year, which will be a magnet to draw all English speaking people, and people from many other lands, to witness the most brilliant pageant and ritual of sovereignty that the world can show — whether this may not be the fitting time and the unique occasion for such a gathering.

"I must spare a few words— for not many are allowed to me— to congratulate you on your splendid stock exchange building, perfectly adapted to your needs and at the same time a fine achievement of architecture and an ornament to your city.

"I like particularly the decorative frieze representing a procession of the industries of Canada. It puts me in mind of the most famous of all the classical friezes of Ancient Greece, which portrays the Pan-Athenaic procession on the way to perform its annual rites in the Parthenon on the Acropolis of Athens.

"I cannot refrain from repeating to you Mr. Churchill's words that you have used in one of your striking publications, and which you mush cherish very deeply. I speak of him simply as Mr. Churchill, because there is no other name of equal stature in the world today, and, with us, he stands alone in the company of names like Pitt and Nelson and Wellington, and like Washington and Lincoln with you, Mr. Funston, and like MacDonald and Strathcona with you, Mr. Doherty.

"'A magnificent future awaits Canada. . . . Upon the whole surface of the globe there is no more spacious and splendid domain open to the activity and genius of free men.'

"And so, on this day which marks the beginning of your second century, I am very proud, Mr. Doherty, to bring you the warmest and most cordial greetings and congratulations and good wishes, from the London Stock Exchange, and the presidents of all other stock exchanges in Great Britain and Ireland have asked me to associate them most cordially also with this message of goodwill from the 'Old Country' upon your hundredth birthday."

Address of F. G. McArthur

The Chairman of the Montreal Stock Exchange, F. G. McArthur, of A. E. Ames & Co., paid his tribute "to our friends," the Toronto Stock Exchange, in the following remarks:

F. G. McArthur

"It is a pleasure to be associated with the Chairman of the Stock Exchange London and the President of the New York Stock Exchange, in paying tribute to our friends, the Toronto Stock Exchange, on their 100th Anniversary. Today's event has occasioned many flattering remarks regarding the progress we have made in Canada and in praise of our spirit of enterprise. We of all the Canadian Exchanges cannot help but share with our Toronto friends a warm feeling of gratification at those remarks. This is a most appropriate occasion for their expression —because the Toronto Stock Exchange truly represents the progressive spirit which we like to think is typical of all Canada today. As Chairman — and a longtime member — of the Montreal Stock Exchange, I have naturally had many dealings with the Toronto Stock Exchange. So, in paying tribute to their great accomplishments and their services to Canada, I can assure you that warm and sincere personal good wishes accompany the more official and formal congratulations which I present here today on behalf of the other Canadian Exchanges.

Index of Canada's Progress

"These other Exchanges represented here today are: Vancouver, Calgary, Winnipeg, Montreal Curb Market, Montreal Stock Exchange, which I represent, and the youngest of us all, the Edmonton Exchange. The successive establishment of these Exchanges through the years has been a continuing reflection of Canada's economic progress. All of us—all the Canadian Exchanges—have played our part in that development — but none a greater or more important part than the Exchange to which we pay tribute today.

"The founders of this Exchange stated 100 years ago that:

"'We consider we are discharging an important duty to Canada by the establishment of this Association and are helping to promote and extend the general business of the country.'

"The justification of their pioneering efforts and their hopes is indicated by the record.

"The history of the Toronto Stock Exchange is a history of the natural resources and industrial development of Canada. I think it is interesting and significant to note that this 100th Anniversary occurs in the midst of the greatest expansion Canada's history has known.

"Canada is a growing country and a growing market. As such, I think it is always well for us to recall that it has, very definitely, its own distinctive characteristics. It is bilingual—and it is by the character of its people, stable and rather conservative.

"Canada, as a country, is experiencing great shifts in population and industrial expansion. There are today industrial developments in spots where anything like them was undreamed of only a few years ago.

"The advance is Canada-wise. So, too, is the contribution of the Canadian Stock Exchanges. Today the influence of the Toronto Stock Exchange is more widespread than ever, as it shares in the continuing expansion of our country from coast to coast.

Extent of Nation's Development

"Just glance briefly at the map.

"The Maritime Provinces and Newfoundland — formerly almost completely restricted to farming, lumbering and fishing—are now moving forward with many new mining and industrial developments.

"Labrador and Ungava with its iron ore.

"Old Quebec, largely agricultural and a great source of power and raw materials, is now experiencing an industrial revolution, with the establishment of great factories and processing plants.

"In Ontario—the natural leader in so many of our industries— there has been an unprecedented expansion, with literally thousands of new industries located here.

"Looking westward—the developments are even more revolutionary in the plains and foothills —so long famous as the great bread-basket of the world. Here the discovery and exploitation of our oil, natural gas and mineral resources has literally changed the whole concept of the future and opened up great new opportunities for investment capital. Then in the mountains and on the Pacific Coast, the incredible story continues. British Columbia is making the most of its tremendous natural resources, and now industres established there are expanding and branching out into other parts of Canada.

"The development is indeed Canada-wise. So are the opportunities. So is the contribution and the influence of the Toronto Stock Exchange. In all these developments, it is playing a great and important part.

"There is no time to paint a complete picture of this amazing advance. Nor is it necessary to do so in this gathering. You know all about it. You are part of it. I like the way it was summarized recently by Mr. S. W. Fairweather, Vice-President of Research and Development of the Canadian National Railways, before a group in New York City, to wit:

"'Canada has advanced in a few decades from a Colony to a major industrial and trading nation. It now offers the brightest opportunity in the world for investment capital, if that capital is intelligently applied.'

"The intelligent application of capital is our business.

"All Canadian Stock Exchanges have made and will continue to make their contribution to the development of this country.

"We have the facilities to make it possible for the greatest number of Canadians to have a share in our large industrial enterprises. We must make the best use of these facilities.

"To you, the members of the Toronto Stock Exchange, on the occasion of your 100th Anniversary, I say, on behalf of all the other Canadian Exchanges, congratulations, well done, and many happy returns."

Remarks of G. Keith Funston

G. Keith Funston, President of the New York Stock Exchange, stressed the role the sister organization in Toronto is to play in Canada's future.

"This 100th Birthday Celebration of the Toronto Stock Exchange is an inspiring occasion and, for me to share in it, is a rich experience," Mr. Funston stated. "I am delighted to be here."

G. Keith Funston

Continuing, Mr. Funston said, "I would like to make a prediction: I believe that history will record the first 100 years of the Toronto Stock Exchange as merely the opening chapter in the life of a great Canadian institution; I believe that the second century of your career will prove to be a period of growth and progress beyond even your dreams today.

"For in nations like Canada and the United States, no institution can pass the century mark unless it performs an essential service. The Toronto Stock Exchange, we all know, performs such a service. As an institution which just this year rounded out its 160th year, the New York Stock Exchange welcomes you with deep pride to the 100-year association.

"It's just a little bit difficult for a citizen of the United States to talk about the Canadian economy today without—shall we say—a tinge of envy. But our applause for the strides which Canada has made in the past few years—and is making today with even greater vigor—is not inhibited. It is unrestrained. And our admiration is no less for the work of the Toronto Stock Exchange in spreading share ownership in Canada's enterprise.

Canada's Natural Resources

"Canada, of course, is a country of massive natural resources. No nation, though, is stronger than its know-how to make free enterprise work for the benefit of its people. You are doubly fortunate. For your government, your business and financial leaders have demonstrated that they have the courage, the imagination and the skill to make certain that the rewards of free enterprise are shared by all the people.

"If some of your friendly neighbors to the south are at times a trifle envious, it is not, let me assure you, because we begrudge you the material rewards created by your own efforts. We do envy the environment in which capital is encouraged to work in Canada and the respect accorded the risk-taker. When I say we could use a little more of that encouragement and understanding at home, you will understand that I am speaking mildly.

"As you know so well, an expanding economy has an insatiable need for venture capital. You have geared your tax policies to realities. You have encouraged an inflow of venture capital not only from your own citizens but from every corner of the globe. You have no punitive Capital Gains Tax; no Excess Profits Tax; no double taxation of dividends. And you have *not* placed road-blocks in the path of venture capital legitimately seeking employment.

"In those respects, gentlemen— and in a few others—we hope to catch up with you.

"I salute President Doherty and other officials of Toronto's securities market on this great centennial observance.

"The friendly relationship between the New York Stock Exchange and the Toronto Stock Exchange is, to me, a source of deep satisfaction—and I am confident that this friendship will continue to flourish. It is a friendship based on solidarity of purpose: to provide a free market for a free people."

English Gold and Silver Markets

We reprint below the quarterly bullion letter of Samuel Montagu & Co., Ltd., London, written under date of Oct. 3.

GOLD

The amount of gold held in the Issue Department of the Bank of England is unaltered at £356,823.

The Bank of England's buying price for gold remained unchanged at 248s 0d per fine ounce, at which figure the above amount was calculated.

The Treasury announced that during September the sterling area had a gold and dollar surplus of $13 million; the gold and dollar reserves therefore increased from $1,672 million on Aug. 31 to $1,685 million on Sept. 30. The surplus arose after account had been taken of the receipt from the United States of $27 million as defense aid during September and of the payment to the European Payments Union of $4,700,000 in settlement of the sterling area's deficit with Western Europe during August.

The gold output of the Transvaal and Orange Free State for June, July and August, 1952, is shown below, together with figures for the corresponding months of 1951 for the purpose of comparison:

	1952	1951
	—fine ounces—	
June	977,527	965,478
July	1,010,978	973,402
August	997,099	989,027

International Free Gold Market

During the past quarter, the price on the various free markets has been remarkably steady and on balance there is virtually no change.

During July the demand was quite good and offerings were easily absorbed at steadily, if slowly, rising prices—the quotation improved from about $37.25 at the beginning to about $37.75 at the end of the month. The increase in price was principally due to considerable activity in the French domestic market, the price rising in early August to Frs. 524,000 per kilo. This rise was not reflected, however, to any great extent in the international market as it was accompanied by a corresponding, and at times even more rapid, rise in the quotations in Paris of the dollar.

During August the influence of holidays was felt and the price sagged during the first week to about $37.50 at which level it remained for the rest of the month.

There was little improvement in the demand during September and the market was hardly able to absorb the steady offering of new production. The price fell slowly but steadily until by the end of the month it had reached about $37.15.

A change occurred in the general scene during August when producers in Rhodesia and West Africa were allowed to sell their production in fine bar form—a relaxation which was followed by Australia and New Zealand. Up to the present, South Africa has not changed its policy and continues to insist that the gold shall be exported from South Africa either in fully manufactured form or on the production of an acceptable Affidavit declaring that it will eventually be manufactured.

SILVER

During the third quarter of the year only one change was recorded in the official price; this was on the 25th of July when it was raised from 72½d to 73d per ounce 0.999 fine for both cash and two months' delivery. The rise was in conformity with an advance in the New York quotation from 82¾ to 83¼ cents per ounce.

Silver continued to be provided from official stocks to meet the demand for essential industries; During the period under review, however, requirements for these purposes showed a marked decline and this was particularly so in August.

Supplies of "free exportable" silver on the London market have been smaller during the past three months as compared with previous quarters of the year. Even so they have been more than sufficient to meet a reduced Continental demand which has had to be shared with keen competitive selling from other quarters on the Continent. Consequently the premium for exportable silver over the official price narrowed considerably and had almost disappeared by the end of the period under review.

To Be McMullen & Hard

On Nov. 1 the firm name of McMullen, Park & Hard, 120 Broadway, New York City, members of the New York Stock Exchange, will be changed to McMullen & Hard. Joseph F. Park is retiring from the firm on Oct. 31.

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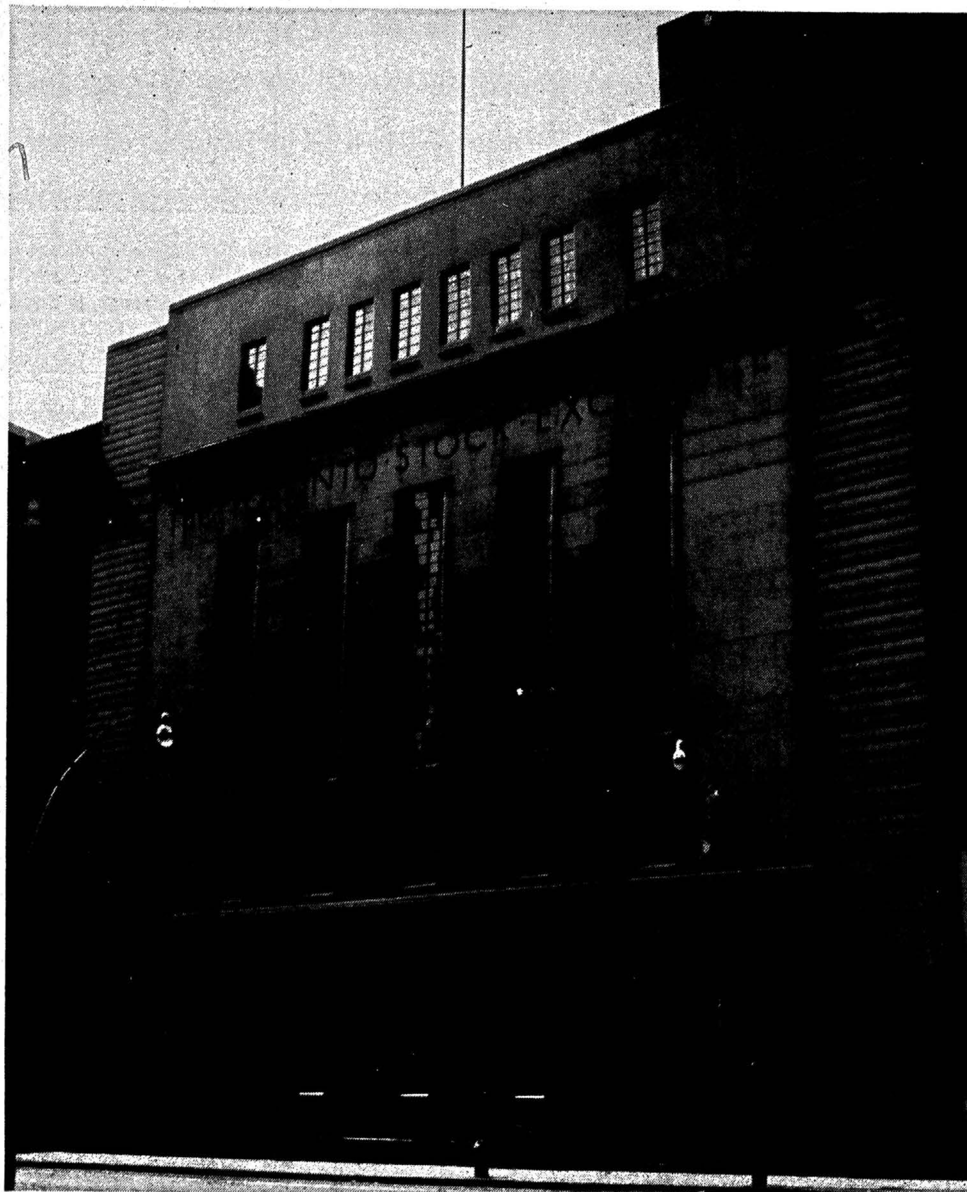

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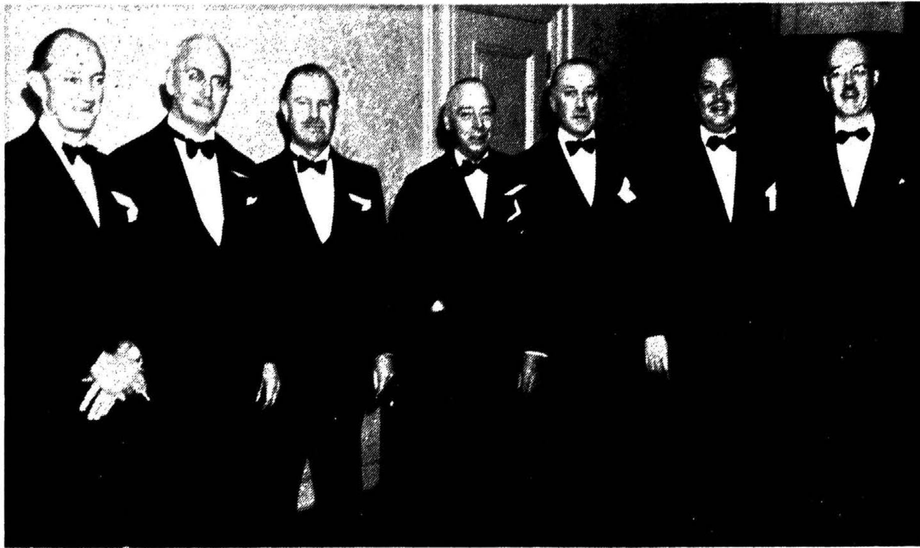

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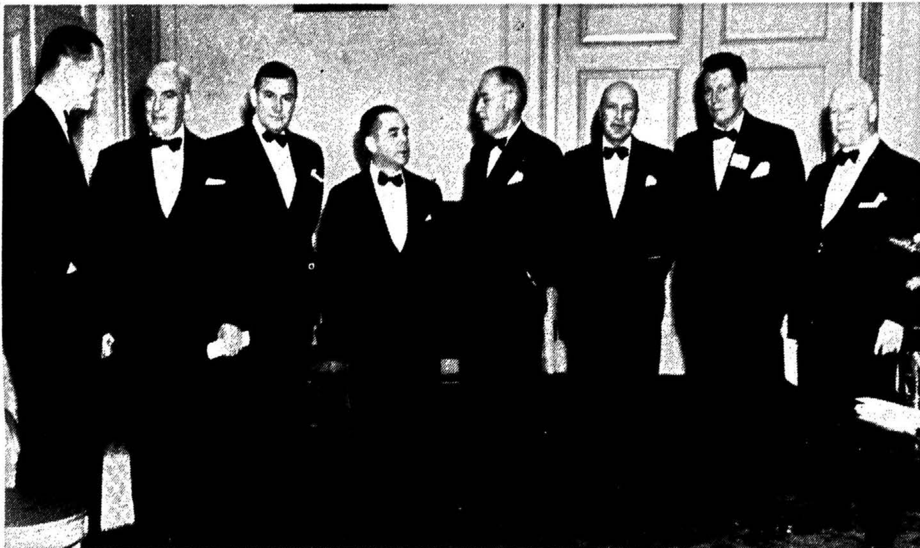

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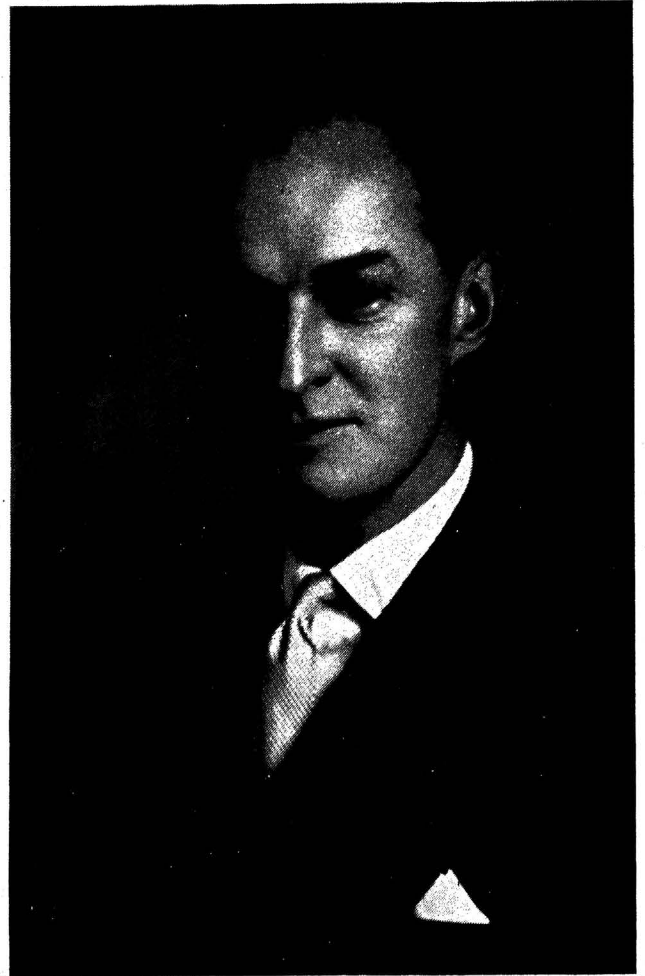

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Stock Exchange	Values	Shares*
1. New York Stock Exchange	$18,215,456,183	642,801,678
2. New York Curb Exchange	1,610,671,701	126,112,323
3. Toronto Stock Exchange	1,174,246,840	561,466,831
4. Montreal Stock Exchange and Curb Market	804,996,796	108,239,072
5. Mid-West Stock Exchange	491,384,415	18,125,965
6. San Francisco Stock Exchange	229,251,293	18,336,211
7. Boston Stock Exchange	226,331,534	6,033,754
8. Los Angeles Stock Exchange	210,701,994	12,264,812
9. Philadelphia-Baltimore Stock Exchange	182,760,164	6,225,141
10. Detroit Stock Exchange	76,543,027	5,024,222
11. Vancouver Stock Exchange	56,178,087	51,264,920
12. Calgary Stock Exchange	33,572,927	84,674,464
13. Cincinnati Stock Exchange	23,182,886	741,298
14. Pittsburgh Stock Exchange	22,839,444	1,365,882
15. Washington Stock Exchange	6,087,022	323,895
16. New Orleans Stock Exchange	2,431,262	70.603
17. Salt Lake Stock Exchange	2,391,152	16,561,654
18. Spokane Stock Exchange	1,455,038	3,413,659
19. Winnipeg Stock Exchange	1,165,046	2,322,511
20. San Francisco Mining Exchange	625,279	5,378,551
21. Richmond Stock Exchange	554,386	10,962
22. Wheeling Stock Exchange	356,830	8,322
23. Colorado Stock Exchange	240,581	263,726
24. Chicago Board of Trade	17,282	2,084

*Including rights and warrants.

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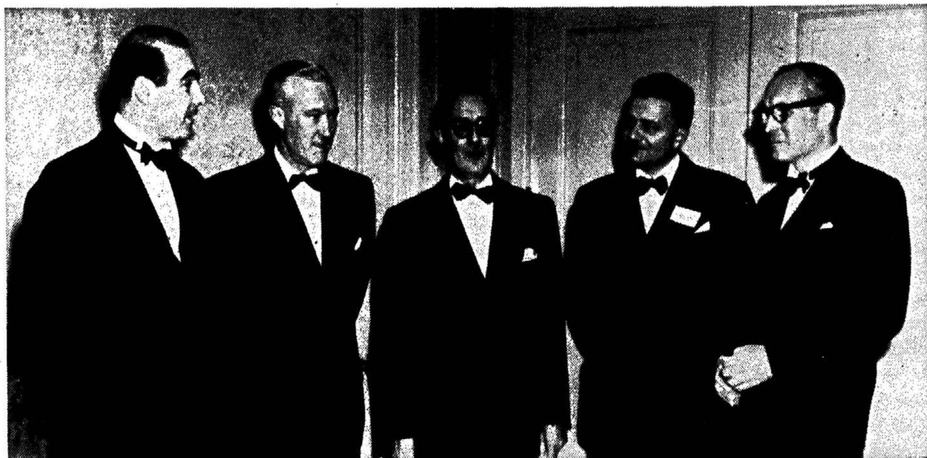

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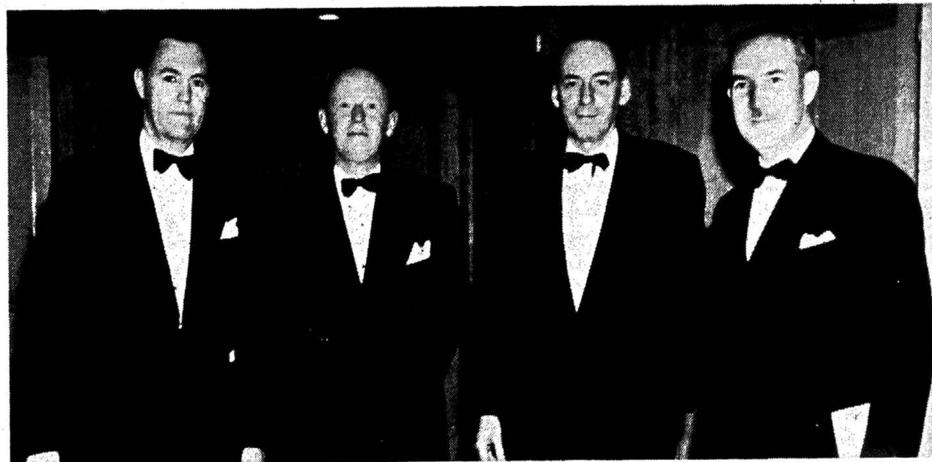

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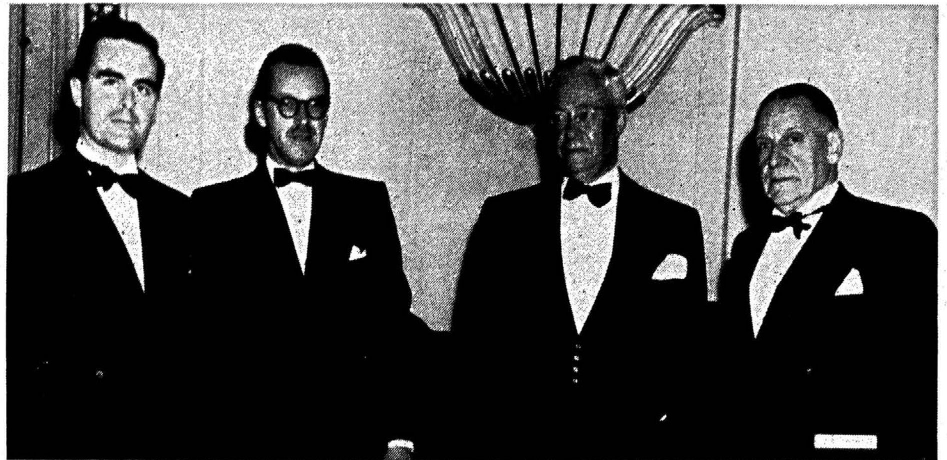

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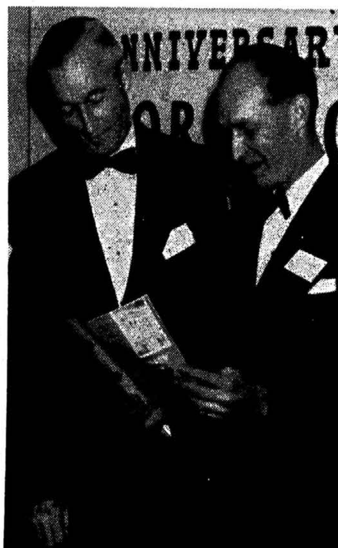

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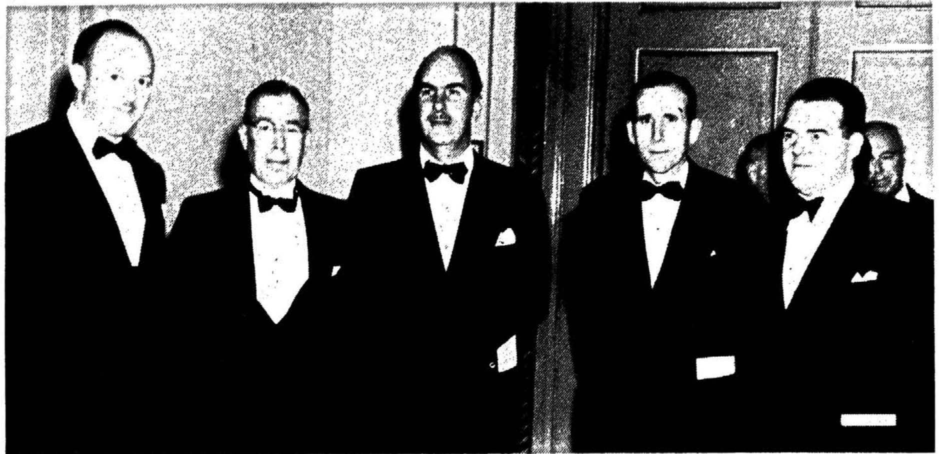

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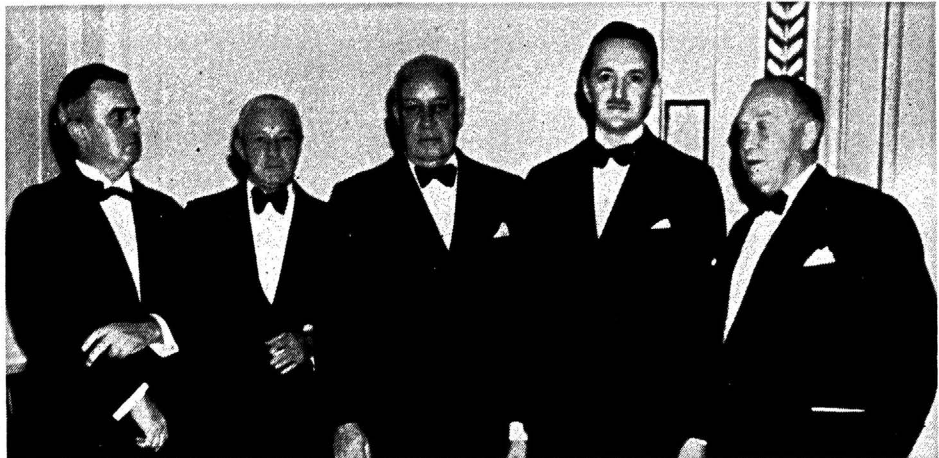

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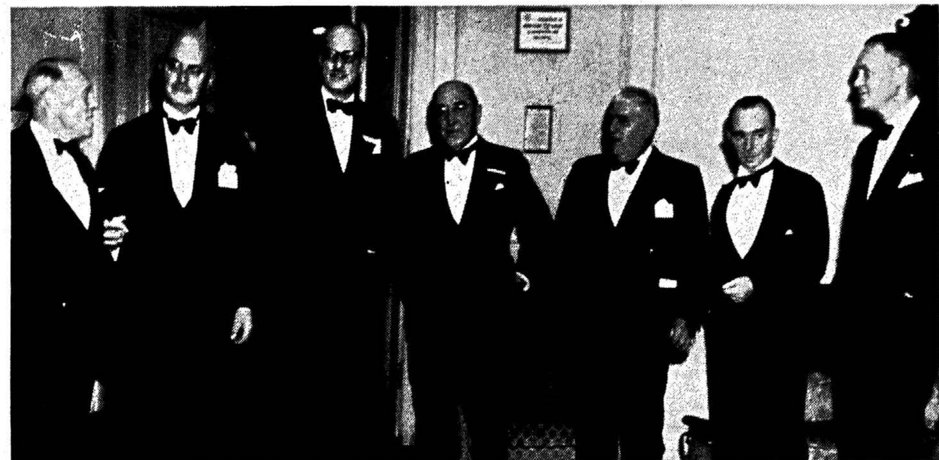

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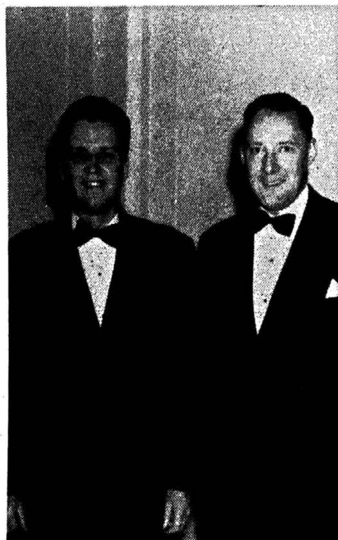

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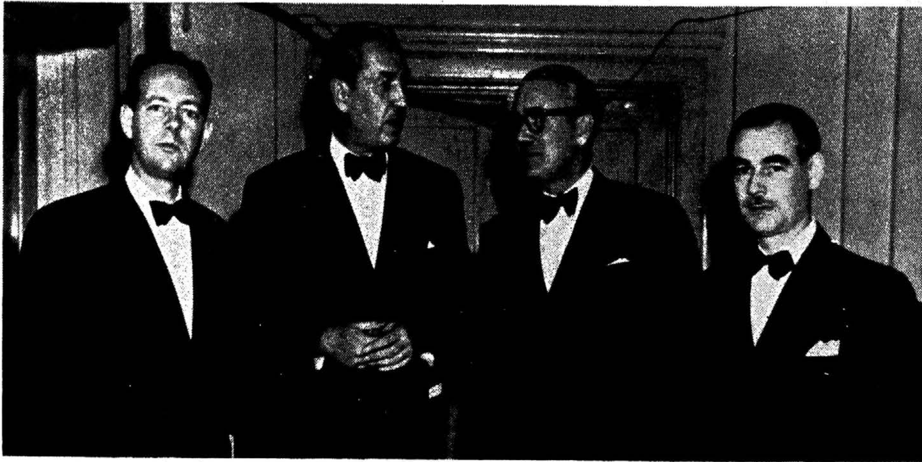

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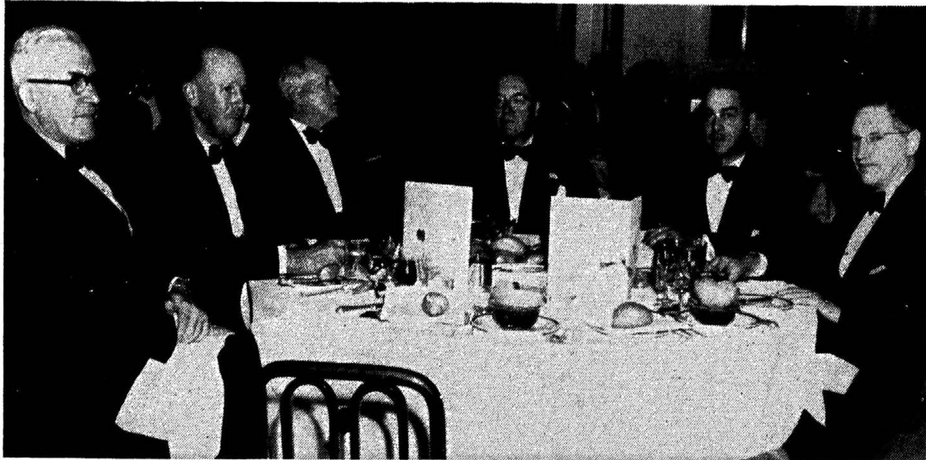

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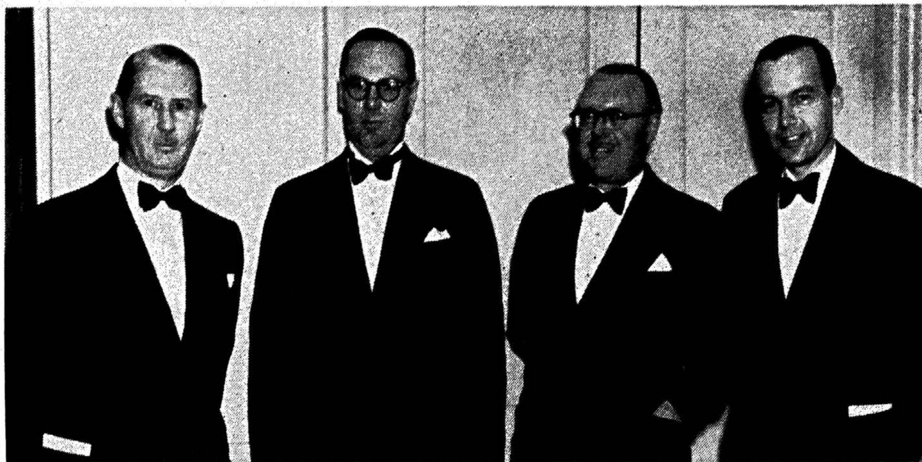

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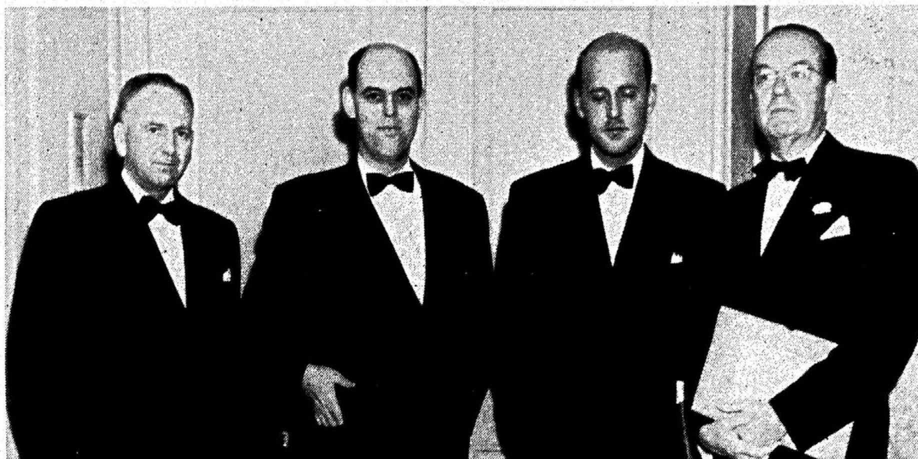

P. T. Kelly, Minister of Mines for Ontario, Ottawa; Lloyd G. Thompson, *E. H. Pooler & Co.;* E. R. Pooler, *E. H. Pooler & Co.;* H. G. Stapells, Tax Counsel for Toronto Stock Exchange

Kenneth B. Andras, *Andras, Hatch & McCarthy;* G. Fielding Biggar, *Biggar & Crawford;* L. W. Scott, *Ross, Knowles & Co.;* J. Dumaresq Smith, *S. J. Brooks & Company*

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Continued from first page

Role of Toronto Exchange in Canada's Economic Growth

dred years ago a small group of men met in Toronto to organize what is now The Toronto Stock Exchange—an association of brokers. They, in their first resolution, pointed out the desirability of interesting capital in Canada and in fixing the attention of the world on the advantage of Canadian securities generally. They said, "In doing so we consider that we are discharging an important duty to Canada by the establishment of this Association and are helping to promote and extend the general business of the country through the greater circulation of credit." This, of course, sounds very commonplace today. We say that we are doing the same thing, that the desirability of such a policy is obvious. Turn back the leaves, however, one hundred years. In 1852 things were different. Canada was not the Canada of today. Indeed, what was then Canada was pretty sharply divided between Upper and Lower Canada, the Ontario and Quebec of today.

Canada—A Hundred Years Ago

In 1852 responsible government had only been accomplished. The people of those days were only 15 years removed from rebellion and political strife which had rent the country. Confederation was still 15 years away. The population of this province was less than a million. Toronto was only 20 years removed from being "Muddy York," and it was still a very muddy little town. Its streets were unpaved, it had no sewers, its population was too small to support any large scale industrial or commercial enterprise. The biographer of Lord Elgin, the Governor at the time, remarks—

"There was no real political life; only that pale and distorted reflection which is apt to exist in a colony before it has learned to look within itself for the center of power."

The fact is that the scattered colonies going to make up British North America were little known or appreciated. The name "Canada" did not have the meaning of today and Canadian companies were little known and were little considered abroad.

In fact, in 1852, what is now Canada was being by-passed because of the spectacular developments to the South. The United States was on the march. People were migrating in countless thousands to the American seaboard and were pushing across the Appalachians to the great fertile fields of the American West, to the exploitation and development of what were considered to be the boundless resources of the United States of America. The world and capital and industry had little time for the little scattered immature colonies of British North America. They were attracted by other American vistas. The world could not see that the Canada to be had half a continent and a treasure house of resources. Another 50 years had to pass before a great Canadian would prophesy that the 20th Century was Canada's, and yet another 50 years before the eyes of the whole world would turn to this great land as the land of opportunity.

It is commonplace today to read of the proceedings of an Association of brokers which was formed in Toronto in 1852, but it took courage on their part in those uncertain days to promote an idea which they published to the world as "helping to promote and extend the general business of the country through the greater circulation of credit." It is easy for us to see this now when the world knows of our invigorating friendly climate, of our fertile farm lands, of our rich mineral deposits, of our extensive forest wealth, of hydro power and of a fine people. It is easy for us today as one of the great exporting nations of the world to talk of credit but in 1852 money for investment was scarce and hard to obtain. What there was came from Great Britain and gratifying as that money was it was very far short of what was required in a land which needed transportation and capital works. In fact there was so little money in the country that payments in cash were scarcely known. Wood and farm products were considered as cash when paying the grocer. As a matter of fact the want of money was one of the great handicaps and retarded the development of Upper Canada, now Ontario, for over half a century. Courageous and far-sighted indeed were those men who in this background talked of promoting and extending general business through a greater circulation of credit.

Continent's Third Largest Stock Exchange

Today, 100 years after, in 1952, we are commemorating the 100th birthday of the continent's third largest Stock Exchange, listing about 1,000 issues, involving the exchange annually of millions of shares and the turn over of hundreds of millions of dollars of capital. The Stock Exchange on Bay Street is one of the cross roads of the financial world, a market where Canadian and other issues are traded and dealt in. Canadian companies and industries have long ceased to be unknown. Their shares are dealt with in the other countries of the world. Indeed, the founders of this Stock Exchange discharged an important duty to Canada when they sought to fix the attention of the investing world upon the advantage of Canadian securities generally.

Canada Today

What of the Canada of today which these men of 100 years ago could see so dimly but regarded so confidently? Those 12 men who carried on trading in their own offices in rotation for half an hour a day and who paid $5 for the original Exchange seats never permitted doubt to becloud their vision.

Today we have in Ontario and Canada, a province and a nation of which more is known by Canadians and our friends in the United States and Britain than ever before. It has been stated, not unkindly, that the Americans have rediscovered Canada. Perhaps the rediscovery applies more to some of the other provinces than to Ontario, for we and our American friends have long known the mutual advantages of collaboration. Well over half the number of American branch plants and most of the British branch plants in Canada are located in Ontario, and if the flow of capital investment, ideas and technical knowledge has been in our favor, it has certainly not been a one way street.

For a nation with a population of 14½ million and a province of less than 5 million (at the present about 4,850,000) these things are nothing short of a revelation.

A striking feature of Canada's development in the last dozen years is the way that we have progressed on a broad front. Virtually every main branch of industry has advanced and in some phase pushed out in every economic region of this Dominion. To illustrate, I need only mention the recent discoveries of oil and natural gas in Alberta and Saskatchewan, the development of iron ore in Ontario, Quebec, Newfoundland and British Columbia, the production of titanium in Quebec, the new discoveries of nickel in Ontario and Manitoba, the new aluminum developments in Quebec and British Columbia, the discoveries of uranium in Saskatchewan and the North West Territories, the great electric power projects in Ontario, Quebec and several of the other provinces, and the creation of a major new chemical industry in Ontario and Alberta.

No Vulnerable Industries

In the past dozen years, $32 billion has been invested in Canadian development and the pleasing feature of this investment is that it has taken place in fields where we have strong economic advantages. In other words, we are not creating a series of vulnerable industries which may be toppled at the first ill wind. In the fields of iron ore, oil, nickel, aluminum, chemicals, lumber, pulp and paper, and indeed, in various branches of manufacturing, we have strong economic advantages which make our position very favorable in the competition for foreign trade.

While our domestic market has expanded and we are not nearly as vulnerable to shifts in export demand, nevertheless, we cannot minimize the importance of foreign trade to us. Obviously the volume of our output of such products as wheat, livestock, nickel, aluminum, lumber and newsprint is far in excess of the quantities that we can absorb domestically. Our position as the fourth largest trading nation in the world, and the largest on a per capita basis, underscores our need for trade with other countries. But let us keep in mind that to export a nation must also import. If we can find a cure for the varied causes of trade restrictions, particularly with the United Kingdom, the high rate of population growth there and throughout the whole democratic community of nations should assure us an increased long-term demand for our products. We cannot emphasize too strongly the necessity of finding the means for keeping trade moving.

The strong exchange position of our dollar is in part a reflection of the inflow of capital—a sign that others outside our boundaries are joining with us in the development of our economic capacity. That is normal for a relatively young nation like Canada which has established a reputation for good prospects, security and fair dealing.

A Capital Exporting Nation

Nor should it be forgotten that Canada itself has become a capital exporting nation of some consequence. In the same last dozen years our investments in foreign enterprise have increased by about $4 billion, so that we have exported a somewhat greater amount of capital than we have imported. We are pulling our weight in the world of today. The circulation of credit talked of by the men of 100 years ago is extending far outside of the boundary of our country.

I do not suggest that we shall always sail in smooth waters. Far from it; but so far our economic progress has been sound and we are on the threshold of many new developments such as the St. Lawrence seaway and power project and the pipeline which will bring the natural gas of Alberta to the Ontario and Quebec markets — and I am convinced that, given reasonable tranquillity in international affairs, the long-term prospects for Canada never shone brighter.

In telling of such a land one is reminded of the chronicles of 3,000 years ago telling of another land, a description which might be of our own—a land of wheat and barley and honey, a land where we may eat bread without scarceness and lack nothing, a land whose stones are of iron and out of whose hills we may dig brass. Indeed, the dim and uncertain vision of the confident men of 100 years ago has been justified.

As we forge ahead let us not forget that the standard of living and the services which go with our Canadian way of life are dependent upon development, which means hard, honest work. Upon this we must place emphasis if we are to succeed. Let us bear in mind that now as in the past financial resources are a measure of the expansion in which we can engage. Our financial position is strong provided we ourselves do not weaken it.

We congratulate the officers and members of the Toronto Stock Exchange and wish them well at this time when they are entering upon the next 100 years of service and may they and we have the same confidence and courage as its founders. Their injunction still holds good. Credit is still the corner-stone. It is one of the keys to the expansion of our province and our country, to the development of our resources. Let us keep it bright and clean.

Canadian Securities

By WILLIAM J. McKAY

For the second month in 1952, Canadian imports exceeded, in value, her exports. The figures are not significant and in no way alters the prospects of an over-all favorable balance of trade for Canada. According to preliminary reports of the Canadian Government's Bureau of Statistics, total exports for September increased to $341,200,000 from $323,500,000 a year ago, while imports climbed sharply to $349,100,000 from $311,500,000.

September's export deficit compared with a small $700,000 unfavorable balance during May and with surpluses in all other months, which had brought the total eight-month surplus to $243,100,000. This now is trimmed to $235,200,000, which still is a vast improvement over the $323,800,000 unfavorable balance in the first nine months of 1951.

One of the factors leading to the export deficit is reported to be a decline in shipments to the United Kingdom, which had been buying heavily in Canada all through the earlier months despite a persistent dollar shortage but which recently cut down on its purchases.

Canadian shipments to Britain dropped almost $10,000,000 during the month amounting to $43,000,000 compared with $52,800,000 a year ago.

Imports from Britain on the other hand, which had been lagging sharply earlier in the year, picked up slightly, increasing to $31,500,000 from $28,600,000 a year ago.

An apparent dilemma in connection with her foreign trade is faced by Canada in the effort of Great Britain to revive the preferential tariffs she has had with the Commonwealth nations. A meeting of the British Commonwealth ministers is scheduled to be held in London next month, when it will probably be decided whether Canada will change her postwar trend away from an economic link with the British Empire. As stated in a special dispatch to the New York "Times" by P. J. Philip, "such a policy would place the Canadians in an extremely embarrassing position for while politically Canada is still a member of the Commonwealth, she is no longer so economically."

"Whereas before World War II Britain was the biggest market for Canadian produce, the United States now buys four times as much from Canada as Britain. In addition, such former staple exports as canned salmon, bacon, cheese and apples are now excluded from the British market.

"In such circumstances, it is argued, it would be a grave error for Canada to take any part in a move that might alienate the United States and give rise to a new trade barrier war.

"At the same time, Canada is reluctant to abandon the Commonwealth association because hope for recovery of the sterling area continues and it is feared that anything that might be construed as a break with Britain might involve for a nation of only 14,000,000 the risk of a loss of independence with respect to the United States."

It is quite evident that considerable opposition will be manifested among Canadian manufacturers to any serious reduction in duties which might result in "dumping" of British goods on the domestic market. A few weeks ago, it was urged at a meeting in Montreal of the Executive Council of the Canadian Manufacturers' Association that adequate measures be taken my the Canadian Government to prevent such a contingency. At the meeting, it was pointed out that use should be made by Canada, of the "escape clause" in the general agreement on tariffs and trade in a similar manner to the United States and adequate opportunities should be provided by the government for hearings by interested parties under this clause.

It has been stressed by Canadian manufacturers, that they have made considerable effort in developing Empire markets which today amount to very little as far as exports of consumer goods are concerned and with very little hope of any change in the foreseeable future.

"In other words, unless convertibility of sterling, if accomplished, carries with it a substantial lessening of import prohibitions and restrictions, it will not aid export trade in Canadian manufactured products," says the statement of the Canadian Manufacturers' Association.

The Council also issued a further warning regarding trade negotiations between Canada and Japan. It declared that extension of the Japanese of most-favored-nation treatment would cause a dangerous situation in many Canadian industries.

Keith C. Hunter Opens

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Keith C. Hunter is conducting a securities business from offices at 9723 Santa Monica Boulevard.

Two With Kinnard

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Samuel J. Guello and Robert E. McGhee have joined the staff of John G. Kinnard & Co., 71 Baker Arcade.

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Railroad Securities

Missouri-Kansas-Texas

The long awaited stock readjustment plan for Missouri-Kansas-Texas has finally been approved by the Directors, and the terms were publicly announced a little over a week ago. The proposal is little different than the one that had been widely rumored and discussed in the financial community for some months. There was some improvement in the treatment accorded the old preferred in that the dividend rate on the new class "B" preferred is now set at 5% as opposed to the original expectation of no more than 3%. Otherwise no surprise appeared in the package. Market action was uncertain. Immediately after announcement of the terms the preferred strengthened moderately. The rise, however, was short lived and was followed by a period of softness. The common, which had staged a recovery prior to the announcement, settled down close to the year's low once the terms were publicly revealed.

The plan is designed to eliminate the large arrears of unpaid dividends on the 7% cumulative preferred stock. As pointed out by the management there could be no hope for the payment of these back dividends in cash even with a further prolonged period of boom conditions. Even in the 12 months ended Aug. 31, 1952, which was admittedly a period of very good railroad business, earnings on the preferred amounted to only $9.94 a share. Obviously some of the earnings must be retained in the property for capital improvements so that even such a level of earnings would not allow any leaway to liquidate preferred arrears, if, indeed, they could be considered sufficient even to justify payment of the prescribed $7.00 regular annual dividend.

While the plan has finally been announced it may be taken for granted that consummation is, at best, still a long way off. The plan must be approved by the ICC, the courts, and holders of at least 75% of each class of security affected, in this case the preferred and common stocks. Getting the assents of such a large proportion of the stocks is always a long and difficult process. This is particularly true of common stocks, the theoretical equity of which will naturally have to be diluted. Considering the earning power of the properties, the only way preferred holders can be even partially compensated for their back dividends is through new common. To make the new common of any practical value it is just as necessary to have a reverse split-up of the old common. Of course one strong argument the management will be able to use in persuading common stockholders to go along with the proposal is that if no plan is consummated the old common, because of preferred dividend arrears, will have no possible prospect of participating in the company's earnings for an indefinite period.

Under the terms of the plan each share of old 7% preferred will receive one share of new class "A" 5% preferred, one share of class "B" 5% preferred, four shares of new common and one perpetual warrant to buy a share of common stock for $10.00. Both classes of preferred will be of $50 par. The class "A" dividend shall have first preference and may be paid either out of earnings or surplus. It will be cumulative to the extent of available net income. This available net income is after all fixed and contingent charges, including any sinking funds, and after a capital fund of the larger of either $2 million or 2½% of gross revenue. The class "B" preferred will be non-cumulative. After payment of the regular $2.50 rate it will participate equally with the common in any dividends, share for share. This class "B" stock may also be used in payment for common stock purchased through exercise of the perpetual warrents. The old common will receive one share of new common for each three old shares and, also, a perpetual warrant to purchase one share of common at $10.00 a share.

Under the plan the par value of prefered stock outstanding will remain unchanged but the annual dividend requirements will be reduced to $3,335,020. With revenues at recent levels the capital fund would amount to $2,099,000. Charges to net income before arriving at earnings for the new common, then, would aggregate $5,434,000. For the eight months through Aug. 31, 1952 net income was reported at $6,629,000. On the basis of the plan this would mean income available for the common of $1,195,000. The amount of new common stock would be 2,937,673 shares. With allowances for the participating feature of the proposed class "B" preferred, effective earnings on the new common under the proposed recapitalization would come to around $0.33 a share. Based on the plan, most railroad analysts feel that the old preferred has reacted to levels at which it appears attractive while the old common still appears too liberally priced. Pending action on the plan the management is apparently going to attempt to disburse dividends on the old preferred stock at the rate called for in the plan on the combined class "A" and "B" preferred stocks, $5 annually. An initial distribution of $1.25 a share has been declared.

Lester, Ryons Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Herschell D. Newman has become connected with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Los Angeles Stock Exchanges. He was formerly with E. F. Hutton & Company.

Joins Harris, Upham

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Richard F. Kenney is now affiliated with Harris, Upham & Co., 232 Montgomery Street. He was previously with Consolidated Investments, Inc.

With Walston, Hoffman

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Clarence J. Richardson is now affiliated with Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges. He was previously with Consolidated Investments, Inc.

Joins Daniel Reeves

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—James E. Tucker has become affiliated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges. He was previously with Quincy Cass & Co.

Continued from page 3

Outlook for the Domestic Economy

the bulge in the first quarter of 1951. They have been somewhat more favorable over the last few months, with the net result that the lag in the first quarter of 1952 behind the first quarter of 1951 has been made up by more favorable year-to-year comparisons. The latest week was 6% above the corresponding 1951 figure.

Price Changes

Prices show one of the most interesting of all the changes. Wholesale and spot prices reached their peak in the first quarter of 1951. Spot prices refers to the sensitive daily index of spot prices which is published by the Bureau of Labor Statistics. Those figures are as follows: The spot index was 266 in June of 1950. It reached a peak of 390 in the first quarter of 1951. It had fallen to 294 by the end of August. The latest figure, in this morning's paper, was 284.9. In other words, there has been a 3% drop since the end of August. (Spot prices are only 6% above the pre-Korean level at the present time.)

Wholesale prices, which had risen 16.5% by the first quarter of 1951, now are averaging some 11% above the pre-Korean level.

Dow-Jones commodity futures have been trending down. They follow the same general pattern as the spot index.

The consumers price index reached a new peak in August. The September figure will be out in the next day or two. It usually comes out around the 20th or the 22nd of the month, and, I suspect, will decline fractionally. The October figure also will be down fractionally because of lower food prices.

In other words, when we examine all of the comprehensive indices—and I have given them a very fast once-over because I felt you would be more interested in the factors affecting the future than the past—we find that almost without exception they are almost at or close to their post-Korean peak. However, these overall totals conceal some very interesting divergences among the sub groups. Civilian durable goods production, for example, is substantially below the post-Korean peak. The textile industry is substantially below the peak which was reached at the beginning of 1951.

War Production Counteracts Decline in Civilian Economy

What has happened, of course, is that the expansion of war production and in plant and equipment, primarily to take care of this expansion, has more than offset the decreases in the output in the civilian economy.

In part, the decrease in the output in the civilian economy was required by the expanding war production, but (and this is a very important but) whether we had war production or not, the civilian economy would have declined. An examination of the civilian economy shows that the decline which took place in textiles and for various types of durable goods — automobiles, refrigerators, television sets, and the others—reflected a decline in demand to a point where even the reduced level of supply was excessive.

That is how we stand—war production at its peak; plant and equipment at its peak; commodity prices down; civilian output down; the overall total up.

The Nearby Outlook

What about the outlook? Two groups of factors may be considered: the sustaining or expanding forces and the negative factors.

Sustaining or Expanding Forces

First, armament spending. Armament spending has risen from a total annual rate of $15 billion before Korea to a second quarter rate of $52 billion. It currently is running at about that level, maybe a little higher. The goal is now set at $58 billion. This means that practically all the stimulating effect to the economy that we will derive from the armament program has been felt. While a sidewise movement is anticipated, the next major change in armament expenditures, within the framework of the present program, will be downward. So this is a minor stimulating force over the next few months, a neutral force for possibly a year thereafter, a negative force in the period following. I say within the framework of the present program because in the absence of any new war scare I would suspect that the tendency will be to contract the armament program rather than to expand it, and that there may be some possibility of that contraction taking place prior to scheduled date.

I do not say that on the basis of any inside information. However, there are some very commonsense factors that point in that direction. One of them is the problem of inventories of armaments. It is all very well to talk about inventories of aluminum lying out in the field, and inventories of steel, and inventories of textiles, many of them basic raw materials that can be used in many ways. It is something else to talk about huge inventories of military equipment when you are not using up large quantities of that equipment.

You know that an all-out war eats up this material at a perfectly fantastic rate. When you are not in an all-out war, on the other hand, it accumulates at a fantastic rate, and at some point it seems to me it will be unavoidable that the powers that be will be thinking in terms of having enough on hand for emergencies, and moving into latest designs rather than continuing to accumulate a lot of material that is obsolete. In a war you have no choice—you must do it. We are not in that type of all-out war, and I suspect, regardless of which party gets in, there will be some contraction in armament spending.

High Level Income a Sustaining Factor

The second sustaining factor is high level income. That has shown little change since the fourth quarter of 1951, when it reached $231 billion. The outlook is for a moderate rise in labor income, little change in dividend and farm income. That would suggest that a minor increase in disposable income can be anticipated.

However, there is one other aspect of this income problem which we must consider. Savings are still at an abnormally high rate. It is all very well for economists to talk about us having a new plateau, and that 7.5 to 8% level of savings is going to be normal. But the fact is over the years we have rarely had over 5% in savings. I, for one, was very skeptical of the 10% figure a year ago, the 8% figure a little later, and I am skeptical about how long we can continue the present 7.5% rate of saving. That means if the rate of savings goes down to 6%, 5%, every per cent is equal to about $2.3 billion in greater consumer spending.

The volume of consumer spending, which is the other side of the coin to savings, therefore, can go up somewhat more than the rise in incomes. Two factors maybe at work—the overall total going up, and more of the total being spent for current consumption.

Thirdly, on the favorable side is the abandonment of various consumer credit controls. Already instalment credit has increased by $1 billion since regulations were taken off. Regulation X being taken off is going to have a minor effect. Let me underline *minor*.

The average weekly wage in a manufacturing industry is about $65. Let's say you get one of these houses that costs $10,000. Let's say you have a mortgage of $8,000.

What's his cost for carrying the $8,000 mortgage? $7.00 to $7.50 a thousand, and that's $60 a month. The total cost of carrying a $10,000 house is in the neighborhood of $90 to $100 a month, including taxes and fuel, and the other odds and ends.

Well, what sort of a market are we going to have for $10,000 houses among $65 or $85 a week families when it costs $90 to $100 a month to carry them? When you are making under $5,000 a year it is pretty tough to carry the houses at these costs. And I am only assuming one week's pay for a month's rent when the national figures show the average is 12%.

Take the situation of automobiles. Suppose you bought a car for $2,000 and you made a down payment of one-third and hence you owed $1,300. Suppose you had thirty-six months to pay it off. That's the limit; the average is twenty-four months. For thirty-six months it will take about $35 a month. You figure out how many people making $65 a week can pay $8 or $9 a week for a car and still buy other things, and you get some idea of what I have in mind by the statement that I think that these relaxations of control will be minor in effect; some marginal stimulation, and that's all.

Unfilled Orders

Fourth on the favorable side there is a tremendous backlog of orders; unfilled orders are at a record level. At the of July in manufacturing industries they have approximated $70 billion. That compares with $63 billion a year earlier. That is equal to more than three months' sales.

However, if we break this down to durable and non-durable goods, for durable goods the backlog is equivalent to six and a half months' sales. For nondurables it is equivalent to a third of a month. But it is the durables that are important.

In addition to these unfilled orders, as of about a month and a half ago there was still some $70 billion appropriated and not let out in contracts. In other words, they are not in the unfilled orders picture, and we must allow for these orders because they assure a high level activity in many industries for a considerable period ahead.

Fifth is the conservative buying policies of both consumers and businessmen in recent months. The National Association of Purchasing Agents, which makes useful surveys each month, in their latest estimate stated that most concerns are sticking within a 30- to 60-day basis for commitments, which is about the shortest we have had since the pre-Korean period. While this means less pressure for advance now, it also means less maladjustment developing, less over-stimulation, and hence becomes a factor which could drag out high level activity.

The Unfavorable Factors

Those are the plus signs. What are the minus signs, or signs which can become minus pretty quickly?

First, basic commodity prices have been easing. The 2,100 commodity wholesale price index is at the lowest point it has reached since the post-Korean peak. The spot index has been making new lows in recent days. The commodity futures index also has been moving downward.

These are very significant de-

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velopments because I do not recall any major upward movement in business activity in recent years when commodity prices were standing still or moving downward. Certainly the changes in these prices do not give any signs of great pressure of demand, and usually the sensitive index reflects pressures for demand very quickly. All I have to do is remind you that after Korea this index rose about 50% in a matter of a few months, and that it is now down to 6% above the pre-Korean level, to give you some idea of the sensitivity of this index.

Secondly, the steel strike. Here I think is one of the very interesting bits of evidence that the business situation is not quite so strong as many people pretend it is. Let's take a look at it.

The steel industry in eight weeks lost 16 to 18 million tons of steel, and yet no scramble for steel took place when the strike was over. Did you ever stop to ask yourselves why? One reason could be that before the strike the steel industry was producing not only enough to meet all defense and civilian needs, but enough to build up inventories to the extent of part of this 16 to 18 million tons, because we did go into the pipe lines for some extent. That would suggest to me that the steel industry, operating at full capacity, can more than meet our immediate needs for defense and civilian goods, and, hence, that the steel industry will shortly be scrambling for business. So, I am not convinced that the steel situation is the tower of strength that it has often been listed to be. I have it on the negative side.

Third, a good part of the plant and equipment spending is financed out of retained corporate earnings. Undistributed profits have fallen from $11.5 billion rate to an $8.5 billion annual rate. The combination of higher wage rates, difficulty in raising selling prices, and little change in volume figures suggests further declines in corporate profits.

Now, even if that decline does not take place, roughly one-quarter of the retained earnings will not be there—and I am not talking about depreciation reserves because that is a different problem.

Plant and equipment spending is at a record peak. In 1952, the rate of spending reached $27.7 billion. In my judgment, we are either now at or past the peak in that spending. This spending was very heavily influenced by armament needs; the increase in aluminum, the increase in steel, the increase in war plants.

In the first stages of a war program you build plants, and in the second stages you turn out the stuff. The stage when we have been building the plants is rapidly coming to a close—six months, nine months, a year, with some minor exceptions. Aircraft factories and installations are still scheduled to be completed as late as 1954.

But the fact is that the major bulk of the plant we need to produce at this $58 billion rate, and to give us the materials we need, is rapidly coming in place, and I do not see a new increase taking place in the absence of some future war scare. That is the big proviso to all these estimates. I do not see the steel mills going from 90 million to 120 million tons stepping up again, although for special types of steel some new investment can take place. I cannot see the railroads forever buying 10,000 freight cars a month. And, as you gentlemen know, they are pretty close to 60 or 65% dieselized. The railroads have a financial problem that is a very tough one. I wish we had time to discuss it.

Number four on the negative side, exports have been declining. The combination of larger food crops abroad, tighter import restrictions, shortage of foreign exchange, and a moderate recession in Western Europe has led to lower exports, a situation that will affect some key industries. From a long-term point of view, this is one of the most favorable things that could take place, because we must get to a basis where we import more than we export, but as a short-term factor it is listed on the negative side.

Fifth, inventories are high in manufacturing. They made a new high in August when they were $43 billion. Here's the interesting thing about these inventories—and this is speculation on my part because the breakdown isn't available. The major part of this increase in inventories is in goods scheduled for armament production. We know that civilian inventories have been coming down and have come down rather substantially. These inventories are largely to be used for war goods.

What is the nature of war goods inventory? Well, a good part of it must be the material involved in lead time. If you are going to complete an airplane, you may have to start sometime in advance on your radar, and when that is finished it is called inventory for whatever firm has it.

What happens when you begin to level off or cut the level of total armament production? It would seem to me we have to start eating into inventories. And if that is the case, then instead of a volume of production large enough to meet current needs *plus* inventories, you get a volume of production adequate to meet current needs *minus* inventories. And that, to my way of thinking, is a negative factor. Even if the inventories don't go up it is negative because inventories have been a positive contribution. In other words, instead of plus you get just even. It takes several billion dollars out of the gross national product. So, I view these inventories as being too high, and setting the stage for a decline. Moderate, but still a negative factor.

Republican Victory Would Be Bearish

Sixth, I don't know who is going to win the election but in my judgment a Republican victory would be a negative factor for the short-term. I don't mean a crash. I don't mean the world will come to an end. What I mean is simply this. When a dope fiend is taking his shots and you take the needle away, there is a reaction. And I would expect that the probability that we will send this dope fiend off to an institution and take out the inflation needle will be greater if you had a Republican victory than if you had a Democratic victory.

Seventh, retail sales have not been buoyant. They have been moving sidewise. There has been little change all year. This will have to be watched carefully, because unless retail sales pick up, the important offset to plant and expenditure decline, and armament expenditures, will not be there.

The National Debt an Adverse Factor

The next adverse factor is a very important and interesting problem—it is the debt factor. Whether this will hit us in October, 1952 or October, 1953 I can't say, but let me give you a couple of figures you may not have seen.

The total volume of private debt in this country, corporate, noncorporate, personal, has expanded from $141 billion at the end of 1945 to $277 billion at the end of 1951. To put it in a simple figure, the total volume of private debt has doubled in this country in six years. Corporate debt has gone up from $85 to $155 billion. Individual and noncorporate debt has gone up from $55 to $121 billion. Mortgage debt has risen from $28 to $70 billion in the last five years.

In case you would like to see the comparison with the '20's, here it is. The debt rose from $106 billion in 1920 to $161 billion in 1929, which is an increase of about 55 or 56%, in nine years. That compares with an increase of $136 billion, or 97%, in the six years ending with 1951.

Personal and public and private debt and corporate debt have been increasing at a perfectly alarming rate. This is one of the real long-term sore spots, in my judgment, for reasons I will outline.

Let me call your attention to the fact that this increase in private debt follows a $200-odd billion increase in public debt in the first five years of the '40's.

Now, a lot of people aren't worried about this debt because "we owe it to ourselves," and I have been reading some very interesting analyses about how this debt doesn't mean anything because, after all, what does it amount to, it has only gone up from 5% of the national income to 10% of the national income in the last five years—that is, the service charges—and, after all, many people now own their own homes instead of paying rent. So it is not too bad.

All of which may be true. But in this same period 25% of all the durable goods sold—homes and other durable goods — were sold for credit, and it strikes me as a very strong possibility that at some point we will not be able to increase debt by $25 or $30 billion a year and the support, the props, the stilts underneath the business structure which that type of spending creates will be kicked out from under us. And I don't think I have to be very much of a prophet to say that at some time, without giving you the date, this type of expansion in debt cannot continue, and this type of expansion in debt when it stops must result in a pulling out of a very important prop underneath our economy.

It is a very serious problem. It has not received a fraction of the consideration it should receive. Some of you fellows on the investment banking end could do well to do a little careful study of what is going on in some of these companies in terms of the debt being incurred, because it is certainly increasing at a terrific rate.

Let me give you one or two other figures in this connection. Personal savings in the last six years were $61 billion. That compares with $136 billion increase in debt. The Federal Reserve Board has made a study to show what happened to consumers — these spending units. They increased their financial assets in the last six years by $67 billion, and debt by $47 billion.

Of the $67 billion increase in assets, $43 billion was called "other financial assets." What are other financial assets? Mainly pensions, life insurance, a very small amount of corporate securities.

In other words, when we look at these figures, one begins to wonder at what point will the American consumer, and American industry, find itself carrying a debt load which it will not be able to increase? I said nothing about its ability to carry that load. I am merely concerned at this point with whether it can continue to increase that load at the rate it has been increasing. And if it does not increase that load, can you expect to have this continued support to business which has been taking place?

I made a very interesting calculation. Not too significant, but I want you to see a figure. I took the increase in national income each year since 1946, 1946 to 1947, 1946 to 1948, 1946 to 1949, and so on, and got the aggregate increase in income. It aggregated $250 billion, and the total debt increase was $136 billion.

In many years I found that year-to year change was greater in debt than in the national income.

Maybe all this means nothing; my friends in the economic fraternity seem to be ignoring it almost completely. Maybe I have just got myself a bug. It is entirely possible. At some point this debt situation will create trouble, and looking ahead maybe you ought to keep it in mind.

Conclusion

What does all this add up to? The economy has been dominated by conflicting trends in 1951 and 1952, with expanding armaments and a declining civilian economy. There has been some increase in the civilian economy, over the last few months, with textiles and some of the hard goods picking up, and I expect that pick-up will continue over the next few months. I do not think we will return to the peaks of early 1951 in the near or foreseeable future. On an overall basis, I don't think the rise from the present level is going to be very great.

Business Decline Comes in 1953

I think a downward movement will start in business some time in 1953. I cannot pinpoint it, because there are too many imponderables, but certainly if I were trying to prepare myself for what was coming ahead, I would say that the main rule would be caution, the main rule would be to lean over backward, because whether this decline starts the second quarter or third quarter or fourth quarter is not quite as important, in my judgment, as what appears to me to be the fact that these factors on the negative side are very powerful ones. I cannot recall a time since 1948, when in making this pro and con (which is one of the ways I treat these problems—and, obviously, there are more factors, but I have picked out the most important ones) the list on the negative side has been as large as it is. My own experience has been that I hate to ignore that type of a sign.

Securities Salesman's Corner

By JOHN DUTTON

Municipals To The Fore!

During recent months, forward looking investment dealers have quietly been suggesting that individual investors in the higher tax brackets could do well by buying some tax-free municipal bonds. That there is a decided pick-up in the demand from individuals for this type of security is now being recognized throughout the country.

Advertising in various media has been bringing in many inquiries, especially when that advertising offers issues of local or state-wide character, and stresses the tax-free exemption. Some of the advertisements that have been the most effective include a table, or listing of what a tax free yield of 2%-2½% or 3% would mean to investors in various tax brackets. These ads put it like this—if your net taxable income is a certain amount (figure given) then the 2½% return on these bonds is equivalent to a taxable return of 5% (or whatever the proper return should be). The acknowledged defensive qualities of good municipal bonds is something that practically all investors recognize—the tax-free element is also very attractive to many.

There is even a psychological quirk that crops up. I heard of an investor that was so sore at the present Administration that he sold out $50,000 worth of Treasury bonds and put this money into tax-free bonds of the county in which he lived. He just got sick and tired paying taxes on low yield governments—now he has invested in municipals that pay him just as good a return—tax-free.

Recently the firm of Butcher & Sherrerd, of Philadelphia, placed some effective advertising in the Philadelphia "Inquirer." This ad was tied in with a special supplement feature of the paper that described the vast growth of the Delaware section of Pennsylvania. The Butcher-Sherrerd advertisement came right out with this headline — "Tax-Free Investment Opportunity in the Bucks County Area of Delaware Valley, U. S. A." Three issues of school authority bonds were offered to yield from 2½% to 3½%. Three main features were emphasized in the ad:

(1) In the opinion of counsel the income on these bonds under existing statutes and decisions is exempt from all present income taxes.

(2) Principal is exempt from payment of all present Pa. state or county personal property taxes.

(3) That these particular school authorities are the recipients of state aid, etc.

A handy coupon was inserted in the lower right portion of the advertisement. It left a space for requesting full information, and another space for requesting that a registered representative phone for an appointment.

If you are interested in seeing how this advertising was presented, I believe that Albert Frank's office, 2006 Packard Building, Philadelphia, would be pleased to send you a copy.

The trend toward defensive type investments at this time is spreading throughout the country—especially among people who have substantial investment accounts. These people have not been buyers of municipal securities to any great extent for many years. Their interest has been toward inflation hedge common stocks which daily seem to be less and less attractive to investors at this time. A net return of even 2% entirely tax-free is interesting to many investors in this category. They are not able to obtain anything like this net return on savings deposits, savings and loan, or from Treasury bond and certificates.

The municipal bond may soon again be having its day.

Real Property Inv.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Real Property Investments, Inc. is engaging in a securities business from offices at 233 South Beverly Drive. Officers are Robert P. Alford, President; Talcott W. Seaver, George P. Cronk, and John B. Simmons, Secretary. S. P. Asch, William M. Chance, Jr., Ethel Cohen, Charles K. Godfrey, Frank Level, Rubin Lichtig, and Fred S. Robinson, and Ralph M. Watson are also with the firm.

Two With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Loran R. McCoy and Vincent D. Larson are with Waddell & Reed, Inc.

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Public and Private Debt vs. Savings

Institute of Life Insurance points out last decade's growth of the economy has been accompanied by greatest splurge of borrowing in nation's history. Calls attention, however, to even greater growth in savings of business and individuals.

In its current bulletin on "Money Matters," the Institute of Life Insurance calls attention to the rapid rise during the last decade in the nation's public and private debts, which has accompanied the growth and expansion of the economy. According to the Institute, the total of debt in the United States—public and private together—has expanded nearly threefold, and by an amount of approximately 400 billion, in the period from the beginning of World War II in 1939 to the present.

"Considering the dangers and burdens involved in a debt of the present extraordinary size," the Institute said, "it must be recognized that much of the ability of the economy to service and to support it is predicated on a continued high level of economic activity.

"To date this great rise in aggregate borrowings appears to have been matched by a comparable growth in such debt-supporting elements as national and individual income, savings, assets of borrowers, etc., as judged by a comparison of present and past relationships between these factors and the total of debt."

Figures compiled by the U. S. Department of Commerce, the Institute reported, show that gross public and private debt combined rose from an aggregate of $209 billion in 1939 to more than $600 billion at the end of 1951. The increase last year alone exceeded $40 billion, or a tenth of the gain for the 12-year period, the Institute stated. Both proportionately and in dollar amount, the Institute continued, the growth in debt as a whole has been greater in the area of public finances, due primarily to the way the Federal debt has skyrocketed, than it has been in the private sector of the economy.

"Figures of this size are just beyond the average person's comprehension," the Institute said. "A simple gauge of what has happened in the area of debt is found in the fact that in 1939 the gross amount owed by government (Federal, state and local), business and individuals, all put together, came to the equivalent of $1,600 for every man, woman and child in the country at that time. The comparable figure now, with all our population increase, is $4,000, or two and one-half times as great.

"The records of the past 12 years of debt expansion show an interesting shift in the source of borrowing between the first part of this period and the years since the end of World War II. The dominant factor in the heavy borrowing of the years from 1939 through 1945 was the Federal Government due to the war. As a result, the total public debt rose more than fourfold in this period while aggregate private debt increased by only about 12%.

"This situation was reversed in the period from 1946 through 1951, when private borrowing came to the fore while the total public debt showed a net decline. Reflecting record industrial expansion and the rush of consumer buying after wartime shortages, the total of private debt practically doubled in these six post-World War II years. Right now, aggregate private debt is larger than total public debt for the first time in a decade.

"One indication of the debt-supporting ability of the economy can be derived from the relationship between the trend of economic activity in general as measured by national income and combined public and private debt. The records show that total debt was about two and one-half times the national income in 1929. During the Thirties, due to economic conditions in this period, the ratio was very much higher and in 1933 aggregate debt was nearly five times the national income.

"However, economic activity has shown a greater rate of growth than has aggregate debt for the 1939-51 period as a whole. As a result, combined public and private debt at the end of last year was the equivalent of little more than twice the national income."

With all the private debt expansion of recent years, the Institute stated, savings of business and individuals have shown an even greater growth for the 1939-51 period. The following table gives a bird's-eye view of what has occurred in these 12 years, comparing the trend of debt with that of liquid assets alone (currency, bank deposits, U. S. Government bonds, and savings and loan shares) and not counting other resources and investments of people and business:

Liquid Assets and Debts, 1939-51
(Billions of dollars)

Year	Corporate Liquid Assets	Corporate Debts	Corporate Ratio	Liquid Assets	Debts	Ratio
1939	$13.0	$86.8	15%	$56.0	$52.0	108%
1940	15.0	89.0	17	59.7	54.0	111
1941	17.4	97.5	18	68.0	56.5	120
1942	27.1	106.3	25	89.1	51.5	173
1943	38.6	110.3	35	117.8	49.5	238
1944	44.7	109.0	41	151.2	51.5	294
1945	45.1	99.5	45	182.4	55.5	329
1946	38.9	109.3	36	192.6	62.0	311
1947	38.1	128.2	30	199.1	72.9	273
1948	39.3	138.7	28	199.5	84.8	235
1949	41.9	136.8	31	201.1	94.2	213
1950	46.3	160.5	29	203.9	110.0	185
1951	49.2	182.8	27	211.3	121.4	174

Sources: U. S. Dept. of Commerce; Federal Reserve System; Institute of Life Insurance.

George E. Fraker in Realty Business

DENVER, Colo. — George E. Fraker is now engaged in a real estate business from offices at 726 Downing Street. Mr. Fraker was formerly in the securities business for many years, having his own firm in Denver and prior thereto being associated with Stone & Webster and Blodget, Inc.

P. & S. Tabulating Division Dinner

Richard H. Stewart, of Lehman Bros., President of the Purchases and Sales-Tabulating Division of Wall Street, Association of Stock Exchange Firms, has announced that the Division's annual dinner will be held at the Hotel Statler on Wednesday, Nov. 19, 1952.

Bert Seligman, of Thomson & McKinnon, Chairman of the entertainment committee, stated that arrangements have been made for 500 members and guests.

Continued from page 7

Current Labor Trends and Problems and Taft-Hartley Act

clear long-range objectives in this field and not many have developed policies to achieve these objectives. Only a small proportion of managements seem to have given much thought to the kind of relationship with unions that is practicable and desirable. Can it be a more or less cooperative relationship? Must it be a state of armed truce? How much working together is possible and desirable? Working with unions is likely to increase the prestige of unions. Are managements willing to do anything that raises the prestige of unions, even if by so doing managements raise the efficiency of operations? Other basic policy questions that require managerial decision are:

(1) What participation does management desire on the part of employees in the conducting of operations and the handling of problems?

(2) Is employee participation desirable from management's standpoint? Why or why not?

(3) Does management intend as a matter of ordinary practice to consult with unions on matters that are within the discretion of management?

(4) Is management prepared to give some form of security to the union?

IV

What kind of philosophy and basic policies have American trade unions been pursuing during the postwar period? In these respects I think that the American employers and the nation as a whole are quite fortunate. The trade unions are above everything else interested in getting substantially better wages and conditions for their members, not in introducing new schemes of control or management into industry—schemes that would probably interfere with the efficiency of industry. American trade unions have a good understanding of the enormous capacity of industry to increase output, and they wish to "cash in" on this capacity—not, as a general rule, to interfere with it. Hence the basic policy of trade unions has been to drive hard bargains and thereby to get for workers as big a share as possible in the growing output of industry. Unions are not interested in sharing in management or in cooperating with management. There are a few notable exceptions to this statement—a few unions which even feel broad responsibility for the prosperity of the industries in which their members work—and there are a few specific activities, such as apprentice training or the promotion of safety, in which unions are usually willing to cooperate if asked to do so. In general, however, my statement is correct. The basic policy of most unions seems to be:

"American industry is enormously productive. We wish to keep it enormously productive, and the best way to do this is to insist on big wage increases and thereby to force managements to make even stronger efforts to improve methods. We do not as a general rule obstruct the introduction of new equipment or new processes. In fact, we hope that managements will introduce new machinery and will invent better methods because such things will enable us to get additional wage increases."

I do not think that either managements or the public fully realize how desirable is this basic policy of American trade unions from the standpoint of management and the country, as well as from the standpoint of union members themselves. The point of view of unions implies a significant specialization of functions and activities. The job of management is to manage. Unions prefer to let managements do this. They prefer to specialize on being strong and active bargaining agents and to win gains for their members as fast as managements achieve gains in productivity. And they believe that their pressure for higher wages and other benefits actually makes managements try harder to raise productivity.

Unions will be willing to keep their present philosophy about the role of unions in industry so long as their present policies produce good results—that is, so long as unions have good success in winning gains for their members. If managements, on careful reflection, approve of the present specialization of functions, managements will be interested in seeing that it works. How to make it work is one of the most fundamental policy decisions that managements must make. The present system of industrial relations in the United States presupposes good success on the part of management in raising output per manhour and thereby creating additional product to share with employees. It is an important short-coming in management's approach to industrial relations, I think, that top executives do not seem to have carefully analyzed the basic policies of unions and have not gained a clear understanding of the stake that management has in making these arrangements work.

There is an important shortcoming in the present American system of industrial relations. Rivalry between unions is strong and is likely to continue to be strong. This rivalry tends to increase the demands that unions make on managements. During most of the time, unions are in a strong enough bargaining position to raise wages and other labor costs faster than managements are able to raise output per manhour. Hence, labor costs are slowly rising. But increasing labor costs require a rising price level, at least in the long run. A rising price level creates difficult problems. But the problems that would be created by public policies designed to weaken unions and to interfere with the bargaining process would be even greater than the problems created by slowly rising labor costs and a long-run increase in the price level. The American trade union philosophy and the American bargaining system have tremendous advantages for the community as a whole. These advantages seem to me to be worth the slowly rising labor costs and price level which they entail.

V

The great growth of unions in strength and power creates the problem of protecting the members of unions, and the community as well, against the abuse of power. This kind of problem has arisen before in American history, but this time the source of great power is trade unions rather than large business organizations. The Taft-Hartley Act represents the first real attempt on the part of the community to check the abuse of trade union power. It is understandable that unions should keenly resent this attempt to restrict some of their methods and activities and that the Taft-Hartley Act should become a political issue. And it is not surprising that this first attempt to deal with the difficult problems presented by the rise of powerful labor organizations should contain many serious faults. For example, the Taft-Hartley Act outlaws the closed shop instead of attempting to regulate it, thereby unnecessarily disturbing a well-established institution; it inadequately protects the right of unions to enforce their rules by forbidding employers who have negotiated union shop contracts from discharging workers who have lost their good standing for other reasons than failure to pay union dues; the secondary boycott provisions (while in the main good) are too broad; the provisions for dealing with disputes that could imperil national health or safety are quite inadequate.

But the good points in the Taft-Hartley Act far outnumber the bad ones. For example, it provides a statute of limitations governing the bringing of complaints; it specifically authorizes employers to ask for elections (and there have been many elections held at the request of employers); it authorizes decertification elections (the lack of such a provision was a glaring fault in the old Wagner Act); it corrects the refusal of the Labor Relations Board to put "no union" on run-off ballots; it requires the Board to treat independent unions the same as national unions; it imposes the obligation to bargain on unions as well as on employers; it recognizes a category of unfair practices by unions as well as by employers, and there have been hundreds of unfair practice cases filed against unions each year of the Act. Many of these cases have been brought by other unions.

The Taft-Hartley Act, however, covers 29 pages of 8-point type and it is impossible for me to discuss its many features. It is unfortunate, that the unions are attempting to make the basic issue whether or not the Taft-Hartley Act should be repealed. That is a purely negative approach to the problem of a proper industrial relations law. The real issue is: "What public policies should the community adopt to protect its members against abuses of either employer or trade union power?" Consequently, instead of discussing the multitude of provisions in the Taft-Hartley Act, I shall discuss some of the basic matters with which a satisfactory industrial relations act should deal. There are seven of these matters:

(1) **The protection of the right of individual workers to join unions and to remain in unions.** In many parts of industry, the right to join a union determines the opportunity to make a living. This opportunity cannot be left solely to a decision by private organizations. Consequently, the terms on which a union shop or a closed shop may be established must be subject to public control to keep the doors of unions open without discrimination and at a fair initiation fee, and to protect union members from being unjustly deprived of their membership.

(2) **The right of unions and employers to be represented by bargaining agents of their own choosing.** The Wagner Act protected employees in the right to be represented by a bargaining agent of their own choosing; the Taft-Hartley Act retains this protection but it also restricts unions from interfering with the selection of bargaining representatives by employers. This is a step forward.

(3) **The scope of the subjects over which each side is required to bargain.** The Taft-Hartley Act imposes virtually no limits on the subjects that may be bargained about — though it does in effect

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exclude the bargaining unit itself from being a subject of bargaining. I believe that the policy of requiring the parties to bargain about anything connected with wages, hours, or working conditions is a wise policy. Certainly, if the bargaining process is to have vitality and to command the confidence of both sides, it should be permitted to apply to almost anything that the parties regard as worth bargaining about. Their judgment, not the judgment of a public agency, should be decisive. An important question is whether either side may for a limited period of time enter into agreements that exclude either certain subjects or all new subjects from bargaining. Here again I believe that the policy of allowing the parties a free hand in making the kind of agreements that they desire is a wise one.

(4) **The protection of neutrals from injury in labor disputes.** Sometimes the union or the employer finds that an effective way of applying economic pressure on the other party is by applying economic pressure to neutrals. Certainly, neutrals are entitled to be protected from being forced by a boycott or economic pressure to help one side in a labor dispute. The Taft-Hartley Act attempts to give them such protection. Its provisions are not as well written as they might be, and in some cases protection seems to be extended to parties who are not truly neutrals. The Act, however, attempts to do the right thing, and an amendment or a new Act should give neutrals effective protection against being conscripted to help one side or the other in a labor dispute.

(5) **Protection of employers against some forms of rivalry among unions.** The Wagner Act gave employers no protection against the efforts of non-certified unions to compel an employer to cease dealing with a certified union and to deal with an uncertified one. In other words, the Wagner Act gave employers no protection against attempts on the part of unions to compel the employer to violate the law. Such protection is obviously needed, and it is provided in the Taft-Hartley Act.

There is need also to protect employers and the community against attempts on the part of unions to use strikes or boycotts to control the assignment of jobs—that is, attempts on the part of one union to compel an employer to cease employing the members of another union. The basic purpose of protecting the right of employees to organize was not to help one union fight another union; it was to strengthen employees in their bargaining with employers. Unions have been more uncompromising in their fights with one another over jobs than in their fights with employers. Hence, experience justifies the prohibition of strikes or boycotts to enforce claims to jobs. The provisions of the Taft-Hartley Act on this point are crudely phrased and leave much to be desired. The Act, however, does attempt to deal with the issue, and any new law should also attempt to deal with it. It is gratifying to note that the Supreme Court has recently allowed an employer in Alaska to recover a large sum in compensation for damages suffered in a jurisdictional dispute. It is high time that employers be compensated for losses inflicted on them by jurisdictional disputes for which the employer has no responsibility.

(6) **Provision for unions to be held legally responsible for their acts.** This is a difficult issue because unions are loose organizations. Members may undertake to act on behalf of the union when, in fact, they are acting on their own initiative. On the other hand, unions may find it convenient to pursue certain activities through groups or individuals whom the unions represent as acting without authority but who, in fact, act under word-of-mouth instructions from the union. I do not assert that the provisions of the Taft-Hartley Act on union legal responsibility cannot be improved. Nevertheless, the law makes an attempt to deal with this issue, and is a long step forward. It gives statutory authority for a position that the Supreme Court took long ago in the Coronado Coal Company case, and which many state courts have taken. The Act distinguishes, as it should, between the liability of unions and the liability of the individual members of unions, and provides that judgments against the union shall not be enforceable against any individual member.

(7) **Protection of the community against strikes or lockouts that imperil the public health or public safety.** The President (or, in the case of states, the governor) needs clear authority to protect the health and safety of the community. Some people, it is true, (mostly persons who describe themselves as friends of labor) have argued that it is unwise to give definite authority to the executive to deal with disputes which imperil the public health or the public safety. These persons argue that if the executive's authority is definite, the union or the employer will be able to plan its behavior so as to evade this authority. If the executive, however, acts through "implied powers," neither side can predict what the executive may do and each will be restrained in its course of action.

Experience with the recent steel dispute shows that the so-called "implied powers" are not a satisfactory basis for executive intervention in disputes that create great emergencies. When the executive bases his acts on implied powers, he is bound to create the impression that he is acting in an arbitrary fashion and setting himself above the law. He may interpret his implied powers too broadly, as the President did in the recent steel dispute. When the action of the executive is regarded as arbitrary, it arouses fears and intensifies the emotions that always accompany a grave dispute. This intensifying of emotions makes the dispute even more difficult to handle.

The Taft-Hartley Act provides a procedure by which the President may deal with disputes that threaten to create national emergencies. Consequently, the Act is entitled to credit for attempting to meet a problem that cannot be escaped. The provisions of the law for dealing with emergency disputes, however, seem to me to be quite bad — indeed, almost unworkable. Consequently, they should be replaced with new and very different ones. The problem of disputes that imperil the health and safety of the community, however, is so big that I wish to discuss it separately.

VI

The provisions in the Taft-Hartley Act for dealing with emergency disputes are very bad. The Act provides that whenever the President believes that a dispute might imperil the national health or safety, he may appoint a board of inquiry to report on the facts in the dispute including the position of the parties. The report shall not contain any recommendations. On receiving the report, the President may direct the Attorney General to seek an injunction against the strike or lockout. If the court grants the injunction, the board of inquiry is reconvened. If the dispute is unsettled at the end of 60 days, the board reports to the President the current position of the parties, including the employer's last offer of settlement. Just what the board is expected to do during the 60-day period is not made clear by the Act. There is nothing in the Act to prevent the board from mediating the dispute, and there is nothing in the Act to prevent the U. S. Conciliation Service from attempting to settle the dispute. Thus, there is the possibility of competitive mediation—something that is definitely excluded by the Railway Labor Act. If the dispute is unsettled at the end of the 60-day period, the National Labor Relations Board is directed within 15 days to hold an election by the employees of each employer on the acceptance of the last offer by the employer. Within five days after the election, the Labor Relations Board must certify the results to the Attorney General who is required to move for the discharge of the injunction. The court is directed by the Act to grant the motion. The men are then free to strike. The President is directed to make a report to Congress of the efforts to settle the dispute.

It is difficult to imagine a more inappropriate set of arrangements for handling serious disputes. In the first place, the postponement is obtained by the issuance of an injunction. It is not necessary to use this provision to obtain a postponement. The Railway Labor Act obtains the same result simply by forbidding either party from changing the *status quo* for a limited period. The word "injunction" has become charged with much emotion because of the abuse of injunctions in strikes many years ago. The provision that the board of inquiry shall not include recommendations in its report is recognized as wrong, even by Senator Taft. The public naturally wishes to know what settlement the board regards as fair, and the ban on recommendations in the board's report prevents the board from enlisting public opinion in support of a definite compromise. After the enforced delay of 60-days, the men are given an opportunity to vote on the employer's last offer—an offer which their own leaders have rejected. It is certain that they will vote down the offer, as they have done in every vote by an overwhelming majority. After this vote the injunction is discharged.

Certainly this set of developments is well calculated to give the men the belief that they now have every right to strike. They have put up with the enforced delay, they have rejected by secret ballot in a vote conducted by the government itself the employer's last offer, and the injunction which restrained them from striking has been vacated. Surely the procedure provided in the Taft-Hartley Act is bound to make it much harder for the responsible officials of the government (and of the unions too) to persuade the men not to go ahead with their strike.

VII

What authority should the executive (the President or, in the case of states, the governor) have to deal with disputes that threaten public health or safety? Several courses of action should be made possible. In the first place, the President (or governor) should be authorized to require a postponement of the strike or lockout for a limited period (say 30 days) to give opportunity for further attempts at settlement. In the second place, he should have authority to summon the parties to a formal hearing before a moderator to show cause why the dispute should not be submitted to arbitration. In the third place, the executive should have authority to arrange for the investigation of the dispute by an emergency board of public members. The board should have the duty to recommend terms of settlement—in other words, it should be similar to the emergency boards created under the Railway Labor Act.

The use of emergency boards under the Railway Labor Act has affected both the process of collective bargaining and the willingness of the parties to submit their disputes to arbitration. The effect on bargaining has been to discourage real bargaining before an emergency board has been appointed and to cause the real bargaining to be deferred until the emergency board has made its recommendations. Then experience has been that one side or both usually reject the Board's recommendations but bargain more or less on the basis of these recommendations.[2]

The possibility that the President will appoint an emergency board also makes the unions and employers less willing to go to arbitration. The decision of a board of arbitration is ordinarily binding—that it will be so is part of the agreement to arbitrate. The recommendations of an emergency board are not binding. Why should the parties agree to submit their dispute to arbitration, when refusal to do this will probably force the government to appoint an emergency board which has no authority to make a binding decision? The emergency board procedure is especially attractive to the stronger of the two sides which hopes to be able to force concessions beyond the recommendations of the board. The only advantage of arbitration over an emergency board is that the parties at least have a chance to agree on the arbitrators whereas the members of an emergency board are selected by the government. In fact, however, the government quite properly appoints men who are acceptable to the parties.

How can the possible appointment of an emergency board be prevented from making the parties less willing to bargain or less willing to submit their dispute to arbitration? Such effects can be prevented by giving both unions and employers a strong incentive to avoid having their dispute referred to an emergency board. The attractiveness of emergency boards to both sides can be reduced by giving three additional powers to the executive. In case one side or the other rejects the recommendations of an emergency board, the executive should have authority to do one of three things: (1) to let the strike or lockout occur, after working out an agreement with the union and the employer that production will continue, until the dispute is settled, on a limited scale, but on a scale large enough to meet the needs of public health or safety; (2) to seize the property and operate it; (3) to require that the recommendations of the emergency board be put into effect for a limited period—say six months.

(1) **An agreement with the union and employer that production will continue on a limited scale until the dispute is settled.** Even in vital industries much of the output is not necessary to health and safety. Probably half, or in some cases less than half, of normal output would protect the essential interests of the community. There might still be much hardship and inconvenience, but the vital interests of health and safety would not be imperiled. At the same time, the parties would be able to conduct a sizable strike or lockout. With the sales of the enterprise cut in half, and the employment of the union members cut in half, both the employer and the union would be under strong pressure to reach an agreement. Thus economic warfare would serve its essential social purpose of putting pressure on both sides to agree, and at the same time, this warfare would be prevented from imperiling vital interests in the community. In my judgment, agreements that production will be continued on a limited scale are the fairest and most practicable solution to the problem of disputes that imperil public health and safety. There are some industries, of course, in which production on a very limited scale is not technically practicable.

(2) **Seizure of the property.** At the present time seizure is in bad odor, mainly because of the President's unconstitutional seizure of the steel mills. But seizure has been used a number of times in the case of railroads and seems to have worked fairly well. Furthermore, it is authorized by some state laws—for example, in Virginia and Massachusetts. Seizure should occur only under certain safeguards. The law should provide that in the case of seizure, the *status quo* should be maintained. The government, while in possession of the properties should not attempt to negotiate new terms of employment, as it did when the coal mines were seized in the spring of 1936.

(3) **The requirement that the parties put into effect the recommendations of the emergency board for a limited period, say six months.** This would be in effect a mild form of compulsory arbitration. After the end of six months operation under the recommendation of the emergency board, either party would be free to re-open the case and attempt to negotiate new terms of employment. In fact, by agreement of *both* the employer and the union, the case might be re-opened before the expiration of six months. The possibility that the executive might require that the parties put into effect the recommendation of the emergency board would make resort to emergency board much less attractive to employer and unions and would give both employers and unions a strong inducement to settle their dispute by negotiation or arbitration.

VIII

The present dispute in the coal industry makes it appropriate that I say a few words on the problem of wage stabilization. One cannot avoid being impressed by the sharp contrast between the recent steel dispute and the present coal dispute. In the case of the steel dispute, there was no real bargaining. As a result, the Wage Stabilization Board was forced to make a decision, and the decision was so unacceptable to the employers that it resulted in a strike. In the steel case both the employers and the union were widely criticized for not making an adequate effort to settle their differences by bargaining. In the coal dispute the employers and the union did bargain and they succeeded in reaching an agreement. In a sense bargaining worked, but it produced an agreement which, in the opinion of the Wage Stabilization Board, violated the principles of wage stabilization and which the Board, in consequence, has refused to approve. As a result, there is a coal strike. Thus the country within the space of several months has

Continued on page 36

[2] In some cases, however, rejection of the recommendations of the emergency board has not been followed by real bargaining. The unions have simply sought to get the President to intervene on their behalf to get them more than the emergency board recommended. The day for that sort of thing, I think, is probably over. It is fairly elementary that a President, having appointed an emergency board, must stand behind the recommendations of the board unless the board has made an obvious blunder. Mr. Roosevelt did not understand this, but Mr. Truman does, and future Presidents are likely to understand it.

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Continued from page 35

Current Labor Trends and Problems and Taft-Hartley Act

experienced two very different kinds of strikes — one growing out of the failure of the parties to bargain; and the other growing out of more or less successful bargaining.

The basic facts in the coal case in brief are as follows: Between January 1951, when the miners received their last increase, and July 1952, the consumers' price index has risen 5.1%, average hourly earnings in manufacturing by 6.1%, and average hourly earnings in bituminous coal mining by 11%—nearly twice the rise in manufacturing. The increase of $1.90 a day negotiated by the union would raise the basic wage rate from $16.35 a day to $18.25 — a rise of more than 11%. In addition, the union negotiated an advance of 10 cents a ton in the present 30-cent-a-ton royalty to the miners' welfare fund. The Board approved a rise of $1.50 a day, or 9% or about 18.75 cents an hour. The Board held that an increase of about 13 cents a hour is approvable because of the rise in the cost of living since January, 1951 (the Board uses the unrevised, out-of-date index because it yields a larger amount) and that an additional amount of about 5.75 cents an hour is approvable under the Board's responsibility to maintain proper wage relationships and to prevent hardships and inequities. The increase of $1.50 a day, which the Board has allowed the miners, amounts to establishing the rule that wage rates will be permitted to rise about 2.5% a year faster than the consumers' price index. This rule would prevent technological change throughout industry as a whole from producing any significant reduction in the general average of labor costs.

What should be done in the coal case? Had the Board approved the full $1.90 increase (plus 10 cents a ton in welfare fund contributions), the Board might as well have shut up shop. It would not have been a position to deny similar increases to other groups, and virtually no union would have been strong enough to have won as large an increase as the Board would have to approve. Hence the Board would have no practical effect on wages. It seems to me that there are only two appropriate alternative courses available to the country. One is for the government and the public to stand by the Wage Stabilization Board. The other is to abolish the Board and to abandon the wage stabilization program. Why do I limit the alternatives to these extremes?

If employers and unions could be counted on never to make agreements which violate the principles of wage and price stabilization, there would obviously be no need for a Wage Stabilization Board. The only excuse for the existence of such a Board is the possibility that employers and unions will make agreements that are unstabilizing. Consequently, when the Board rejects an agreement that a union and an employer have succeeded in reaching but which in the Board's judgment violates the principles of wage stabilization, the Board is doing precisely what it is intended to do.

It is understandable that some strikes may occur against the decisions of the Board, but if the country wishes to have a wage stabilization program, strikes or lockouts against the decisions of the Board must fail. The public should understand that point quite clearly. Once unions are rewarded for striking or threatening to strike by being granted wage increases which the Board has disapproved, refusal to accept the Board's decisions will become quite general. Hence, the only way to make a wage stabilization program effective is for the country to insist that government stand firmly behind the Wage Stabilization Board when unions strike against its decisions.

But has not the time come to abandon the wage stabilization program, and the price stabilization program as well? During the next year or two, when defense spending is close to its peak, unions will press hard for large increases. Unions will be spurred by the belief that business conditions in 1954 will be less favorable to wage increases than in 1953. Employers will be led by doubts over the outlook for business in 1954 and 1955 to resist large wage increases. The unions will probably win large enough wage advances to push up labor costs somewhat, and thus to bring about a small rise in prices. But the danger of a rapid and disorderly rise in prices based on the speculative buying of goods is past. Every month the caution of businessmen is a little stronger because they wonder what will happen when defense spending drops some tme late in 1954 or early in 1955. Knowledge that an early drop in defense spending is ahead is the best protection of the country against runaway prices. Hence, the only excuse for continuing wage and price controls is the possibility that new local wars might break out somewhere, necessitating a sudden increase in defense spending. This need can be met, however, by a standby authority to impose wage and price controls in case of necessity.

I believe that the time has come to discard wage and price controls. They are not needed. I do not even believe in keeping the present wage and price controls on a standby basis. They are too discriminatory and unfair. They allow employees a more-than-complete offset to rising costs but allow employers a far-from-complete offset. Hence, if new flare-ups around the world in the next several years require price and wage controls, it is better to make a fresh start than to re-activate the present machinery of wage and price control and the present policies.

But although wage and price controls should be scrapped, and could be scrapped by administrative order, as a practical matter they can be discarded before the expiration of the present law only by act of Congress, and Congress does not convene until January. In the meantime, the miners are striking. So long as the wage and price controls are in effect, no union must be permitted by striking to win wage increases which the Stabilization Board has disallowed. The wage stabilization program and the Board are entitled to support, and there should be no thought of yielding to the miners. After wage and price controls have been abolished, let us hope early next year, the operators and miners will be free to put into effect whatever wages they see fit.

IX

Let me conclude these remarks with a few broad generalizations about industrial relations in America. Everyone knows that the American economy is by far the most successful in the world. Output per man-hour here is about twice as large as in Britain, three times as large as in France, and nine times as large as the average for the rest of the world as a whole. This extraordinarily successful economy is not the result of anyone's far-sighted planning—it is the result of a more, or less accidental conjunction of favorable circumstances, some of them natural and physical, some of them political, some of them cultural. Hence, you and I have no right to be boastful about our extraordinarily successful economy.

The trade unions and the industrial relations of America are part and parcel of our extraordinarily successful economy, and the unions display many of the same characteristics that have made the economy successful. The hard drive to make money that leads enterprises to experiment, to scrap new equipment for still newer equipment, and to expand, finds its counterpart in the hard drive of trade unions for higher and higher wages and bigger and bigger benefits. And just as the businessmen of America(with not too many exceptions) try to make more and more money by expansion and change rather than to protect an established position by cartels which divide up the market, so trade unions seek to serve their members, not by various kinds of rules which ration opportunity or obstruct change, but by driving hard for higher and higher wages without limit.

I say these things because I do not believe that the American businessmen as a general rule are aware of how American the trade unions of this country really are, of how faithfully they mirror the individualism and the optimism of American culture, the strong faith that this is an expanding universe, and that the key to the better life is growth, innovation, and invention, not restriction and a different division of what we have. The American trade unions are just as distinctively American as is American business. Of course, it could not be otherwise because the same environments have produced the philosophies of American business and of American unions.

The American economy needs the contribution which the trade unions are making to it. Even with all the competition and research in industry, enterprises need the additional spur to efficiency that comes from strong pressure for higher wages and better conditions. But just as the community needs to fight vigorously the introduction of a philosophy of restriction in business, so it also needs to fight with equal vigor the philosophy of restrictionism in unions—all efforts to create unnecessary jobs (standby orchestras, for example, or two firemen on diesel locomotives) and all efforts arbitrarily to obstruct technological change. Let us have no hesitation in our industrial relations in fighting vigorously over how the gains in production are to be divided, but let us be sure that each year there are large gains to fight over!

W. P. Dixon Director

W. Palmer Dixon has been elected a Director of International Railways of Central America to fill the vacancy created by the death of Mord M. Bogie. Mr. Dixon is a partner of the Stock Exchange firm of Carl M. Loeb, Rhoades & Co.

Stephen A. Tanburn

Stephen A. Tanburn, partner in F. L. Rossman & Co., New York City, passed away Oct. 22 at the age of 45. Mr. Tanburn has been a member of the New York Stock Exchange since 1937.

Education and Business, Partners in Freedom!

William Balderston, President of Philco Corp., says best and most fruitful years of free enterprise system lies ahead. Points out TV picture has increased threefold, with cost reduced 50%.

Speaking at the 300th Anniversary celebration of the Society of Friends George School, at Newtown, Pa. on Oct. 24, William Balderston, President of the Philco Corporation, called for a close partnership between education and business.

"Salaries must be raised for the devoted teachers of our young people in school and college, for they have suffered more than most people from the inflationary trend of recent years," Mr. Balderston stated. "All these things we should and must do in the years just ahead, and the productivity of American industry, in conjunction with education, will make it possible to achieve these goals and bring about the better future that surely lies ahead of us."

Referring to the fact that American living standards are so much higher than those of any other country, Mr. Balderston attributed this to the fact we have in the United States today the nearest approach to a genuine free enterprise system in the world. Specific examples of the contributions competition and the American system of individual initiative have made to better living are found in the history of penicillin, nylon and television, he pointed out.

"We all recall the introduction of penicillin — the first of the wonder drugs — as recently as 1943," Mr. Balderston said. "Its discovery was one of the great advances of medical science in the treatment of physical ills. The only problem was its high initial cost of about $10 for an average daily usage of 200,000 units — an almost prohibitive expense in many cases that really needed it. American industry set itself to meet this problem by developing new production techniques and greatly increasing its capacity to manufacture penicillin. The result today—9 years later—is that the same 200,000 units of penicillin cost only 60 cents, a decline of 94% in price in 9 years, and even families of moderate means can afford to use this drug, once almost in the luxury class. What a marked contribution the pharmaceutical industry has made to the betterment of American life!

"Or consider the history of nylon, one of the most spectacular of the man-made fibers. In 1941 a representative type of nylon yarn sold for $4.27 a pound and was available for only a limited number of urgent uses.

"Today that same grade, but an improved quality of nylon, sells for only $2.70 a pound—a reduction of 37% in the space of 11 years—and its availability has been tremendously increased. We should remember that this price reduction was brought about in the face of a great rise in wages, taxes and practically all other costs. The result is less expensive and better clothing, thanks to chemistry."

Turning to television, Mr. Balderston continued:

"Our first Philco television receiver was offered to the public in May, 1947. It was a table model and used the largest screen then available, a 10-inch picture tube, which provided 52 square inches of viewing surface, and sold for $445, including antenna.

"Today we are offering a much larger table model using a 17-inch tube and giving three times as large a picture—greatly improved in contrast and brightness—with greater sensitivity for $229.95 or just about half what the first set cost! The result is that television is now within reach of millions instead of thousands. It has become the fastest-growing industry in our history, bringing entertainment and information every day and night of the week to countless American homes and creating hundreds of thousands of new jobs."

"The best and most fruitful years of the free enterprise system lie ahead of us, if we pursue sound national policies and encourage the initiative and enterprise of our people," Mr. Balderston said in explaining his faith in the American business and educational system, "as partners in freedom." "The specter of illness with all its attendant suffering and expense must be removed insofar as possible from all our families through the advances of medical science. College education must be made available to all the worthy sons and daughters of American families, regardless of their financial condition, to develop the trained minds on which the continued progress of our society depends."

Ted D. Carlsen Joins Harbison & Henderson

Ted D. Carlsen

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ted D. Carlsen has become associated with Harbison & Henderson, 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. Carlsen was previously with Geyer & Co., Incorporated, and Crowell, Weedon & Co.

Four With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Frank G. Casella, Jr., W. H. Corbett, George R. Liddle, and Charles R. Varley are now affiliated with Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges. Mr. Liddle was previously with Walston, Hoffman & Goodwin. In the past Mr. Liddle was an officer of Jones, Cosgrove & Co.

Sydonia Masterson With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Sydonia B. Masterson has rejoined Merrill Lynch, Pierce, Fenner & Beane. Mrs. Masterson has recently been associated with J. Henry Helser & Co. as Fresno Manager and prior thereto was with Francis I. du Pont & Co., and Merrill Lynch, Pierce, Fenner & Beane.

Trudell With Fairman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Patrick W. Trudell has become associated with Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. Trudell in the past was associated with Walston, Hoffman & Goodwin as Santa Ana Manager.

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Continued from page 11

Rate Policy of FPC Toward Natural Gas Companies

to time depending upon other opportunities for investment, economic conditions, stability of the enterprise, etc. A 6% yield may be wholly adequate to attract investor capital at one time whereas 5% or 7% may be required at other times.

In any event the relationship of dividends and earnings on common stock to the market price is an important method of generally informing our judgment as to investor requirements. It is standard practice in rate-of-return cases to study yields and earnings-price ratios of the industry of which the particular company is a part, of selected companies in that industry, and of the particular company under consideration. The study is not confined to spot conditions but usually covers a period of years.

The capital structure of the utilities studied are reviewed as are the payouts because both of these factors have a bearing upon dividend and earnings requirements.

From a study of these and all other relevant information in respect to the financial requirements of debt, preferred stock and common stock capital, the Commission arrives at an overall rate of return. We frequently try out different percentages, showing how much each would yield for common stock so as to make sure that a rate allowed will come within the realm of reasonable yields and earnings-price ratios, according to the information of record. Informed judgment necessarily plays an important part in the process.

Inasmuch as historical and current cost of capital must be considered, if a utility is to be allowed such a return as to permit it to maintain its credit and to attract needed capital, and inasmuch as cost of capital varies with different utilities and with different companies with different capital structure and other different characteristics, it follows that a uniform rate of return for all utilities would not be equitable. It is true, however, that in the gas and electric utility fields there is a closer "bunching" of cost of capital, particularly among the better known companies, than prevailed some 15 or 20 years ago.

Rates Not Entirely Question of Mathematical Computation

I would not want to leave you with the impression, however, that the determination of rate of return is merely a mathematical computation. It involves the weighing of evidence, some of which might be quite contradictory. It requires the assembly of pertinent facts into supportable conclusions which, in the judgment of regulatory commissions, gives a fair and reasonable return according to the record in the case. In addition, the determination of the Commission is subject to judicial review.

Some of the letters which the Commission has received recently imply that the Commission should fix the rate of return in such manner as to maintain market value of securities. I know that I need not point out to this group how fallacious that argument is. Of course, fixing rates for the purpose of maintaining market value of securities, would make regulation a complete sham. In support of this I quote a statement attributed by the "Journal of Commerce" (Sept. 25, 1952) to Mr. James A. Lyles, Vice-President of the First Boston Corporation, as follows:

"Anyone in his right mind would not expect regulatory Commissions to guarantee the market price of utility stocks."

Actually, of course, the market value is reflective of earnings and any attempt to make earnings support a given market value would be putting the cart before the horse. Moreover, such a plan might conceivably have some economic repercussions. I am sure you will agree that the excessive speculation in holding company securities in the late 1920's was a materially contributing factor to the subsequent financial debacle. Some years ago Mr. Hobart Porter, former Chairman of the Board of American Waterworks and Electric Co. Inc., in testifying concerning a write-up of plant to support market values of stock was asked why the books were later written down to reflect investment. His reply was classic. He said, "The only reason that I can give is that the fashions, like ladies' hats, have changed." If there was ever a lesson to be learned from the days of the 1929 collapse, it was that sound financing principles should not change like hat fashions. The scheme is so lacking in merit that I need not spend time discussing it here.

It is sometimes argued that present procedures in respect to determining rate of return result in different yields to different stockholders. This certainly is true. The different stockholders of practically every business get different yields if they made their investments at different times. This is a normal financial phenomenon for which there certainly is no cure through the regulatory process.

In closing this phase of my talk, I would like to reiterate that in applying the principle of the "Bluefield Case" commissions for many years have been emphasizing a broad cost-of-capital concept which necessarily involves the use of informed judgment and considerable discretion. That such judgment and discretion have been reasonably exercised in the last five or six years or so for electric, gas and telephone utilities is evident from the fact that by far the largest growth, dollar-wise, in their entire history has been financed without too much difficulty. Indeed in this respect it is noteworthy that according to the "Commercial & Financial Chronicle," in 1950 utility securities accounted for 51.06% of the total amount of all new corporate capital (bonds and stocks) raised. It is interesting to note that of the total amount of stock capital raised in that year, utilities accounted for 58.84%. In 1951 the utility issues in both categories represented a somewhat smaller proportion but the percentage was still very large.

The foregoing figures tell more forcefully than words why security analysts are interested in regulatory commission activities.

In concluding this discussion of rate-of-return policy let me add a word or two in order to clarify one of the most frequently advanced criticisms directed at the recent Commission decisions above mentioned. It is said that the Commission has dropped its overall rate base approach through a fixed 6% return. Let me say that we have not forsaken the overall rate base approach and we were never committed to an inflexible 6% return. The history of our natural gas regulation demonstrates that conclusively. But even if such industry conclusions were valid it was industry itself then that violated the alleged standard. Those that complain now because we do not fix invariably a 6% return are the very ones who sought rates of return of 6½%, even in excess of 7%, completely disregarding the alleged 6% standard and apparently without any attempt at justification other than desire for a greater yield and therefore a higher market for their common equity. Having themselves cut the pattern, it was incumbent upon us to trim it up or down to size. As stated in the "Bluefield Case" (pp. 692-3):

"A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market and business conditions generally."

As I have said, we are concerned in assuring sound investment and an adequate return thereon. We have no interest in encouraging speculation. The spectre of 1929 is yet too clear. Once we depart from the established price at the market place, we leave our channel markers and may end on the shoals.

Regulatory Lag

At the recent Convention of the American Bar Association in San Francisco, one panel discussion of the Public Utility Section was devoted to the subject of regulatory lag. The Federal Power Commission together with State regulatory commissions divided with the Interstate Commerce Commission the burden of the Association's discussion. The Federal Power Commission was involved through its rate increase difficulties. Let me say without equivocation that we have them. Perhaps a brief description of the Commission organization and methods would be helpful to an understanding of the common problem.

The Commission is a bipartisan five-man commission, and staffwise is one of the smallest of the Federal independent agencies. It operates on an appropriation of $4,000,000, in round figures. Its staff numbers 670 employees consisting principally of accountants, engineers and lawyers. Because the staff is highly professional and technical it slightly exceeds the governmental average salary. This is at the same time a boon and a burden. A boon because of the higher IQ standard; a burden in trying to preserve that standard in competition with private industry. Both make it difficult to fill vacancies and to hold the staff intact. In 1949 our average payroll was 839, our last payroll of Sept. 27, 1952, was 671. In the interim of declining manpower our workload has been steadily rising, particularly in the rate field. Perhaps because it is a political year there has been a great deal of talk about reducing the Federal payroll but from my own knowledge of conditions as the executive and administrative officer of the Federal Power Commission, I can state that so far as that Commission is concerned, it has no application. The figures speak for themselves. More dollars, more manpower, more production is one elementary method of speeding up our rate processes.

The Commission has not overlooked other relief. We have streamlined the procedure dealing with rate filings and in particular the preliminaries leading to the allowance or suspension of the rate filings. Presently we are in process of revising the standards for presentation of rate case data which I believe will prove to be an important aid in reducing the lag.

In fiscal 1952, rate increase filings totaled $165,000,000 per year. After staff analysis increases totaling $139 million per year involving 20 companies were suspended, three filings totaling $25 million were rejected and six totaling $795,000 were accepted. No prospect can be seen for any letup in this workload in the foreseeable future—in fact, a further increase is anticipated. Between July 1 and Sept. 1 of this year 16 rate filings have been made totaling $72,752,000 per year. What are the reasons for this flood of increases?

Increased requirements of customers in the marketing areas have caused increasing demands for gas in the field. Many of the pipeline companies' contracts for the purchase of gas in the field (which is the jurisdictional question in the Phillips Petroleum case) provide that if a higher price is offered or paid for natural gas in the same area, the existing price shall be increased to meet the new price (the "most favored nations clause").

Other contracts provide for automatic increases every few years. As a result of the continually increasing demand for gas in the field and the operation of the escalator clauses, the cost of gas purchased by the pipeline companies continues to increase. Other cost increases flow from the higher costs of doing business that everyone is experiencing these days. As these companies attempt to and do recover their costs through increased rates, it sets up a chain reaction because of the multiplicity and interrelation of sales of one pipeline company to another on down to the ultimate consumer. In one instance an increase in rates of one pipeline company obtaining gas from the Southwest resulted, either directly or indirectly, in 10 other companies filing for rate increases. It is such chain reactions which pyramid the work of the Commission.

A further burden which we face results from the content of the rate increase filings themselves. Very frequently the filings contain "fat," or excesses which the filing company uses for trading purposes but which must be rendered out by the Commission through its overburdened staff. The *rendering* has on occasion reached 40% of the initial filing. Again, the tendency has grown for the filing company to base its justification for increase upon expected changes in cost for the future rather than upon experiences and facts in the past and those reasonably to be anticipated. This also is aggravating and burdensome. Presently we are engaged at hearing in the largest rate filing in our history in which the filing was made in May, 1952 and the claimed test year is 1953. Furthermore, it includes some facilities that have not yet been certificated. We should appreciate better cooperation in this respect from the pipeline companies. Rate filings were never intended as a battle of wits, the decision must be made on facts either real or readily ascertainable.

Most cases have large numbers of intervenors and understandably so because of the wide effect of increases in natural gas rates. Obviously, the more intervenors the more protracted the hearing, particularly under the requirements of the Administrative Procedure Act.

This rather lengthy recital is given to demonstrate that the Commission is alive to its responsibilities and to inform the society of the obstacles which lie in our way to a speedy determination of rate increase applications. We are fully aware of the bewilderment which must develop in management when a rate increase filing is suspended by the Commission and after five months the increased rates are collected under bond. Management can't know which dollar of the fund belongs to the company or to the customer until the final decision. The increased operating costs are present and must be paid but the increased rates or the equitable portion of them are likewise present but can't be paid out to the stockholder. This condition is multiplied in direct proportion to the number of companies involved in the chain reaction. As I have said we are cognizant of the situation and we are sympathetic.

I have pointed out some possible remedies but I am sure you must recognize at the same time that the Commission must perform the duties delegated to it by the Congress. Justice cannot be sacrified to expediency. It is important that within the framework of our jurisdiction we carry out the objectives of the Act we administer.

There are other matters about which I might interest you in connection with the regulation of natural gas and electricity at the Federal level. But those are major topics for discussion in themselves for which I am sure that I have not the time and equally sure that you do not have the patience for me to discuss them.

N. Y. Group of IBA Elects New Officers

William M. Rex

William M. Rex of Clark, Dodge & Co. was elected Chairman of the Executive Committee of the New York Group of the Investment Bankers Association of America at a business meeting preceding the annual dinner at the Pierre Hotel. Robert W. Fisher of Blyth & Co., Inc. was named Vice-Chairman and Robert E. Broome of the Guaranty Trust Company, Secretary and Treasurer.

Harold H. Cook of Spencer Trask & Co. and Richard A. Woods of Merrill Lynch, Pierce, Fenner & Beane were elected to three-year terms on the Executive Committee. Walter F. Blaine of Goldman, Sachs & Co. and Hugh Bullock of Calvin Bullock were elected to serve as ex officio members of the committee.

The annual forum was addressed by Dr. Charles F. Roos, President of the Econometric Institute and Dr. John R. Dunning, Dean of the School of Engineering, Columbia University.

The annual dinner was addressed by Joseph T. Johnson, The Milwaukee Company, Milwaukee, President, Investment Bankers Association of America, and Arthur H. Dean of Sullivan & Cromwell, attorneys.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of the late Edward Schafer, Jr. to Ben W. Boas will be considered by the Exchange on Nov. 6.

Seth H. Baker, member of the Exchange, will retire from partnership in Jacques Coe & Co. Oct. 31.

Now Chiles-Schutz Co.

OMAHA, Neb. — The firm of Chiles, Huey, Schutz Co. has been changed to Chiles-Schutz Co. The firm's offices are located in the Omaha National Bank Building.

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Mutual Funds

By ROBERT R. RICH

Long Island Lighting Adopts Fund Idea for Retirement Plan

"What will my dollar buy 10 years from now?" That's a question that many a worker is asking himself today, especially when he realizes that some day he will be retiring on the fixed income of a pension.

Under practically all existing pension plans the retired employee receives a fixed amount of pension money. This means that even in times of rapidly increasing living costs the pensioner is still receiving the same amount month after month.

To meet this situation Long Island Lighting Company has supplemented its existing pension program by the addition of a companion Equity Annuity Plan which represents an entirely new approach. The new Equity Annuity Plan is based upon the investment of the pension funds in common stock and other equities.

Unlike the usual plan, however, income to retired employees will vary with the value of the equity funds. The employee is credited during his years of employment with "benefit units" which are in many respects like shares in a mutual fund. The income from them will depend upon the investment experience of the fund, both the current dividend income and the market value of the securities held. The current yield on common stocks will average appreciably more than the yield on the type of investments ordinarily held by insurance companies, a factor which should produce considerably larger retirement income for the same amount of cost. More important is the possibility of appreciation during periods of inflation; during the last 50 years common stocks have, on the average, gained in value more than 2% each year. It is fully recognized that this can operate both ways, but experience indicates that when stock prices are low the cost of living also has declined.

It is felt that this combination of Retirement Plans, which Long Island Lighting is the first company in the country to adopt, will receive wide acceptance in the course of the next few years.

In commenting on the plan, Edward F. Barrett, President of Long Island Lighting, stated, "the revised program will provide substantially increased benefits to employees for both past and future service with the company. This modern plan helps to solve the problem of variations in living costs and does not require any additional contributions from employees, as the entire cost of the Equity Annuity Plan will be paid by the company." The cost of the new plan was approved at the last shareholder meeting.

The company management and the Union Locals worked together in the development of the new Equity Plan and feel it is a major stride forward toward greater financial security for employees after their retirement.

OPEN-END REPORTS

CANADA GENERAL Fund, Inc., a mutual fund investing in the stocks of Canadian enterprises, publishing its portfolio of securities for the first time in an initial report to shareholders for the three months ended Sept. 30, 1952, shows approximately 85% of total net assets of $14,632,388 invested in the common stocks of 50 different Canadian companies, representing 16 diversified industries.

The report states that the fund has over 10,000 shareholders and at the quarter end had 1,664,565 shares outstanding. The original offering by a nationwide group of dealers resulted in purchases by investors of 1,100,000 shares for which the fund received $10,175,000 on July 18, 1952. Since then, shares have been continuously offered by a group of dealers affiliated with Vance, Sanders & Company, the principal underwriter.

The ten leading stocks in the fund's portfolio, accounting for 41.13% of the assets invested in Canadian industries, were: Interprovincial Pipe Line Co.; Traders Finance Corp., Ltd., "A"; Canadian Pacific Railway Co.; Imperial Oil Ltd.; Shawinigan Water & Power Co.; Aluminium Ltd.; Canadian Industries Ltd.; Consolidated Mining & Smelting Co., Ltd.; Industrial Acceptance Corp., Ltd. and Noranda Mines Ltd.

Commenting on the report and the investment objectives of Canada General Fund, President Henry T. Vance says: "American investors are demonstrating substantial interest in the economic and industrial development of Canada. Our hope is to achieve long-term growth of shareholders, capital and the income it produces through investing in common stocks and other equity-type securities of companies either incorporated in Canada or whose principal activities and interests are in Canada.

The complete portfolio of Canada General Fund, as of Sept. 30, 1952, follows:

Shares	Forest Products	Market Value
8,000	Consolidated Paper	$239,583
9,000	Price Bros. & Co.	265,937
6,700	St. Lawrence Corp.	230,312
9,500	Powell River Co.	207,812
10,200	Howard Smith Paper Mills	205,859
10,000	Macmillan & Bloedel	191,406
[illegible]	Abitibi Power & Paper	148,867
13,000	Anglo-Newfoundland Devel.	135,417
4,600	Fraser Companies	81,458
40	Maclaren Power & Paper	2,104
	Mining	
9,400	Aluminium	$486,459
4,875	Noranda Mines	3[illegible]6,633
10,075	Cons. Mining & Smelting	348,952
7,000	Int'l Nickel of Canada	313,250
5,000	Hudson Bay Mining	294,271
7,600	Hollinger Consol. Gold	122,708
4,4[illegible]5	Asbestos Corporation	112,459
	Oils—Pipe Lines	
15,900	Imperial Oil, Ltd.	$521,719
11,500	British American Oil Co.	2[illegible]9,583
32,200	Western Leaseholds	231,437
15,000	Royalite Oil Co.	226,562
17,700	Husky Oil & Refining	225,859
16,600	Home Oil Co.	216,667
27,000	Anglo-Canadian Oil	203,906
4,180	Interprovincial Pipe Line	735,854
12,350	Trans Mountain Oil Pipe	321,615
	Miscellaneous	
12,500	Massey-Harris Co.	$144,857
4,450	Ford Motor Co. of Canada	232,760
1,525	Royal Bank of Canada	49,245
1,000	Bank of Montreal	31,771
725	Canadian Bk. of Commerce	21,146
2,525	Dominion Bridge Co.	209,102
3,625	Gypsum, Lime & Alab. of Canada	119,889
9,750	Canadian Industries	360,545
6,200	Dominion Tar & Chemical	255,104
4,460	Canadian Westinghouse Co.	315,917
16,020	Traders Finance Corp.	65[illegible],15[illegible]
15,300	Industrial Acceptance Corp.	426,328
19,000	Canadian Pacific Railway	638,281
8,500	Steel Co. of Canada, 7% preferred	278,906
4,550	Westeel Products	101,901
5,200	Dominion Foundries & Steel	81,259
14,800	Dominion Stores	183,855
4,100	Simpsons, "B"	179,909
3,0[illegible]	Simpsons "A"	134,375
2,200	Zellers Ltd.	37,813
12,025	Shawinigan Water & Pwr.	513,568
3,1[illegible]	Page-Hersey Tubes	229,857
7,3[illegible]5	Russell Industries	182,454
3,375	Canadian Celanese	152,930
	U. S. Treasury bills (due 10/16/52) 6.80%	995,632
	Cash — less reserves — net, 8.63%	1,262,156

MASSACHUSETTS Investors Trust reports for the three months ended Sept. 30, 1952, total net assets of $471,338,291, with increases in the number of share-

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CLOSED-END INVESTMENT COMPANY STATISTICS
For the quarter ending September 30, 1952

Investment Company	Market Price Sept. 30	Approximate Net Assets Per Share	Discount or Premium Sept. 30	Discount or Premium June 30	Dividend Latest Fiscal Year	Nine Months Price Range
Non-Leverage, General Portfolio:						
Adams Express	32½	$40.22	—19.2%	—20.9%	b$1.59	35⅜-30⅝
American International	22¼	26.48	—16.0	—14.8	c 1.03	23½-20⅛
Boston Personal Property Trust	a 25⅞	31.84	—18.7	—15.5	1.40	28 -24¼
Connecticut Inv. Management Corp.	a 4⅜	5.42	—19.3	—25.2	d 0.18	Unlisted
Consolidated Investment Trust	a 30½	30.66	— 0.5	— 7.4	1.50	Unlisted
Insuranshares Certificates	a 13 13/16	g 16.12	—14.3	—13.6	0.32	14 -11¼
Lehman Corporation	77	69.83	+10.3	+ 8.5	e 2.08	81¾-70¾
National Shares Corporation	33¾	36.18	— 6.7	—11.5	f 1.15	34⅛-30¼
Niagara Share "B"	17⅛	h 23.84	—28.2	—33.5	0.64	18⅝-15½
Shawmut Association	a 19¼	30.39	—36.7	—33.6	0.87	20 -17¼
Tobacco & Allied Stocks	a 99½	161.76	—38.5	—31.3	2.75	105½-88
Non-Leverage, Specialized Portfolio:						
National Aviation	20½	22.82	—10.2	— 6.7	i 0.87	22⅞-19
Petroleum Corporation	a 21 3/16	24.86	—14.8	—17.8	j 1.15	23¾-20⅛
Conservative Leverage:						
American European	a 31¾	33.47	— 5.1	— 8.6	k 1.11	33½-29¾
Carriers & General	13¼	15.97	—17.0	—26.2	1.00	13⅜-10⅞
First York Corporation	2½	4.02	—37.8	—25.2	0.25	3½- 2½
General American Investors*	28¼	26.51	+ [illegible].6	+12.2	l 0.70	31 -26½
Overseas Securities	21½	15.95	+34.8	+23.2	m 0.63	21¾-17¼
Railway & Light Securities	20¾	23.08	—10.1	—16.3	n 1.05	22¼-19
Medium Leverage:						
Capital Administration "A"	a 23⅜	o-p 37.06	—36.9	—40.0	1.35	24⅝-21½
Equity Corporation	1¾	3.07	—43.0	—38.3	0.15	1⅞- 1⅝
General Public Service	4⅛	4.69	—12.0	—16.8	q 0.15	4⅜- 3⅜
U. S. & Foreign Securities	61¾	88.17	—30.0	—25.6	r 1.92	73 -54⅜
High Leverage:						
Capital Administration "B"	a 4½	s 4.36	+ 3.2	— 3.0	0.35	Unlisted
Central-Illinois Securities	a 3⅞	5.44	—28.8	—32.7	None	4⅛- 3½
North American Investing	a 10⅝	12.25	—13.3	—18.3	None	13¼-10
Pacific American Inv.	a 6⅝	6.59	+ 0.5	— 8.7	u 0.26	Unlisted
Tri-Continental Corporation	15¾	t 23.94	—34.2	—38.3	0.95	17 -13½
U. S. & International	a 7 15/16	11.48	—30.9	—28.1	None	9⅝- 7¼
Warrants:						
Tri-Continental Warrants†	4¼	----	----	----	----	4¾- 3¾

FOOTNOTES:

*Leverage of preferred stock offset by government holdings.

†Holder of each perpetual warrant entitled to buy 1.27 shares Tri-Continental common at $17.76 a share.

a Mean between bid and asked prices.

b-f Plus following amounts from capital gains: b—$0.54 c—$0.81 d—$0.22 e—$2.33 f—$1.64

g After deducting $2.29 a share reserve for taxes on unrealized appreciation.

h After deducting $0.67 a share reserve for taxes on unrealized appreciation.

i Plus $1.53 paid from realized capital gains.

j Plus $0.50 paid from realized capital gains.

k-n Plus the following amounts paid from realized capital gains: k—$1.72 l—$2.18 m—$4.12 n—$0.85

o After deducting $4.56 a share reserve for taxes on unrealized appreciation.

p Entitled in liquidation to $20 per share in preference to class B stock and thereafter, as a class, to 70% of remaining assets.

q Plus $0.15 paid from realized capital gains.

r Plus $2.58 paid from realized capital gains.

s-t After deducting following per share reserve for taxes on realized appreciation: s—$1.17 t—$3.04

u Plus $0.59 paid from realized capital gains.

Source: National Association of Investment Companies.

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holders to 94,509 and in shares outstanding to 12,160,555. The number of shares and shareholders represent new high points in the company's 28-year history. A year ago the trust had 86,509 shareholders and 11,203,300 shares outstanding.

Net asset value per share was $38.76 compared with $38.42 at this time last year. The increase was after distribution of profits from the sale of securities amounting to $1.10 per share last December.

As of the close of business on Sept. 30, a special 100% distribution of shares to shareholders payable in October doubled the number outstanding to 24,321,110 and at the same time automatically cut in half the net asset value per share to $19.38.

Among the purchases of shares made during the quarter ended Sept. 30 were: Douglas Aircraft Co. (15,000); General Public Utilities (11,000); Grumman Aircraft Engineering (20,000); Pacific Gas & Electric Co. (15,000); Southern Co. (36,250); United Aircraft Corp. (44,000), and Westinghouse Electric Corp. (13,500).

Among the sales of shares were: American Tel. & Tel. Co. (6,000); Cities Service Co. (6,000); Gimbel Brothers, Inc. (12,700); Marshall Field & Co. (10,000); Seaboard Air Line RR. (9,000); Standard Oil Co. (Ind.) rights (75,000), and Wilson & Co., Inc. (27,000).

Other changes in investments were: 40,000 shares of Aluminium Ltd. received in a 2 for 1 split-up; 20,000 shares of Deere & Company received in a 2 for 1 split-up; 60,000 shares of Dow Chemical received in a 3 for 1 split-up, and 90,000 shares of Southern Pacific Co. received in a 2 for 1 split-up.

MASSACHUSETTS LIFE Fund reports an increase in total net assets to $15,368,030 on Sept. 30, 1952, compared with $14,415,477 at the close of September last year. Net asset value per unit increased to $28.64 from $28.53 a year earlier, adjusting for the four-for-one stock split in December, 1951. The number of units outstanding rose to 536,583.64 at the end of last month against a total of 505,168.56 on September 30, 1951, adjusting for the stock split.

PERSONAL PROGRESS

S. WALDO COLEMAN, President of Commonwealth Investment Company and Commonwealth Stock Fund, announces the appointment of William Wallace Mein, Jr. as a member of the board of the two companies. Mr. Mein's appointment fills the vacancy caused by the death of Roy W. Cloud.

Mr. Mein is President and Director of Calaveras Cement Company and Vice-President and Director of Bishop Oil Company and was recently elected President and Director of Canadian Bishop Oil, Limited. He has served as a member of the Board of Directors of North American Investment Corporation since 1943.

Continued from page 5

Observations . . .

Truly the volume's title is a misnomer; it should be "The Battle for *Speculation* [in lieu of "Investment"] Survival."

The Speculator's Case

Instead of burdening our readers with further specific quotations, we will confine ourselves to summarizing the book's pervasive theme, as we see it.

That market *liquidity* is worth a sizable premium; conceiving a share of stock not as a proportionate stake in the ownership of a going business concern, but a counter in the dramatic ebb and flow of market movements. That one is to deal in price in lieu of value, attempting to anticipate the extent to which one's fellow-public will subsequently alter the existing price-value relationship; to outwit the market's other buyers and sellers; to out-forecast one's fellow-forecasters.

In liquidity-emphasis and quotation-consciousness, that the goal should be to master the all-controlling psychology [truly unpredictable] of the market, to be a stylist in the picking of the "popular issues [pandering to the public's growing *Blue Chipitis*], and to guess the future short-term price swings of that elite "Blue Chip" group.

That so-called "internal market analysis" is a valuable "tool." That past market action contains vital *evidence* about its future; that the future course of a stock's price can be determined from its existing behavior; that there is an overlapping between the past and the future—all culminating in reliance on the fictional existence of a *trend* whose course over the next month, week, or ticker's-tick is discernible from its past pattern.

That when your attempt to "beat the market" by a given technique or "system" proves abortive, it is not the sacrosanct system, but your dumb mistakes in practicing it, that are at fault—"the guilt is personal."

All being away from investor motivation by business-valuation determinants, which, as harboring too many difficulties, get no more than the author's polite bow.

In addition to expounding these highly questionable doctrines, the content lacks continuity, the volume consisting of a collection of articles written over the years, arranged in chronological rather than in logical order. And the book has no index. Nevertheless, because of its clarity, its popularity, its authoritative and clear presentation of its majority-embraced side of the speculator's case, the author's sophisticated depiction of the market's pitfalls and psychological foibles, and his own and the book's popularity (in discussion running the gamut from radio network lay audiences to the Federation of Women Shareholders); the work merits careful scrutiny by hard-boiled trader, thoughtful investor, and academic scholar.

And not the least of the plus-es of the book and its author is the record of his material successes over the years. Mr. Loeb is certain that these have been derived from following his own rules. But we are not so certain. Actually, has he not to a great extent been playing the market "by ear"—like so many "teachers" in all fields who in their own behavior unconsciously forsake their neatly-laid out rules when necessary, thus rendering them completely irrelevant to their achievements?

* * *

"Financial Independence Through Common Stocks," the twin component of this investor duologue, is a title which likewise is a misnomer. For the author, Robert D. Merritt, who is financial editor of United Business Service, offers far more than a mere "plug" for common stocks as a get-rich device. Instead of picturing a glamorous course to quick gains, this volume modestly encourages intelligent and logical behavior by emphasizing the realistic limits of what can be accomplished and what is foolhardy to attempt, in the wise employment of one's capital. "Through judicious investment and application of the compound interest principle, the long stairway to financial independence can become an escalator," contained in the "blurb," is the maximum promise held forth by the author.

"An ability to see into the future would be of incalculable aid," says Mr. Merritt in his conclusion. "It would obviate the need for painstaking analyses of individual stocks or for time-consuming studies of business and economic forces. Unfortunately that happy possibility is denied to all of us, and lacking it, we are forced to be content with a careful gathering and weighing of the known facts in the hope that from this spring-board an intelligent estimate can be formed. . . . We submit as a wiser and more profitable alternative [than chart systems] this process of taking a long and careful look at the economic facts of investment life."

And the following well summarizes the volume's sound rationale: "None of this adds up to a sure thing. The hope is not perfection but simply to increase the mathematical probabilities in the investor's favor. Over a broad average of cases the informed investor will be more often right than the uninformed."

And: "Investment is sound when based on careful appraisals of earning power and dividends relative to price—and quite something else again when concerned with buying highly volatile stocks in the precarious hope of unloading them on someone else at much higher prices. Good investment management has very little to do with guessing the short-term fluctuations in stock prices."

And: "When you buy a common stock you are embarking on a business venture in every sense of the word."

And the volume's final words: "And this in brief is the substance of our lesson—to adopt a systematic, businesslike approach to investments; to be value-minded rather than quotation-conscious; to keep objectives within reason; to act as businessmen rather than miracle men. If these rules are observed, the stock market will be found a safe and productive place for savings."

Investment—Getting the Right Odds

Within the framework of this philosophy, investing procedure is spelled out in 19 chapters running to 346 pages. The first seven chapters, comprising the initial part of the volume, are concerned with methodology. In this section's chapter on "Making Money Work," there is a table embodying a "ladder of yields," showing the return obtainable on the various available media for savings, ranging from 1½% from the savings department of a bank or trust company to 6½% on railroad common stocks. Granting the premise that risk rises with yield, the book discards as over-simplification the adage "investments which make you eat better also make you sleep worse." It devotes itself rather to showing that through intelligent analysis and understanding, a wider range of opportunities is opened up, making possible increases in income exceeding the concomitant rises in risk. In other words, that the intelligent investor should be basically concerned with the hard-boiled but legitimate aim of "getting an edge" via income in excess of the risk involved in the devotion of one's capital; that is, in getting favorable odds. (Odds in a measurable value situation—not on ticker movement.)

The book's second part is concerned with *What To Buy*, encompassing the choice of stocks, the reading of the annual report, the place of the Blue Chip and the Growth Stock, the investment trust, and what to do about inflation. The highest compliment that this reviewer can hand the volume is that the section on the *when* to buy and sell, with a discussion on forecasting methods, (including a sub-head "The Crack-Pot Cult"), consumes only two of 19 chapters.

Results in the Market Place

Since the valuable information about actual results attained by the competitive methods unfortunately is almost always unavailable, data from Mr. Merritt ensuing from his own activities in investment counseling are most welcome. In reporting on the successful handling of a typical account, he states: "At all times in this account, a definite and continuing effort was made to salt away profits in stocks which had outrun their prospects and to reinvest where better values and opportunities existed. The primary interest was in observing and comparing the operating results of individual companies rather than trying to profit from market fluctuations. Over a period of years, substantial rewards may be expected from this 'value' approach to investing, though it requires careful analytic studies and much patience."

The Flaws

The volume, of course, has some imperfections. It is uneven. There seems to be over-emphasis on the tempting *formula* mechanics, including dollar-averaging; and under-emphasis on the ever-growing market factor of *selectivity*.

And this volume, too, annoyingly enough, is without an index.

In the broader purview to this columnist (who is sometimes criticized for maintaining an "over-pure" investment attitude) the book errs somewhat on the side of compromise; in temporizing with current foibles as *Blue Chip-ism*, in over-emphasis of the inflation elements with their impingement on value-criteria (and without proper weight to deflation forces), etc.

But while Mr. Merritt's methodology may not be quite pure enough, his book assuredly is constructive and important in stimulating the manager of capital to follow the road of realism.

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Continued from first page

World Economic Outlook

and consumers occurred nearly everywhere, although the timing of this cycle varied somewhat among individual countries. In the United States, for example, the upswing phase lasted from mid-1950 through the second quarter of 1951; the downswing from the third quarter of 1951 through the second quarter of 1952; since then, signs of a less spectacular but a more sound upswing in many sectors of business activity have appeared.

The Communist attack on Korea, in June, 1950, set off a wave of speculative buying the world over, in anticipation of shortages and high prices. Heavier buying was made possible by accumulated liquid savings and by liberal credit conditions generally prevailing throughout the world. It was intensified by government purchases of strategic materials for stockpiling and by rising defense expenditures. Throughout the world, this increased demand resulted in inflationary price rises.

What Happened to Prices

The prices of primary products, which are the most volatile of all prices, rose most dramatically. The price of Australian wool, for example, nearly tripled between June, 1950, and March, 1951; that of Malayan rubber increased three and a half times; the price of tin more than doubled. With rising prices and a rising volume of sales, those countries which are the large producers of food and raw materials enjoyed an upsurge of exports and, therefore, of income. Those countries are, in large part, the less economically developed countries of Asia, Africa, and Latin America. These high incomes soon led to increased purchases of consumers' goods. They also enabled governments to press forward their programs for economic development. In each case this meant an expansion of imports into these countries. More consumers' goods and capital goods were purchased from the industrialized countries of the world.

Meanwhile, the prices of manufactured goods—both consumers' and producers'—rose, but to a smaller degree than those of primary products. The *industrialized* countries of Western Europe found that the prices of things they had to buy had gone up more than the prices of the things they had to sell. Since these countries are highly dependent on imports for food and raw materials, their international payments position sooner or later deteriorated. At the same time, the rise in the cost of materials gave a further impetus to the inflationary forces which were already in existence, caused by expanded defense needs and by the swollen demand of domestic and foreign consumers.

We had a similar experience in this country. We had to import more and pay higher prices for many materials. Our commodity export surplus did decline to nearly zero in the last half of 1950, but, because our reserve position is incomparably strong, we didn't have to worry about balance of payments problems. Moreover, since imports are a small per cent of output, the impact on our domestic price structure of the soaring prices of imported materials was not as severe as it was abroad. By March, 1951, where wholesale prices in the United States had risen only 15%, in England they had risen about 20%; in France and Belgium, about 30%.

In brief, this was the pattern of events throughout the free world in the upswing phase of the inventory cycle during the nine to 12 months following the start of hostilities. Although the timing of inflationary price rises and balance of payments difficulties varied among different countries, the causes were the same. Great Britain and France, for example, lagged behind most other countries in the inventory cycle. They used existing stocks of imported food and materials during the second half of 1950 and then were forced to replenish inventories at the high prices of early 1951. These countries consequently enjoyed a favorable balance of payments position until 1951, when the necessity for larger imports and then flights of capital caused large payments deficits and loss of reserves.

Inventory Boom Halted

The halting of the inventory boom was, in part, the result of governments' actions to stabilize their economies. In certain cases, price controls were put on. Systems of priorities and allocations for scarce raw materials were established. The International Materials Conference was formed to insure an equitable international distribution of scarce materials. Other measures quite generally undertaken for the same purpose were tax increases, tightening of credit, and direct controls over imports and exports to achieve a balance in international payments.

Secondly, supplies meanwhile were expanding. Vigorous programs to expand capacity were undertaken. And the anticipated shortages did not prove to be as serious as people had thought they were going to be.

But most important, perhaps, in curtailing the rise in prices was the level of inventories which had been accumulated during the earlier period. Stocks had become so large that buying would have declined, balances of payments would have improved, and inflationary forces would probably have abated somewhat even without governmental measures to control them.

The easing of demand beginning in the spring of 1951 marked the advent of the downswing phase of the inventory cycle, and caused a collapse of a large number of primary prices. In general, those prices which had climbed the highest fell the most. We in this country do not appreciate the devastating effects on an economy which can result from such violent swings in world raw material prices. We are fortunate in not being heavily dependent on imports for supplies of most raw materials—at least for the present. Because we supply such a large proportion of our own needs, we were able to institute price controls and make them effective without resort to expensive subsidies. Also, because we purchase such a large proportion of world output of those materials we do import, and because dollars are a preferred currency, it was possible to negotiate contracts on favorable terms. For example while in 1951 we were getting copper from Chile at 27 cents a pound, some countries in Western Europe were paying as high as 56 cents. Smaller countries, where imports may comprise 20 or 25% of the value of total output, as is the case with most Western European countires, find it practically impossible to insulate their economies from the inflationary effects of such increases in costs.

The same violent instability is experienced by countries whose chief source of income lies in the production of primary products. For example, average monthly exports from Malaya, whose chief source of income is tin and rubber, more than tripled between the first quarter of 1950 and the first quarter of 1951; those of Pakistan—cotton and jute—did the same. Such high earnings on the part of exporters are likely to be followed by greater spending on consumers' goods and therefore by high imports. Actually, the larger flow of imported capital and consumer goods into these primary producing countries started just at the time that their exports began to decline. Then imports continued high while the value of exports collapsed. Sooner or later, these countries were forced to curtail their imports.

The decline in raw material prices helped the internatnonal financial position of the industrialized countries. By the end of 1951, most of the industrialized countries of the world were experiencing improved balance of payments positions. This did not apply, however, to England and France. Their reaction to the outbreak of the Korean war had occurred later than that of the others. At the end of 1951, they found it necessary to undertake vigorous measures to protect their rapidly dwindling reserves. By mid-1952, however, despite a decline in commodity exports due to the import restrictions imposed by other countries, the United Kingdom had achieved over-all balance in its international accounts, even excluding United States aid. The French deficit was also brought under control.

The abatement of demand after the first quarter of 1951 was primarily the result of a world-wide decline in the demand for certain consumers' goods and in the rate at which business accumulated inventories. As 1951 progressed, the market for textiles in every country of the world felt the effect of a slump in the demand for textiles, although, again, the timing varied from country to country. In general, however, despite the lull in certain consumer markets, a high rate of activity in the construction and private investment industries, together with rising rates of defense production, kept the industrialized countries operating at a high level of economic activity.

This high level has been generally maintained in 1952. In Western Europe, it represents a remarkable recovery from the losses of World War II, and even some improvement over prewar levels. Total real output in Western Europe is over 20% greater than it was before the war in 1938. Per capita output is 9% higher. This is small compared with the 68% increase in per capita output of the United States, but we did not have to repair the ravages of war. Also, at the beginning of the war, our economy had much more slack in it than theirs. Since 1948, industrial production in Western Europe has risen 37%, compared with 12% in the United States. Agricultural production is about 15% above the 1948 level. In 1952, output in Western Europe did not reach new postwar peaks as it had in previous years, but it continued at the 1951 postwar high.

Consumer Spending Picking Up

There have been indications in the United States recently that the rate of consumer spending is picking up. With private investment and defense expenditures maintaining or surpassing the current high rates, incomes will rise, at least over the next 6 months. Although economic developments in Western Europe often lag behind those in the United States, there are already indications of similar developments there. Production of defense and investment goods has continued high and is likely to increase; recently, textile prices in certain markets have risen; exports of some textiles from the United Kingdom to nonsterling countries are rising. Inventories of imported raw materials and consumers' goods in certain countries are low. Also those countries producing primary products, which in late 1951 developed balance of payments deficits and thereupon undertook corrective measures, by mid-1952 could notice improvement. Then, too declines in the world prices of primary products had eased and in some cases been reversed.

Thus, we have come full circle. Western Europe and North America in the coming months may feel some re-emergence of inflationary pressures, but in a much more moderate degree than those experienced in late 1950 and early 1951, for, barring a turn for the worse in the international political outlook, abnormal speculative purchases are likely to be absent.

You may have read certain newspaper reports recently which have talked in terms of "stagnation" in Western Europe. My apparent optimism about its current position may, therefore, surprise you. Actually, the situation as I have outlined it seems to me to be the realistic interpretation. Western Europe has made a remarkable recovery since the war. The leveling off of 1951-52 is part of the normal consequence of the excesses of 1950. It affected primarily the soft goods industries. It parallels in many ways what we have experienced in the United States.

Concern, even pessimism, about this leveling off is nonetheless understandable. I spent the week before last in Paris, talking with economists from Britain, France and the other Western European countries. Two problems were uppermost in their minds. First, are we going to have a depression—in the United States and in Europe—when U. S. defense spending levels off? Second, at the other extreme, how can the impact of the defense program upon their economies—particularly the inflationary impact—be contained?

These fears are the result of their experience in the interwar years between 1918 and 1939. After the first World War, some of these countries went through a period of hyperinflation when savings were obliterated, when prices rose so rapidly that, at first, shopkeepers changed their price tags several times in an hour—and then finally closed their shops completely and refused to sell at all.

About a decade later, in the early thirties, the situation was reversed. Prices collapsed. Unemployment and social unrest produced results which are only too well known.

Memories of the chaos of extreme inflation and deflation linger long. It is not surprising that Europeans want to avoid a repeat performance of either, and are jittery about a tendency in either direction. But a state of full employment with no minor fluctuations up or down is impossible to achieve. Europe from June, 1950 to mid-1951 was subject to inflation; subsequently there was a lull in private demand, partly the result of corrective measures which were introduced. The leveling off of European output is less to be desired than continued growth, but stability at a high level is hardly "stagnation."

Situation Not Without Dangers

The present situation is not without its dangers, however. If we do not manage our economic affairs wisely in the United States, we *could* experience a recession when military spending levels off. And even a moderate recession in this country has major consequences in other countries. But for reasons which I have elaborated at length elsewhere, and which would take too long to repeat here, I do not believe that a recession in the United States is inevitable, or even likely if, both in private business and in government, we act sensibly and use the tools available to us.

On the other hand, especially in the months immediately ahead, the total demands which consumers, business, and government will place upon productive resources may verge upon the inflationary. This is more likely in Europe than here. For one thing, in the United States, our higher rate of saving permits a larger proportion of resources to be devoted to defense production or investment without inflationary strains. The point at which a state of full employment is ballooned into inflation comes sooner in Europe. Then, too, a high rate of industrial production over the world means a high demand for raw materials and therefore the possibility of rising import prices, which could also add to inflation.

To summarize the ground we've covered thus far, we can say that today the free world economy has recovered from the first shock of armed conflict in Korea and is adjusting itself to the necessity for defense production. Most countries throughout the world have achieved a substantial measure of stability. Production, though not rising as rapidly as in recent years, is at high levels. If the economic policies pursued by governments in the near future are reasonable, the world can look forward to moderate and sustained growth for at least the next year or two.

The Longer Run Outlook

Is there anything we can say about the longer run? Are there any developments which have persisted for a sufficiently long period in the recent past to enable us to project their consequences farther into the future? I think there are—and in a sector of the world economy with which you are concerned.

For some time, and especially in the last 15 years, the world supply of primary products—food and raw materials—has been falling behind world demand. Let us consider first industrial raw materials—metals and minerals, and agricultural products such as cotton, tobacco and lumber, but not food. The demand for these raw materials is determined by the volume of manufacturing production. An increase in the output of manufactured goods requires a larger volume of primary products. The ratio over time won't necessarily be 1:1, for changes in technology — for example, the development of plastics — will mean that the same volume of manufactured goods is produced by both a different assortment of raw materials and a different quantity. Technological progress probably implies increasing economy in raw material use. Both the total production of manufactured products and of raw materials, over a long period of time, cannot grow at widely differing rates without serious effects on their relative prices.

A chart I have with me shows changes in the physical volume of production for the whole world, excluding Russia. You will note that the volume of manufacturing production in 1950 was over 40% larger than in 1937. Over the same period, however, the volume of raw materials produced had increased by only 20%. Moreover, agricultural raw materials—products of the farm and animal products — actually declined by 8%, while output of metals and fuels had nearly kept pace with total manufacturing production.

World-wide figures, however, conceal some significant geographical changes. Since 1937, manufacturing production in the world, excluding the United States as well as the U.S.S.R., has grown by slightly more than 20%, while in the United States it has grown by about 80%. Moreover, the United States and Canada account for practically all of the increase there has been in free-world pro-

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duction of primary products as far back as 1913. This lack of growth in the production of primary products in the rest of the world is in large part explained by the relatively low rate of foreign investment in primary producing countries other than Canada between 1913 and 1950. The nub of the matter is this: The failure of raw material production to keep pace with manufacturing output has resulted in a growing scarcity of raw materials.

In the case of the production of food, the picture is the same except that the divergence between demand and supply has become even more acute in recent years. The demand for food depends on the size of the population and income.

A second chart shows that between 1937 and 1950, while the world population increased by 11%, food production increased by only 5%. Most of this increase in production, moreover, took place in Canada and the United States. In this country, food production increased 36% while population increased 18%. In the countries of South and Southeast Asia, total production of food is actually below its prewar level. It is difficult to estimate real income in the world but roughly, between 1937 and 1950, the increase was about 40%. In the United States and Canada, it was about 90%; in Western Europe, 15%.

World Short of Primary Products

The demand for primary products in general, then, and agricultural products in particular, has run ahead of supply over the last 15 years. The result has been a world-wide increase in the prices of primary products relative to the prices of manufactures. What is the likelihood that in the future the supply of agricultural products will catch up with or overtake demand and thereby cause a decline in agricultural prices in relation to prices of manufactured goods?

Such a long-term decline in relative prices does not seem likely. First, the population of the world is increasing and gives every indication of continuing to increase. The *rates* of growth are increasing the world over. In the economically developed countries, this increase in the rate of population growth is the combined result of a gradually declining death rate, and the fact that the average size of a family has increased and the average age of marriage is earlier. That is, each generation is getting larger, and because of an earlier marriage age, each generation comes around more quickly. Meanwhile, in economically under-developed countries—such as Japan and India—falling death rates have maintained or increased the rate of population growth despite the fact that in certain countries the birth rate has declined.

The United States and Western Europe have come to have a rate of natural increase in their population of 1½% a year. It may surprise you to learn that this is the same as that of India, where a higher birth rate is balanced by a higher death rate. In Latin America, other parts of South and Southeast Asia and Canada, the rate of natural increase is higher. Consequently, it appears likely that the free world population over the next decade or two will be increasing at more than 1% a year. The demand for farm products, moreover, should increase, not only because of a growing population, but because per capita demand will increase as real income grows and standards of living advance. This should be true not only in industrialized countries but in the under-developed countries as they make progress in their programs for economic development.

On the supply side, what can be said? In the countries of Western Europe, Australia and New Zealand, and North America output per man at work in agriculture has been increasing substantially as a result of mechanization, fertilizers, greater knowledge of the science of farming, etc. On the other hand, in these countries, there has been a marked decline in the rural labor force. Between 1940 and 1950, the male rural labor force fell by 15% or more in the United States, Australia, Canada, New Zealand, and Sweden. In the Western countries these trends are likely to continue, with increases in output per man partially counterbalanced by decreases in the number engaged. In the less economically developed countries little information on productivity is available, but the evidence indicates a very slight increase in output per man, and in some countries an actual decrease. Primarily, their lack of progress can be attributed to the fact of underdevelopment. If the plans and programs of these countries for economic development are carried through, declines in the numbers engaged in agriculture are likely to be more than counterbalanced by the increases in productivity which follow improved techniques. At the same time, however, the higher real incomes enjoyed in these countries will probably cause a substantial increase in their per capita demand for agricultural products.

On balance, then, it appears that over the next decade or two the demand for agricultural products throughout the world will be strong in relation to supply, and therefore that agricultural prices will continue to bear a favorable relationship to prices of manufactured goods.

Whether agriculture in the United States will share in this strong world demand, whether United States exports of agricultural commodities will maintain their present relative share of total world exports, however, is quite another question. The answer to this question depends on how this country, together with other countries of the free world, solves the problem of equating the demand for American goods with the ability to pay for them. This inequality manifests itself in a scarcity of dollars.

If dollars continue to be scarce for foreign countries, United States agriculture is not likely to maintain its share in the strong world markets of the future. Under such conditions, foreign countries will have to choose which United States goods they need most. Except in time of drought or short crops elsewhere in the world, because agricultural commodities are so highly standardized, they can often be obtained elsewhere. Such is not true to the same degree of manufactured goods. Those foreign countries that already have Untied States machinery will continue to purchase parts and replacements from this country. For many of the new developments of American technology, the United States may, for a time at least, be the only source of supply. To put it bluntly, agricultural exports are likely to suffer more than many other types of exports, over the long pull, unless a lasting solution to the scarcity of dollars can be found.

This is not an easy problem, and although I can pose it, I do not propose to solve it. Over the past three years between one-quarter and one-third of United States exports of goods and services has been financed by foreign aid programs. People in foreign countries are as anxious as we are to have done with these gifts, and to provide for their needs, including defense, themselves. Unfortunately, however, it seems reasonable to assume that, over the next few years at least, the necessity for programs of defense production will continue and that productive resources will continue to be used to produce arms. Further, it is an unfortunate fact, but still a fact that must be recognized, that the resources of Western Europe are not yet adequate to support defense production and at the same time provide the rising standards of living which are the only really effective answer to the Communist propaganda. The threat of Communist aggression exists. But this is another way of saying that the scarcity of dollars, at least for Western Europe, has been aggravated by the Communist threat and will probably continue.

But the threat of Communism is probably even more serious in the non-European countries, as we have seen in China. It can take the form of propaganda whose appeal is based on existing social and economic inequities. The most susceptible people are those whose standards of living are lowest. This means that the areas that could most easily be led into Communism are the economically underdeveloped areas of the world. People in these areas are aware that life can be more comfortable and convenient than theirs is. Knowing that something better is possible, they want a change. And one thing we can be quite certain about: They will get a change. Either their standards of living will be increased through the development of their economies, or they will be deluded into choosing Communism as the alternative means of accomplishing this end. Professor Dennis Robertson, an eminent British economist, spoke with biting irony when he said:

"We ought perhaps to have foreseen the emergence of the revolutionary notion that some day a thousand million Asiatics would take it into their heads to expect to have enough to eat."

Underdeveloped Countries Need Aid

Unless programs for economic expansion go forward in underdeveloped countries, the gulf between living standards there and in developed countries, already very great, will get even wider. On grounds of self-interest, as well as on broader, humanitarian grounds, it is imperative that this potentiality be prevented from becoming an actuality, for it is important that these countries continue to be part of the free world. In population, area, and natural resources, they outdo the industrialized countries of the free world.

You may be proud that it was a former county agent, Horace Holmes of Tennessee, who, working under the Point Four Program in the Etawah region of India, has done perhaps more than any other American to revive in the people of India the hopes for a better daily existence. This revival of hopes, moreover, is firmly based in increased agricultural yields achieved by simple changes in tools and techniques that the farmers can understand. By ordinary crop rotation, inexpensive tools, and better varieties of seed, the wheat crop in this region has been increased by more than 60%, the potato crop by more than 110%. These improvements, moreover, have been achieved at negligible cost. The increase in wheat production alone was worth ten times the annual cost of the project.

Over-all economic development, however, entails the need for capital equipment. It means building transportation and communication systems, roads, bridges, harbors, railroads, as well as improving methods of production of the goods already produced there. Irrigation and flood control projects, production of electric power—these are fundamental to a higher level of production. But they are also the public-utility type of project that, in an underdeveloped country, only a government will undertake. They not only cost money, they all involve expensive imports. Whether or not we increase the amount of money that we have been lending and giving to these countries to help finance this development, it is likely that their demand for imports in general, and imports from the United States in particular, will exceed the supply of dollars currently becoming available to them from their exports. They will proceed with their plans. The rate of their progress, however, will be determined by the amount of help they have.

What, then, can be done to alleviate the imbalance between the demand for American goods and the ability to pay for them, and thereby enable American producers of primary products to share in the strong world demand of the future? This is the same question as "How can we make more dollars available to friendly foreign countries?" Apart from an increase in foreign aid by the Federal Government, there are only two things that we can do: Investment of private United States capital abroad must increase, or our imports of goods and services must rise.

Although foreign capital is desperately needed by underdeveloped countries, as I have just indicated, private investment of United States capital on a sizable scale is not likely for two reasons. First, in many cases the types of development which require capital first are not those into which private initiative is likely to go. The construction of roads, harbors, multipurpose power, irrigation, and flood control facilities and such are properly public projects. The existence of such facilities is necessary to the production of goods and services by modern methods.

Second, the political stability of many of the underdeveloped countries is quite precarious. This fact, of course, often makes the risks to investors prohibitive. Also, the existence of nationalistic legislation, such as discriminatory taxation, has made investment in certain countries unattractive. In spite of the guarantees now offered by the Federal Government, it does not seem likely that private capital will flow into these countries in any large volume until they have moved sufficiently along the road to development so that these impediments are overcome.

I do not mean to imply that private investment of U. S. capital abroad is unimportant, nor that we should not continue to take steps to increase it. But its contribution toward solving the dollar shortage will of necessity be small—especially in the decade or so immediately ahead. In the main, apart from any further government grants and loans, the primary means available to the United States for alleviating a world-wide inadequacy of dollar purchasing power lies in increased U. S. imports of goods and services. The problem thus largely resolves itself into a choice between alternatives. Either we can import more goods and services, or our exports of agricultural goods are likely to fall behind those of the world. I think you will agree that this offers little choice. An increase of our imports brought about through a gradual reduction in our tariffs and other trade restrictions, if started immediately, would bring the additional benefit of decreasing the need for aid abroad. But the problem here is this: Can we, by tariff reductions, cause United States purchases abroad to increase enough to eliminate, eventually, the scarcity of dollars without doing serious injury to certain important domestic industries? And are foreign resources large enough, or can they be expanded enough, to produce the necessary goods for export?

This entire problem, with its implications for the future, is too large for me to attempt to cover here. In recognition of its importance—and difficulty—the President recently requested the Public Advisory Board to the Director for Mutual Security to undertake a thorough review of our entire foreign trade policies. It will be studied carefully by the Congress when the question of extending the Reciprocal Trade Agreements Act comes up at the next session. I can only state the problem and indicate its significance to agriculture. It is a problem which is worthy of your most careful attention.

South Texas Oil & Gas Co. Stock All Sold

The recent offering of 748,000 shares of South Texas Oil & Gas Co. common stock (par 10 cents) at 40 cents per share by Hunter Securities Corp. has been completed, all of these shares having been publicly subscribed to. The shares were offered as a speculation.

South Texas Oil & Gas Co. was incorporated July 21, 1952 in Delaware for the purpose of exploring for oil and gas. It is contemplated that at the outset this exploration will be confined to drilling on the company's leases in the Mary Area, Jim Wells County, Texas, which cover a total of 3,355.79 acres.

The authorized capital stock of the company consists of 3,000,000 shaes, of which 1,653,000 shares will be presently outstanding.

Edward A. Meill With French & Crawford

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Edward A. Meill has become associated with French & Crawford, Inc., Marietta Street Building. Mr. Meill was formerly with Courts & Co. in the trading department. Ralph T. Miller Jr. has also joined French & Crawford, Inc.

With Hamilton Manage't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Merced J. Renteria is affiliated with Hamilton Management Corporation, 445 Grant Street.

Paul H. Davis Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Frederic Cimerblatt has been added to the staff of Paul H. Davis & Co., 10 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Cimerblatt was formerly with Shearson, Hammill & Co.

Joins S. A. Sandeen

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill.—John E. Earle is now affiliated with S. A. Sandeen & Co., Talcott Building.

H. C. Wainwright Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Francis H. Grant is now affiliated with H. C. Wainwright & Co., 60 State Street, members of the New York and Boston Stock Exchanges. Mr. Grant was previously with Edward E. Mathews Co.

Joins Jackson & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edward L. Withey, Jr. has joined the staff of Jackson & Company, Inc., 31 Milk Street.

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Continued from page 5

The State of Trade and Industry

stressed the nation's large money supplies and plentiful stocks of goods. Other merchandisers cited the industry's improved inventory position, with stocks down to $17.5 billion, from $21 billion a year ago.

At 539 in September, business failures were 9% below a month ago, 13% below a year ago, and at the lowest level in some three and a half years. However, the rate of failure, as reflected in Dun's "Failure Index," was the same as in August, or 29 casualties for every 10,000 businesses listed in the Dun & Bradstreet "Reference Book."

Contrary to the downward trend in number, the liabilities of failures increased about 23% to $20.1 million. While losses did not reach the postwar peak for September established in 1951, they were about even with 1948 and 1949. Casualties involving $100,000 or more were responsible for the rise in liabilities; all other size groups were less numerous than in August. A notable drop occurred among failures involving liabilities of $5,000 to $25,000 which fell to the lowest number in four years.

Building permits issued in 215 cities (including New York) during September had a total valuation of $388,886,585, according to Dun & Bradstreet, Inc. This was a drop of 5.8% from the corresponding 1951 month with a total of $412,834,648, and marked the sixth month this year in which permit values were below the year-ago level. Compared with the August figure of $394,624,682, last month's volume showed a decrease of 1.5%.

The value of building plans filed in New York City alone during September increased 37.0% to $34,304,009, from $25,034,632 in the same 1951 month, but showed a loss of 50.9% from the August sum of $69,916,114.

Steel Output This Week Set at 105.9% of Capacity—Off 1 Point From Previous Week's All-Time High

Don't be misled into believing there will be further cutbacks in the supply of steel for civilian uses, warns "Steel," the weekly magazine of metalworking, the current week.

From the latest press conference of R. A. McDonald, Administrator, National Production Authority, came reports that looked like a new cut is in store for the supply of steel for consumer durable goods. Mr. McDonald was merely saying allotments of steel are going to be what he said several weeks ago they would be for the first quarter in 1953, only in his latest pronouncement he used different terms in expressing it, states this trade publication.

What he said several weeks ago, according to "Steel," is this: Allotments of steel in the first quarter of 1953 for consumer durable goods will average 60% of the allotment for them in the third quarter of 1952.

That didn't mean less steel would be available in the first quarter of the new year. The remainder of the steel produced in the first quarter is to be used to fill orders carried over from the third and fourth quarters as a result of the two-month steel strike. Thus, makers of consumer durable goods would get as much steel in the first quarter as they have been allotted in any recent quarter.

They even might get more, it adds. Barring effects of a coal strike, an all-out war or some other cataclysm, steel production should be record-breaking in the first quarter, for steel capacity is still growing and will continue to do so for some months yet.

Indications that the steel industry is making substantial headway in becoming current on deliveries is the revelation by the auto industry that it will have received delivery by the end of 1952 on all steel the NPA permits it to have for this year, points out this trade weekly. Since none of 1953 will be needed, say the auto makers, to get delivery on their 1952 steel, they want NPA authorization to get a full allotment of steel in the first quarter.

Threatening to choke steel production was the work stoppage in the coal industry. While coal stockpiles are large, it declares, Youngstown steel plants revealed they would be affected within two weeks by a miners' work stoppage. Those steel plants have three to four weeks' supplies of coal and coke but would not be able to operate that long, because of the need to protect their coke plants.

Mills are currently doing all right on the other raw materials. Most of them have good supplies of scrap, and iron ore stocks are good, considering the shipping time lost during the steel strike.

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 105.9% of capacity for the week beginning Oct. 27, 1952, equivalent to 2,199,000 tons of ingots and steel for castings. In the week starting Oct. 20, the rate was 106.9% (revised) of capacity and actual output totaled 2,221,000 tons, the all-time high record. A month ago output stood at 105.7%, or 2,195,000 tons, while a year ago estimated output was 2,089,000 tons with the rate at 104.5%.

Electric Output Turns Upward in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended Oct. 25, 1952, was estimated at 7,696,243,000 kwh., according to the Edison Electric Institute.

The current total was 14,911,000 kwh. above that of the preceding week when output amounted to 7,681,332,000 kwh. It was 462,315,000 kwh., or 6.9%, above the total output for the week ended Oct. 27, 1951, and 1,133,725,000 kwh. in excess of the output reported for the corresponding period two years ago.

Car Loadings Continue Downward Trend

Loadings of revenue freight for the week ended Oct. 18, 1952, totaled 832,377 cars, according to the Association of American Railroads, representing a decrease of 4,336 cars, or 0.5% below the preceding week.

The week's total represented a decrease of 48,271 cars, or 5.4% below the corresponding week a year ago, and a decrease of 52,853 cars, or 5.9% below the corresponding week in 1950.

United States Auto Output Scores Highest Mark in 16-Month Period

Passenger car production in the United States last week rose 8% above the preceding week, the highest point in 16 months.

"Ward's" attributed sharp gains to Chrysler, Packard and Nash. Chrysler and Packard, it said, are swinging into volume output of 1953 model cars.

It aggregated 109,929 cars compared with 101,317 (revised) cars in the previous week, and 90,136 cars in the like week a year ago, according to "Ward's Automotive Reports."

Total output for the past week was made up of 109,929 cars and 29,356 trucks built in the United States, a new high mark, against 101,317 cars and 29,555 trucks (revised) the previous week and 90,136 cars and 24,443 trucks in the comparable period a year ago.

Canadian plants turned out 6,297 cars and 2,425 trucks against 4,960 cars and 2,256 trucks in the prior week and 4,473 cars and 2,163 trucks in the like week of 1951.

Business Failures Increase Moderately

Commercial and industrial failures rose to 154 in the week ended October 23 from 139 in the preceding week, Dun & Bradstreet, Inc., reports. This increase brought casualties about even with 1951 and 1950 when 155 and 160 occurred respectively. Only one-half as many concerns failed, however, as in pre-war 1939 when there were 300 in the comparable week of that year.

Small casualties, those with liabilities under $5,000, accounted for the week's rise, climbing to 41 from 17 last week and 30 a year ago. A slight decline, on the other hand, took place among failures involving liabilities of $5,000 or more.

Retailing, manufacturing and commercial service had heavier mortality during the week; the sharpest rise appeared in retail trade where casualties rose to 74 from 59. Milder increases occurred in manufacturing and service. Contrary to this, failures in wholesaling and construction reflected mild decreases. More manufacturing and construction businesses succumbed than a year ago, but casualties in other lines were off slightly from the 1951 level.

Increases in failures were reported in New England, Middle Atlantic, East North Central and Pacific States. Mortality dipped slightly in other regions. In comparison with last year, the Middle Atlantic, East North Central, South Atlantic and Pacific States had more failures than in 1951, while mild declines from last year prevailed in four areas, including New England, and no change occurred in the West South Central States.

Wholesale Food Price Index Dips Moderately to Six-Month Low

A further moderate drop in the Dun & Bradstreet wholesale food price index last week brought the October 21 figure to $6.34, only slightly above the year's low point of $6.31 recorded on April 22. The 1952 high of $6.70 was touched on August 26 and September 2. The current index at $6.34, compares with $6.38 a week previous, and represents a decline of 5.2% from the corresponding 1951 level of $6.69.

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

Wholesale Commodity Price Index Closed Week Slightly Higher

Commodity trends were irregular last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., finished slightly higher after touching the lowest level in over two years a week ago. The index stood at 287.43 on October 21, as compared with 287.01 a week earlier, and with 304.18 on the corresponding date last year.

Grain markets were mixed with wheat, rye and oats showing advances for the week while corn and barley moved lower.

The principal strengthening factor in wheat was the continued drought in the hard Winter wheat areas of the West and Southwest.

Export trade in wheat showed improvement but remained relatively small. Domestic supplies of wheat for milling, export or carry-over on the first of October were reported at 1,180,000,000 bushels, as compared with 980,000,000 bushels on the same date last year. Corn prices weakened under liberal receipts of both old and new crop corn. The increase in the estimated production of corn and soybeans had a depressing effect on those markets. The new corn crop, estimated at 3,257,000,000 bushels, will be the second largest on record if realized. Export business in corn was limited to a few cargoes to England and the Netherlands. Sales of all grain and soybean futures on the Chicago Board of Trade last week averaged about 45,600,000 daily, compared with 35,600,000 the week before, and 54,800,000 in the like week last year.

The domestic flour market was featured by a pickup in sales of cake and family flours late in the week prior to a mark-up of 15 cents per hundredweight in prices. Buying of other flours remained dull, reflecting large supplies of wheat in North America and continued lag in export business.

Domestic raw sugar rose to new high prices for the year, influenced by continued uncertainty over next year's quotas.

Although down slightly for the week, coffee displayed a firm undertone at the weekend, aided by better demand for roasted coffee due to colder weather. Lard prices worked lower, as did live hog values which touched lowest levels since early May under the influence of heavy market receipts and continued weakness in wholesale pork prices. Cattle prices held steady; sheep and lambs were lower.

Spot cotton prices moved steadily downward last week. The decline reflected general liquidation influenced by continued slow export demand, a slackening in the goods market, and a smaller-than-expected official September consumption report. Domestic mill consumption last month, as reported by the Bureau of the Census, totalled 736,000 bales, equal to a daily average rate of 37,800 bales. This was a slight gain over the August rate of 37,200 and the September 1951 rate of 37,000 bales. Exports of cotton during August totalled 107,000 bales, according to the Census Bureau. This compared with 48,000 bales in July, and 146,000 in August 1951.

Trade Volume in Latest Week Stimulated by Colder Weather

Retail trade gained further momentum in most parts of the nation in the period ended on Wednesday of last week, as tumbling temperatures induced many shoppers to increase their spending. As during the past six months, most retail merchants had larger receipts than in the comparable 1951 week. Late shopping hours and relaxed credit terms helped to stir shoppers' interest.

While surburan stores continued to chalk up the most favorable comparisons with a year before, sales in large city department stores were not as laggard as in recent months.

The total dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be from 3 to 7% higher than that of a year ago. Regional estimates varied from the corresponding 1951 levels by the following percentages: New England +2 to +6; East and Northwest +1 to +5; Midwest +3 to +7; South, Southwest, and Pacific Coast +4 to +8.

Shoppers boosted their buying of apparel palpably last week as retailers took advantage of the weather to promote their wares aggressively. Measurably more money was spent for apparel than in the comparable 1951 week.

The response to many promotions of household goods was rather mixed in the week. While some cities noted spectacular gains over a year ago, others continued to tell of lethargic demand. The interest in television sets was quite sharp in Seattle and Portland, Ore. Most frequently sought by shoppers were decorating materials, washers, floor coverings and bedding.

Trading activity quickened perceptibly in many of the nation's wholesale markets as buyers anticipated a holiday shopping splurge of record proportions.

As during recent months, the aggregate dollar volume of wholesale orders was slightly higher than that of a year earlier. Merchants in many parts encountered delivery snags due to delays in ordering in earlier months.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Oct. 18, 1952, rose 6% above the level of the preceding week. In the previous week an increase of 7% (revised) was recorded from those of the similar week of 1951. For the four weeks ended Oct. 18, 1952, sales reflected an increase of 4%. For the period Jan. 1 to Oct. 18, 1952, department store sales registered a drop of 1% below the like period of the preceding year.

Retail trade in New York last week rose above the preceding week and was well above the comparable period of last year as a result of cooler weather. The increase over a year ago ranged from 5 to 6%, according to trade observers.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Oct. 18, 1952, increased 4% above the like period of last year. In the preceding week a decline of 6% was reported from those of similar week of 1951, while for the four weeks ended Oct. 18, 1952, a decrease of 2% was registered below the level of a year ago. For the period Jan. 1 to Oct. 18, 1952, volume declined 9% under the like period of the preceding year.

Charter Securities

Charter Securities Corp. has been formed with offices at 44 Wall Street, New York City. Officers are B. G. Phillips, President; H. Haynes, Treasurer and Dorothy Phillips, Secretary.

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Indications of Current Business Activity

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

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Nov. 2	105.9	*106.9	105.7	104.5
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 2	2,199,000	2,221,000	2,195,000	2,089,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Oct. 18	6,527,500	6,517,100	6,518,350	6,353,200
Crude runs to stills—daily average (bbls.)	Oct. 18	¶6,898,000	6,854,000	7,075,000	6,481,000
Gasoline output (bbls.)	Oct. 18	23,152,000	23,032,000	23,980,000	21,839,000
Kerosene output (bbls.)	Oct. 18	2,597,000	2,640,000	2,728,000	2,415,000
Distillate fuel oil output (bbls.)	Oct. 18	10,183,000	10,094,000	10,278,000	9,461,000
Residual fuel oil output (bbls.)	Oct. 18	8,417,000	8,188,000	8,525,000	8,502,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Oct. 18	122,002,000	120,910,000	118,315,000	121,450,000
Kerosene (bbls.) at	Oct. 18	34,568,000	35,529,000	34,680,000	35,767,000
Distillate fuel oil (bbls.) at	Oct. 18	121,143,000	120,076,000	112,472,000	108,593,000
Residual fuel oil (bbls.) at	Oct. 18	54,450,000	54,423,000	53,484,000	50,537,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Oct. 18	838,377	842,713	873,559	886,648
Revenue freight received from connections (no. of cars)	Oct. 18	703,590	700,008	719,769	706,756
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Oct. 23	$260,335,000	$333,337,000	$317,149,000	$189,111,000
Private construction	Oct. 23	104,187,000	206,213,000	127,486,000	105,732,000
Public construction	Oct. 23	156,148,000	127,124,000	189,663,000	83,379,000
State and municipal	Oct. 23	123,313,000	56,801,000	54,880,000	41,379,000
Federal	Oct. 23	32,835,000	70,323,000	134,783,000	42,000,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Oct. 18	8,320,000	9,050,000	11,580,000	11,426,000
Pennsylvania anthracite (tons)	Oct. 18	960,000	884,000	878,000	1,074,000
Beehive coke (tons)	Oct. 18	96,800	*84,100	93,300	131,700
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Oct. 18	124	*126	113	116
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Oct. 25	7,696,243	7,681,332	7,624,747	7,233,928
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Oct. 23	154	139	156	155
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Oct. 21	4.376c	4.376c	4.376c	4.131c
Pig iron (per gross ton)	Oct. 21	$55.26	$55.26	$55.26	$52.72
Scrap steel (per gross ton)	Oct. 21	$42.00	$42.00	$42.00	$42.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Oct. 22	24.200c	24.200c	24.200c	24.200c
Export refinery at	Oct. 22	34.900c	34.825c	35.100c	27.425c
Straits tin (New York) at	Oct. 22	121.500c	121.500c	121.500c	103.000c
Lead (New York) at	Oct. 22	13.500c	14.000c	16.000c	19.000c
Lead (St. Louis) at	Oct. 22	13.300c	13.800c	15.800c	18.800c
Zinc (East St. Louis) at	Oct. 22	13.500c	13.500c	13.525c	19.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Oct. 28	96.91	96.63	96.22	97.73
Average corporate	Oct. 28	108.88	108.88	109.42	109.97
Aaa	Oct. 28	112.93	112.75	113.50	114.27
Aa	Oct. 28	111.44	111.44	111.62	113.50
A	Oct. 28	108.34	108.52	109.06	109.42
Baa	Oct. 28	103.13	103.30	103.64	103.47
Railroad Group	Oct. 28	105.86	105.86	106.21	106.56
Public Utilities Group	Oct. 28	109.06	108.88	109.24	109.79
Industrials Group	Oct. 28	111.81	111.81	112.75	113.89
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Oct. 28	2.72	2.73	2.76	2.65
Average corporate	Oct. 28	3.23	3.23	3.20	3.17
Aaa	Oct. 28	3.01	3.02	2.98	2.94
Aa	Oct. 28	3.09	3.09	3.08	2.98
A	Oct. 28	3.26	3.25	3.22	3.20
Baa	Oct. 28	3.56	3.55	3.53	3.54
Railroad Group	Oct. 28	3.40	3.40	3.38	3.36
Public Utilities Group	Oct. 28	3.22	3.23	3.21	3.18
Industrials Group	Oct. 28	3.07	3.07	3.02	2.96
MOODY'S COMMODITY INDEX	Oct. 28	408.5	415.3	426.9	457.3
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Oct. 18	226,513	236,587	215,865	168,866
Production (tons)	Oct. 18	248,541	245,680	234,715	217,734
Percentage of activity	Oct. 18	97	96	93	89
Unfilled orders (tons) at end of period	Oct. 18	519,768	544,741	467,535	429,63[illegible]
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Oct. 24	109.47	109.39	109.21	116.22
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	Oct. 11	24,144	25,166	27,361	26,144
Number of shares	Oct. 11	674,366	696,284	760,597	770,718
Dollar value	Oct. 11	$30,517,997	$32,628,271	$35,564,700	$32,981,060
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 11	21,027	20,720	22,451	23,601
Customers' short sales	Oct. 11	117	141	252	131
Customers' other sales	Oct. 11	20,910	20,579	22,199	23,170
Number of shares—Total sales					
Customers' short sales	Oct. 11	592,967	581,641	637,791	676,754
Customers' other sales	Oct. 11	4,457	4,798	8,926	4,469
Dollar value	Oct. 11	588,510	576,843	628,865	672,285
Round-lot sales by dealers—	Oct. 11	$23,768,696	$23,886,623	$26,648,150	$27,166,119
Number of shares—Total sales	Oct. 11	170,510	176,730	213,390	185,090
Short sales	Oct. 11	------	------	------	------
Other sales	Oct. 11	170,510	176,730	213,390	185,090
Round-lot purchases by dealers—					
Number of shares	Oct. 11	270,980	269,520	305,890	283,440
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	Oct. 4	169,660	208,970	139,470	386,310
Other sales	Oct. 4	5,964,260	6,661,000	4,410,560	10,667,580
Total sales	Oct. 4	6,133,920	6,869,970	4,550,030	11,053,890
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 4	496,770	656,710	409,430	1,149,740
Short sales	Oct. 4	94,130	107,590	75,540	200,610
Other sales	Oct. 4	433,220	512,110	365,150	923,300
Total sales	Oct. 4	527,350	619,700	440,690	1,123,910
Other transactions initiated on the floor—					
Total purchases	Oct. 4	91,000	190,840	80,410	289,800
Short sales	Oct. 4	4,800	13,100	7,400	12,000
Other sales	Oct. 4	110,490	183,140	84,300	256,970
Total sales	Oct. 4	115,290	196,240	91,700	268,970
Other transactions initiated off the floor—					
Total purchases	Oct. 4	172,590	221,950	173,320	432,040
Short sales	Oct. 4	13,780	34,670	26,070	91,660
Other sales	Oct. 4	251,825	259,170	201,075	479,441
Total sales	Oct. 4	271,605	293,840	227,145	571,101
Total round-lot transactions for account of members—					
Total purchases	Oct. 4	760,360	1,069,500	663,160	1,871,580
Short sales	Oct. 4	118,710	155,360	109,010	304,270
Other sales	Oct. 4	795,535	954,420	650,525	1,659,711
Total sales	Oct. 4	914,245	1,109,780	759,535	1,963,981
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	Oct. 21	110.6	110.7	111.1	------
Farm products	Oct. 21	105.1	104.6	105.2	------
Processed foods	Oct. 21	107.4	108.1	109.8	------
Meats	Oct. 21	105.2	107.3	112.5	------
All commodities other than farm and foods	Oct. 21	112.5	112.6	112.7	------

*Revised figure. ¶Includes 556,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK — As of September 30:			
Imports	$231,568,000	$211,697,000	$210,083,000
Exports	108,487,000	119,177,000	103,662,000
Domestic shipments	7,439,000	7,143,000	10,214,000
Domestic warehouse credits	16,476,000	2,513,000	16,564,000
Dollar exchange	59,646,000	73,606,000	3,338,000
Based on goods stored and shipped between foreign countries	30,583,000	29,975,000	30,702,000
Total	$454,199,000	$454,111,000	$374,563,000
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of Sept. 30 (000's omitted)	$565,000	$550,000	$377,000
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF N. Y. — 1947-1949 AVERAGE = 100 — Month of September:			
Sales (average monthly), unadjusted	98	78	99
Sales (average daily), unadjusted	100	76	*105
Sales (average daily), seasonally adjusted	95	102	*100
Stocks unadjusted	116	107	129
Stocks, seasonally adjusted	110	111	*123
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of July:			
All manufacturing (production workers)	12,110,000	*12,383,000	12,885,000
Durable goods	6,601,000	*6,939,000	7,226,000
Nondurable goods	5,509,000	*5,444,000	5,659,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	97.9	*100.1	104.2
Payroll Indexes (1947-49 Average=100)—			
All manufacturing	121.7	126.8	126.4
Estimated number of employees in manufacturing industries—			
All manufacturing	15,196,000	*15,463,000	15,813,000
Durable goods	8,334,000	*8,675,000	8,839,000
Nondurable goods	6,862,000	*6,788,000	6,974,000
FAIRCHILD PUBLICATIONS RETAIL PRICE INDEX — 1935-39 = 100 (COPYRIGHTED) As of October 1:			
Composite index	104.9	104.9	106.9
Piece goods	97.5	96.8	100.1
Men's apparel	105.4	105.3	107.1
Women's apparel	100.7	100.8	102.7
Infants' & children's wear	104.8	104.8	106.6
Home furnishings	107.7	107.8	110.1
Piece goods—			
Rayon and silks	90.4	89.8	92.1
Woolens	108.1	108.2	113.8
Cotton wash goods	94.9	94.6	98.3
Domestics—			
Sheets	101.1	101.2	108.1
Blankets and comforters	118.7	119.2	125.4
Women's apparel—			
Hosiery	95.1	95.2	97.2
Aprons and housedresses	97.0	97.0	99.5
Corsets and brassieres	107.3	107.3	107.9
Furs	94.5	93.8	100.8
Underwear	100.0	100.1	101.8
Shoes	108.4	108.6	110.3
Men's apparel—			
Hosiery	106.8	106.8	107.0
Underwear	110.8	110.7	110.9
Shirts and neckwear	102.4	102.4	102.8
Hats and caps	100.2	100.2	100.5
Clothing, including overalls	103.1	103.1	105.7
Shoes	107.0	107.2	112.5
Infants' and children's wear—			
Socks	102.9	102.9	102.5
Underwear	103.0	103.0	102.6
Shoes	110.0	110.0	113.7
Furniture	108.2	108.1	106.5
Floor coverings	118.3	117.6	122.4
Radios	102.0	102.4	102.8
Luggage	101.5	101.5	104.4
Electrical household appliances	104.8	104.8	107.2
China	100.9	100.9	102.6
NEW YORK STOCK EXCHANGE— As of September 30 (000's omitted):			
Member firms carrying margin accounts—			
Total of customers' net debit balances	$1,332,534	$1,338,244	$1,290,056
Credit extended to customers	39,328	48,188	40,558
Cash on hand and in banks in U. S.	339,800	342,050	387,670
Total of customers' free credit balances	691,515	674,753	843,090
Market value of listed shares	112,633,085	114,506,240	108,911,371
Market value of listed bonds	99,712,148	100,536,928	97,924,892
Member borrowings on U. S. Govt. issues	67,713	103,577	59,558
Member borrowings on other collateral	945,366	959,518	667,237
NON-FARM REAL ESTATE FORECLOSURES—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION— Month of June	1,669	1,539	1,545
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission) —Month of July:			
Net railway operating income	$60,963,230	$67,900,100	$44,271,049
Other income	16,929,841	25,385,940	15,813,737
Total income	77,893,071	93,286,050	60,084,786
Miscellaneous deductions from income	3,279,816	3,775,683	4,085,926
Income available for fixed charges	74,613,255	89,510,367	55,998,860
Income after fixed charges	38,690,784	51,870,042	22,099,904
Other deductions	3,221,611	2,882,097	3,323,224
Net income	35,469,173	48,987,945	18,776,680
Depreciation (way & structure & equip)	40,706,896	40,364,540	40,059,181
Amortization of defense projects			
Federal income taxes	26,117,063	31,759,146	20,059,577
Dividend appropriations:			
On common stock	7,629,617	19,049,391	5,024,107
On preferred stock	4,305,405	1,646,591	4,401,193
Ratio of income to fixed charges	2.08	2.38	1.65
U. S. GOVT. STATUTORY DEBT LIMITATION As of Aug. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	262,681,570	263,185,643	257,352,895
Guaranteed obligations not owned by the Treasury	40,061	39,217	33,311
Total gross public debt and guaranteed obligations	$262,721,632	$263,224,860	$257,386,206
Deduct—other outstanding public debt obligations not subject to debt limitation	630,223	632,618	673,257
Grand total outstanding	$262,091,408	$262,592,241	$256,712,949
Balance face amount of obligations, issuable under above authority	12,908,591	12,407,758	18,287,050

*Revised figure.

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As We See It

hower occupies the White House during the coming four years, we can, or at least we shall, say only that we hope that such is not the case. At any rate we are not yet willing to accept the defeatist position that this country has sold its soul or that it has permanently lost its power of commonsense perception and reasoning.

Vital Issues

Our purpose here is to make certain, so far as it lies within our power to do so, that no one will suppose for one moment that the course of business would not be or might not be very much affected in the months and years to come by the type of policy and programs chosen and pursued by the Federal Government. It is our very carefully considered opinion that a new lease of life for Trumanism, a continuation in Washington of what has been going on there for the past 20 years, could not fail to constitute a heavy and increasing load for us all to carry as the years pass. We are equally satisfied in our own mind that a basic change in all this in the right direction would lay a basis, both necessary and sufficient (again to make use of the terminology of the mathematician) for real progress in this country.

We may add also with confidence that Mr. Eisenhower, although in some instances appearing to adopt too much of the New Deal and Fair Deal fol-de-rol, has in other directions supplied reason for hope on the part of the American people that he would, with the support of at least a partially reunited party, undertake with vigor some of the tasks which so urgently await a real statesman in Washington. He has embraced far more of the paternalistic philosophy rampant in this country since the rise of Mr. Roosevelt to vast influence in 1932 than we could wish, but he has at the same time repeatedly asserted that he deplores the concentration in Washington of a greater and greater measure of power and jurisdiction over the businesses, the homes and lives of us all. Much of what is proving so costly and so crippling in the New Deal and Fair Deal would be less damaging if their administration were decentralized and thus kept nearer the people who must pay for them in taxes.

Fiscal Matters

One of the most heartening prospects of an Eisenhower victory would be found in the fiscal situation. Obviously, if substantial reductions in Federal outlays are to be achieved — and we have been repeatedly assured that they would be substantially reduced—a number of consequences would necessarily follow. For one thing such reductions are not compatible with much that the Fair Deal has long wanted to do. They are not even compatible with much that it is now doing. Thus a number of indirect benefits of greater fiscal prudence would accrue.

But a reduction in expenditures which makes possible a substantial measure of tax relief would inevitably have wide repercussions in its own right. Funds and energy generally would in this way be released for productive employment throughout the private enterprise system. A far sounder and more constructive monetary and credit policy would at once be easier and simpler. It would in itself be a step in turning over the affairs of the American people to the people who must in any event bear the burdens and should reap the rewards of what they themselves do from day to day. Most encouraging in this connection is the insistence of Mr. Eisenhower (than whom there is no one in the land who should know better what he is talking about) that more defense for many fewer dollars is easily possible. His opponents have apparently regarded all assurances that such things as these can be done as so much "politics"—if not simply "damn lies."

Inspire Confidence!

The fact is, we suspect, that the mere assurance that henceforth the basic attitude of the Washington government toward business in general is to be sharply and constructively altered, would bring a surge of confidence the limits of which can not now be easily foreseen. We hear a great deal—and have been hearing a great deal for a long while past—about what can be found to take the place of defense expenditures (or often more precisely the continued rise in defense expenditures) as a factor of stimulation or encouragement of business. There are many statisticians who are exceedingly fond of laying out figures which show the tremendous part defense expenditures and defense-related outlays have been playing in our economy during the past year or two—and then of asking the question: What will business be like when these activities are reduced or even when they cease to increase from month to month?

It is, of course, quite easy to array figures in such a way as to render a satisfactory answer difficult. This is scarcely the place to go into this technical matter. Suffice it to say, that such statistical analyses seldom venture into the question as to what business expenditures might be, or what consumer outlays would be, under the influence of a really friendly and constructive government in Washington. Probably such a question is not amenable to statistical treatment — but it can be ignored only at grave risk.

A great deal depends upon the outcome of the voting next week. Let there be no mistake on that point.

Continued from page 16

Television's Increasing Service to Utility Industry

his invention and thus attract capital to finance his development. There were many misses and many successes. Frequently long intervals of time elapsed between the availability of new scientific knowledge and the appearance of new products and services which it made possible.

A change in this process was started soon after the turn of the century with the organization of the first industrial research laboratories. The start was slow, the laboratories were small, but they soon demonstrated to their managements that they were very much worthwhile and highly productive.

As an example of the effectiveness of research, spokesmen for du Pont at its recent 150th anniversary celebration stated that after 1902, when the research laboratory was established, the business expanded through diversification to the present total of over 1,200 products and product lines. About half of the company's sales represent products which were unknown or in their commercial infancy 20 years ago. The same type of experience can be drawn from any industrial firm that has established research organizations and has faith in its scientists.

Early Work in Television

The early work in television brought about the development of a mechanical system based primarily on the scanning disc disclosed by Paul Nipkow in 1884. Television images produced by this mechanical method were poor and the equipment was complicated and bulky. However, Nipkow's concept of scanning a picture point-by-point and line-by-line was basic and is used in modern television. The development of mechanical television reached its height in the laboratory toward the end of the 1920's, but it was not good enough for commercial use. There was little prospect of improvement.

New Concept Introduced

A new concept was needed and was available. While work was going on in the field of mechanical television, Dr. V. K. Zworykin, now Vice-President and Technical Consultant of RCA Laboratories, became convinced that television could be done by electronic means rather than by mechanical means. He worked on both the pickup end and the reproduction end of the system.

Out of Dr. Zworykin's work came the pickup tube called the iconoscope, which established the base for future developments in television cameras, and the kinescope, or picture tube, of modern television. In the late 1920's, he was able to show a dim flickering picture produced entirely by electronic means, a picture that was much pooper than could be produced by mechanical means—but it had potentialities. Vision and faith in research were required to see these potentials.

In 1929, Dr. Zworykin discussed the possible future of his developments with Brig. Gen. David Sarnoff, now Chairman of the Board of RCA. General Sarnoff, after hearing the explanation, asked: "What will it cost to develop the idea?" Dr. Zworykin replied: "Maybe $100,000." General Sarnoff said: "All right, it's worth it."

From that early informal appropriation of $100,000 expenditures on electronic television grew and before RCA began to get back its stake in television, it had spent an estimated $50 million in research, engineering and facilities.

The early work in television convinced RCA that electronic television was possible and the only means by which commercially acceptable television could be obtained. The research teams working on mechanical television were shifted to the electronic method and the amount and tempo of the work was materially increased.

The pace of development was speeded by breaking the problem in parts and the formation of research groups to work in parallel on the various parts of the problem. This is the method used by industrial research by means of which rapid progress is made. As a result of this teamwork, there came improved iconoscopes and, eventually, the image orthicon, which is now the standard pickup tube in all television cameras, new circuits, new information as to wave propagation, and many new devices.

By 1939, television transmission standards had been fairly well formulated by the industry and RCA decided to institute limited commercial operation, thus bringing the public into its experiments. At the opening of the New York World's Fair in 1939, a regular television schedule was introduced by NBC. RCA, as well as other companies, offered receivers to the public, but only a limited number of sets were sold.

Early in 1940 the Federal Communications Commission began a series of hearings to determine standards for commercial television. In May 1941, the FCC authorized commercial standards effective as of July 1, 1941. Of course, you all know what happened Dec. 7, 1941. Even before that many of the research and development laboratories and factories of the radio industry, including our own, had gone to war. The television engineers transferred their techniques to the development of radar and other types of broad-band transmissions that used devices, circuits and radio frequencies similar to television. The records of development during the war show how successful they were. Radar was rated as one of the major instrumentalities in winning the war. But for the earlier work in television on related techniques rapid progress in the radar field would not have been possible.

Phenomenal Growth

The curtailment of television continued throughout the war years except as it could be applied to instruments of war. But when victory came and restrictions were lifted, the infant art surged ahead. The war development had added to our knowledge so that television could move even faster. In a third of the time that it took the automobile industry, television now has the distinction of being among the first 10 major industries of America.

The full extent of television's phenomenal growth may best be brought into perspective by recalling once more the situation only six years ago. In the fall of 1946 RCA-NBC took a major move in television. The program service of NBC was expanded and improved, and RCA Victor started mass production of newly-designed sets to sell at a price the public could afford. At that time there were fewer than 10,000 sets. Television broadcasting was conducted on a meager, few-hours-a-week basis and there were six licensed stations.

On Jan. 1, 1947, sets in use by the public numbered 16,500. By January, 1948, the total had reached 189,000. A year later, it was 1,000,000. On Jan. 1, 1950, it was 3,950,000. The 10,000,000 mark was passed in January, 1951, and now there are more than 19,000,000 sets, with an audience estimated at some 70,000,000 persons.

From the six TV stations on the air six years ago, the number has risen to 110, covering 65 major market areas. Television set manufacturers have increased accordingly, from a few pioneers to a total approaching 100. Radio and television operations now provide jobs for more than 500,000 persons in the United States.

This vast growth has occurred despite the so-called TV "freeze" which prevented the normal construction of new stations from September, 1948, until July, 1952. The "freeze" was imposed by the Federal Communications Commission because it believed that it was necessary to clear up technical problems that had arisen with respect to interference between stations.

The "freeze" is now lifted and more than sixty new stations have been authorized to be built and new authorizations are being made weekly by the FCC. Since the lifting of the "freeze" television service has been brought to two new communities, Denver, Colorado, and Portland, Oregon. Several others will be added in the coming months.

Coast-to-Coast TV

One of the most significant events in television history—both from the standpoint of the viewing public, broadcasters, and television set manufacturers—was the opening in 1951 of AT&T's new transcontinental radio relay system linking major cities in a coast-to-coast television network.

Previous to this achievement, the Bell System had used the coaxial cable and radio relay systems to provide for the transmission of television signals between major cities of the East and Middle West. These facilities, of course, are part of the transcontinental network. The extent and effectiveness of the present service can be seen from the fact that

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this year's World Series is being carried by 68 interconnected stations in 64 cities, representing areas of coverage containing more than 90,000,000 of the nation's population.

The major expansion in television service in process now that the "freeze" is over is in the UHF (ultra high frequency). The lifting of this "freeze" means more VHF stations on the 12 VHF channels previously used, but, more important, many additional stations in the UHF, in the range from 470 to 890 mc. This provides 70 new television channels and opens the way for hundreds of new stations. Millions of people who have never before known the enjoyment of television will be brought into the service areas of new stations, and limited service in many cities will be expanded.

Present and prospective television audiences in many communities are destined to discover that the simple combination of letters —UHF—stands for more channels, more stations, more programs and far greater TV coverage. And this is important—the addition of new VHF and UHF stations can be achieved without diminishing present TV service.

The first UHF station to operate commercially in the United States already is on the air. It is station KPTV (Channel 27) in Portland, Oregon.

The new station, which brings television to the largest previously unserved market in the country, transmitted its initial signal on Sept. 18, only a few days after its transmitter and tower had completed a journey across the continent. Its official opening took place on Oct. 1, with a special nationwide program followed by the World Series.

This transmitter has special significance for those of us in RCA research and engineering. It had previously been used for two and a half years by RCA-NBC in an experimental UHF station at Bridgeport, Connecticut, focal point of research and engineering development in UHF television broadcasting. It was the first station to transmit a regular program service on UHF. It was my privilege to initiate and direct this UHF experiment at Bridgeport, which was brought to completion after the first grants were made to commercial broadcast stations.

The closing of the Bridgeport operation marked the end of the experimental period in UHF television. RCA, believing that it was necessary to use UHF in order to have nationwide television service, pioneered in research and development in this field. RCA has spent more than $3,000,000 to develop reliable UHF transmitting and receiving equipment and to get an understanding of the transmission problem. This has resulted in making UHF television technically and commercially practicable for home use, and we are on our way to a truly nationwide television service.

Color Television

Some of you are probably thinking: "What about color television?"

My answer is that everybody agrees that television in natural color is highly desirable. This has been the goal of our scientists and engineers since the early stages of success in developing the all-electronic system of black-and-white television. We want a service of color that can be integrated into the older black-and-white service with a minimum of disruption or displacement. In radio, as in other industries, the old service has carried the new until it could carry itself, and this must be done if we are to have color television. It would not be in the public interest to tear down existing black-and-white TV service to establish a service of color TV.

At the present time, an incompatible color television service is the only system having official approval. That is a system which cannot be received even in black and white on standard black-and-white sets without the added expense of adapters.

Our engineers and virtually the entire engineering profession believe that an all-electronic, compatible color television system is far superior to the incompatible method. With the compatible system, it is possible for black-and-white sets to receive color programs in black and white without any change whatever in the receiver. That is the type of system RCA proposed to the FCC and on which we are making rapid progress in developing.

In adopting standards for the incompatible system in 1950, the Federal Communications Commission said that it was not closing the door on development of an improved method of color television. Consequently, RCA and other segments of the industry are continuing to develop the all-electronic compatible method on standards. An industry group known as the National Television System Committee is the central clearing house of the industry for this work. We are more convinced than ever that this method ultimately will attain approval in the public interest. But the introduction of such a service must, of course, await official action. At the proper time, a request for such action will be made.

Other Electronic Advances

As General Sarnoff has pointed out, science, through research, has a unique way in edging up to an existing industry or business, and eventually revolutionizing routines and operations. We in the radio-television industry consider electronics pertinent to the future of every business. Those of us who have worked in research do not fear change or progress; it is our business to do things better; it is the American way to improve our standard of living and increase our businesses. This is the job of research and development.

As an example, the electronic computer holds tremendous possibilities in the simplification of clerical procedures. About nine million persons, or 16% of the working population, are engaged in clerical work. Most of these people perform tasks involving the entry of figures in ledgers and operation of mechanical machinery for processing information.

Through man's inventive and engineering ingenuity, electronic computers have been made to add, subtract, multiply and divide. Besides, they can memorize the results of these operations in such a manner that they are immediately available for another operation.

These possibilities and applications are by no means in the dream stage. During and after World War II, great impetus was given to these "super-brain machines" for use in the fields of aerodynamics, guided missiles and ballistics. Now they are being adapted to more prosaic tasks and there is every promise that electronic systems can do much of the routine clerical work such as is done in your own offices.

Industrial Television

Television's expansion beyond its popular use as a broadcasting medium was envisaged by many TV pioneers. The original conception of the art was a means of extending human sight for utilitarian purposes. In addition to the great strides achieved in television as an entertainment and informational service, substantial progress has been made in applying its power of immediacy for benefits to industry, science, education, security and other non-broadcast endeavors.

This is generally referred to as *industrial television*. Its success is due largely to a revolutionary pick-up tube—the Vidicon — developed especially for non-broadcast usage by engineers of RCA.

Although only one inch in diameter and six inches long, the Vidicon is almost as sensitive as the studio-type image orthicon tube and can be manufactured for a fraction of its cost. It operates in a camera about the same size and simplicity as a 16-mm movie camera. The entire industral-TV equipment consists of only two units: the camera and a combination monitor, power supply and control fixture, housed in a single portable case smaller than a table model home television set.

Three weeks ago, the first commercial model of the low-cost RCA Vidicon system was introduced to service at Chicago by the Baltimore & Ohio Railroad for use in freight yard operations.

Future possibilities of industrial-TV are numerous and include applications that those of you in the utility business may find beneficial to your own operations, particularly in instances where continuous visual checks are required.

This type of equipment is ideal for monitoring operations from a distance, especially where nearness would mean human danger; the enabling of many persons to view a given procedure or activity, and the supervising or coordinating of a number of operations from a central position. I am sure each of you can visualize some place where such equipment could be used to advantage.

Closed-circuit television also is expected to become a powerful instrument in education, bringing great teachers into the presence of hundreds or even thousands of students simultaneously. Medical students, for example, need no longer be relegated to distant seats in the amphitheater. Instead, through the new medium, they may be brought directly to the operating table.

The Physics Department of Cornell University has recently announced that this type of equipment is being used to make physics lecture demonstrations visible to all students in a large lecture hall.

Another application is the extension of the range of the light microscope. A small television camera is substituted for the human eye, and research men or students see living germs or cells greatly magnified on the screen of a television monitoring set. New techniques make it possible to obtain information that cannot be obtained by the eye alone. Possibilities of such a combination instrument for teaching and other educational purposes, I believe, are extensive.

Arrangement has been made for those of you here today to see a demonstration of the RCA industrial-television system. This equipment will be available for viewing immediately after we have adjourned for luncheon.

Theater Television

Another up-and-coming outgrowth of television research and development has been television in the theater. Brighter images on the face of projection kinescopes and a special optical system make it possible to produce pictures on a screen 15 by 20 feet.

Theater television is now installed in many theaters in New York, Boston, Washington, Chicago and Los Angeles and other cities, and there is a prospect of networks for theaters operating independently of those providing television service to the homes of America. The recent Walcott-Marciano heavy-weight championship fight was shown in 50 theaters in 31 cities from coast-to-coast, one outdoor drive-in theater in New Jersey participating in this showing. This same type of equipment also has been used for conferences where participants are in different cities, for it can be two-way. Several companies with widespread distribution of stockholders are considering its use for annual stockholder meetings.

Community TV Service

Because of their geographical locations, many American communities are deprived of dependable television program service. TV signals, which behave much the same as light, bounce into uselessness when mountains or other obstacles intervene, or when distance becomes too great.

To overcome this problem, RCA has designed and developed what it calls Community Antenaplex Systems in which one master television antenna serves an entire community. This antenna together with associated equipment for boosting signal strength can be mounted at a site overlooking the community to be served. A network of coaxial cable then can be strung over poles from the antenna site to points at fixed intervals where lead-off lines can be run directly into the homes to be served.

This system is the outgrowth of the system used for distribution of television programs to apartments or hotel rooms. The time will come soon when television wiring in multiple home units will be as standard as electrical wiring.

Developing Radio Relays

In extending the range and usefulness of radio and television services, nationally and internationally, electronic progress has provided us in recent years with a marvelous tool for communications known as the microwave radio relay. By means of radio relay stations television networks now extend from the Atlantic to the Pacific, and from the Gulf to the Canadian border.

Two-way microwave radio systems for communication along highways, railroads, electric power system pipelines and for military purposes are coming more and more into use. We have built and installed a number of microwave systems, including those for the New Jersey and Pennsylvania Turnpikes, also for the Union Electric Company and Sunray Oil Corporation. Recently an order for microwave equipment was delivered to the North Atlantic Treaty Organization for use in Europe.

You will hear a great deal about microwave systems in the future. They are coming into use in many industries requiring extended communication service. It is my belief that before long microwave relay systems will be built to carry television service and, combined with the industrial-TV camera, will represent a new phase of communications for business and industry. This may include coverage of such important activities as those involved in electrical distribution systems.

Pure Research and the Transistor

My references to the importance of scientific research in developing television and its vital operating components have already been many. But before concluding, I would like to stress the value of obtaining more and more basic facts and fundamental knowledge to hasten progress through applied research.

Indeed, it is fundamental research that uncovers new phenomena and opens new vistas that are far-reaching in their applications. For example, recent studies in electronics of solids, as contrasted to electronics in a vacuum, are making possible an entirely new device—the transistor—a tiny electronic device made of single-crystal germanium. As an instrument capable of performing many of the functions of an electron tube, the transistor promises to open a new era of development which bids fair to surpass electronics achievements of the past.

Unlike the electron tube, the transistor has no heated filament or cathode from which electrons are boiled out. It requires no warm-up, and uses very little power. Its electrons are controlled as they move about within solid matter. It has no vacuum, is rugged, shock-resistant, and unaffected by dampness. Properly made, a transistor might last a lifetime.

The transistor is particularly interesting to engineers in radio, television and other fields of electronics. Its low power requirements may be "bad news" to you, but again it may open up many new fields that cannot now use vacuum tubes. As scientific progress continues, it ofttimes is impossible to forecast conclusively the commercial implications.

One thing is certain in this case. In transistors, electronics engineers have an immediate future task. Some of the foundation stones of our industry are destined to be modified and changed. The job is to be sure that the advances are constructive and beneficial.

Future Outlook

Summing up, I believe that television as we know it today—a service of vast social, economic and political significance with an audience numbered in the tens of millions—is headed for greater improvement and service. Color will be integrated into our present service and international television broadcasts are a future possibility.

In 1945, I predicted that television was destined to become a billion-dollar industry and I was considered an extreme optimist. In seven years, the industry has grown to $3 billion and, as I have pointed out, many other industries, including your own, benefit increasingly from its advance. In television, we have an industry based on fundamental research in science, developed in the best American tradition by free enterprise and competition. It has fully justified the faith of its pioneers, and each of us assembled here can take pride in its symbolism of our country's vitality and will to extend the frontiers of human progress.

Together, the electrical and electronic industries have reduced the drudgery and isolation so prevalent a few years ago in rural areas and isolated communities. Citizens throughout the nation have been brought closer together, and light, power, education and entertainment have been made available to practically all who desire them. This means greater service by our industries, greater prospects for our people and greater vigor for all America.

Your RED CROSS must carry on!

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★ A. M. D. G. Publishing Co., Inc.
Oct. 22 (letter of notification) 50,000 shares of non-voting class A stock. **Price**—$1 per share, plus $4 for subscription to "Jubillee," a new publication. **Proceeds**—For working capital. **Office**—150 Waverly Place, New York 14, N. Y. **Underwriter**—None.

★ Air America, Inc.
Oct. 23 (letter of notification) 77,000 shares of common stock. **Price**—At par (40 cents per share). **Proceeds**—To Darwin R. Kindred, the selling stockholder. **Underwriters**—Sutro & Co., Los Angeles, Calif., and Franklin & Co., of New York, N. Y.

Air Springs, Inc., N. Y.
Oct. 16 (letter of notification) 6,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For developmental expenses and working capital. **Underwriter**—d'Avigdor Co., New York.

• Allpark Finance Co., Inc. (11/12)
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.

• Benson & Hedges, N. Y.
Oct. 2 filed 39,738 shares of common stock (par $4) being 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**—$23.50 per share. **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.

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.

★ Byrd Oil Corp., Dallas, Tex.
Oct. 22 filed $1,750,000 of 10-year 5½% convertible sinking fund mortgage bonds due Nov. 1, 1962, to be offered for subscription by common stockholders at the rate of $100 of bonds for each 28 shares of stock held (for a 14-day standby). Certain stockholders have waived their rights. **Price**—At par. **Proceeds**—To repay $1,014,500 of outstanding notes and for drilling expenses and working capital. **Underwriters**—Dallas Rupe & Son, Dallas, Tex.; Carl M. Loeb, Rhoades & Co., New York; and Straus, Blosser & McDowell, Chicago, Ill.

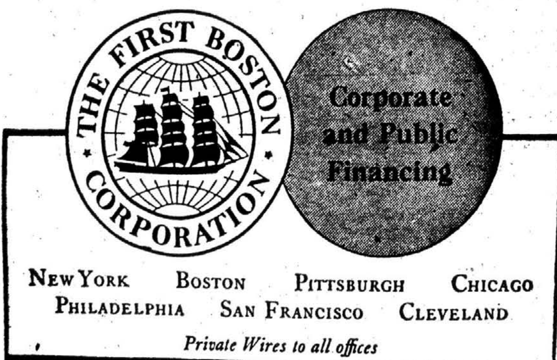
Carver Oil & Gas Co., Inc.
Oct. 3 (letter of notification) 2,393,600 shares of common stock (par one cent). **Price**—12½ cents per share. **Proceeds** — For acquisition of properties and working capital. **Underwriter**—West & Co., Jersey City, N. J.

★ Cimota Enterprises, Inc.
Oct. 17 (letter of notification) 3,000,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—To enlarge plant. **Underwriter**—None.

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.

Cleveland Electric Illuminating Co. (11/24)
Oct. 22 filed 557,895 shares of common stock (no par) to be offered for subscription by common stockholders of record Nov. 24 at the rate of one new share for each five shares held; rights to expire on or about Dec. 19. **Price**—To be supplied by amendment. **Proceeds**—For property additions. **Underwriter**—None.

★ Compressed Products Corp., New York
Oct. 23 (letter of notification) 99,000 shares of common stock. **Price**—$3 per share. **Proceeds**—To buy machinery, equipment and inventory and for working capital. **Office** — 400 Madison Avenue, New York, N. Y. **Underwriter**—Dan Broder, Los Angeles, Calif.



NEW ISSUE CALENDAR

November 1, 1952
- Crown Drug Co. — Debentures (Offering to stockholders)

November 3, 1952
- Dow Chemical Co. — Common (Offering to stockholders—No underwriting)

November 5, 1952
- Frontier Refining Co. — Debentures (Peters, Writer & Christensen, Inc.; Sidlo, Simons, Roberts & Co.; Boettcher & Co.; and Bosworth, Sullivan & Co., Inc.)
- State Street Investment Corp. — Common (Offering to stockholders—No underwriting)

November 6, 1952
- Garrett Freightlines, Inc. — Debentures (Allen & Co.)
- Hibernia National Bank — Common (Scharff & Jones, Inc. and White, Hattier & Sanford)
- Pacific Gas & Electric Co. — Common (Bids to be invited)

November 10, 1952
- Smith-Douglass Co., Inc. — Common (F. Eberstadt & Co., Inc.)

November 12, 1952
- Allpark Finance Co., Inc. — Debentures (C. K. Pistell & Co., Inc.)
- American Trust Co., San Francisco — Common (Offering to stockholders—Blyth & Co., Inc.)
- Diversified Funds, Inc. — Growth Stock Fund Shares (Kidder, Peabody & Co.)

November 13, 1952
- International Minerals & Chemical Corp. — Debs. (White, Weld & Co.)
- Pacific Finance Corp. — Debentures (Blyth & Co., Inc.; Hornblower & Weeks; and Harris, Hall & Co., Inc.)

November 15, 1952
- Detroit & Toledo Shore Line RR. — Bonds (Bids to be invited)

November 17, 1952
- Long Island Lighting Co. — Bonds (Bids to be invited)
- United Gas Corp. — Common (Offer to Electric Bond & Share Co. stockholders)

November 18, 1952
- Thurston Chemical Co. — Preferred (Stern Brothers & Co.)

November 20, 1952
- Duquesne Light Co. — Common (Bids 11 a.m. EST)
- Suburban Propane Gas Corp. — Preferred (Eastman, Dillon & Co.)

November 24, 1952
- Cleveland Electric Illuminating Co. — Common (Offering to stockholders—no underwriting)
- Gulf States Utilities Co. — Bonds (Bids 11 a.m. EST)

November 25, 1952
- Pacific Telephone & Telegraph Co. — Debentures (Bids 8:30 a.m. PST)
- Peoples Gas Light & Coke Co. — Common (Offering to stockholder—No underwriting)

December 1, 1952
- Florida Power Corp. — Bonds (Bids to be invited)

December 3, 1952
- New York, Chicago & St. Louis RR. — Eq. Trust Ctfs. (Bids to be invited)

December 9, 1952
- New England Telephone & Telegraph Co. — Debs. (Bids to be invited)

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

January 20, 1953
- Ohio Power Co. — Bonds & Preferred (Bids to be invited)

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. Statement effective Oct. 15.

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.

Deerpark Packing Co., Port Jervis, N. Y.
March 21 (letter of notification) 235,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay RFC loan of $41,050 and for working capital. **Offering**—Expected before Oct. 15.

Devil Peak Uranium, Ltd. (Nev.)
April 7 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For rehabilitation and development program. **Office**—Suite 839, 60 East 42nd St., New York 17, N. Y. **Underwriter**—Gardner & Co., New York.

• Diversified Funds, Inc. (11/12)
Oct. 22 filed an amendment covering a number of shares as yet undetermined of Diversified Growth Stock Fund, a newly created series of its special stock. **Proceeds**—For investment. **Underwriter** — Kidder, Peabody & Co., New York.

Dole (James) Engineering Co.
Sept. 19 (letter of notification) 100,000 shares of convertible 5% preferred stock being 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.

Duquesne Light Co., Pittsburgh, Pa. (11/20)
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. 20.

Elyria Telephone Co., Elyria, Ohio
Oct. 17 (letter of notification) 2,122 shares of common stock (no par) and 5,600 shares of 5% preferred stock (par $50). **Price**—Common stock at $7.476 per share, and preferred stock at par. **Proceeds**—For new construction, etc. **Office**—330 Second St., Elyria, Ohio. **Underwriter**—None.

Farm Equipment Acceptance Corp., Peoria, Ill.
Oct. 10 (letter of notification) 2,000 shares of common stock (par $50). **Price** — $60 per share. **Proceeds** — For working capital. **Office**—3500 North Adams St., Peoria, Ill. **Underwriter**—Paul H. Davis & Co., Chicago, Ill.

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.

Fischer & Porter Co., Hatboro, Pa.
Oct. 17 (letter of notification) 10,500 shares of class A preference stock (no par). **Price**—$10.75 per share. **Proceeds**—For working capital. **Underwriter** — Hallowell, Sulzberger & Co., Philadelphia, Pa.

★ Florida Power Corp. (12/1)
Oct. 24 filed $15,000,000 of first mortgage bonds due 1982. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be supplied by amendment. Kidder, Peabody & Co. and Merill Lynch, Pierce, Fenner & Beane handled last bond financing which was done privately. **Bids**—Tentatively expected to be received on or about Dec. 1.

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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.

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. 10. **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.

Frontier Refining Co., Denver, Colo. (11/5)
Oct. 16 filed $1,000,000 5¾% convertible debentures due 1962. **Price**—At par (in units of $1,000 each). **Proceeds**—For equipment and working capital. **Underwriters**—Peters, Writer & Christensen, Inc.; Sidlo, Simons, Roberts & Co.; Boettcher & Co.; and Bosworth, Sullivan & Co., Inc.; all of Denver, Colo.

General Tire & Rubber Co., Akron, O.
Oct. 14 (letter of notification) 6,861 shares of common stock (par $5) to be offered in exchange for common shares of Crosley Motors, Inc., on basis of one General Tire share for each 27 Crosley shares tendered, with cash at rate of $1.25 per share for all shares which are not multiples of 27. **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 and to retire preferred stock. **Underwriter**—Batkin & Co., New York.

★ **Gulf States Utilities Co. (11/24)**
Oct. 23 filed $10,000,000 of first mortgage bonds due Dec. 1, 1982. **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**—To be received up to 11 a.m. (EST) on Nov. 24.

Gyrodyne Co. of America, Inc.
Sept. 10 (letter of notification) 2,000 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Office**—Flowerfield, St. James, L. I., N. Y. **Underwriter**—None. Of the amount offered, $5,000 may be used as payment for services and for materials supplied.
Sept. 16 (letter of notification) 12,300 shares of class A common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital. **Underwriter**—None, sales to be made through certain officers and directors.
Sept 18 (letter of notification) 16,972 shares of Class A common stock (par $1). **Price**—$5 per share. **Proceeds** — For working capital. **Underwriter** — Jackson & Co., Boston, Mass.

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.

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.

Household Finance Corp.
Oct. 17 filed 60,000 shares of common stock (no par—stated value $12 per share) to be offered for subscription by certain employees and executives. **Price**—$28.50 per share. **Proceeds**—For working capital. **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.

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.

★ **International Minerals & Chemical Corp., Chicago, Ill. (11/13)**
Oct. 23 filed $20,000,000 of subordinated debentures due July 1, 1977. **Price** — To be supplied by amendment. **Proceeds**—For expansion program and general corporate purposes. **Underwriter**—White, Weld & Co., New York.

Israel Industrial & Mineral Development Corp.
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.

★ **Jensen Tractor & Manufacturing Co., Burbank, Calif.**
Oct. 20 (letter of notification) 1,000 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To enlarge plant. **Office**—901 South Main St., Burbank, Calif. **Underwriter**—None.

★ **Keystone Custorian Funds, Inc., Boston, Mass.**
Oct. 27 filed 250,000 shares of Series B-3; 600,000 shares of Series B-4; 100,000 shares of Series K-1; 25,000 shares of Series S-1; and 50,000 shares of Certificates of Participation. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Keystone Co. of Boston, Boston, Mass.

★ **Legatees Funding Corp., N. Y.**
Oct. 24 (letter of notification) 12,500 shares of 5% cumulative convertible preferred stock. **Price**—At par ($20 per share). **Proceeds**—For working capital. **Office**—43 Exchange Place, New York, N. Y. **Underwriter**—None.

Long Island Lighting Co. (11/17)
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 at noon (EST) on Nov. 17.

★ **Lowell Adams Discount Co., Inc., N. Y.**
Oct. 23 (letter of notification) 29,000 shares of 6% cumulative preferred stock. **Price**—At par ($10 per share). **Proceeds**—To increase working capital. **Underwriter**—Louis L. Rogers Co., New York.

★ **Macco Corp., Paramount, Calif.**
Oct. 23 (letter of notification) 2,000 shares of common stock (par $1). **Price**—At market (between $9.50 and $10.50 per share). **Proceeds**—To Walter B. vonKleinsmid, the selling stockholder. **Office**—14409 South Paramount Boulevard, Paramount, Calif. **Underwriter**—None.

★ **Marsh Steel Corp., North Kansas City, Mo.**
Oct. 27 filed $500,000 of 5% debentures, series A, due $50,000 annually from Nov. 1, 1953 to Nov. 1, 1962, inclusive. **Price**—At 100% of principal amount. **Proceeds**—For working capital. **Underwriter**—The First Trust Co. of Lincoln (Neb.).

McCarthy (Glenn), Inc.
June 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds** — For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Dealer Relations Representative**—George A. Searight, 50 Broadway, New York, N. Y. Telephone WHitehall 3-2181. **Offering**—Date indefinite.

McGraw (F. H.) Co., Hartford, Conn.
Sept. 10 (letter of notification) 5,000 shares of common stock (par $2) and warrants to purchase 20,000 shares of common stock at $6 per share to be offered in units of one share and warrants to purchase four additional shares. **Price**—$19.87½ per share. **Proceeds**—To Clifford S. Strike, the selling stockholder. **Underwriter**—Granbery, Marache & Co., New York.
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.

Mid American Oil & Gas Co.. Chicago, Ill.
Oct. 10 (letter of notification) 80,000 shares of common stock (par 10 cents). **Price**—At market (at an aggregate amount not to exceed $24,000). **Proceeds**—For development of oil and gas leases. **Underwriter** — Greenfield & Co., Inc., 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.

★ **Midvale Co.**
Oct. 21 (letter of notification) up to but not exceeding 2,552 shares of capital stock (no par). **Price**—At market (about $14.25 per share), in no event to exceed an aggregate of $36,375. **Proceeds** — To Baldwin Securities Corp. **Underwriter** — None, but Drexel & Co., Philadelphia, Pa., may act as broker.

Mineral Exploration Corp., Ltd., Toronto Canada
July 29 filed 2,000,000 shares of common stock, each share to have attached an "A," "B" and "C" warrant, each giving the holder the right to buy one additional share for each two shares purchased in two, three, or five years, at $1, $2 and $3 per share, respectively. **Price**—For 2,000,000 shares, $1 per share—Canadian. **Proceeds**—For exploration, development and acquisition of properties. **Underwriter**—Brewis & White, Ltd., Toronto, Canada. Names of United States underwriters to be supplied by amendment.

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.

★ **Mohave Venture Farms, Kingman, Ariz.**
Oct. 23 (letter of notification) 700 shares of common stock (par $100) and $140,000 of promissory notes (in denominations of $200 each). **Price**—At par. **Proceeds**—To clear land and for new construction. **Address**—P. O. Box 871, Kingman, Ariz. **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.

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.

★ **Nash Finch Co., Minneapolis, Minn.**
Oct. 21 (letter of notification) 1,000 shares of common stock (par $10). **Price**—At market (estimated at from $17 to $20 per share). **Proceeds**—To Willis King Nash, the selling stockholder. **Underwriter**—J. M. Dain & Co., Minneapolis, Minn.

★ **National Reserve Insurance Co., Phoenix, Ariz.**
Oct. 20 filed 214,285 shares of common stock (par $1). **Price**—$1.40 per share. **Proceeds** — To be invested by trustees in accordance with trust agreement. **Underwriters** — Company; Kenneth K. Pound, 502 E. Campbell Ave., Phoenix, Ariz.; and Law L. Lovelace, 6143 N. 19th Ave., Phoenix, Ariz.

Newton-Conroe Oil Corp., Conroe, Tex.
Oct. 9 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—30 cents per share. **Proceeds**—To purchase wells and for equipment. **Underwriter**—Morris Cohon & Co., New York.

★ **Official Films, Inc., Richfield, N. J.**
Oct. 21 (letter of notification) 15,000 shares of common stock (par 10 cents). **Price**—At market (approximately $1.25 to $1.75 per share). **Proceeds**—To Mrs. Dorothy C. Margolis. **Underwriter** — None, but Hettleman & Co., New York, will act as broker.

★ **Pacific Finance Corp., Los Angeles, Calif. (11/13)**
Oct. 23 filed $10,000,000 of capital debentures, 5½% series, due 1973, to be issued in multiples of $1,000 each in exchange for a like amount of par value of outstanding 5% sinking fund series, $1.25 sinking fund series and $1.25 series preferred stock. The offer will be made on Nov. 13 and will expire on Nov. 20. **Price**—Unexchanged debentures will be offered publicly at 100% of principal amount. **Proceeds**—For working capital. **Underwriters**—Blyth & Co., Inc., Hornblower & Weeks and Harris, Hall & Co., Inc.

★ **Pacific Telephone & Telegraph Co.**
Oct. 24 filed 703,375 shares of common stock to be offered for subscription by stockholders at rate of one new share for each nine preferred or common shares held. American Telephone & Telegraph Co., the parent, presently owns more than 90% of the outstanding shares. **Price**—At par ($100 per share). **Proceeds**—To repay advances and bank loans and for new construction. **Underwriter**—None. **Offering**—Expected to be made in December.

★ **Pacific Telephone & Telegraph Co. (11/25)**
Oct. 24 filed $35,000,000 of 27-year debentures due Nov. 15, 1979. **Proceeds** — For repayment of advances and bank loans and for new construction. **Underwriters**—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 Nov. 25.

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

Continued on page 48

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Continued from page 47

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.
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.

★ Peoples Gas Light & Coke Co., Chicago, Ill. (11/25)
Oct. 24 filed 186,715 shares of capital stock to be offered for subscription by stockholders of record Nov. 19 at rate of one new share for each five shares held; rights to expire on Dec. 15. Subscription warrants will be mailed on or about Nov. 25. **Price**—At par ($100 per share). **Proceeds**—For new construction. **Underwriter**—None.

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.

★ Poole Oil Co., Inc., Graham, Tex.
Oct. 20 (letter of notification) 9,800 shares of common stock (no par). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Address**—P. O. Box 452, Graham, Tex. **Underwriter**—None.

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.

★ Preferred Oil & Gas Co., Pittsburgh, Pa.
Oct. 24 (letter of notification) 50,000 shares of common stock (par one cent), and 50,000 shares of common stock (par $1). To be offered for subscription by holders of 5% preferred stock of Treesdale Laboratories & Textile Processing Co., of record Nov. 1; the offer to expire on Nov. 24. **Price**—At par. **Proceeds**—To repay loan and for drilling expenses and working capital. **Underwriter**—Graham & Co., Pittsburgh, Pa.

★ Puritan Fund, Inc., Boston, Mass.
Oct 20 filed 25,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Paul H. Davis & Co., Chicago, Ill., and The Crosby Corp., Boston, Mass.

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.

★ Rowland Products, Inc., Kensington, Conn.
Oct. 22 (letter of notification) 800 shares of common stock. **Price**—At par ($25 per share). **Proceeds**—For additional equipment. **Office**—Fairview Place, Kensington, Conn. **Underwriter**—None.

Safeway Stores, Inc.
Sept. 12 filed 1,900 shares of 4% cumulative preferred stcok (par $100) and 18,000 shares of common stock (par $5) to be issued to James A. Dick Investment Co. (formerly The James A. Dick Co.) in exchange for inventories, fixtures, operating supplies, good will and other assets of Dick. It is anticipated that the Dick Company will sell all or a substantial part of these shares from time to time on the New York Stock Exchange. **Underwriter**—None.

★ Sapphire Petroleums Ltd., Toronto, Canada
Oct. 23 filed 50,000 shares of common stock (par $1—Canadian). **Price**—To be supplied by amendment. **Proceeds**—To Ken Kelman, the selling stockholder. **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.

★ Schweser's (George) Sons, Inc., Fremont, Neb.
Oct. 17 (letter of notification) 989 shares of 6% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Office**—108 East 6th St., Fremont, Neb. **Underwriter**—None, but Ellis, Holyoke & Co., Lincoln, Neb., will act as broker.

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.

SeaPak Corp., St. Simons Island, Ga.
Oct. 10 (letter of notification) 1,750 shares of common stock (par $1). **Price**—At market (approximately $6.75 to $7.75 per share). **Proceeds**—To John E. Haynes, the selling stockholder. **Underwriter**—None, but French & Crawford, Inc., Atlanta, Ga., will act as broker. No general public offering now planned.

● Seiberling Rubber Co.
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. **Offering**—Postponed indefinitely.

Sentry Safety Control Corp., Phila., Pa.
Oct. 17 (letter of notification) 200,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Underwriter** — Louis L. Rogers Co., New York.

★ Shaffer (Daniel) Pharmaceuticals, Inc., Los Angeles, Calif.
Oct. 21 (letter of notification) 220,000 shares of capital stock, of which 110,000 shares are to be issued to Daniel S. Shaffer for promotional services. **Price**—At par ($1 per share). **Proceeds**—For manufacture and sale of pharmaceutical products. **Office**—11973 San Vicente Blvd., Los Angeles 17, Calif. **Underwriter**—None.

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.

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.

Signode Steel Strapping Co., Chicago, Ill.
Oct. 9 (letter of notification) 2,044 shares of common stock (par $1). **Price**—At market (about $17 per share). **Proceeds**—To John W. Leslie, trustee of Walter S. Underwood and Emily C. Underwood. **Underwriter**—Ames, Emerich & Co., Chicago, Ill.

● Smith-Douglass Co., Inc. (10/10-14)
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. **Offering**—Expected week of Nov. 10.

● Southern New England Telephone Co.
Sept. 22 filed 400,000 shares of capital stock being 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.

★ Southern Radio Corp., Charlotte, N. C.
Oct. 20 (letter of notification) 10,500 shares of common stock (par $5), and 2,500 shares of 6% cumulative preferred stock (par $50). **Price**—$12 per share for common and $50 per share for preferred. **Proceeds**—For operating capital. **Office**—1625 West Morehead St., Charlotte, N. C. **Underwriter**—None.

★ State Street Investment Corp., Boston, Mass. (11/5)
Oct. 24 filed 180,556 shares of capital stock (no par) to be offered for subscription by stockholders of record Nov. 5, 1952, at rate of one new share for each 10 shares held. **Price**—At net asset value in effect when properly executed subscription warrants are received from stockholders. **Proceeds**—For investment. **Underwriter**—None.

Streeter-Amet Co., Chicago, Ill.
Aug. 27 (letter of notification) 2,367 shares of common stock (par $50) to be offered for subscription by common stockholders at rate of one new share for each four shares held. **Price**—$100 per share. **Proceeds**—To increase equity capital to take care of increased business and increased costs. **Office**—4101 Ravenswood Avenue, Chicago 13, Ill. **Underwriter**—None.

★ Suburban Propane Gas Corp. (11/20)
Oct. 24 filed 70,000 shares of cumulative convertible preferred stock (par $50 — convertible before Dec. 1, 1962). **Price**—To be supplied by amendment. **Proceeds**—For working capital for development and expansion of company's business. **Business**—Distribution and sale of gases. **Underwriter**—Eastman, Dillion & Co., New York.

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**—Probaby some time in October.

★ Tappan Stove Co., Mansfield, Ohio
Oct. 20 (letter of notification) 5,000 shares of capital stock (par $5). **Price**—At market (estimated at $19 per share). **Proceeds**—To reimburse company for purchase of said shares under the company's Employees' Profit Sharing and Retirement Fund through Citizens National Bank & Trust Co.

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.

★ Thurston Chemical Co., Joplin, Mo. (11/18)
Oct. 24 filed 40,000 shares of 5½% cumulative preferred stock (par $25) and 84,130 shares of common stock (par $5), the latter to be sold for the account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—From sale of preferred, for plant additions and working capital. **Business**—Manufacture and distribution of fertilizers. **Underwriter**—Stern Bros. & Co., Kansas City, Mo.

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.

★Trad Television Corp.
Oct. 20 (letter of notification) 50,000 shares of common stock (par one cent). **Price**—At market (around 35 cents per share). **Proceeds**—To Robert Edwards, a Vice-President. **Underwriter**—Tellier & Co., New York.

Transcontinental Oil Corp., Dallas, Tex.
Oct. 14 (letter of notification) 60,000 shares of common stock (par 25 cents). **Price**—At market (approximately $1.37½ per share). **Proceeds**—To C. J. Simpson, the selling stockholder. **Underwriters**—Bonner & Bonner, Inc., New York; and Lynch, Allen & Co., Inc., Dallas, Tex.

United Gas Corp., Shreveport, La. (11/17)
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 on or about Nov. 17; with rights to expire Dec. 3. **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.

Universal Gas & Oil Corp., N. Y.
Oct. 17 (letter of notification) 295,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For liquidation of an indebtedness of $95,000 and for working capital. **Underwriter**—Frank M. Cryan & Co., New York.

Utana Basins Oil Co., Salt Lake City, Utah.
Oct. 16 (letter of notification) 2,300,000 shares of common stock (par one cent), of which 300,000 shares will be reserved for option to underwriters. **Price**—5½ cents per share. **Proceeds**—To drill wells. **Office**—509 Atlas Bldg., Salt Lake City, Utah. **Underwriters** — W. D. Nebeker & Co. and A. P. Kibbe & Co., both of Salt Lake City.

★ Victoria Copper Zinc Mines Ltd., Montreal, Canada
Oct. 22 filed 1,050,000 shares of common stock. **Price**—To be taken down in 10 blocks ranging from 50,000 to 200,000 shares at prices ranging from 15 cents to $1 per share. Estimated public offering prices range from 35 cents to $1.50 per share. **Proceeds**—For mining operations. **Underwriter**—Jack Rogers, of Montreal, Canada, who is the "optionee" of the stock to be taken down.

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.

Vitro Manufacturing Co., Pittsburgh, Pa.
Oct. 15 (letter of notification) 2,500 shares of common stock (par 50 cents). **Price**—At market (estimated at $11.50 per share). **Proceeds**—To Charles S. Payson, the selling stockholder. **Underwriter** — Blyth & Co., Inc., New York. No public offer planned.

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, Peirce, Fenner & Beane, Milwaukee, Wis. No general public offering made.

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.

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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. **Offering**—Expected today (Oct. 30).

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.

Wyoming National Oil Co., Inc., Denver, Colo.
Oct. 10 (letter of notification) 500,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—To drill and equip wells. **Underwriter** — R. L. Hughes & Co., Denver, Colo.

Prospective Offerings

Aluminium Ltd.
Oct. 15 directors expected that additional financing will be undertaken in 1953 to meet the major part of the increase in the estimated cost of the expansion program. The First Boston Corp., and A. E. Ames & Co., Ltd., acted as dealer-managers in stock offering to stockholders in Oct. 1951.

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.

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 Hudson Gas & Electric Corp.
Oct. 20 filed with New York P. S. Commission for permission to issue and sell $6,000,000 first mortgage bonds, the proceeds to be used for new construction. Latest bond financing was done privately in March, 1951, through Kidder, Peabody & Co., New York.

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.

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. Awarded to Blyth & Co., Inc., on Oct. 29 on a bid of 94.47%. Public offering planned at 94.636%.

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 & Trust Co., Evanston, Ill.
Oct. 15 it was announced stockholders will vote Oct. 28 on approving a proposal involving an offering of 25,000 additional shares of capital stock (par $20) to stockholders on a share-for-share basis. Rights will expire on Nov. 18. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

★ **Franklin National Bank, Franklin Square, N. Y.**
Oct. 21 the Bank offered stockholders 33,700 additional shares of capital stock (par $10) at the rate of one share for each ten shares held (with an oversubscription privilege); rights to expire Nov. 7. **Price**—$44 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blair, Rollins & Co., Inc., New York.

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.

● **Garrett Freightlines, Inc. (11/6)**
Oct. 17 it was announced company has applied to ICC for authority to issue and sell $1,100,000 6% convertible debentures due 1967. **Price**—At par. **Proceeds**—To retire outstanding debentures and preferred stock and for new equipment and working capital. **Underwriter**—Allen & Co., New York; Peters, Writer & Christenson, Denver, Colo.; and Edward D. Jones & Co., St. Louis, Mo.

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.

Hibernia National Bank, New Orleans, La. (11/6)
Oct. 17 it was announced that Bank proposes to offer for subscription by stockholders of record Nov. 6 a total of 25,000 additional shares of common stock (par $20) at the rate of one new share for each four shares held; rights to expire on Nov. 21. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Scharff & Jones, Inc. and White, Hattier & Sanford, both of New Orleans, La.

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.

★ **Magma Copper Co.**
Oct. 28 it was announced company intends to offer as soon as possible to its stockholders sufficient presently authorized but unissued shares of its capital stock to yield at least $6,000,000 in proceeds to the company. The number of shares which will be issued and the offering price are not now known and will depend upon the market price at the time of the offering. **Proceeds**—For expansion of San Manuel mine or for working capital. **Underwriter**—Lazard Freres & Co., New York.

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 England Telephone & Telegraph Co. (12/9)
Oct. 21 company announced it plans to issue and sell an issue of $20,000,000 of 25-year debentures. **Proceeds**—To repay bank loans, etc. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively expected to be received on Dec. 9.

New England Telephone & Telegraph Co.
Oct. 21 directors authorized an offering to stockholders of 232,558 additional shares of capital stock at the rate of one new share for each 10 shares held. **Price**—At par ($100 per share). **Proceeds** — For repayment of bank loans, etc. **Underwriter**—None. American Telephone & Telegraph Co. holds about 70% of the presently outstanding capital stock.

New Orleans Public Service Inc. (12/15)
July 24 company announced plans to issue and sell $8,000,000 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.

★ **New York, Chicago & St. Louis RR. (12/3)**
Bids are expected to be received by the company on Dec. 3 for the purchase from it of $2,430,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler.

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.

Continued on page 50

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Continued from page 49

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.

★ Ohio Power Co. (1/20/53)
Oct. 28 it was reported company plans to issue and sell $22,000,000 of first mortgage bonds and 100,000 shares of preferred stock (par $100). **Proceeds** — To repay bank loans and for new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: (1) For bonds, Halsey, Stuart & Co., Inc.; The First Boston Corp.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., Harriman Ripley & Co., Inc. and Stone & Webster Securities Corp. (jointly). (2) For preferred stock, Blyth & Co., Inc.; Dillon, Read & Co., Inc. **Bids**—Tentatively expected to be received on Jan. 20.

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 Gas & Electric Co. (11/6)
Oct. 21 it was announced that North American Co. plans to sell 78,684 shares of common stock (par $25) of Pacific Gas which it received upon dissolution of a former subsidiary. **Underwriters**—To be determined by competitive bidding. Probable bidders may include Blyth & Co., Inc. and Dean Witter & Co. (jointly); Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane (jointly): The First Boston Corp.; Kidder, Peabody & Co., Hallgarten & Co. and R. W. Pressprich & Co. (jointly).

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.

★ Pan-American Sulphur Co., Dallas, Tex.
Oct. 23, J. R. Patten, President, said that it is planned to float an issue of about $3,000,000 of common stock (probably around 400,000 shares). **Price**—About $7 per share. **Proceeds** — For construction program. **Underwriters**—Kuhn, Loeb & Co. and Carl M. Loeb, Rhoades & Co., both of New York.

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.

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.
Oct. 28 it was announced company plans to issue and sell a total of $101,758,900 of new convertible subordinated debentures, which are first to be offered for subscription to comon stockholders at rate of $100 of debentures for each 12 shares of stock held. **Price**—To be determined at a later date. **Proceeds**—To retire $40,000,000 of bank loans and for expansion program. **Offering**—Expected some time in January. **Registration**—Expected after Dec. 18. **Underwriters**—Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

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.
Oct. 16 it was announced stockholders will vote Nov. 21 on approving a proposal to issue up to $89,643,000 of refunding bonds to provide funds to refund a like amount of bonds which mature up to and including Nov. 1, 1956. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & 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.
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.

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.

★ Union Bag & Paper Corp.
Oct. 28 it was announced company is planning to file with SEC a registration statement in near future covering an offering to its stockholders of approximately 250,000 shares of its capital stock. **Proceeds**—For working capital. **Underwriter**—Details of financing are being discussed with Morgan Stanley & Co., New York. **Offering**—Expected to commence near the end of November.

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 on a 1-for-20 basis. **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.

Continued from page 8

Dealer-Broker Investment Recommendations & Literature

Kropp Forge Company—Bulletin—O. B. Motter & Associates, 500 Fifth Avenue, New York 36, N. Y.

Glenn L. Martin Company—Analysis—Dempsey & Company, 135 South La Salle Street, Chicago 3, Ill.

Mining Corp. — Memorandum — L. S. Jackson & Co., 132 St. James Street, West, Montreal, Que, Canada.

Pacific Power & Light—Memorandum—A. C. Allyn & Co., 100 West Monroe Street, Chicago 3, Ill. Also available is a memorandum on **Wisconsin Power & Light.**

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

Rochester Gas & Electric — Bulletin — Goodbody & Co., 155 Broadway, New York 6, N. Y. Also available are bulletins on **Capital Airlines** and **American Cyanamid.**

Scurry Oils — Memorandum — Newling & Co., 80 Richmond Street, West, Toronto, Ont., Canada.

Southeastern Public Service—New circular—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Super Cold Corporation—Analysis—Lewis & Stoehr, Inc., 80 Broad Street, New York 4, N. Y.

Trans Mountain Pipe Line — Memorandum — Greenshields & Co., Aldred Building, Montreal, Que., Canada.

Union Gas of Canada Ltd.—Memorandum—McCuaig Bros. & Co., 276 St. James Street, Montreal, Que., Canada.

Vanadium Corporation of America—Analysis—American Securities Corporation, 25 Broad Street, New York 4, N. Y.

Washington Water Power Company — Analysis — Freehling, Meyeroff & Co., 120 South La Salle Street, Chicago 3, Ill.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Up to this writing the market has managed to preserve most of last week's rise; at least that portion of it that came last Friday. Its halt at this point is, therefore, not surprising. As a matter of market behavior, it is likely that stocks will now go into another period of dullness out of which they'll break-out again.

* * *

The question is in which direction the break-out will be. To get the answer you'll have to wade through as many arguments for and against as the political candidates make in furthering their causes.

* * *

My guess is that the break-out will be on the upside with the negative stocks of the past few weeks in a dominant role. The chief contenders, in my opinion, will be the oils. As a supporting argument I note that a number of the oils have managed to rise a few points from their bottom prices and have held on to their gains. Another interesting sidelight is the increase in the dividend announced the other day by Warren Oil at a time when the trading fraternity were mentally prepared for a status quo.

* * *

How far the market will go if it does resume its advance is a moot point. The chief point of interest at this writing is the election. Most people seem to believe that whichever way it goes will be the starting gun for the market itself. Financial opinion prefers Eisenhower, so the assumption is that if he gets the nod, the market will stage a celebration.

* * *

But financial opinion isn't so naive that it hasn't prepared itself against a Stevenson victory. It's not exactly a secret that both major parties get financial contributions from the same sources, laws to the contrary notwithstanding. Such slogans as "Time to Make a Change," etc., make exciting chatter for the average voter, but don't blind industry to the essential end that whoever is in the White House is the one it will have to do business with.

* * *

After all this ring-around-the-rosy talk, my guess is that the market will do comparatively little no matter which candidate gets the nod. In the meantime, however, get excited as you wish about the elections but don't let your sentiments guide your market activities.

J. A. McManus Opens

Atlanta, Ga.—John A. McManus is engaging in a securities business from offices at 1444 Fairview Road, Northeast.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Herbert S. Goodman has become affiliated with King Merritt & Co., Inc.

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Continued Bright Outlook Seen for Rails

Better grade rail stocks still appear reasonably priced relative to earnings, and further dividend increases seem probable, according to the United Business Service.

The Service points out that the current business upswing is producing notable gains in rail earnings. Profits are being aided by increased freight traffic, rail rate increases, savings from dieselization, and the relative stability in wages. Full-year rail profits promise to approach $740 million against $693 million in 1951.

The 1953 outlook suggests another relatively good year for the major carriers. Continued high defense outlays will support overall purchasing power and maintain activity in the heavy industries so essential to rail traffic. The easing of world commodity prices promises diminution, if not an end, of inflation which has so often tripped up rail profits in the past. Rail wages are now tied to the cost of living and contracts cannot be reopened until next October.

Barring another period of severe labor unrest, this set of conditions should enable the rails to capitalize on improvements being made in operating efficiency. Full benefits of dieselization are still to be realized in most cases. Modernization of yards and terminals is only beginning and should lead to large savings, including greater utilization of freight cars.

The poor condition of passenger revenues is admittedly a bearish factor. On the other hand, legislative proposals being shaped by investor and transportation groups may have favorable longer pull effects in this field. Proposed changes that would aid the railroads include (1) shorten the lag between cost and rate changes to 30 days, (2) give the ICC power to overrule state bodies on service abandonments, and (3) reassess the extent of Government subsidies for competitors.

With Hooper-Kimball

(Special to The Financial Chronicle)

BOSTON, Mass.—Richard Vallon has been added to the staff of Hooper-Kimball, Inc., 50 Congress Street.

With Merrill Lynch

(Special to The Financial Chronicle)

DETROIT, Mich. — Lawrence Slade is now connected with Merrill Lynch, Pierce, Fenner & Beane, Congress & Shelby Streets.

DIVIDEND NOTICE

pf

PACIFIC FINANCE CORPORATION

DIVIDEND NOTICE

A regular quarterly dividend of 50 cents per share on the common stock ($10 par value), payable December 1, 1952, to stockholders of record November 15, 1952, was declared by the Board of Directors on Oct. 22, 1952.

B. C. REYNOLDS, *Secretary*

SITUATION WANTED

TRADER

Over-the-counter trader with 24 years of trading background seeks position and would entertain out of town proposition. Box K 1023, Commercial & Financial Chronicle, 25 Park Place, New York 7, N. Y.

Now Woodward & Zuber

TUCSON, Ariz.—The firm name of Woodward, Rogers & Zuber, 22 East Alameda Street, has been changed to Woodward & Zuber.

DIVIDEND NOTICES

AMERICAN GAS AND ELECTRIC COMPANY

Common Stock Dividend

A regular quarterly dividend of seventy-five cents (75c) per share on the Common capital stock of the Company issued and outstanding in the hands of the public has been declared payable December 10, 1952, to the holders of record at the close of business November 10 1952.

W. J. ROSE, Secretary.

October 29, 1952.

The American Tobacco Company

111 Fifth Avenue New York 3, N. Y.

189th Common Dividend

A regular dividend of Seventy-five Cents (75¢) per share has been declared upon the Common Stock of The American Tobacco Company, payable in cash on December 1, 1952, to stockholders of record at the close of business November 10, 1952. Checks will be mailed.

Harry L. Hilyard, *Treasurer*

October 28, 1952

ALUMINIUM LIMITED

DIVIDEND NOTICE

On October 15, 1952, a quarterly dividend of fifty cents per share in U. S. currency was declared on the no par value shares of this Company payable December 5, 1952, to shareholders of record at the close of business November 7, 1952.

Montreal JAMES A. DULLEA
October 15, 1952 *Secretary*

AMERICAN & FOREIGN POWER COMPANY INC.

Two Rector Street, New York 6, N. Y.

Record and Payment Dates of Dividend

The Board of Directors of the Company, on August 26, 1952, declared a dividend of 10¢ per share in cash and 1 share of common stock for each 100 shares of common stock held, payment of both subject to Securities and Exchange Commission approval of the issuance of the additional stock. Such approval having been obtained, the Board of Directors of the Company, at a meeting held on October 24, 1952, set the close of business on November 5, 1952 as the record date and December 5, 1952 as the payment date for the combined cash and stock dividend. Scrip or fractional shares will be handled by the sale, without charge to the stockholder, of the corresponding number of full shares and the distribution of the cash proceeds. In addition, stockholders receiving only 1 to 5 shares inclusive may have the same sold for their account, as part of a round lot, through Bankers Trust Company, the Company's dividend agent.

H. W. BALGOOYEN, Secretary

October 24, 1952.

Burroughs

210TH AND 211TH CONSECUTIVE CASH DIVIDEND

A quarterly dividend of twenty cents ($.20) a share and an extra dividend of ten cents ($.10) a share have been declared upon the stock of BURROUGHS ADDING MACHINE COMPANY, payable Dec. 10, 1952, to shareholders of record at the close of business Nov. 14, 1952.

Detroit, Michigan Sheldon F. Hall,
October 24, 1952. *Secretary*

DIVIDEND NOTICES

CREPED PAPERS • GIFT WRAPPINGS • MARKING DEVICES • GUMMED PAPERS • LABELS • SEALS • TAGS • JEWELRY BOXES • COMMERCIAL BOXES

DIVIDEND NOTICES

Debenture: The regular quarterly dividend of $2.00 per share on the Debenture Stock will be paid Dec. 3, 1952, to stockholders of record Nov. 10, 1952.

"A" Common and Voting Common: A quarterly dividend of 30 cents per share on the "A" Common and Voting Common Stocks will be paid Dec. 3, 1952, to stockholders of record Nov. 10, 1952.

A. B. Newhall, *Treasurer*

Dennison Manufacturing Co.

Framingham Mass.

108th year

IOWA SOUTHERN UTILITIES COMPANY

DIVIDEND NOTICE

The Board of Directors has declared the following regular quarterly dividends:

35⅝ cents per share on its 4¾% Preferred Stock ($30 par)

44 cents per share on its $1.76 Conv. Preferred Stock ($30 par)

30 cents per share on its Common Stock ($15 par)

all dividends payable December 1, 1952, to stockholders of record November 15, 1952.

EDWARD L. SHUTTS,
October 27, 1952 *President.*

Hooker Electrochemical Company

$4.25 Cumulative Preferred Stock Dividend

The Board of Directors of Hooker Electrochemical Company on October 22, 1952 declared a quarterly dividend of $1.0625 per share on its $4.25 Cumulative Preferred Stock, payable December 24, 1952 to stockholders of record as of the close of business December 2, 1952.

Common Stock Dividend

The Board of Directors of Hooker Electrochemical Company on October 22, 1952 declared a quarterly dividend of Fifty Cents ($.50) per share on its Common Stock, payable November 26, 1952 to stockholders of record as of the close of business November 3, 1952.

ANSLEY WILCOX 2nd
Secretary

HOOKER CHEMICALS

Public Service Electric and Gas Company

NEWARK, N. J.

QUARTERLY DIVIDENDS

Dividends of $1.02 a share on the 4.08% Cumulative Preferred Stock, $1.17½ a share on the 4.70% Cumulative Preferred Stock, and 35 cents a share on the $1.40 Dividend Preference Common Stock have been declared for the quarter ending December 31, 1952, all payable on or before December 23, 1952 to holders of record at the close of business on November 28, 1952.

GEORGE H. BLAKE
President

NJ PUBLIC SERVICE
CROSSROADS OF THE EAST

DIVIDEND NOTICES

UNITED STATES LINES COMPANY

Common Stock DIVIDEND

The Board of Directors has authorized the payment of a quarterly dividend of fifty cents ($.50) per share payable December 5, 1952, to holders of Common Stock of record November 21, 1952, who on that date hold regularly issued Common Stock ($1.00 par) of this Company.

CHAS. F. BRADLEY, *Secretary*

One Broadway, New York 4, N. Y.

NATIONAL DISTILLERS PRODUCTS CORPORATION

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 25c per share on the outstanding Common Stock, payable on December 1, 1952, to stockholders of record on November 12, 1952. The transfer books will not close.

THOS. A. CLARK
October 23, 1952. Treasurer

SOCONY-VACUUM OIL COMPANY

INCORPORATED

Dividend No. 167

October 28, 1952

The Board of Directors today declared a quarterly dividend of 50¢ per share on the outstanding capital stock of this Company, payable December 10, 1952, to stockholders of record at the close of business November 7, 1952.

W. D. Bickham, *Secretary*

Southern Railway Company

DIVIDEND NOTICE

New York, October 28, 1952.

A dividend of One dollar and twenty-five cents ($1.25) per share on the Preferred Stock of Southern Railway Company has today been declared, payable December 15, 1952, to stockholders of record at the close of business November 14, 1952.

A dividend of One dollar ($1.00) per share on 1,298,200 shares of Common Stock without par value of Southern Railway Company has today been declared out of the surplus of net profits of the Company for the fiscal year ended December 31, 1951, payable December 15, 1952, to stockholders of record at the close of business November 14, 1952.

J. J. MAHER, *Secretary.*

DIVIDEND NOTICES

Wichita River Oil Corporation

On October 24, 1952, at a special meeting of the Board of Directors of Wichita River Oil Corporation, a dividend of Ten Cents (10¢) per share on the new $1.00 par value Common Capital Stock of the Corporation was declared payable on January 7, 1953, to stockholders of record at the close of business on December 12, 1952.

Joseph F. Martin,
President.

WEST INDIES SUGAR CORPORATION

60 E. 42nd Street, New York 17, N. Y.

COMMON DIVIDEND No. 29

The Board of Directors has this day declared a quarterly dividend of seventy-five cents (75¢) per share, payable on December 15, 1952 to stockholders of record, December 1, 1952.

CHARLES D. BROWN, JR., *Secretary*

October 28, 1952

UNION CARBIDE AND CARBON CORPORATION

A quarterly dividend of fifty cents (50¢) per share and a special dividend of fifty cents (50¢) per share have been declared on the outstanding capital stock of this Corporation. These dividends, totaling one dollar ($1.00) per share, are payable in cash December 1, 1952 to stockholders of record at the close of business November 7, 1952.

KENNETH H. HANNAN,
Secretary and Treasurer

SOUTHERN NATURAL GAS COMPANY

Birmingham, Alabama

Common Stock Dividend No. 55

A dividend of 35 cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable December 12, 1952 to stockholders of record at the close of business on November 28, 1952.

The above dividend is payable on the total number of shares to be outstanding on the record date, giving effect to the distribution of one additional share for each share outstanding on November 5, 1952. Certificates for such additional shares will be mailed commencing November 7, 1952.

H. D. McHENRY,
Secretary.

Dated: October 25, 1952.

Common and Preferred DIVIDEND NOTICE

October 22, 1952

The Board of Directors of the Company has declared the following dividends, all payable on December 1, 1952, to stockholders of record at the close of business October 31, 1952:

Security	Amount per Share
Preferred Stock, 5.50% First Preferred Series	$1.45*
Preferred Stock, 4.75% Convertible Series	$1.18¾
Preferred Stock, 4.50% Convertible Series	$1.12½
Common Stock	$0.25

*Period from August 26, 1952.

Secretary

TEXAS EASTERN *Transmission Corporation*

SHREVEPORT LOUISIANA

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Despite the sound and fury of the campaign battle over foreign policy, it is very likely, in the opinion of informed observers, that the incoming President may find that when he takes the oath of office Jan. 20 that the initiative about changing or backing the present foreign policy has been very largely taken from his hands by events in Europe.

Earlier this year the United States agreed to a two-part deal in Europe. One part consisted of the "Contractual Agreements" which in effect constituted a peace treaty between the United States and free Europe, on the one hand, and Germany on the other.

There agreements, with reservations, establish the sovereignty of the Western German Republic. It is under those agreements that the United States and Germany have exchanged or re-established diplomatic missions.

In effect Great Britain also has approved this deal, leaving France, Germany herself, and the rest of Western Europe yet to formally clinch the agreements through ratification by their respective Parliaments.

France has yet to ratify this agreement, and is purposefully holding off until after the U. S. election. Consideration is slated tentatively to come up in the French Parliament the latter part of November. France and Germany, however, probably cannot be counted upon to ratify these agreements for sure until the question of the disposition of the Saar has been settled satisfactorily between the two.

Another part of the two-part deal in Europe, which the United States Senate quickly approved at the behest of the Truman Administration, provided for the re-arming of Germany. That is to say, it set up the scheme for German troops to be incorporated into the European Defense Community.

In theory the U. S. political debate upon foreign policy has been carried on as though the power of decision might lie in the hands of the U. S. Administration and Congress.

Actually, say foreign observers, the possibilities range from an almost forced re-affirmation by the United States of the Truman-Acheson foreign policy to a break down of the collective security bound up in NATO and the European Defense Community.

France will fail to agree to the re-armament of Germany in any form unless the United States sweetens the kitty very handsomely. This sweetening would take the form of a new big fat hunk of economic aid to France, direct or in the indirect form of heavy orders for Franch military equipment. It would probably also involve additional commitments by the United States to give military help to France in one form or another.

To get France also to reach an agreed settlement with Germany on the question of the Saar, a settlement which would make it possible for Germany to ratify the two-package deal, also will probably carry an additional price tag which, however devious, will result in an outpouring from the U. S. Treasury.

Hence if the new President should feel skeptical of the course of the Truman-Acheson "give-away" foreign policy, and want to modify it somewhat, he may find that he is faced with the alternative of recommending more U. S. spending and more commitments, or facing the virtual total collapse of the whole collective security program.

For if France and Germany fail to go along, the whole thing will be a dead duck and Italy, Denmark, and all the lesser countries will recognize the situation as such and just not bother to ratify the deal.

England already is pulling back from its commitments to help defend Europe. If France and Germany will not go along, the entire NATO concept, already almost moribund, will be so demonstrably dead that even an eighth grader will understand this is so, and the foreign policy debate in the U. S. will become academic.

Should the American people elect a President who generally is committed, as is Gov. Stevenson, to the present foreign policy, the call which France will make might prove most embarrassing. Unless the electors sweep out the conservatives and skeptics of the foreign policy, Stevenson if President might find it extremely difficult to persuade Congress to pay off the French to keep the game going.

Futhermore, the crisis might even be presented to the United States before the new Administration can be inaugurated.

Invent New Definition Of Spending

It remained for the Federal National Mortgage Association to invent a new way to explain an expenditure.

FNMA is the agency which is engaged in buying mortgages for defense and other purposes to keep the supply of money going for building operations under the low rates of interest the government insists upon sticking to for its subsidized housing programs.

When FNMA buys a mortgage, it spends direct Treasury money. When it sells a mortgage, the proceeds become a receipt of the Treasury.

Its mortgage operations, said FNMA, during September "resulted in a net decrease of $45,-000,000 during the month in the Government's uncommitted funds in its secondary market operations."

In other words, the U. S. Treasury was poorer by $45 million.

Appraise Construction Outlook

After conferring with all the elements that go to make up the construction business, the Construction and Civic Development Department of the Chamber of Commerce of the United States has come forth with a detailed appraisal of the construction outlook of 1953.

Volume. It was assumed that the country's general economic activity will follow the pattern now established of adding the requirements of a large defense program upon an active civilian demand.

Despite the fact that new family formation will run at a rate of only 600,000 to 800,000 in 1953 compared with an average of 1.4 million from 1948 through 1950, "the indications are that the drop in new housing will be much less than the drop in new households," the Chamber observed. "The 1953 total of new housing starts seems not likely to fall below 900,000 family units."

Public construction for 1952, at close to $11 billion, probably should remain at approximately the same level of 1953, in the opinion of the Chamber of Commerce. There will be some decline in public housing construction, however.

With the probable release from controls next year of private, commercial, recreational, and institutional building, this field will help sustain total construction volume, it was indicated.

Materials. "For the year as a whole, it appears certain that building will proceed with less hampering on the materials front than has been possible since 1949; and it can probably be safely assumed that this whole area of control will exercise a minor, if any, influence on next year's business," said this study.

Credit. Suspension and probable demise of Regulation X is expected, the Chamber of Commerce indicated, to give quite a stimulus to loans to finance commercial construction, hitherto tied to a maximum loan of 50% of the value.

"Commercial building loans are ordinarily attractive to life insurance companies, which find their yields attractive and their servicing economical. Such loans should be attractive in 1953 for a number of other reason: The impending decline in demand for loans for industrial expansion; the probable retention of interest rate restrictions on government insured or guaranteed loans," observed the Chamber.

With the complete removal of controls on conventional mortgage lending, this may revive the use of second mortgage lending and speed up the hitherto lagging sales of high-priced homes it was suggested.

Will Hit FHA And VA Loans

Despite the removal of down payment requirements on smaller VA loans and lessening of down payments for FHA's, the business of government-guaranteed and insured mortgage lending is slipping in volume because of the increasingly unattractive rate rigidly frozen at 4% on the former and 4¼% on the latter, in the opinion of the Chamber of Commerce.

"At the present time there is no prospect either that the government agencies will recede from their stubborn position on interest rates or that the Federal Reserve Board will permit a resumption of the easy money policy that made the fixed rates tolerable," it was stated. "Under these circumstances, it appears unlikely that the government-aided programs will provide any special stimulus to the 1953 market."

In 1950, FHA accounted for 36% of loans on new houses and VA, 15%. The 1952 proportions, the Chamber of Commerce estimated, will be, respectively, about 25% and 11 or 12%. In 1953 these agencies' shares of the new home financing will be about the same as in 1952, it was predicted.

(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

"Snitzel, it's 'May I help you, sir,' and NOT 'What's your bellyache, Buster'!"

Mutual Bank Deposits Now Top $22 Billion

Deposit gain in first three-quarters of 1952 was $1,270 million, or 119% greater than that of same period of 1951. Banks' holdings of mortgage loans increased over a billion dollars in the nine months' period.

According to Robert M. Catharine, President of the National Association of Mutual Savings Banks and President, Dollar Savings Bank of the City of New York, deposits in the 529 mutual savings banks of the nation rose $1,270,000,000 during the first nine months of 1952, to reach a new high of $22,170,000,000 on Sept. 30. The deposit gain was 119 per cent more than the $581,000,-000 increase reported for the same period of 1951.

Robert M. Catharine

Continuing the substantial gains recorded in every month this year the savings banks showed a deposit increase of $185,000,000 during September. This compares with a rise of $84,000,000 in September, 1951.

To date this year amounts deposited in regular savings accounts are 12% higher than a year ago, while withdrawals have fallen off 2%. Three-fourths of the deposit gain this year, in contrast to one-half in the first nine months of 1951, is the result of new money received from depositors as distinguished from interest - dividends credited to their accounts.

"The record gains in deposits experienced by the mutual savings banks during 1952 have proved an effective brake on the inflationary threat to our economy. It is significant that in unsettled times such as these so many thousands of people are again turning to these time-tested thrift institutions to protect their savings," Mr. Catharine said.

Over the first nine months, the savings banks increased their holdings of mortgage loans by $1,043,000,000 and of corporate and municipal securities by $510,-000,000, while reducing their U. S. Government bond portfolio by $141,000,000. On Sept. 30, mortgage holdings had reached $10,-789,000,000, or 43.3% of assets, while holdings of U. S. governments stood at $9,687,000,000, or 38.9% of assets.

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